Transparency of the origin of hides & skins

VS/2011/0145

European Report

Acknowledgements

COTANCE would like to thank ETUF:TCL, its Social Partner and partner in this EU sponsored project for the excellent cooperation throughout the initiative. Animated by the same spirit of service to the sector, its companies and its workforce, both sides of the European Leather Industry have undertaken in perfect social dialogue at all levels and with the active support of its members a cutting edge exercise of research, analysis and exchange in the area of Transparency and Traceability in the hides and skin supply chain. This provides the industry with the necessary intelligence for taking further action in this important area of the sector's sustainable development.

The partners of this project express their gratitude in particular to all companies and worker representatives that have offered their support and contribution to the development of all activities.

Finally, COTANCE and ETUF:TCL thank the European Commission and in particular the Directorate General for Social Affairs for the financial support received for the development of this project.

Background

Although Leather, as a material, displays an extraordinary appeal in people, it is a fact that Tanning still evokes in the general public an image of dirt, stench, pollution, labour abuse or cruelty to animals, notably because of campaigns of activist movements seeking visibility. For such movements the aim is more important than the means. Allegations made in the pursuit of an objective are often biased, false or misleading with regard to the European situation, but sadly evidence indicates also that there are serious problems in certain quarters of the industry, notably in low-cost countries. Low-cost is often synonymous with low social & environmental standards.

Media titles such as “Poison in Leather” or “Worst polluting industry” predispose consumers against the choice for leather. The damage that this state of affairs causes to the Leather industry affects European Companies and Workers alike. Their beneficial role in and contribution to Society is not recognised, and worse, it is often discredited.

The European leather industry is a victim of the image conveyed by such activist organisations and the media. It may well be that not all tanneries in Europe have reached the highest standards in all aspects of sustainable development and that here or there improvements could be necessary or desirable. Collectively, however, Europe’s leather industry holds worldwide leadership in terms of social and environmental performance, and more generally, in its CSR values, principles and practices.

Introduction

COTANCE and ETUF:TCL have been addressing the image of the leather industry in a number of joint projects launched since the turn of the Millennium as part of their Social Dialogue Work Programme.

Why Transparency & Traceability in the hides & skins supply chain? What is the link to the image of the leather sector?

Tanners recover a residue of production from a different industry and transform it into a working material with unique properties and attractive appeal. It is the dietary habits of the people on the planet that drive the production of the raw materials for the tanning industry. Animals are slaughtered for the production of meat and no animal would be saved from being slaughtered were there no demand for leather. Hides and skins are by-products and tanners have little or no influence on the policies and practices upstream of leather production.

However, people, notably in mature economies, increasingly want to know how the products they consume perform in terms of social, environmental and other ethical aspects; and this applies throughout the life-cycle of the product, from “cradle to grave”.

Although the leather industry’s system boundaries start with the generation of the hides and skins when animals are flayed in the slaughterhouse, people logically make the link between the animal skin and leather and associate animal breeding with leather production.

There are certain aspects of animal breeding preceding the life-cycle starting point of hides & skins that raise concern in society. These aspects concern classical social & environmental issues such as the respect of core labour standards and the responsible use of natural resources, but also, more recently, animal welfare issues such as correct husbandry practices, animal transport and humane slaughter methods.

Bad practices in farms, during the transport of animals and at the time of slaughter are unfortunately put on the shoulders of the leather industry when targeted by animal activist organisations without scruples, spreading false information that these practices exist due to the fact that leather is produced and consumed.

Fortunately, Europe disposes a legislative framework that ensures that bad practices in agriculture and the meat industry are, if they occur, an exception. Yet this is not necessarily the case in other countries and notably in the developing world where production of meat has seen an exponential growth compared to industrialised countries.

According to FAO figures, developing countries surpassed developed countries in the production of bovine hides in the late 1990s and in the production of sheep and goatskins in the early 2000s. And there are countries where notable shortcomings in the area of animal welfare and hide and skin production feature systematically in the media.

European tanners who source supplies from foreign countries are increasingly exposed to the risk of being publicly stigmatised for issues that are beyond their control.

The European Social Partners decided in 2011 to develop together a project in this area for examining

- the effects of media news on the image of the industry,
- the technical means available for identifying the origin of the raw materials, and
- the opinion of the sector for developing instruments that should shelter European tanners and their human resources from unjustified attacks.

The overall aim is to provide both sides of the industry with intelligence for understanding the issue and elaborating for the attention of the Social Partners of the European Leather Industry the Recommendations for further action in this field.

The present Report brings the analysis and interpretation of the responses given by a representative sample from the European Tanning industry in a survey on the key issues regarding Transparency & Traceability for European tanners.

Part I: The sample

In the framework of the project COTANCE was to run a consultation of tanners in 12 EU member States.

A questionnaire was agreed by the European Social Partners (Annexe 1) and translated into the different languages of the countries participating in the initiative.

The National Leather Trade Associations of the 12 participating countries were then invited to perform the consultation of their constituency by composing a representative sample.

Country	IT	ES	FR	UK	DE	RO	SE	NL	PT	BG	LT	TOTAL
Number of respondents	12	11	12	5	7	7	4	4	10	2	1	**75**
% of national production	10%	22%	60%	65%	60%	23%	100%	80%		40%	80%	
Coefficient EU	15	4	2	2	2	1	1	1	1	0,5	0,5	**30**

The survey was performed in early 2012.

75 companies from 11 EU member States provided feedback.

The National responses were then analysed in a specific National Report.

Where appropriate, for analysing the data at European level the various National responses were weighted against the relative importance of the National sectors through the attribution to each country of a coefficient reflecting their specific weight.

Tanners were also invited to identify the sector of destination of their leather so as to evaluate the coherence of the sample with regard to the sector as a whole.

Country	IT	ES	FR	UK	DE	RO	SE	NL	P	BG	LT	Total companies	% companies
Footwear	8	8	8	4	4	5	2	3	6	1	1	**50**	**66,7%**
Leathergoods	8	9	11	4	2	5	2	3	1	0	1	**46**	**61,3%**
Clothing/Gloves	3	6	6	3	1	5	2	1	2	1	0	**30**	**40,0%**
Furniture	2	2	3	0	3	1	2	2		0	0	**15**	**20,0%**
Automotive/aero	2	2	2	1	4	1	1	1	1	0	0	**15**	**20,0%**
Wetblue	0	0	0	1	1	1	0	2		1	1	**7**	**9,3%**
Other	1	2	9	2	2	5	2	0		0	0	**23**	**30,7%**

From the above Table it results that tanners generally supply more than only one market destination reflecting the reality on the ground.

The sample can be considered as representative of the European Leather Industry.

Part II: The Questions and Answers

Section 1. How much is the issue perceived as such by the industry?

A number of questions concerned consumer perception of leather/of tanners when confronted with issues of Social and Environmental Responsibility in connection with the origin of hides & skins, e.g. child labour, global warming, animal welfare…

The responses from European tanners provide, of course, a subjective view of consumer reactions to "scandal news" in hides and skins supply chains, because tanners have no direct relationship with them. Also, when responding, tanners may have quite different situations in mind. The picture that this set of questions will provide is not representative for a particular "scandal", but for a typical situation where "leather or tanners are being held responsible for something that, in principle and at present, is beyond their control".

Their opinion can be considered as indicative of the empathy that European tanners develop with the general public.

1.1. According to your experience, what type of news regarding the conditions of sourcing of hides and skins has what level of shocking potential for consumers?

The following Table brings the results expressed as a ranking:

Country	**IT**	**ES**	**FR**	**UK**	**DE**	**RO**	**SE**	**NL**	**PT**	**BG**	**LT**	**EU**
1.1. Shocking potential (Ranking)												
Child labour in connection with h & s	4	1	1	5	1	4	1	1	1	1	1	1
Unhealthy working conditions in slaughterhouses	5	3	3	4	6	3	4	2	3	5	2	3
Forced or Compulsory work in Farms	6	7	3	6	3	4	3	1	6	4	3	5
Rainforest deforestation	4	4	5	7	4	5	3	3	8	3	3	4
Chemical risks	2	5	6	6	6	1	5	4	7	2	3	3
Animal mistreatment at the farm	3	6	4	2	5	3	2	1	4	1	2	2
Animal mistreatment during transport	3	6	3	1	2	2	1	2	5	1	3	2
Non "humane" slaughter methods	1	2	2	3	5	2	4	1	2	2	2	1

One can draw the following conclusions at European level:

1. Child labour in connection with hides and skins constitutes, together with non-"humane" slaughter methods, the issues that tanners consider to have the biggest shocking potential for consumers

2. These are followed by other issues related to animal welfare ranking 2nd, and Working conditions and Chemical risks ranking 3rd.

Clearly, tanners perceive as particularly shocking for consumers situations where defenceless beings, such as children or slaughter animals, are treated abusively in the context of an economic activity.

1.2 – 1.4. Do you think consumers care when the Media bring shocking stories about irresponsible behaviour of economic operators in terms of Social or Environmental aspects in supply chains?

European tanners were asked to indicate, how deep they think is the negative impression left in the memory of consumers, if they answer was "They care".

If they answer was "They care and remember", they were asked further to indicate what kind of reaction they think consumers of leather products could have.

1.2. Perception of how consumers care (% of respondents)	**IT**	**ES**	**FR**	**UK**	**DE**	**RO**	**SE**	**NL**	**PT**	**BG**	**LT**	**EU (Average)**
They care	83,3	90,9	83,3	60,0	85,7	57,1	100,0	100,0	40,0	50,0	100,0	77,3
1.3. Perception of how deep the negative impression is in the mind of consumers(% of respondents)	**IT**	**ES**	**FR**	**UK**	**DE**	**RO**	**SE**	**NL**	**PT**	**BG**	**Lt**	**EU (Average)**
They care and forget	100,0	18,2	16,7	60,0	42,9	28,6	25,0	25,0	10,0	0,0	100,0	38,8
They care and remember		72,7	50,0		42,9	28,6	75,0	50,0	30,0	50,0		36,3
1.4. Perception of how consumers react (% of respondents thinking that consumers keep in the memory the negative impression)	**IT**	**ES**	**FR**	**UK**	**DE**	**RO**	**SE**	**NL**	**PT**	**BG**	**LT**	**EU (Average)**
They try to get assurances		50,0	57,1		33,3	100,0	100,0	100,0	100,0	100,0		64,0
They boycot leather		50,0	42,9		66,7	0,0	0,0	0,0	0,0	0,0		16,0

European tanners understand that consumers are clearly not insensitive to ethical issues in supply chains and in particular to those that relate to the hides & skins supply chain.

When it comes to assess the memory left in the mind of consumers, European tanners are divided. In certain countries, such as Italy, Lithuania or UK the perception of European tanners seems to be that consumers tend not to keep a memory of scandal news regarding supply chains for very long. Other markets seem to report the opposite perception with significant numbers of sensitised consumers.

However, consumer reaction perceived mainly by European tanners is that sensitised consumers fundamentally try to get assurances rather than to express their discontent by sanctioning the product.

Nevertheless it is highly significant to note that Europe's most important consumer market, Germany, reports a critical radicalisation of consumer behaviour, which can also be witnessed by tanners in Spain and France, also important consumer markets.

1.5.- 1.6. How do your customers interpret such societal concerns?

When it comes to customers, it is no longer a subjective interpretation of consumer behaviour as in the previous set of questions. Here the perception of tanners is based on their effective experience of customer reactions.

European tanners were invited to respond giving a percentage to the various options proposed, e.g. 80% of customers don't translate such concerns into action. For the follow-up questions on type of reactions, they were asked to ensure that the total of all percentages is 100%.

1.5 Interpretation of customers (tick)	**IT**	**ES**	**FR**	**UK**	**DE**	**RO**	**SE**	**NL**	**PT**	**BG**	**LT**	**EU (Weighted Average)**
They are concerned (% of replies)	66,7	72,7	83,3	60,0	57,1	28,6	50,0	100,0	100,0	0,0	100,0	67,3
1.6 Indicate percentages for:	**IT**	**ES**	**FR**	**UK**	**DE**	**RO**	**SE**	**NL**	**PT**	**BG**	**LT**	**EU (Weighted Average)**
Don't translate into action	65	67	37	77	41	95	56	70	73	90	25	63,3
Contact suppliers	17	15	23	4	25	2,7	14	20	15	10	70	16,9
Specific requests	17	17	40	18	34	2,3	30	10	12		5	18,6
Other	2,1	1		1	0	0	0	0	0			1,3

Overwhelmingly tanners' customers express to their leather suppliers their concerns when the media broadcasts unethical stories on the hides and skins supply chain. Only Bulgarian and Romanian tanners seem to have a different experience.

However, European tanners perceive that their customers generally don't translate their concerns into preventative action. Higher levels of customer reaction are noted in France, Germany and Lithuania.

The most common reaction from customers towards their leather suppliers is that they communicate to them their principles and values. Such behaviour can be understood as the expression of a need; to be reassured on the compliance of the product with such principles and values.

Over 1/3 of the customers of European tanners translate their ethics related supply chain concerns into action. Nearly 1 in 5 demands the fulfilment of specific requirements in terms of assurances, while another 1/6 sensitise the tanner of a growing concern.

1.7. When the media unveils a scandal in the leather sector who gets hurt?

European tanners were asked to rate various options from 1 to 5, where 5 represented the highest perceived adverse effects and 1 the lowest. This question may help to understand to what extent European tanners perceive themselves as victims of public reaction to a scandal that does not concern them directly. Responses may also reveal how European tanners themselves perceive responsibilities in relation to a scandal that involves other members of the same trade and industry.

1.7 Who gets hurt (1-5 averages)	**IT**	**ES**	**FR**	**UK**	**DE**	**RO**	**SE**	**NL**	**PT**	**BG**	**LT**	**EU (Weighted Average)**
Leather industry	2,8	3,91	3,6	2,2	3,8	2,7	3,25	2,75	4,6	5	4	3,2
Entire leather sector in country	3,3	4,09	3,8	2,4	4	2,8	4,5	3,5	4,9	5	3	3,5
Sub-sector	2,3	2,55	3,4	1,8	3,3	1,6	2,5	3,25	3,3	4	2	2,5
Sub-sector in country	3,2	2,45	2,8	2	3,4	2,1	3,5	3,5	3,3	4	1	3,0
Company	4,4	3,18	3,3	3	4	4	4,75	4,25	3,4	5	5	4,0

European tanners understand that the public above all sanctions the company that is directly concerned with the unethical behaviour. They understand that next to the company, people associate the misbehaviour with the trade conditions in a country. But these adverse effects are closely followed by an impact on the sector as a whole.

Sub-sector aspects such as product market destination or typology of leather seem, to European tanners, to be less important in the mind of the general public. This is probably because these aspects are more professional considerations that do not necessarily motivate the general public.

It can also be concluded that European tanners have a high level of collective spirit. They tend to feel themselves as part of a global community where the misbehaviour of some reflects to a certain extent on the entire group.

1.8. After a scandal in the Media involving leather and its raw materials but not your company, what consequences you fear for your business and your staff?

European tanners were asked to rate various options from 1 to 5, where 5 represented the highest perceived risks or actual impact on business and on employment and 1 the lowest.

This question may help to understand the practical problems that European tanners have to face when the image of the industry faces a media attack.

1.8. Feared consequences (1-5, averages)	**IT**	**ES**	**FR**	**UK**	**DE**	**RO**	**SE**	**NL**	**PT**	**BG**	**LT**	**EU (Weighted Average)**
less orders	2	2,27	2,6	1,8	2,1	2,2	2,5	1,75	4,2	4	4	2,2
cancellation of orders	1,3	1,73	2,3	1	1,4	1	2	1,5	3,4	0,5	1	1,5
reduction of volume in orders	1,7	2,36	3,3	1,8	2,3	2	3	1,75	4	4	3	2,1
less candidates for taking a job	1,1	1,27	2,2	1,4	2	1	2	1,75	2,6	2	2	1,4
not getting top people for the company	1,3	1,27	1,9	1,4	2	1,3	2,75	1,5	2,5	3	2	1,5
staff getting stressed or depressed	1,3	1,09	1,8	1,4	1,8	1,3	2,75	1,5	2	2,5	3	1,5

losing staff for ethical considerations	1,1	1,18	1,5	1	1,6	1	1,25	1,25	1,4	1	1	1,2
loss in the value of the company brand name	1,8	2,27	2,3	1,8	2,4	2,1	2,75	1,75	2,9	3	3	2,1
loss of consideration in society as a tanner	2,5	2,82	2,6	1,8	3,1	2,1	2	2	4,2	4	4	2,6
official controls	2,5	3,36	2,8	2,8	3,6	2,3	1,5	2,25	4,5	2	3	2,7
pressure/attacks from NGOs	2,2	2,36	2,9	2,2	3,4	1,3	3,5	2,5	4,7	2,5	3	2,5
other:……………………	1	0		0	0	0,14	0	0	0	0		0,5

In general, the low average ratings given by European tanners to the various options proposed in the questionnaire indicate that they do not fear particular consequences on their company for the loss of image that a media scandal can cause on the industry.

The highest perceived risks concern the issue of prestige from the viewpoint of the authorities - who could be tempted to control whether or not similar bad practices occur in the companies in their country/region – or from general public perception, to which the tanner may need to provide some justification. These two are closely followed by the fear of attacks from activist groups. These are all inconveniences implying dedication of time and efforts in public relations/public affairs activities, which tanners are not used to because of their position in the value chain (B2B).

Economic consequences, such as reduction or cancellation of orders, although perceived as a lower risk, rank second after the image consequences, while the suggested consequences on human resources are perceived as less realistic.

Section 2. How to identify the origin of hides & skins?

This section of the questionnaire reveals the patterns of European tanners in the selection of suppliers and in the purchase of hides & skins.

2.1. Raw materials (tick)	IT	ES	FR	UK	DE	RO	SE	NL	PT	BG	LT	% companies
Cattle		5	4	4	4	4	2	3	8	1	1	**48,0%**
Calf		3	4	1	1	4	0	1	5	1		**26,7%**
Sheep		6	3	1	0	4	1	0	2	2		**25,3%**
Goat		4	1	0	0	1	0	0	1	1		**10,7%**
Other		2	1	1	1	0	1	0	0	0		**8,0%**

The type of raw materials used by the tanners in the sample reflects globally the situation in Europe where bovine hide tanners predominate in terms of production volume.

2.2. Origin (%)	IT	ES	FR	UK	DE	RO	SE	NL	PT	BG	LT	Weighted average %
Domestic	5	46,8	42	57	60	70	50	40,0	70	75	60	29,3
EU	42,7	19,5	30	6,5	34	0	30	30,0	0	12	20	31,2
Other European	3,4	16,8	0	0	5	10	14	20,0	15	3		6,3
Extra-EU	48,9	17	28	36,5	1	20	6	10,0	15	10	20	33,3

European tanners source their supplies fundamentally from the European continent, but remain dependent on supplies coming from extra-EU. Domestic supplies need to be combined in all countries with those of other European countries. Intra-EU trade in hides and skins plays thus a crucial role for European tanners.

Italy's particular situation needs to be noted. Its dependence on European and notably extra-EU supplies is significantly higher than any of the other European countries. This is due to the size of the Italian sector, representing up to 60% of the European production of leather and some 15% of global leather production. Domestic supplies of hides and skins account in Italy for only 5% of the raw materials supplies. With a varying degree of dependence, none of the national leather sectors in Europe can operate without access to extra-EU supplies of raw materials.

Some 70% of the raw material supplies of European tanners are from European sources. This picture of the European leather sector is quite reassuring for the general public as it can rely generally on the fact the legal situation in Europe effectively prevents unethical behaviour in the hides & skins supply chain on any significant scale.

2.3. State (percentage)	IT	ES	FR	UK	DE	RO	SE	NL	PT	BG	LT	Weighted average %
Fresh	3,6	24	3	18	49	4,3	7,5	33	10			11,5
Dried	3,6	0	0	0	0	0	0	0	0	10		2,0
Salted	37	30	68	2	29	69,7	80	18	43	50	100	38,6
Limed/Pickled	2,7	10	8	21	4,3	14,3	0	0	2			5,4
Wetblue	33	28	10	57,4	10	0,6	0	46	31	30		28,5
Crust	20	8	11	2	7,8	11,1	12,5	4	14	10		14,0

Salted hides or skins constitute the main supplies of raw materials of European tanners.

The second source of raw materials for European tanners is thus an intermediate product (wet-blue). Suppliers of wet-blue are also tanners who have organised their individual supply chain.

However, the situation varies significantly from country to country. European tanners in Germany, Netherlands, Spain and the UK have developed to a large extent the supplies of fresh (or refrigerated) hides and skins, generally buying directly from the slaughterhouse, which is a practice that allows an easier identification of the origin of the raw material. Because the processing of fresh or chilled hides is more likely to take place at bigger tanneries, it is likely that the survey under reports the extent of this practice.

2.4. N° of suppliers (tick)	IT	ES	FR	UK	DE	RO	SE	NL	PT	BG	LT	% companies
1-5	1	2	4	1	0	3	2	0	0			17,3%
5-10	2	4	3	1	2	0	0	2	1	1		21,3%
10-20	9	3	4	1	3	2	1	0	7	1	1	42,7%
20-50	0	2	1	2	0	2	0	1	2			13,3%
over 50	0	0		0	1	0	1	0	0			2,7%

On average, European tanners deal mainly with 10 to 20 different suppliers. Only 15% of the sample has more than 20 suppliers and of these, those dealing with over 50 suppliers are exceptional.

Nearly 40% of the tanners in the sample have a lower number of suppliers (between 1 and 10). A small number of suppliers is more typical for niche leather producers. At European level this figure may be somewhat overestimated.

2.5. N° of orders (tick)	IT	ES	FR	UK	DE	RO	SE	NL	PT	BG	LT	% companies
1-5	0	0	0	0	0	2	0	0	0			2,7%
5-10	0	0	0	0	1	0	0	0	0			1,3%
10-20	1	1	0	0	0	0	1	0	1			5,3%
20-50	0	3	5	2	2	0	1	0	5	2	1	28,0%
over 50	11	7	7	3	3	5	2	4	4			61,3%

The vast majority of European tanners make over 50 orders for raw materials per year. Less than 10% make less than 20 orders of raw materials.

This pattern reveals the difficulty for European tanners to manage their supplies of raw materials and to make coherent batches for entering production.

2.6. Relationship with suppliers (%)	IT	ES	FR	UK	DE	RO	SE	NL	PT	BG	LT	Weighted average %
Stable	85	84	90	92	70	88.6	96	97	77	75	85	82
Occasional	15	15	10	8	30	11.4	4	3	23	25	15	13

The relationship between tanners and their suppliers are generally stable. But European tanners report also that they need to complement their usual suppliers with purchases from occasional suppliers.

2.7. Size of suppliers (%)	IT	ES	FR	UK	DE	RO	SE	NL	PT	BG	LT	Weighted average %
Bigger	75	57	54	94	60		48	84	30	35	50	66
Smaller	25	43	46	6	40		52	16	70	65	50	31

The raw material suppliers of European tanners are on average bigger than they are. However, this is not a general feature across Europe. In countries, such as Portugal, Bulgaria, Sweden or even Lithuania, tanners can be bigger in size than their raw material suppliers. .

This particular is important for gauging the bargaining power of both sides.

However, the size of the undertaking is not the only relevant parameter between supplier and buyer when it comes to assess the capacity of tanners to influence the business relation. In addition to the size of the business partners, the relative importance of the purchases also plays a significant role, i.e. the relative weight in terms of the business of a particular client in the books of the supplier.

The high number of orders coupled with the large number of suppliers and the fact that suppliers are generally bigger than tanners lead to the understanding that the hide and skin trade is a highly fragmented market where individual tanners have, in principle, weak bargaining power with regard to their suppliers.

Questions 2.8 and 2.9 dealt with the capacity of the tanner to identify the origin of the hides and skins purchased in the context of their trade.

2.8. Identification of the source (tick)	IT	ES	FR	UK	DE	RO	SE	NL	PT	BG	LT	% companies
0%	0	0	0	0	0	0	0	1				1,3%
10-20%	1	0	0	0	0	0	0	0				1,3%
20-40%	0	1	0	1	0	0	0	0				2,7%
40-60%	1	0	1	0	0	2	0	0				5,3%
60-80%	1	4	4	1	2	0	1	0	5	1		25,3%
80-100%	9	6	7	3	4	5	3	3	5	1	1	62,7%

European tanners overwhelmingly claim to know the origin of the raw materials purchased.

2.9. Identification of: (tick)	IT	ES	FR	UK	DE	RO	SE	NL	PT	BG	LT	% companies
country	12	10	12	5	6	7	4	3	10	2	1	96,0%
slaughterhouse	5	1	7	2	3	2	3	2	5	0	1	41,3%
farm/herd	0	0	2	0	0	6	1	0		0		12,0%
cohort	8	0	1	0	0	6	0	0		1		21,3%

However, when European tanners are asked to be more specific with regard to the origin of their raw material supplies, it transpires that they are able to identify without difficulty the country of origin, but the percentage able to identify the slaughterhouse drops below the 50% mark. Tanners capable of identifying the farm, herd or cohort of the animals whose hide or skin they purchased are actually quite few.

Questions 2.10 and 2.11 dealt with the communications of European tanners up the supply chain.

The questions were aimed at identifying whether European tanners had opened communication channels with the economic sectors that manage the natural resources and generate the hides and skins.

2.10 Communication (tick if yes)	**IT**	**ES**	**FR**	**UK**	**DE**	**RO**	**SE**	**NL**	**PT**	**BG**	**LT**	**% companies**
Slaughterhouses	8	7	10	1	5	4	3	2	5	2	1	**64,0%**
Animal transport companies	1	1	4	0	0	0	3	0		0		**12,0%**
Farmers	2	2	5	0	0	0	2	0		2		**17,3%**

European tanners indicate with their responses that they do communicate significantly with slaughterhouses, the actual generators of the raw materials. Communications with the husbandry sector are significantly lower and with animal transport companies are even less.

This pattern reflects the distance that separates tanners from the operators directly involved with the management of animals.

2.11 Means of communication (tick)	**IT**	**ES**	**FR**	**UK**	**DE**	**RO**	**SE**	**NL**	**PT**	**BG**	**LT**	**% companies**
Electronic	10	7	9	2	3	3	4	4	5	2		**65,3%**
Paper	7	3	5	1	2	1	2	4		0	1	**34,7%**
Personal contact	9	6	10	2	2	6	4	4	5	2	1	**68,0%**
other:…………………	0	0	0	0	1	0	1	0		0		**2,7%**

Modern electronic communications and personal contacts are the main means of communication by European tanners with their suppliers.

Section 3. How to organise a reliable assurance mechanism?

This section of the questionnaire addressed the thinking of European tanners with regard to providing a practical solution to address public concerns and customer pressures in relation to supplies of raw materials.

Tanners can give assurances on the origin of hides and skins to customers and to the public in general, if relevant information can be obtained, but we have seen in previous sections that it is not a simple task to go beyond the slaughterhouse. However, there are also other considerations that are particularly relevant in this context:

- Commercially confidential information; tanners in general, and European tanners in particular, are logically reluctant to disclose their sources of supplies as complete transparency would increase their vulnerability with regard to their competitors.
- Disclosure of the supply chain does not necessarily preclude the occurrence of unethical situations.

The responses from European tanners should reveal the type of management solution that combines credibility, reliability but also confidentiality.

3.1. How to organise a reliable assurance mechanism?

In order to give assurances on aspects regarding a tanner's raw materials, the tanner would need to obtain parallel assurances from his supplier. The supplier can provide assurances on his dealings but not necessarily on circumstances regarding his predecessor. For this, the supplier would have to obtain assurances from his supplier and so on up to the birth of the animal.

European tanners were asked to rate from 1 to 5 a number of suggested management options where 5 corresponds to the option considered best, and 1 to the least adequate option. The same rating could not be repeated.

3.1. How to organise (average 1-5)	**IT**	**ES**	**FR**	**UK**	**DE**	**RO**	**SE**	**NL**	**PT**	**BG**	**LT**	**Weighted average**
a standard for a self-declaration of suppliers	2,8	2,82	3,2	4	2,3	2,4	3,75	3	4	5	4	3,0
a contractual clause in the supply contract	3,7	3,27	3,2	3,4	2,6	3,86	3,75	3,5	4,1	5	5	3,6
a company-based public societal commitment	2,3	2,27	2,3	1,4	2,4	3	2,5	2,75	1,3	3	2	2,3
a Multi-Stakeholder Code of Conduct	2,8	2,09	2,9	1,8	2	3,43	3,25	3,5	3,5	2	3	2,7
Other:…………………………	0,6	0,09	0,4	0	0,7	0,14	0	1,25	2,1	0	1	0,5

European tanners' preferred option is to enshrine their ethical principles and values into a contractual clause in supply contracts. Such a clause would aim at ensuring that certain unethical misbehaviours do not occur, thus shifting the responsibility for ensuring supplies to his business partner.

The second most preferred option is to negotiate a standard for self-declaration by the supplier. Such self-declaration constitutes a unilateral commitment of the supplier to provide raw materials that are produced according to a predetermined set of circumstances.

The third option that European tanners would welcome is a “Multi-stakeholder Code of Conduct”. Such a management system requires the cooperation of various relevant stakeholders in the supply chain of hides and skins and the adhesion of all parties involved to its implementation at company level. Systems of this kind generally operate on a basis of auditing and certification.

Company-based public commitments of suppliers and other options gained below average support.

Section 4. How to provide a credible assurance to the general public?

Independent of any possible assurance management system, the questionnaire aimed to explore the understanding of European tanners with regard to the actual means of traceability of hides and skins that could make an assurance mechanism credible in the eyes of customers and consumers.

Various options were suggested to be rated by the respondents. These referred to two aspects:

- the actual instrument for achieving a reasonable certainty of good (ethical) practices, and
- verification of compliance, i.e. auditing and certification.

4.1. How to provide a credible assurance to the general public?

European tanners were requested to rate from 1 to 5 a list of suggested options where 5 corresponded to the best option in their view and 1 the least best. The same rating could be repeated.

4.1. Credible assurance to the public (1-5)	**IT**	**ES**	**FR**	**UK**	**DE**	**RO**	**SE**	**NL**	**PT**	**BG**	**LT**	**Weighted average**
an identifying tag	3	3,64	4,4	1,6	3,8	2,43	3	2,75	4,7	2,5	5	3,2
a paper-based documentation for lots	2,6	3	2,5	3,2	2,6	2,57	3	3,25	0	2	4	2,6
a self-declaration of herds	2,1	2,18	2,2	0,4	1,1	0,86	3,25	2	3,1	2,5	3	2,0
Slaughterhouses	2,1	1,91	1,9	1,8	1	2,14	3,25	2	0	5	4	2,0
Suppliers	2,3	2,27	1,9	2	0,8	1,86	3,5	2,75	0	5	4	2,2
a certification of herds	2,8	2,73	2,2	0,4	1,3	0,71	4,25	2,25	3,8	3,5	3	2,5
Slaughterhouses	2,9	3,18	2,1	1,4	2,1	1,86	3,75	2,25	0	5	4	2,7
Suppliers	3,2	3,55	2	1,6	1,7	1,29	3,75	3,25	0	4,5	4	2,8
a “black list” of suppliers	3,2	2,18	2,6	1,6	3,1	4,29	3,25	4,5	2,1	4	1	2,9
a list of “good” suppliers	3,5	1,91	2,2	2,4	2,3	4,57	3,75	4,5	1,4	5	5	3,1

European tanners would welcome a system, as their preferred option, where the information on the ear tags of European slaughter animals – raised, transported and slaughtered against a set of legal specifications, notably in the area of animal welfare – was made available to them. Indeed, such a mechanism would allow the tanner to have a clear picture of each European hide or skin entering production. European tanners exclusively processing European raw materials would be empowered to give certain clear assurances to their customers and to the public in general with regard to the ethical code underlying European production methods and practices.

However, such a “tag” mechanism does not solve all issues, since hides and skins or wet-blue imported from third countries would not be covered by such a mechanism.

The second option that European tanners would welcome is to have the possibility to discriminate collectively between “good” and “bad” suppliers by choosing from a list.

Certification of suppliers, slaughterhouses or herds received also a reasonable support.

The next option envisaged by European tanners could be a paper-based system for batches. Tanners using fresh and salted hides and skins receive from their suppliers a mandatory sanitary document that certifies that the animal whose hides or skins he receives had been inspected before slaughter (and in certain cases also after slaughter) and have been considered fit for human consumption. For imports from third countries, the statement differs slightly but has an equivalent value. However, such documents do not reveal much about ethical treatment and processing of the material itself, but they do provide certain useful elements of intelligence on which to base assurances, e.g. the country of origin of the raw material.

The lowest levels of support were for the options suggesting a mechanism of self-declaration by suppliers, slaughterhouses or farms. Indeed, self-declaration doesn't necessarily imply a commitment and different self-declaration systems are not necessarily consistent in their coverage, making such a mechanism highly difficult to manage. It would also present a certain weakness in terms of credibility being exclusively based on "good faith".

4.2. How should compliance be audited?

The last question concerned the possible options for auditing compliance. European tanners were asked to rate a number of suggested options where 5 would correspond to the best option and 1 to the least best. Respondents could repeat the same rating.

4.2. Type of audit (1-5)	**IT**	**ES**	**FR**	**UK**	**DE**	**RO**	**SE**	**NL**	**PT**	**BG**	**LT**	**Weighted average**
by buyers	2,5	2,73	3,5	3,2	2,1	2,71	2	2,5	1,7	4	2	2,6
by an independent party: Veterinary/sanitary services	3,6	2,36	3,1	2,2	2,4	2	4,25	2,75	1,8	4	5	3,1
NGOs	2,6	1,36	2	1	1,3	1,14	2	3,25	2,7	1,5	1	2,1
Technical centres	2,8	3,09	3,2	1,6	1,6	2,14	4	4	4,2	2	4	2,8
Others:…………….	0,6	0,09	0	0,4	0,14	0,14	0	0,75	0	2,5		0,4
by the Sector institutions and Stakeholders jointly	2,6	3,27	2,9	1,4	2,8	3,14	4	2,5	4,8	2	3	2,8

European tanners' preferred option is for an independent body, i.e. a third party, to audit the compliance with elementary ethical production standards. They understand that it should be the role of veterinary/sanitary services to verify also that the suppliers of the animals and the slaughterhouse operate according to social, environmental and animal welfare rules.

According to European tanners technical centres could also develop this role.

Next to technical centres, European tanners understand that the institutions representing the various stakeholders could set up a monitoring mechanism.

The last option that obtained more than average support is an auditing system performed by the buyer, i.e. where the tanner or his representative actually visits the supplier for checking whether his requirements in terms of business ethics are met, which would give a basis for assurances with which he sells his leather.

Part III: Conclusions & Recommendations

1. Conclusions

Consumers increasingly demand reassurance that the products they buy are not only fit for purpose but also that they are safe and produced in sound conditions throughout their life cycle. Offences against social, environmental or ethical values stigmatise the product and the producer in the eyes of consumers who are looking for ever increasing sustainable consumption habits.

European tanners recognise that consumers and customers care about what occurs before the hides or skins are generated in slaughterhouses.

European tanners report that consumers tend to retain their concern with regard to a specific "scandal" for only a limited time and also that their customers increasingly demand a more generalised pro-active attitude by leather suppliers.

The adverse effects of sensationalistic news in the media are mostly perceived by tanners in the area of public image of the company or the sector, rather than in concrete economic effects or repercussions on human resources.

European tanners are interested in a more pro-active attitude with regard to transparency and traceability but recognise also the practical difficulties of implementing a particular strategy. The need to protect commercially confidential information on the one hand and the involvement of stakeholders on the other hand need to be taken into account

2. Recommendations

The large majority of leather products that are sold on the EU market are imported, mostly from countries where social, environmental or ethical standards are not always respected. The image of leather in the collective mindset is conditioned by the information that reaches the market from practices in far away places that have nothing to do with those that prevail in the European leather industry. Leather as such suffers from that impaired image.

In such a context, the Social Partners of the European Leather Industry propose the following recommendations:

1. Consumer trust in leather as a sustainable material needs to be built up through a concerted effort of the European leather value chain where the various links in the supply chain play their respective part for providing a comprehensive system.
2. Consumers need to be made aware of the distinct values of European leather businesses to allow them to make informed choices. The European regulatory environment regarding veterinary/sanitary aspects of hides and skins as well as to animal welfare needs to be explored for its ability to serve as a basis on which to build a guarantee system of good practice.

3. A qualified origin-marking scheme for leather products (origin of the article + origin of the leather) could give consumers in Europe valuable elements of intelligence on which to base their purchase decisions.
4. The mechanisms and content of clauses in supply contracts for tanners' raw materials should be developed and tested in the value chain at least up to the slaughterhouses.
5. The practices that could constitute cause for concern in third countries ought to be monitored and supplying countries ranked so as to provide European operators with guidance on reliable origins of hides and skins.
6. Standardisation of a management system for traceability that ensures the protection of commercially confidential information and yet a reasonable transparency on value chain relevant CSR aspects should be further explored.