

Q & A partners – Brand Assessment

1. Why did we choose the companies we did? (p8, par3)

We selected a wide spectrum of companies – including small, medium and big players in the leather shoe industry as well as luxury brands, sportswear and fashion retailers. This miscellaneous approach was considered valuable in order to identify potential differences in terms of corporate social responsibility among companies of different sizes and from different sectors.

a. Why is not H&M and Inditex included?

Company assessments are very time-consuming which is why we needed to limit ourselves to a certain number of brands. We tried to select shoe brands that are frequently seen on European highstreets. Since we coordinated the assessment internationally, we had to make a due regard to the presence of these brands in the different countries, where the CYS project is active.

2. Why do big brands like Adidas which have been heavily criticized by NGOs score comparatively well?

Although big brands like Adidas have been scored comparatively well, none of these brands is yet fully fulfilling their HRDD. For ex., also workers, who make shoes for Adidas do not earn a salary which is enough to cover the basic needs for them and their family. CYS will not rest as long as people earn a living wage

3. Why do low-end brands like Deichmann that promote cheap priced products score comparatively well (as opposed to high-end brands such as Prada)?

There is no causal link between the retail price and good labour conditions, including the payment of a living wage. For ex., labour costs can vary based on many factors, but total wages are almost never more than 5% of the total retail price. This is often also the case for low-price items such as shoes offered by budget brands.

4. How do we compare big companies (Adidas) with small companies (LOWA)?

With size comes additional responsibility. This does not diminish the responsibility of small and medium-sized enterprises (SMEs). When it comes to aspects like the quality of a product or consumer safety, nobody questions that SMEs are able to manage and everybody agrees that they can be held accountable. HRDD is much more a question of the individual set-up of the supply chains than of the size of a company.¹

5. Why do we assess companies' activities along the UNGPs?

In 2011, the UN adopted The UN Guiding Principles on Business and Human Rights (UNGPs). These guidelines demand that every company, regardless of size, sector or geographic context, respect human rights through its entire supply chain. Further, every corporation should act with due diligence and avoid adverse human rights violations. If human rights violations do occur, the company must provide remedies. While the UNGPs establish the States' responsibility to protect human rights, they also set out the responsibility of companies to respect human rights independently of States' abilities and/or willingness to fulfil their own obligations. For example, in case the legal minimum wage set by the State does not meet a subsistence level (living wage) – the business nevertheless has the obligation to respect human rights and not to take advantage of this shortcoming. Conducting proactive Human Rights Due Diligence (HRDD) is a cornerstone of the UNGPs. "Change

¹ CCC: <http://www.cleanclothes.org/resources/publications/position-paper-on-human-rights-due-diligence>p4

Your Shoes” (CYS) considers meaningful HRDD a key component of a set of voluntary measures that every company should implement. This report therefore evaluated the companies’ survey responses along the key principles of what CYS understands as HRDD².

6. How do we define Human Rights Due Diligence?³

a. Prerequisites

- Supply chains have to be transparent and fully traceable, the number of suppliers needs to be limited, relationship with suppliers should be long-term, orders need to be stable, sourcing should occur directly and not through intermediaries.
- FoA and collective bargaining are enabling rights and therefore central elements of any HRDD- process.
- Good grievance mechanisms provide workers, trade unions, and NGOs with the tools to address breaches.

b. Prevention

- Certain business models are incompatible with comprehensive human rights due diligence.
- Companies need to look at their value chains and adapt them in order to give sites where the actual production takes place attention - rather than thinking of supply systems as contractual business links only.
- Cost distribution and margins need to be adapted throughout the global supply chains.
- Purchasing practices have to be included at the core of HRDD- approaches.
- Cross-sectoral and collective approaches along with multi-stakeholder engagement are needed.
- Make sure that assessment of the situation is rooted in consultations with potentially affected actors.

c. Mitigation

- Mitigation and remediation is co-related.
- Companies should respond to all legitimate grievances in a timely manner.
- Develop action plans that include clear commitments of the brand, time-bound milestones, and that are made public.

d. Account

- **Transparency on steps taken in HRDD is needed:** This includes: disclosure of the supplier list; audit reports; a detailed analysis of the risk for adverse human rights impacts; an explanation of prioritisation; an action plan with concrete goals and milestones; an overview of interaction with rights holders; a review of the HRDD- analyses and the work plan by affected rights holders.

² See more: Clean Clothes Campaign, *Position paper on human rights due diligence*, March 2016.

<http://www.cleanclothes.org/resources/publications/position-paper-on-human-rightsdue-diligence> (25.04.2016).

³ CCC: <http://www.cleanclothes.org/resources/publications/position-paper-on-human-rightsdue-diligencep5-7>

e. Remediation

- Remediation must be seen as an integral part of HRDD and must be focused on the workers' right to have issues remedied.
- To not cause more harm companies have to immediately allocate sufficient time and financial resources.
- It is key that companies demonstrate the will and openness to work together and lead, rather than waiting for others to make the first move.
- The responsibility of brands does not end with the termination of the business contract.
- Victims of human rights violations need to be involved in deciding appropriate remediation.
- Remediation schemes must be transparent and must be negotiated with affected rights holders.

7. Why is not the information from every company from the same year?

When CYS sent out the questionnaire in October 2015, the numbers for 2015 were not in yet. When the drafts of the company profiles were sent out to the companies in March all companies were asked to update their numbers with the 2015-information, some of the companies did, others did not.

8. What is the logic behind the categorization of the companies?

Points were given in the categories identify, adapt (business practice) and account for it. "Identify" focuses on policies and processes focused on identifying especially vulnerable processes or categories of workers such as migrants. "Adapt" focuses on how the companies have adapted their operation in relation to problems and challenges in their supply chain such as for example adapting their purchasing practices to avoid overtime. "Account for it" focuses on transparency, most importantly meaning openness regarding what challenges have been tackled and how and also what challenges lies ahead and how the company plans to tackle these problems. The companies could earn a maximum of 93 points. In the category "Dragging their feet" the points spread between 7,75 (Prada) to 13, "Some Effort" 14,5-21,5 and "On the way" 33-43,5 (El Naturalista).

9. Why are we not transparent with the points behind the categorization?

We have conducted the company assessment as exact and detailed as possible, and we are confident that our analysis is both sound and robust when it comes to the categorization of the companies involved. The publishing of the exact points each company scored would bare with it the risk to enter into detailed discussions and comparisons between the scores of one company or another, which we do not find constructive for the debate that we're launching.

10. What do we mean with "good preconditions for HRDD activities"?

Long lasting partnerships with suppliers and the avoidance of intermediaries is two such very important preconditions.

11. Why are we not enclosing the questionnaire to the report as an appendix?

The questionnaire was comprised of 52 questions. Mainly formulated as open questions, it also included some multiple choice questions. Companies had the possibility to leave questions blank or to mark them as confidential, if they were not able or willing to submit

such information to the public. The questions were organised under five headlines, corresponding to key areas of interest which CYS believes to be the cornerstones of any credible corporate attempt to meet the responsibility to respect human rights:

1. General questions
2. Supply chain responsibility
3. Wages
4. Environmental, health and safety issues
5. Communication of sustainability initiatives (e.g. level of transparency)

Companies were asked to respond in the most comprehensive way and to provide documentary evidence to back up their answers. The responses to the questionnaire in these five thematic areas were evaluated against the three key indicators of HRDD: identification of negative impacts on human rights, adaptation of business practices for HRDD, accountability for how negative impacts on human rights has been addressed. Once assessments were completed, each company was given an evaluation, which represents the extent to which CYS believes it is attempting to tackle social concerns throughout its supply chain.

12. Why do we push transparency as the main shortcoming?

The fact that only 12 out of 23 companies decided to respond to the questionnaire is a big disappointment. More importantly, this level of intransparency and the lack of accountability should worry all actors involved, from consumers to the workers producing the shoes. The lack of information on working conditions and HRDD activities in tanneries is especially worrying. It is problematic that LWG, on which many companies rely to audit tanneries, do not make their audits public. Further, very little evidence on mitigation and remediation has been disclosed to CYS

13. What should the companies do to reach the “Progressive” step of the ladder? / What does CYS demand of the companies?

The company assessments evaluated efforts on human rights due diligence (HRDD) carried out by European companies to respect workers’ rights making leather and shoes for their brands. Our evaluation is structured according to the three elements of HRDD: identify, adapt business practice, and publically account for it.

a. Under “Identification”, positively rated were elements including:

- Supply chain structure enables the identification of negative impacts on human rights
- Guidelines for supply chain responsibility are comprehensive, binding and include specific measures enabling the identification of negative impacts and vulnerable groups
- An accessible and functioning grievance mechanism exists that is able to identify breaches of labor standards
- Calculations are made to identify the gaps in living wage payment
- Effective measures to identify negative safety & health impacts on workers exist

b. Under “Adapt business practice”, positively rated were elements including:

- Existence of comprehensive business processes that enable HRDD (e.g. comprehensive processes, anchored across different business units, effective implementation etc.)

- Systematic support of Freedom of Association (FoA) and Collective Bargaining Agreements (CBA) along the global supply chains
- Payment of living wage implemented and monitored along the global supply chains
- Specific provisions and credible processes to assess and mitigate potential health hazards of workers in tanneries and manufacturing units
- Clear mitigation/remediation processes in place (e.g. high priority of the issue, available financial and human resources for swift action etc.)

c. Under “Publically account”, positively rated were elements including:

- Publically available company guidelines on how it implements HRDD
- Publically available reports from the company on how it identifies, mitigates and remedies labour and human rights, how it prioritizes work and how it measures impact
- Published supplier list (i.e.upstream suppliers such as leather tanneries, as well as manufacturing suppliers tier 1 and beyond)
- Public commitment to an action plan for ensuring all suppliers pay a living wage
- Public support for calls from trade unions/civil society to improve working conditions

14. Does the survey also take environmental issues into account?

The questions were organised under five headlines, corresponding to key areas of interest which CYS believes to be the cornerstones of any credible corporate attempt to meet the responsibility to respect human rights:

- General questions
- Supply chain responsibility
- Wages
- Environmental, health and safety issues
- Communication of sustainability initiatives (e.g. level of transparency)

The information related to environmental issues gathered from companies’ responses will be presented in a future publication by the CYS project. Future plans mentioned by some companies have not been assessed, although they have been included in the profiles where relevant.

15. Did CYS visit the suppliers of the brands assessed?

The survey is evaluating companies’ policies and practices that are in place for ensuring that human rights are respected throughout the global supply chain. The company profiles are based on information that brands and retailers have themselves submitted, partially supplemented by publicly available information. CYS is a campaign network and does not have the resources nor the role to do onsite-visits or independent verification in all suppliers. However, CCC as a network with approx. 250 partner in production countries has a good overview over the sectorial challenges in the different countries and did, where possible, cross-check the company answers with information coming from other sources

16. What is the difference between a Code of Conduct and a Code of Ethics?

In the case of Ferragamo the Code of Ethics is only covering issues on Occupational Health and Safety. There is no standard on how a CoC or CoE should look like or

what information it should include.

17. What examples can we give of mitigation and remediation actions?

To mitigate effects of negative impact you could for instance work proactively to prevent child work through (as Deichmann have done) setting up workers centers for home workers. To remediate effects of negative impact could be to share the burden of economically compensate workers that have been wrongfully been released from work.

18. Should consumers buy products from companies that are scoring higher?

CYS initiated this survey with the aim of providing greater transparency for consumers and inform them, if their favourite brands comply with their duty to respect human rights throughout the global supply chain. Sadly, CYS found that there is still much to be done and none of the 23 addressed companies are fully complying with their responsibility to respect human rights. But some are doing more in this regard than the others. Therefore CYS divided the companies into five categories: Nothing to say, Dragging their feet, Some effort, Progressive. CYS would want consumers to start their shopping with the more advanced companies, however, having in mind that all companies have to do better. The most important step is that consumers' feedback, wherever they shop, demand from companies that they ensure human rights are respected globally.

19. Where should I shop if there is no "green" company?

Become a conscious consumer:

- Buy less: only buy shoes that you really need.
- Buy smart: only buy shoes that you can pair with the majority of your clothes.
- Buy shoes that, if needed, would be easy to repair.
- Gather more information before you go shopping, research companies that are making progress in all things "fair".
- If you are buying leather shoes, check whether the leather was tanned with a process that is environmentally and people friendly.
- Consider buying vegan shoes.
- Look out for shoes at clothes-swops and/or in second hand shops.
- Borrow shoes for special occasions that you are only going to wear once - from friends or from rental services.
- Look after your shoes well, so that they last a long time.

Get involved and get active!

Ask questions of your favourite brands:

- Where does is the leather sourced from? Call for supply chain transparency.
- What tanning process was used? Call for alternative to chrome tanned leather.
- How much do the workers in the tanneries, factories and retail shops earn? Call for a living wage for everyone employed in the supply chain.

Share your knowledge:

- Talk to your friends and colleagues about leather and shoes and what you know about production. The more consumers there are calling for more

transparency, alternatives for chrome tanning and living wages for workers in the leather and shoe industry the more things will start to change in the sector.

Join in the campaign:

- Get involved with CCC campaigns and/or take part in protest actions. (www.evb.ch; www.cleanclothes.ch)
- Find a related local BD-activist group in your town or area.

Organise a swap-shop for clothes and shoes and show other there is another way.