



FAIR TRADE CENTER

IN THE SAME FOOTSTEPS?

**A REVIEW OF THE
SUSTAINABILITY EFFORTS OF
FOUR SHOE STORE CHAINS**

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Fair Trade Center is a non-profit organization working for more just global trade. We monitor the trade between Swedish companies and low income countries. Through dialogue, campaigns and information to consumers, we aim to get companies to trade with respect for people and the environment. www.fairtradecenter.se

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Translated by Alan Frisk

Executive summary

”In the Same Footsteps?” is a review of the four largest shoe store chains operating in Sweden. Included in the report, in addition to the Swedish-owned chains Nilson Group AB and Scorett are also Norwegian Euro Sko Group and the German company Deichmann. Just like the apparel industry, the shoe industry has left Europe for the most part and our shoes today are mainly produced in Asia. China dominates among manufacturing countries, where over 60 percent of all shoes are produced. The shoe industry has a complicated supply chain with several risk-filled processes. One part of the supply chain that has been under scrutiny during the past few years is the leather industry. When the Swiss organization Green Cross and the American Blacksmith Institute listed the ten largest environmental problems in the world in 2012, tanneries took fourth place, one place behind the mining industry¹. None of the shoe store chains conduct systematic inspections of the tanneries that produce the leather of which their brand name shoes are manufactured.

Only one of the four companies utilizes a code of conduct containing a clause on living wage (Scorett). Even if all the shoe store chains included in the review are aware of the problem of wages that does not cover basic needs, none of the companies can present concrete measures in support of living wages. One important problem to take into account in order to reduce the gap between legislated minimum wages and living wages, but also other challenges, is the training of both factory management and workers. One group that is particularly vulnerable and in need of training is young women, who are also often migrants. Only one of four companies (Scorett) accounts for measures in support of this group, in particular. One way for the company to obtain first hand information from the workers is to secure the workers’ access to a safe complaint mechanism – something offered by only one company today (Nilson Group AB).

1. Blacksmith Institute/ Green Cross: <http://www.worstpolluted.org/>

**FAIR TRADE CENTER RECOMMENDS
THE SHOE STORE CHAINS TO:**

- **Include living wage in the code of conduct**
- **Take concrete measures to put living wage in place**
- **Conduct systematic inspections of tanneries**
- **Ensure that your purchasing practices do not contribute to violations of the rights of workers**
- **Support training for workers' representatives.
Support young women and migrants in particular.**
- **Secure safe complaints mechanisms for workers at the suppliers' factories**
- **Increase the availability of environmentally-friendly shoes**

Introduction

Fair Trade Center has previously reviewed the Swedish shoe industry, from the point of departure that the shoe industry, to differ from the garment industry, had not undergone the same review of its sustainability efforts. This is also the point of departure for this report; “In the Same Footsteps?”.

AIM

The aim of the report is to draw attention to the measures that the shoe store chains have taken regarding social responsibility in the supply chain since the last review in 2008, as well as draw attention to the necessary work remaining. With this aim, the report will lead to concrete recommendations that Fair Trade Center hopes will lead to the shoe store chains developing their sustainability efforts and, in such a way, contribute to improvements in the working conditions for workers in the whole shoe industry.

METHODOLOGY

In order to research how far the four shoe store chains have come in their sustainability efforts, Fair Trade Center has chosen to conduct a questionnaire with a follow-up interview with the person operationally responsible for CSR and sustainability at each company. The questions in the questionnaire are divided into six parts (the questionnaire is attached as Appendix 1):

1. General questions about the company
2. The company's code of conduct
3. How the company Follow-up on its code of conduct
4. How the company communicates its sustainability efforts
5. The company's ability to influence the shoe industry
6. Environmental responsibility

It is important to point out that the report is primarily based upon the companies' own answers to the questionnaire and that Fair Trade Center, in this study, has not conducted its own field studies. The questions in the questionnaire concerns the production of the companies' own brands only. The portion of sales of the companies' own brands in overall sales varies between 35 (Euro Sko Group) and 90 percent (Deichmann).

DEFINITIONS

The shoe industry is a manufacturing industry that has great impact on the environment and people throughout its life cycle. The expertise of Fair Trade Center is primarily in social issues and corporate responsibility and these issues will thus be in focus in this report. As the natural environment, in this case, is impossible to separate from the health and working conditions of workers, the report will also touch on environmental issues. One of the riskiest processes of shoe production is in the tanning of animal skins into leather. In the tanning process the workers come in contact with a number of chemicals, among these chromium. A number of hazardous substances for gluing and impregnating are also used in the assembly of our shoes. At the end of the life cycle of shoes, the management of waste is a serious environmental problem that does not directly affect conditions in the countries of production. This part of the life cycle will thus not be dealt with in this report. It is obvious, however, that a cleaner shoe industry in the manufacturing stage includes leaving a smaller impression at the end of the life cycle. It is also important to point out that there are a number of dangerous processes within the shoe industry that is not included in this report which focuses primarily on the production of leather shoes.

In the sampling of companies, we have chosen the largest shoe store chains in Sweden. We have not included exclusive shoe brands and purchasing organizations, only retail operations. The four shoe store chains reviewed; German Deichmann, Norwegian Euro Sko Group and the Swedish companies Nilson Group and Scorett are not only sales chains though, but also produce shoes using their own brands. The chains that are included in the report constitute over a third of the Swedish shoe market which was worth 1 billion euro in 2013².

2. Linda Hedström, Head of Office, Stil, e-mail correspondence (140328)

The Global Shoe Industry – From the local cobbler to Dongguan

The times in which our shoes were produced by the local cobbler have long past for most of us. The manufacturing of shoes has moved on from local cobblers to industrial production in Europe, and subsequently to Asia. Today, China is the world's largest producer of shoes. Our shoes impact people and the environment throughout their lifecycle. In this chapter, two of the most risk-filled steps in the lifecycle of shoes, from animal skin to waste, are presented.

TANNING – FROM ANIMAL SKIN TO LEATHER

Tanning is the process that turns animal skin into leather that can be used, for example, in shoes. Tanning is a form of preservation aiming to make the leather soft and durable. There are several steps in the tanning process. Following the slaughter of the animal, the skin is salted and quickly dried or frozen in order to prevent decomposition. Treatment of the leather begins with liming and scraping, removing hair and fat. Then, the skin is divided into two parts, where the remains are used to produce suede or gelatin. The part that is tanned is then shaved down after tanning into the correct thickness, according to the specifications of the customer. After liming and tanning, that have removed all natural fat from the skin, fat has to be added to the skin.



Photo: Charlie Aronsson

When the skins are delivered from the slaughterhouse, they are stored in a refrigerated room. As here in Tärnsjö Garveri northwest of Uppsala in Sweden.

The most common method for tanning is with chromium³. Approximately 90 percent of all leather is chrome tanned⁴. Vegetable- and synthetic tanning are two other methods being used, but chrome tanning is still considered the most effective method. Åke Lindström, Production Manager at Tärnsjö Garveri, where production has been chromium-free since 1988, estimates that the price of vegetable tanned leather is approximately 50 percent higher than chrome-tanned leather. Chromium has, however, been recognized as being dangerous to both people and the environment. The substance accumulates in the ecosystem and can produce allergies and breathing difficulties⁵. Åke has worked at the factory since 1983 and was working there during the time Tärnsjö Garveri used chromium:

- I've developed a chrome allergy and can feel it immediately if I come into contact with chrome, for example, in shoes.

Chromium exists in two forms; trivalent chromium and hexavalent chromium. Hexavalent chromium is prohibited in products that are imported to or produced in the European Union, while trivalent chromium has been placed on REACH's⁶ candidate list for future limitation or prohibition. During vegetable tanning, bark extract from, for example mimosa, is used. Between 20 to 25 percent of Tärnsjö's leather reaches the shoe industry. Åke does not see limitations for Tärnsjö Garveri producing more vegetable leather to more shoe producers:

- We would not have any problems taking more and larger orders from the shoe industry. At the moment, we are operating at 60 percent capacity.

Because the price difference between vegetable- and chrome tanned leather is big and chrome-tanning, as a method, does not harmonize well with European environmental legislation, a large part of tanning is situated in countries such as India and Bangladesh where wage costs and environmental requirements are low. The Leather Working Group is a business initiative that

certifies tanneries in regard to the environment. Members are both shoe producers and tanneries. Since the beginning, in 2006, 186 tanneries have been inspected, constituting approximately ten percent of the global leather industry, according to the organization itself. Only seven of the tanneries inspected use vegetable tanning.

One country not represented among the inspected tanneries is Bangladesh.⁷ In Bangladesh, which has a growing tanning industry, is Hazaribagh, a community in the capital of Dhaka. It is here that over 90 percent of the country's tanneries are located. The tanning industry's turnaround is approximately 500 million euro in Bangladesh and the industry employs 15,000 people in Hazaribagh alone.⁸ The other side of the coin is that Hazaribagh, according to a report from 2013 by the Green Cross and the Blacksmith Institute⁹ is the world's fifth most polluted place on a list where more widely known Chernobyl places second¹⁰. The primary environmental culprit is chrome, but also salt, chalk and mercury are emitted into the now dead river Buriganga, despite this violating Bangladeshi law. When the Swedish Television program Agenda visited Hazaribagh in May of 2013 to study the conditions in the leather industry, the tannery owner Muhammed Younuss described the emissions caused by his operations:

- Water comes out in the river and down into the ground. Where else should it go? It would run out into the river anyway. Water with chemicals in it is poisonous, naturally. But if we worried about the poisons we would have to stop working. And who wants to do that?¹¹

According to Human Rights Watch, pollution is taking place with the tacit approval of the authorities. The authorities themselves state that they are not following up environmental laws, given the planned relocation of the tanneries in Hazaribagh. It is unclear, however, where the tanneries will be moved and what the timeframe is for the relocation.¹² Tannery worker Sharmin lives with

3. Tärnsjö Garveri, En film om läder (2009)

4. Åke Lindström, Production Manager, Tärnsjö Garveri AB, interview (140328)

5. Naturskyddsföreningen, Bad shoes stink, Andreas Provodnik (2009), s. 10

6. REACH directive is an EU directive, which from 1 June 2007, replaces large portions of the chemical rules that were applied both in the EU and Sweden. REACH stands for Registration, Evaluation, Authorization and Restriction of Chemicals.

7. Leather Working Group: <http://www.leatherworkinggroup.com/tanneries.htm>

8. Human Rights Watch, Toxic leather (October 2012), p. 6

9. Blacksmith institute is an international non-profit organization dedicated to solving pollution problems in low and middle income countries. The organization is situated in New York.

10. Blacksmith Institute and Green Cross, The Worlds Worst 2013: Top Ten Toxic Threats

11. Sveriges Television AB: <http://www.svt.se/agenda/de-arbetar-bland-farliga-kemikalier>

12. Human Rights Watch (2012), p. 11



Photo: Adam Jones¹³

The Buriganga river, which runs through Dhaka, the Bangladeshi capital, is one of the world's most polluted rivers. One of the largest pollution culprits are the tanneries in the nearby neighborhood of Hazaribagh.

the effects of the poor working environment every day. When she returns home from a twelve hour workday she is worried about her daughter:
- She is three years old but cannot walk properly. It is difficult for her to eat and she often stumbles. She still cannot talk. She is very weak and her health is poor. But I only can afford to give her rice and biscuits, says Sharmin.¹⁴

When Åke Lindström, Production Manager and tanner since 1983, sees the pictures from Hazaribagh, he reacts strongly:

- As a tanner, I know the risks involved with all the chemicals and what happens when they come into contact with skin. Seeing people who are barefoot, without protection on their hands and bodies, is completely crazy. When you see what happens with all the waste and waste water, you get even more upset. The destruction of nature that is taking place in these countries and where people are living just makes me sad. It would have been

understandable a hundred years ago, but not 2014. Now we know how to clean the water and take care of all the waste. With limited resources, the working conditions in the factory could be made a lot better, which wouldn't increase the cost of leather much.¹⁵

ASSEMBLY – IN THE SHOE FACTORY

The country dominating the manufacturing of shoes today is China. Over 60 percent of the world's shoes are produced in the country.¹⁶ The fundamental problem in China's manufacturing industry is that independent trade unions are prohibited. The only employee counterpart available is the state trade union which is not democratically organized. This entails the factory workers being prevented from solving themselves common problems such as low wages, illegal levels of overtime, discrimination, lacking health and safety measures and precarious forms of employment. Reports in the media on problems within the shoe

13. Adam Jones, Ph.D. - Global Photo Archive. https://www.flickr.com/photos/adam_jones/
Scene along Buriganga River Embankment - Dhaka - Bangladesh. https://www.flickr.com/photos/adam_jones/12831299045/
Licens Creative Commons <http://creativecommons.org/licenses/by-sa/4.0/legalcode>
14. Sveriges Television AB: <http://www.svt.se/agenda/de-arbetar-bland-farliga-kemikalier>
15. Åke Lindström, e-mail correspondence (140424)
16. Business Insider: <http://www.businessinsider.com/chinese-manufacturing-stats-versus-rest-of-the-world-2013-8?op=1>



Photo: Jacob Hasel Nielsen¹⁷

The Boshila neighborhood in Dhaka is on the shore of the river Buriganga. The neighborhood is flooded annually with the contaminated water from the river.

industry are not as frequent as reports within the textile industry. If one wants to read about the global shoe industry information must be sought after in the local press or via local organizations in the countries of production. Among the problems that are most common in China are illegal levels of overtime, lack of health and safety measures, terminations without stipulated compensation and invalid employment contracts.

A major trend among Chinese shoe factories is to relocate factories due to increased wage costs and difficulties in recruiting staff. Operations move from provinces where costs are relatively high, such as Guangdong in the south, to central and western China where costs are substantially lower. At the moment, the legal minimum wage is around

180 euro per month in Guangdong, whereas in other provinces it is about 110 euro. Generally speaking, the minimum wage covers about 50 percent of a worker's basic needs in China.¹⁸ When factories move this, in turn, leads to unrest. On April 14, 2014, Chinese media reported that approximately 30,000 workers went on strike in a factory in Guangdong owned by the largest shoe manufacturer in the world, Taiwanese Pou Chen. The strike is described as the largest strike in China in modern time.

Workers said that they had shown their employment contracts to local authorities when applying for childcare and received the reply that the contract was not legally binding. Other workers said that the company has failed to pay insurance payments of over 4,000 euro, something that the workers themselves now are forced to pay. One week after the strike in Guangdong, 2,000 workers at the company's factory in Jiangxi went on strike.¹⁹ Between October 2013 and April 2014, the non-profit organization China Labour Bulletin reported over 120 strikes and incidents of unrest within the manufacturing industry in the Guangdong province alone.²⁰ May Wong, coordinator at the Hong Kong-based non-profit organization Globalization Monitor, which works to strengthen workers' rights and spread information about the manufacturing industry in China gives her view on the situation:

- Since 2011, the Chinese government has raised the minimum wage annually by 13 percent according to a five-year plan. This, of course, means major cost increases for the factories at the same time that the purchasing companies from Europe, for example, are not paying a higher unit price. For the workers, this means that they are pressed even harder.²¹

May Wong also says that there is a big difference between the awareness of the workers of their rights and the environmental legislation between Guangdong and other provinces in China where many jobs are moving. This goes for both the authorities and the workers.

- That both the authorities and workers are less aware in the provinces to where production is being moved is something that the companies obviously exploit, concludes May Wong.²²

17. Jacob Hasle Nielsen - SuSanA Secretariat - Sustainable sanitation <https://www.flickr.com/photos/gtzecosan/>
Dirty creek cross the slum <https://www.flickr.com/photos/gtzecosan/5933720522/in/photolist-cZ27Nf-8qdWwy-8qdWwJ-8qdWwG-8qdWwu-7B7CSj-7DhLh5-a3kSof-a3hZXE-a3hZS2-8qdWwQ-5jd9Kh-5jodHR-5jodJi-7B3PSv-a3kS9f-dAeUMP-eViitd>
Licens Creative Commons <https://creativecommons.org/licenses/by/2.0/legalcode>

18. May Wong, Coordinator, Globalization Monitor, interview (140414)

19. Want China Times: <http://www.wantchinatimes.com/news-subclass-cnt.aspx?cid=1103&MainCatID=111&cid=20140421000013>

20. China Labor Bulletin: <http://www.numble.com/PHP/mysql/clbmape.html>

21. May Wong, Coordinator, Globalization Monitor, interview (140414)

22. Ibid

Tools for a cleaner shoe industry

In order to manage the risks in the supply chain of the shoe companies, there are a number of tools, in addition to the companies' own internal documents and working methods. In this chapter, we go through some of these tools. The chapter begins with the most important international conventions and frameworks. Conventions and frameworks are important as a point of departure for a company's sustainability work from a rights-based perspective. A code of conduct that has not been created out of nowhere, but is instead based on rights that are a part of widely accepted conventions and frameworks gives the document more weight for all parties. Then, a number of multi-stakeholder- and company initiatives are presented. Many solutions to the most common problems within the manufacturing industry in general and the shoe industry in specific require cooperation, transparency and the exchange of experiences between actors. Such an exchange of experiences can take place within the framework of a multi-stakeholder initiative where representatives from companies, non-profit organizations and unions are included. Another popular alternative is

for the companies to gather in a business initiative where only companies and branch organizations are represented. What is in common for both multi-stakeholder- and business initiatives is that they often develop a common code of conduct that their members adopt which should function as a minimum level for the members' own codes.

INTERNATIONAL CONVENTIONS AND FRAMEWORKS

ILO Core Conventions

The International Labour Organisation (ILO) is the United Nation's agency for labor law. A difference comparing with other UN agencies, not only member states are represented in the leadership, but also corporate organizations and trade unions.²³ The ILO has adopted 189 conventions which the member states choose to ratify or not to ratify. Eight of these conventions are considered to be central and are called the ILO's core conventions. The ILO's core conventions cover four major areas within labor law: freedom of association, forced labor, discrimination and child labor.²⁴ The core

23. International Labour Organization: <http://www.ilo.org/global/about-the-ilo/lang--en/index.htm>

24. LO-TCO Biståndsnämnd, Mänskliga rättigheter i arbetslivet – ILO:s 8 kärnkonventioner (2010)

conventions are often seen as minimum requirements on companies to place on their suppliers.²⁵

UN Guiding Principles on Business and Human Rights

In 2011, the UN adopted the UN Guiding Principles on Business and Human Rights. The guidelines build upon three pillars, where the first pillar regulates the responsibility of states to protect human rights and the second pillar the responsibility of companies to respect human rights. The third pillar covers the common responsibility of both companies and states to compensate people who have, despite these responsibilities, been subject to violations. The framework is voluntary but has attracted a large number of supporters among the governments of the world, business and global agencies such as the OECD²⁶ and the World Bank. According to the guidelines, companies can impact human rights in a negative way by causing or contributing to violations through their own operations or the operations of their business partners. One example of the former is when labor law or environmental law is not respected in the company's own factories or in those of its subcontractors. A company contributing to violations could for example be that their purchasing practices lead to low wages and overtime for workers employed by their suppliers.

The third degree of responsibility described by the guidelines regards being directly connected to negative impacts through connections to business practice. One example of this is selling equipment to a company that negatively impacts human rights. In this case, the company should seek to influence its business partner, but does not hold the responsibility for compensation. Companies can also show respect for human rights by having public policy documents that describe their responsibility and continually conducting risk analyses in order to identify and prevent negative impacts. Companies should have a proactive action plan as to how possible negative impacts are managed.²⁷

REACH

REACH is an EU regulation from 2007 which replaces large parts of regulations on chemicals previously in place in both the EU and its member countries. The legislation is comprised of five

parts: registration, evaluation, issuing of permits, limitation and exchange of information. Those companies producing or importing chemical substances of over one ton per year must register this with ECHA, the European chemical authority. The requirement for registration concerns the specific substance, but also if the substance is contained in a mixture or in a product. Following registration, ECHA assesses if the information from the company is sufficient. ECHA has produced a so-called candidate list of substances where the information requirement is applicable to the producing or importing company. At the moment, the candidate list includes 151 substances. ECHA also has a list each of prohibited and restricted substances. When a company registers a substance with ECHA, it commits itself to share information through a special forum for exchange of experiences.²⁸

MULTI-STAKEHOLDER INITIATIVES

Fair Wear Foundation

Fair Wear Foundation (FWF) was founded in 1999 with the aim of improving conditions for workers in the fashion industry. FWF has a code of conduct based on the ILO core conventions and the UN Universal Declaration on Human Rights, to which member companies commit themselves to follow. In addition to membership for clothing labels, the organization has also attempted to launch membership for factories. FWF is governed by seven organizations, three industry organizations, two trade unions and two non-profit organizations. FWF is present in 15 production countries and conducts factory inspections and trainings. FWF follows up the sustainability efforts of the member companies in an annual public report for each company, a so-called 'Brand Performance Check'. One other tool that FWF offers is a so-called 'wage ladder' that aims to document how well wages in a certain factory correspond to other actual and/or calculated wage levels outside the factory. Another tool is 'Wellmade', which is a training program for the employees of purchasing companies working in such functions as purchasing and design. The training program gives employees tools for being able to work with sustainability in their respective functions. In this way, 'Wellmade' helps the company to integrate sustainability within the entire company.²⁹

25. International Labour Organization: <http://www.ilo.org/dyn/normlex/en/f?p=1000:12001:0::NO::>

26. Organisation for Economic Co-operation and Development

27. Regeringskansliet: www.regeringen.se/content/1/c6/20/90/82/feab2346.pdf

28. Kemikalieinspektionen: <http://www.kemi.se/reach>

29. Fair Wear Foundation: <http://www.fairwear.org/>



Foto: Charlie Aronsson

Ethical Trading Initiative Norway

Ethical Trading Initiative Norway /Initiativet for Etisk Handel (IEH) is a Norwegian multi-stakeholder initiative started in 2000 by Kirkens Nødhjelp, Virke (the Enterprise Federation of Norway), the Norwegian Confederation of Trade Unions and Coop Norway. The aim of the organization is to create a platform for cooperation by actors in international trade that promotes human rights, labor rights, development and the environmental issues. The 104 member companies commit themselves to follow IEH's code of conduct and following up on their sustainability efforts in an annual IEH report.³⁰ The code of conduct is based on the conventions of the UN and the ILO. In addition to companies, there are also non-profit organizations, trade unions and public authorities among the

members. Representatives from the four member groups are included in the board. The equivalent to the IEH in the United Kingdom was founded in 1998, and at the moment counts 86 companies, 16 non-profit organizations and eight union organizations among its members.³¹

BUSINESS INITIATIVES

Initiatives for social rights

Business Social Compliance Initiative (BSCI) was founded in 2003 by the Foreign Trade Association (FTA), which in turn, is the largest European organization for importers and retailers, gathering over 1,300 companies. BSCI has a code of conduct that the member organizations commit themselves to following. The code of conduct is based on the ILO's conventions. Two explicit areas of focus

30. Initiativet Etisk Handel: <http://etiskhandel.no/>

31. Ethical Trading Initiative: <http://www.ethicaltrade.org/>

within the BSCI are engaging workers in sustainability efforts and access to complaint mechanisms.³²

Fair Labor Association (FLA) is an initiative of former US President Bill Clinton, which in 1996, called together businesses and voluntary organizations in order to improve conditions within the fashion and shoe industries. Today, the organization is comprised of 39 companies and 18 suppliers, in addition to 172 schools and four voluntary organizations. In addition to these members, 56 companies have received licenses in order to spread FLA's principles in their supply chain. Approximately 1,500 reports published from various factory inspections can be found on the organization's website.³³

Environmental Initiatives

Business Environmental Performance Initiative (BEPI) is, like BSCI, an FTA- initiative, but in this case, within the environmental area. BEPI will open itself up for membership during 2014. In order to become a member of BEPI, the company must be a member of FTA. The aim of the organization is, like BSCI, to make efforts towards a more sustainable supply chain, in this case, environmentally.³⁴

Kemikaliegruppen is a Swedish organization run by Swerea IVF, a company that offers research and consultancy services within the environmental sector. The organization is comprised of 80 member companies, divided into sub-groups for the textile and electronics industries. The aim of the organization is to offer a platform for exchange of experiences between companies, public authorities and organizations.³⁵

The Leather Working Group (LWG) began in 2005 with the aim of "supporting good environmental control functions within the leather industry". LWG has created a set of protocols on how to evaluate how tanneries work with environmental issues. The group is comprised of 226 members in total, of which 149 are tanneries, 39 brands and 38 subcontractors which have the aim of identifying good examples and supporting efforts at sustainability within the industry. LWG claims to be working transparently and utilizing expertise from voluntary and academic

organizations. Trade unions are not mentioned as a specific actor. On the website of the group is a list of 186 tanneries that have been inspected. The tanneries are categorized according to the number of points each respective tannery has collected: gold, silver, bronze or simply inspected. The highest status is gold, half of the inspected tanneries have gold status. Only seven of the 186 inspected tanneries are categorized as vegetable tanneries. The group claims on its website that they have inspected 20 percent of the tanneries that provide shoe leather. Inspections are conducted by six independent auditors.³⁶

Swedish Shoe Environmental Initiative (SSEI) is a business initiative originating from the Swedish shoe industry. The project has 18 member companies. The aim of SSEI is to create tools for shoe-producing companies which makes it simpler to manufacture shoes in a more sustainable way. The project started in 2012 and it is expected to take three years in order to develop a tool that can also be used by consumers.³⁷

Sweden Textile Water Initiative (STWI) began as a partnership between textile and leather companies and Stockholm International Water Institute (SIWI) in 2010. STWI is a policy institute that produces research reports on water issues.³⁸ In 2013, STWI had 33 member companies. The aim of the initiative is better and more effective management of water in the supply chain.³⁹

32. Business Social Compliance Initiative: <http://www.bsci-intl.org/>

33. Fair Labor Association: <http://www.fairlabor.org/>

34. Business Environmental Performance Initiative: <http://www.bepi-intl.org/>

35. The Leather Working Group: <http://www.leatherworkinggroup.com/>

36. The Leather Working Group: <http://www.leatherworkinggroup.com/>

37. Swedish Shoe Environmental Initiative: <http://ssei.se/>

38. Sweden Textile Water Initiative: <http://www.siwi.org/>

39. Stockholm International Water Institute: <http://www.swedishwaterhouse.se/en/STWI/>

The Sustainability Efforts of the Shoe Store Companies

In this chapter, the results of the survey conducted by Fair Trade Center of the shoe store companies' sustainability efforts are presented. Empirical data is primarily comprised from a questionnaire sent to the person operationally responsible for CSR and sustainability at each company. Following the questionnaire, Fair Trade Center conducted follow-up interviews. Other material includes correspondence with the companies and public information from the websites of the shoe store chains.

DEICHMANN

German Deichmann is Europe's largest shoe store chain with a turnover 2013 of over 4 billion euro globally.⁴⁰ Heinrich Deichmann started a shoe-making factory in the Ruhr region in 1913 and two generations later, Deichmann is still family-owned and now operating in 23 countries.⁴¹ Deichmann has operated in Sweden since 2006 and today has 31 stores in the country, with the aim of having a total of 70 stores.⁴²

Turnover in Sweden in 2013:
25 000 000 euro

Number of stores in Sweden: 31

Own brands: Yes, comprises over 90% of the sales value

Number of direct suppliers: 100

Most common country of production:
China (approximately 70%)

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THE CODE OF CONDUCT

The overall responsibility for Deichmann's CSR efforts is the sourcing and product managing director. The operational responsibility for CSR-issues is with the global head of quality Andreas Tepest, who is a part of the management group

of the company. The head of quality reports to the head of purchasing and products. The code of conduct is a part of the agreements signed with the company's suppliers and are also a part of the purchasing manual. The code of conduct

40. ISPO Newsblog: <http://www.newsblog.ispo.com/newsblog/2014/02/03/deichmann-reports-healthy-growth-for-2013-set-to-enter-russia/>

41. Deichmann: <http://www.deichmann.com/SE/sv/corp/historia.jsp>

42. Andreas Tepest, Head of Quality Deichmann, e-mail correspondence (140528)

43. Andreas Tepest, Head of Quality Deichmann, survey reply (140416)

is posted in the factories so that it is well visible to the workers. It is also posted on the company's website. On Deichmann's Swedish website there is a link to the company's code of conduct in English, the code was adopted in 2001. In the introduction of the code it is stated that all suppliers in all aspects are covered. Concerning wages, the code of conduct states that the supplier should pay the legal minimum wage and that it should always cover basic needs plus savings. The document is primarily based on the ILO core conventions. In the introductory paragraph on child labor, a reference to convention 138 is also made, regulating the minimum age of employment. Otherwise, none of the other eight core conventions are named specifically in the code of conduct, even though they are all covered. In section six of the code of conduct, working hours are discussed. Overtime is defined as working time over 48 hours per week although limitations of the number of overtime hours is not provided. However, these hours should be covered by overtime compensation.⁴⁴ Deichmann will be launching a new code of conduct by the end of 2014.⁴⁵ The new code will be based on BSCI's new code, which was launched earlier this year.⁴⁶ The aim of the company's code of conduct is to establish and develop the suppliers' social and environmental sustainability efforts, not to see the code of conduct as a basis for terminating a business partnership, says Andreas Tepest.

THE SUPPLY CHAIN

Deichmann has approximately 100 direct suppliers, of which approximately 70 percent are in China and ten percent in Vietnam. The company's ten largest suppliers stand for between 80 and 90 percent of production.⁴⁷ The company's three largest suppliers produce exclusively for Deichmann. Verification of compliance with the code of conduct is performed by BSCI's independent inspectors. Tepest says that the company is successively increasing control of the second and third tiers in the supply chain and that high-risk countries like Bangladesh and India are prioritized. For some time, the company does not allow homework as a report by the Dutch organization HIVOS

drew attention to the risks for child labor in such circumstances. In certain villages in India with large production of shoes, the report shows that up to four of ten school-age children did not go to school.⁴⁸ Today, the workers gather at a common location close to home in order to work where a supervisor can verify that the work is not being performed by children.⁴⁹

Deichmann's suppliers must account for where they purchase their leather. The majority of the leather that the company's direct suppliers purchase comes from tanneries that are inspected by the Leather Working Group. All direct suppliers are inspected by independent external auditors via BSCI, but also through their own inspections. In addition to this, Deichmann has its own staff on site in the factories to ensure that the code of conduct is followed. No inspections are performed in connection with the shoes that are not produced under Deichmann's own brands. The majority of inspections are unannounced. During the first quarter of 2014, BSCI has conducted three unannounced inspections of the company's suppliers.⁵⁰ The first inspection of a supplier always includes interviews with workers. Each supplier is inspected every other year if nothing unexpected occurs. If Deichmann discovers deviations, a follow up visit will be conducted within four months and the visits are repeated until the deviations have been eliminated. In total, 50 to 80 inspections are performed each year. The most common deviation of Deichmann's code of conduct is in the area of overtime. Andreas Tepest explains how Deichmann manages deviations:

- Because we have a close relationship with our suppliers, we agree on a joint action plan and book a re-visit within four months. Unless the supplier is prepared to remedy the deviation, we terminate the cooperation, but this has not happened yet.⁵¹

An uneven order flow is a major contributing factor to the often illegal amounts of overtime workers within the manufacturing industry experience in countries with low wages. This is a problem that Tepest also sees in Deichmann's operations. In order to even out the order flow, the head of quality says that the company can

44. Deichmann, Code of Conduct, December 2001

45. Andreas Tepest, survey reply

46. Business Social Compliance Initiative: <https://www.bsci-intl.org/our-work/bsci-code-conduct>

47. Andreas Tepest, Head of Quality Deichmann, interview (140428)

48. Hivos: <http://www.hivos.nl/Stop-Childlabour/More-on-the-report-Working-on-the-Right-Shoes-2013>

49. Andreas Tepest, interview

50. Andreas Tepest, survey reply

51. Andreas Tepest, interview

balance how the capacities of their suppliers can be utilized in the most effectively way given their control over the entire supply chain. Among other measures, Deichmann always ensures that the company's ten largest suppliers fill their production capacities. A common problem within the manufacturing industry is the difficulties for workers to organize and, in such a way, impact their own situation. Andreas Tepest says that this is a smaller problem with Deichmann's suppliers than within the industry at large.

- Our team is on the factory floor every day. If a factory owner wants to keep their personnel in China today he has to treat them well, it's not like the old days. I have been in our factories just after the Chinese New Year and all workstations have been filled up. That is not the case in many other factories in China.⁵²

When Fair Trade Center asks Tepest about the many strikes that have broken out in southern China recently, in among other places Dongguan, traditionally the largest city for shoe production, he answers that the company does not have any production in Guangdong where Dongguan is situated. On the question as to if workers in their suppliers' factories have access to a complaint mechanism, Tepest replies that their local team is on-site in order to assist with possible problems. Concerning low wages, Andreas Tepest says that he is aware of the problem, but from what Deichmann can see from the inspections performed, their suppliers often pay more than the legally-required minimum wage. According to Tepest the company has not paid any extra attention to the specific problems of young women and migrants at their suppliers and

therefore they have not taken any special measures. Deichmann does not publish a public sustainability report. Andreas Tepest explains:

- We did a formal internal sustainability report for the first time this year, the issues are part of our daily business since the last ten years. So far we have not yet seen the need for a sustainability report that is communicated externally. We do not want our sustainability report to be a tool for "green washing". We think that in our case a sustainability report should focus on the supply chain.⁵³

ENVIRONMENT AND IMPACT

Deichmann has one brand (Elephant Green) for shoes that are manufactured with 100 percent vegetable tanned leather and natural rubber. Andreas Tepest says that less than five percent of the company's sales are comprised of shoes made out of vegetable tanned leather. Deichmann does not believe that the demand for ethically or environmentally-branded shoes has increased in the last five years. Since 2003, all of the company's suppliers are using water-based glue. The company has developed its own so-called Restricted Substance List (RSL), which is communicated to Deichmann's direct suppliers. Tepest says that shoe production does not have a large impact on the environment and that the environmental impact of their production is monitored through the environmental initiatives in which they participate. Tepest highlights BEPI especially, which is the environmental equivalent to BSCI. Waste water management, he says, is not relevant to the production of shoes, although it is a part of The Leather Working Group's protocol for tanneries.⁵⁴

EURO SKO GROUP

Euro Sko Group is Scandinavia's largest shoe store chain. In Sweden, the company run the concepts Euro Sko, DNA and Skokanonen.⁵⁵ In Scandinavia, the entire chain has a turnover of over 300 million euro.

Turnover in Sweden in 2013:
60 000 000 euro

Concepts in Sweden:

Euro Sko, DNA and Skokanonen

Number of stores in Sweden: 88

Own trademarks:

Yes, constitutes 35% of sales value

Number of direct suppliers: 85

Largest production country: China (58%)

56

52. Ibid

53. Ibid

54. Andreas Tepest, survey reply

55. Euro Sko AS: <http://www.eurosko.se/kategori/334/butiker.html>

56. Tone Cecilie F. Lie, CSR Manager Euro Sko Norge AS, survey reply (140409)

THE CODE OF CONDUCT

CSR efforts are, according to Tone Cecilie F. Lie, CSR manager at Euro Sko Group, anchored at management level and are stated in the company's sustainability strategy. The primary responsibility for sustainability at the company is with the company's marketing director, Johan Storvik, who sits in the management group. Euro Sko Group's code of conduct is communicated primarily to the company's suppliers. The suppliers automatically approve the code of conduct in connection with the receipt of the order confirmation by Euro Sko Group. The company will also shortly be publishing the code of conduct on its intranet.⁵⁷ On Euro Sko Group's Swedish website, the code of conduct is referred to under the heading "etik och miljö" ("ethics and environment").⁵⁸ It has been developed based on documents from the UN and ILO and was adopted in 2004. All of the ILO's core conventions are included. Concerning freedom of association and the right to collective bargaining, convention 135 and 154 are mentioned. Nothing about a living wage is mentioned in Euro Sko Group's code, but the right to a wage that covers basic needs and certain savings is mentioned. Working hours are regulated to a maximum of twelve hours overtime beyond the ordinary working week of 48 hours. The code also has an appendix which regulates conditions in worker accommodations connected to the factory. The code covers all direct suppliers and these are encouraged to relay the code to their subcontractors.⁵⁹ Concerning the company's suppliers in other areas, Euro Sko Group says that they are sure that the direct suppliers receive the code through their so-called 'development offices' which operate both as agents and determinants of, for example, the code of conduct. Lie explains:

The requirement on our direct suppliers is that they should inform us if they use subcontractors and how large a percentage that is 'outsourced' to them. Concerning tanneries, we require access to names, addresses and possible certifications for all tanneries that are used to manufacture our orders.⁶⁰

THE SUPPLY CHAIN

Euro Sko Group has 85 direct suppliers that produce the company's brands in 175 factories, 70 percent of the production remains in Asia, of which 58 percent is located in China. Inspections of suppliers are conducted by local organizations. Euro Sko Group also approves existing inspections that are performed by BSCI within a three-year period. Tone Cecilie F. Lie estimates that the company conducts approximately 80 external and internal inspections per year. In a follow up interview with Lie, she explains how Euro Sko Group have found the local organization they have chosen to work with in China:

- Through the Local Resources Network, which is a database of local organizations which we have access to through the Ethical Trading Initiative Norway (IEH), we have found TAOS.⁶¹ The advantage of TAOS is that it is a small organization which works, to a great extent, 'hands on' with the suppliers.⁶²

Euro Sko Group does not conduct any inspections of the shoes that are not manufactured under their own brands, but the same requirements are in place for these suppliers. Staff from Euro Sko Group who conducts visits at factories fill in a so-called 'Visual Observation Form', which the CSR department then follows up upon by writing a so-called 'Factory Visit Follow Up' report. In the report, the company proposes measures for improvement together with a time plan. The time plan is followed up by the CSR department. At those factories where Euro Sko Group performs its own inspections, they are announced in advance. Tone Cecilie F. Lie explains why:

- Our philosophy is improvement through cooperation and the beginning of a good partnership is not to arrive unannounced. If we think that the factory is hiding something or that the management is uncooperative we come unannounced at the next visit.⁶³

Workers are always interviewed during inspections and interviews are primarily conducted in the workers' homes. BSCI inspects factories in three-year cycles and Euro Sko Group, in turn,

57. Tone Cecilie F. Lie, survey reply

58. Following the fact check of this text, noting the the code of conduct was not on Euro Sko Gruppens Swedish website, Tone Cecilie F. Lie informs us that it is now. (140522)

59. Euro Sko AS, Code of Conduct

60. Tone Cecilie F. Lie, CSR-manager Euro Sko Norge AS, interview (140428)

61. TAOS: <http://www.taosnetwork.org/~taosnetw/index.htm>

62. Tone Cecilie F. Lie, interview

63. Tone Cecilie F. Lie, survey reply

approves BSCI's inspections. Tone Cecilie F. Lie sees shortcomings in BSCI's inspections though. The suppliers often don't document their measures for improvement. When shortcomings like these in BSCI's inspections are discovered, Euro Sko Group conducts its own inspections.⁶⁴ The most common violation of the company's code of conduct is health and safety, salaries and benefits and documentation of working hours. When violations occur, they are documented in a CAP. Based on the joint plan, the inspector and the factory management agree on an action plan with a clear schedule. All suppliers provide, each season, a so-called 'Season Overview' in which the factory, among other things, fills in current certifications and provides information on subcontractors such as tanneries. Euro Sko Group states that 72 percent of the leather that their brand shoes are made of is tanned in Asia, 51 percent is tanned in China.

One reason that workers are forced to work, often illegal amounts of hours, is due to the uneven order flow which leads to big order volumes during the high season. Short lead times are also a big contributing factor. In order to mitigate these problems, Euro Sko Group states that they attempt to distribute the orders of the base assortment during the low season. Lie says, however, that these goods only constitute one to two percent of the total turnover. Concerning the fundamental problems of union organizing and worker representation, Euro Sko Group says that they try to deal with this problem through their cooperation with the local organization TAOS and through the Season Reviews that suppliers submits. Another important instrument, says Tone Cecilie F. Lie, is the training provided by Euro Sko Group together with the multi-stakeholder initiative IEH. Concerning safe complaint mechanisms Euro Sko Group says that this has not been an issue that has arisen.

Concerning the widespread problem of workers in the manufacturing industry working on salaries that don't cover basic needs, Lie says that their work with the IEH provides valuable exchanges of experiences with other companies, voluntary organizations and trade unions. Lie believes that the path to a livable wage goes through giving their suppliers knowledge and tools as well as being a good partner. As an example of one problem that can be resolved by openness, she mentions double accounting of

working time that is discovered during inspections. Euro Sko Group conducts trainings at factories where management is getting prepared to deal with the measures that will be put in place via a CAP. The training is conducted under the supervision of a local organization and takes place over a longer period of time. Euro Sko Group has not taken any specific measures to support the many women who work within the shoe industry. They have neither taken any specific measures concerning the fact that many of the workers in the shoe industry are migrants.⁶⁵

Each year, the Board receives a CSR report and also receives continuous information on the company's CSR efforts.⁶⁶ Euro Sko Group has conducted an annual sustainability report since they joined IEH in 2004. The company does not report according to the format of the Global Reporting Initiative. The sustainability report is public and can be ordered from all of the companies' websites. The reason that the report is not published directly on the websites is, according to Lie, that the company is curious about those that interest themselves in their sustainability efforts. Management receives the report and all employees are encouraged to read it.⁶⁷

ENVIRONMENT AND IMPACT

In the 2008 report, Euro Sko Group did not note any demand for ethically and environmentally produced shoes. In 2014, the company says that the situation is more or less the same even if they can detect a minor increase in demand compared to five years ago. Euro Sko Group previously sold a model with vegetable tanned inner soles. The model did not sell well enough in order to justify continued production, says Tone Cecilie F. Lie. Lie does not see a large demand of vegetable tanned leather and has thus difficulties in predicting how this portion of the total amount of leather will evolve. Environmental impact in production is included in a part of the verification of the company's code of conduct. The verification entails, for example, the presence of on-site waste water management. The largest environmental problem that Euro Sko Group sees in the production chain is the tanning of leather and more specifically the sextuple chrome that they state does not exist in the company's production chain. In those

64. Tone Cecilie F. Lie, interview

65. Ibid

66. Initiativet Etisk Handel, Member Reporting for Euro Sko AS for 2013, p. 13

67. Tone Cecilie F. Lie, interview

tanneries that the company have visited in India and Portugal functioning waste water management was in place. Euro Sko Group requests tests for chemicals from its suppliers and encourages them to prioritize safe tanneries. In 2008, the company was in the process of developing a Restricted Substance List (RSL). Today, a list has been developed together with the Norwegian Institute of

Technology and the employer organization Virke.⁶⁸ The list is communicated to direct suppliers which, in turn, commit themselves to further communicate the RSL to their subcontractors. The list is also available on the company's website.

NILSON GROUP AB

Nilson Group AB is Sweden's largest shoe store chain with six different concepts. Rolf Nilsson started Firma Skodon in northern Halland in 1955. In 1977 Nilsson started the shoe store concept Din Sko. Since then, the company has launched the concepts Nilson Shoes and Radical Sports. Nilson Group AB has also acquired the store chains Skopunkten and Jerns. The company is still owned by the Nilsson family and has its headquarters in Varberg.⁶⁹ The store chain has a total of over 300 stores in Scandinavia and has a turnover of well over 300 000 000 euro.⁷⁰

Turnover in Sweden in 2013:

200 000 000 euro

Concepts in Sweden:

Din Sko, Ecco, Nilson Shoes, Jerns, Radical Sports and Skopunkten

Number of stores in Sweden: 257

Own brands:

Yes, constitute 74% of sales value

Number of direct suppliers: 85

Largest country of production:

China (87%)

71

THE CODE OF CONDUCT

The responsibility for CSR in Nilson Group AB lies with the production department. The head of production is, in turn, the supervisor of the CSR coordinator. Neither the CSR coordinator nor the head of production are a part of the company's management group. Nilson Group AB's code of conduct is communicated through a sustainability report and via internal training. The code is communicated to suppliers at the first order and is also available on the common website of all of the concepts. Under the heading "our responsibility" and the sub-heading "in the supply chain", the company's code of conduct is available in English. The code covers all suppliers in all parts of the supply chain that manufacture goods for Nilson Group AB. The code is divided into minimum requirements and the general code of conduct. The aim of the minimum requirements is to achieve a minimum standard already

during the first contact with the supplier from which improvements can be achieved. In the minimum standards, the company has chosen to highlight prohibition of child labor, forced labor, and discrimination, as well as access to clean water, emergency exists, and fire extinguishers. The payment of wages should also take place according to contracts. The freedom of association is not mentioned in the minimum requirements. The general code of conduct has been in place since 2002 (most recently updated in 2011) and is based on the ILO's core conventions, the UN Universal Declaration on Human Rights and the UN Convention on the Rights of the Child. The code of conduct refers to all of the ILO's core conventions. Concerning the right to organize, the code also refers to convention 135 which underlines the importance of protection of worker representatives. The code limits regular working hours to 48 hours per week, 60 hours including overtime.

68. Virke: <http://www.virke.no/bransjer/bransjeartikler/Documents/Virkes%20kjemikalieveileder.pdf>

69. Nilson Group AB: <http://www.putfeetfirst.com/se/Historik>

70. Nilson Group AB: <http://www.putfeetfirst.com/se/omNilsonGroup>

71. Jonna Burman, CSR-coordinator Nilson Group AB, survey reply (140416)

The code does not mention living wages, but a wage shall cover basic needs for both the worker and his/her family. The requirements specifically mentions that this also applies to homeworkers, informal labor and apprentices.⁷²

THE SUPPLY CHAIN

Nilson Group AB has 85 direct suppliers with 148 factories, 98 of which were used in the production of the company's own brands during 2013. 87 percent of the volume of purchases is produced in China and an additional seven percent is produced in Vietnam. Nilson Group AB follows up on its code of conduct through supplier inspections, primarily internal ones (98%):

- We work with coaching, not with outright inspections. We have a coach in China and until previously we also had a coach in Vietnam. The position in Vietnam has disappeared given our reduction in production in the country. In Vietnam, external audits are carried out instead. Our experience is that internal inspections build up a level of confidence which makes it possible to detect more deviations, says Jonna Burman, CSR coordinator for Nilson Group AB.⁷³

Inspections are currently only being conducted in the first tier of the supply chain. Beginning 2014 inspections will be conducted further upstream. Burman says that they are aware that the leather in the company's brand name shoes is tanned in China and India and that Nilson Group AB today has insight into from which tanneries their direct suppliers obtain their leather. In parallel to the mapping of their current subcontractors, in 2014 an effort to contract their own material suppliers for leather, synthetic leather, soles and textiles has been undertaken. Half of the company's inspections undertaken are unannounced. According to Burman, interviews with workers are a part of all inspections:

- During a tour of the factory, the CSR coach talks with a number of workers in order to investigate, among other things, how they experience their working environment and the workers age.⁷⁴

Nilson Group AB's suppliers are visited at least twice a year. Certain suppliers receive more visits depending on the results of earlier inspections and

the individual needs of the supplier. Altogether, 166 factory visits were conducted in 2013, three of which were conducted by external consultants. Sometimes, training is conducted during visits, health, safety and the use of chemicals among them.⁷⁵ In 2013 25 trainings were conducted. The most common violation of the company's code of conduct is incorrect registration of working time. According to Jonna Burman, this is connected to the system of "piece rate" that dominates in China.⁷⁶

- "Piece rate" is a unique system used in China that makes it more or less impossible to verify how much a worker earns in relation to working hours. What we do is that, at some selected suppliers, we collect the information from the time clocks - available but not used - and compare those working hours with the workers' wages.⁷⁷

If the criterias in the minimum requirements are not met, an action plan is developed and put in place, and if this is not followed, Nilson Group AB terminates the relationship. For other violations of the code of conduct, a joint Corrective Action Plan (CAP) is developed in dialogue with the supplier. The joint plan is followed up during the next visit. The company states that the focus on their main suppliers makes for a more even order flow. Nilson Group AB also consciously places orders from their base assortment during low season. Jonna Burman says that their internal tools for factory inspections cover issues such as freedom of association and workers representation. Each factory should have a suggestions box where complaints can be submitted anonymously. The company prohibits discrimination in its minimum requirements, but states they have not taken any special preventative steps to protect young women or migrants in production. Nilson Group AB does not conduct any inspections of the shoes that are not manufactured under their own trademark.

The company has published an annual sustainability report since 2008. From 2014, the report will follow the guidelines of Global Reporting Initiative. The sustainability report is communicated to all the staff at headquarters and is also sent out to the stores. It is also available on the company website.

72. Nilson Group AB, Minimum requirements & Code of conduct (111115)

73. Jonna Burman, CSR-coordinator Nilson Group AB, interview (140424)

74. Ibid

75. Nilson Group AB, Hållbarhetsrapport 2012 (2013)

76. Jonna Burman, e-mail correspondence

77. Jonna Burman, interview

ENVIRONMENT AND IMPACT

Nilson Group AB was a member of BSCI from 2005 to 2009. Nilson Group states that membership in BSCI was appropriate when the company was at the start of its sustainability journey. When the company left in 2009 it was because of BSCI's strict requirements which, according to Burman, lead to a risk of decreased transparency:

- We left in 2009 because we were afraid that the sometimes unrealistic requirements that BSCI placed would lead to suppliers falsifying documents, which in turn, would lead to less transparency.⁷⁸

In 2009, Nilson Group AB stated that there was not any demand for ethically or environmentally branded shoes. Jonna Burman sees a slow increase in demand since 2009. The company does not sell any models with social or environmental certifications or labels, but the concept Din Sko offers a collection called "A Better Choice", including shoes that are made of ecological textiles and/or vegetable tanned leather. The shoes are glued with water-based glues and rubber soles are made from raw rubber. According to Burman, shoes made with vegetable tanned leather represent about three percent of Nilson Group AB's total sales. The ambition is to increase this amount. According to Jonna Burman, the largest problem in the supply chain is the use of solvents.

The company has a Restricted Substance List (RSL) which is developed and updated continually with the help of input from different sources, among others the two research companies SATRA⁷⁹ and Swerea.⁸⁰ Nilson Group AB conducts trainings on its RSL for its suppliers. The company's environmental requirements are followed up with the suppliers through so-called "safety data sheets" for all substances managed in factories. The safety data sheet should be sent by the supplier of chemicals and follow REACH's protocols. Waste water management is not included as a part of inspections.⁸¹ Jonna Burman explains that waste water management and other environmental requirements will definitely be followed up if or when Nilson Group AB has their own material suppliers of, for example, leather.⁸²

SCORETT

Scorett was founded in 1989 and has grown to become Sweden's second largest shoe store chain located from Luleå in the north to Trelleborg in the south and with headquarters in the small town of Varberg on the Swedish west coast. Scorett, a part of the concept with the same name, owns 18 stores of the Håkansson concept.

Turnover in Sweden:
90 000 000 euro

Concepts in Sweden:

Scorett and Håkansson

Number of stores in Sweden:

111

Own brands:

Yes, these constitute 50% of sales

Number of direct suppliers: 100

Common production countries:

Italy, Portugal and Spain

(app. 20% per country)

83, 84

78. Jonna Burman, interview

79. Satra Technology: <http://www.satra.co.uk/portal/about.php>

80. Swerea IVF: <http://swerea.se/sv/Om-Swerea-koncernen/>

81. Jonna Burman, survey reply

82. Jonna Burman, interview

83. Ulrika Simonsson, CSR Officer Scorett, survey reply (140425)

84. Eva-Lena Svensson, Procurement Purchasing Manager, Scorett, e-mail correspondence (140516)

THE CODE OF CONDUCT

The responsibility for CSR issues on a general level lies with the CEO and at the management level the responsibility lies with the Purchasing Manager. The operational responsibility lies with the CSR officer.⁸⁵ Scorett's code of conduct is communicated via the company's website. Internally, new employees are trained in Scorett's CSR efforts and the code of conduct is included in the training. Scorett is a member of the multi-stakeholder initiative Fair Wear Foundation (FWF) and uses their code. On Scorett's website, under the heading "a sustainable development", there is a link that leads to the organization's website, but not to its code of conduct. 'FWF Code of Labour Practices' is found on FWF's website and it is this document that Scorett refers to as its code of conduct.⁸⁶ The code is based on the ILO's code of conduct and the UN Universal Declaration of Human Rights. References are made to all of ILO's core conventions. Concerning freedom of association, FWF's code refers to, in addition to ILO's core conventions, convention 135 which explains the importance of protecting worker representatives. As the only code that is reviewed in this report the FWF-code covers a living wage. Maximum overtime is defined as 12 hours per week above ordinary working hours (48). Suppliers of the shoes that do not contain Scorett's own brands must sign FWF's code of conduct.

THE SUPPLY CHAIN

Scorett has approximately 100 direct suppliers, depending on the season and different trends.⁸⁷ The company inspects its suppliers in the first tier and requires them to place the requirements further up its own supply chain. Scorett clearly states that they do not have the possibility to conduct inspections beyond the first tier, for example, at tanneries. The inspections that take place are conducted primarily with controllers from FWF. In addition to the inspections that the company conducts together, FWF conducts its own inspections of Scorett's suppliers' factories. Scorett also conducts its own inspections which are conducted together with local experts. At the moment, Scorett

only conducts announced inspections. Interviews with workers are included in all inspections. During the company's own inspections, interviews are conducted on-site at the factories, while FWF's interviews are more comprehensive and takes place separately. During 2013 35 inspections in total were conducted at factories of Scorett's suppliers.⁸⁸ The goal is that the majority of the suppliers should be inspected annually:

- The largest European suppliers are visited a few times each year. We try to inspect most of our Asian suppliers each year, says Ulrika Simonsson.⁸⁹

FWF's code is, as previously mentioned, the only of the codes that, in this review, mentions the concept of a living wage. According to Scorett, the company requires wage ladders to strive to provide living wages. With the help of FWF's inspections and tools, such as wage ladders, attempts are made to determine on what level a reasonable wage should be. Scorett is aware of the special vulnerability of young women and migrants within the manufacturing industry. The company has thus a continual dialogue with its suppliers about the safety of workers in the factories, in their homes and during transport that is arranged by the factory. As a part of this dialogue, the issues of wage and the possibility for young women especially to advance within the company are included. Scorett does not perform any inspections of the shoes that are not manufactured under the company's own brand names. Since 2011, the company produces a sustainability report that is only distributed internally to the board, CEO and department heads. The report is not authored according to GRI's principles.⁹⁰ Eva-Lena Svensson, Purchasing Manager at Scorett, says that the sustainability report can possibly be released publicly in the future, but no decision on this has yet been made.⁹¹

ENVIRONMENT AND IMPACT

When Fair Trade Center asked about the background to why Scorett chose not to be a member of BSCI any longer, Eva-Lena Svensson chose instead to highlight the multi-stakeholder initiative that the company has chosen to work with, Fair Wear Foundation:

85. Ulrika Simonsson, survey reply

86. Fair Wear Foundation: <http://www.fairwear.org/ul/cms/fck-uploaded/documents/companies/FWFdocs/fwfcodoflabourpractices.pdf>

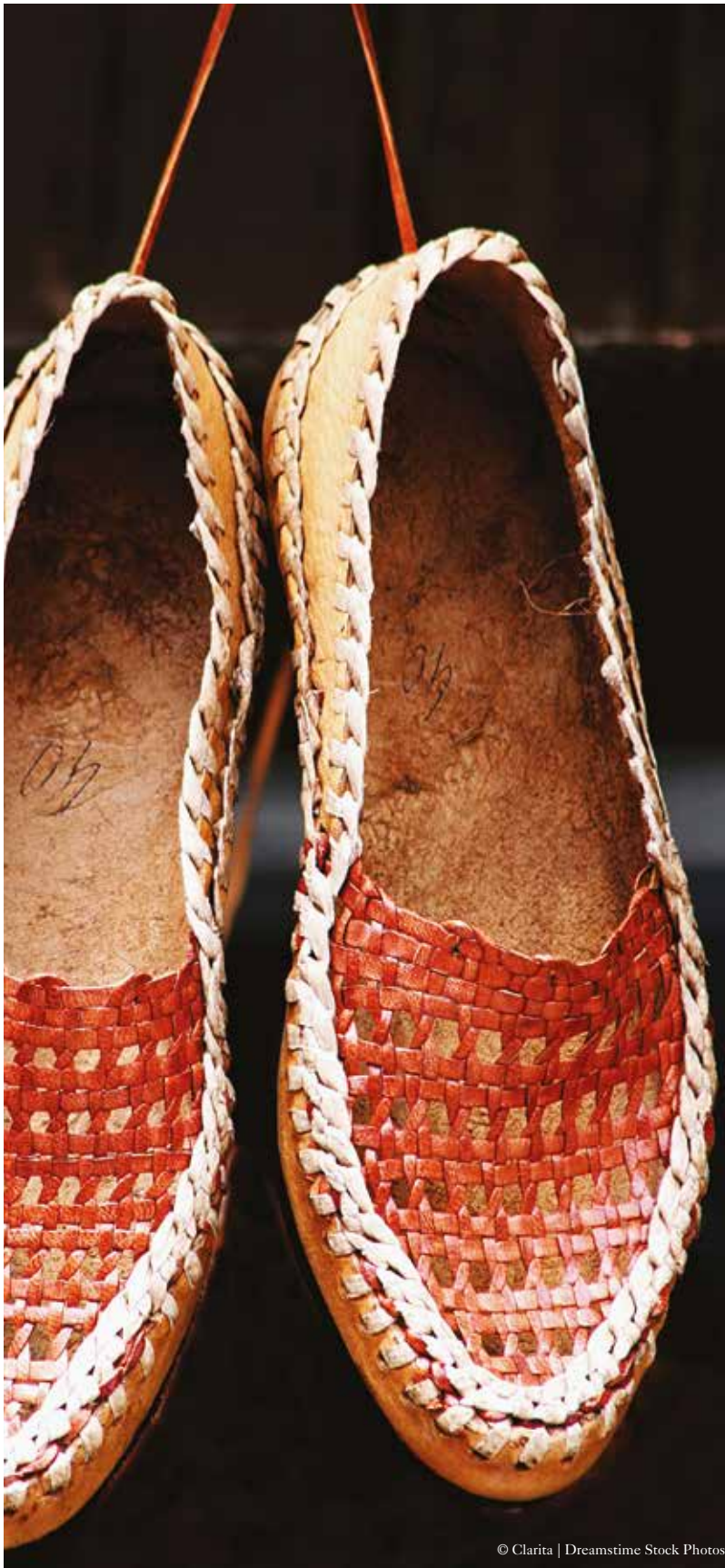
87. Ulrika Simonsson, survey reply

88. Eva-Lena Svensson, e-mail correspondence

89. Ibid

90. Ibid

91. Eva-Lena Svensson, Procurement Purchasing Manager Scorett, interview (140430)



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- We see the advantages with the transparency and broad perspectives that a multi-stakeholder initiative such as Fear Wear Foundation can provide. For us, it is of the utmost importance to see the actual situation at the factory and that we, together, with factory management can work towards continual improvements and sustainable solutions. We believe that the risk for falsifications and bribes during audits are less with the approach and time-frames of FWF.⁹²

Through its own brand name, Scorett sells Swecks Sneakers, which are manufactured with Fairtrade- certified and ecological cotton. The rubber in the shoes comes from plantations which are certified by Forest Stewardship Council (FSC). Another of Scorett's brand names is "Läeder by Nature", of which all shoe models are manufactured using vegetable tanned leather. Sales of the latter comprise 0.25 percent of the total turnover of the company. According to Simonsson, continued sales will determine if Scorett will increase its selection of vegetable tanned leather or not. Despite the launch of two environmentally-friendly brands, Ulrika Simonsson says that the demand has not increased over the past years:

- We believe that the awareness is greater but the demand is unfortunately unchanged. Offering these two alternatives is in the hope that we will create greater awareness and demand.⁹³

Scorett believes that the largest environmental problem in their supply chain is the use of solvent-based glue and cleaning products. According to Simonsson, the company requests water-based glue as a first choice and verifies during inspections that safety equipment is used. Ulrika Simonsson says that Scorett places great importance on staff in the factories receiving training on how protective equipment is used and that there is good ventilation at the premises. Scorett uses Kemikaliegruppen's recommendations while updating the company's RSL (Restricted Substance List). Ulrika Simonsson says that the environmental impact in the production of the company's brand shoes is not followed up and neither is waste water management:

- We conduct inspections at the first tier, in the shoe factories. The processes at the shoe factories are not water-based.⁹⁴

92. Eva-Lena Svensson, Purchasing Manager, Scorett, e-mail correspondence (140430)

93. Ulrika Simonsson, survey reply

94. Ibid

A comparison of the shoe store chains

	Deichmann	Euro Sko Group	Nilson Group AB	Scorett AB
Which are your largest countries of production?	China, app. 70 %	China, 58 %	China, 87 %	Italy, Portugal and Spain, app. 20 % per country
Which suppliers are covered by your code of conduct?	All suppliers through the whole supply chain	Direct suppliers which must communicate the code to their sub-contractors	All suppliers through the whole supply chain	Direct suppliers which must communicate the code to their sub-contractors
Is the code of conduct available on the company's Swedish website?	Yes	Yes	Yes	No, reference to multi-stakeholder initiative Fair Wear Foundation's website.
Is living wage mentioned in the code of conduct?	No	No	No	Yes
How many direct suppliers do you have?	Approximately 100	85	85	100
How many supplier inspections do you perform in one year?	50-80	Approximately 80	166 (2013)	Approximately 35 (2013)
How far in the supply chain do your inspections reach?	To the second tier, we have begun to perform inspections in the third tier 2014	To the second tier	To the first tier, we have begun to perform inspections in the second tier 2014	To the first tier
What are the most common deviations in your code of conduct found during inspections?	Overtime	Health and safety	Incorrect registration of working hours	Overtime
Does the company have a public sustainability report?	No	Yes, since 2004	Yes, since 2008	No
Are you a part of any multi-stakeholder initiative?	No	Yes, Ethical Trading Initiative Norway	No	Yes, Fair Wear Foundation

Analysis - Steps on the Way to a Sustainable Shoe Industry

When Fair Trade Center analyzes the result of a survey and gives recommendations to companies, we begin with four fundamental criterias; respect for human rights and the environment, responsibility in the supply chain, efforts to promote living wages and transparency. Fair Trade Center's requirements on companies are a part of the organization's operating strategy. The requirements are attached as Appendix 2. Fair Trade Center's conclusions are presented under nine headings, with five headings relating directly to the questionnaire: "Code of conduct", "Supply chain", "Sustainable purchasing practices", "Living wage" and "Workers representation". Four sections deal with problem areas that have been identified during the review: "Tanneries", "New preconditions in China", "Multi-stakeholder initiatives or business initiatives?" and "Sustainability reporting".

CODES OF CONDUCT

Deichmann states that they use the code of conduct as a tool for improvement rather than a pretext for terminating a contract with a supplier, which is positive and has the potential to be strengthened given the presence of the company in the suppliers' factories. Nilson Group AB also has a similar statement in the introduction to its

code of conduct. The same companies are also represented in China, although only by one person. Regarding the content in the codes of conduct, Deichmann is the only of the four store chains reviewed that does not regulate the total number of hours worked per week, including overtime. The other chains have a ceiling of 60 hours. Considering that overtime is the most common deviation from the code of conduct, according to Deichmann itself, this is something that must be corrected. Scorett is the only company which refers to another organization's code of conduct, Fair Wear Foundation (FWF). According to Fair Trade Center, ownership of one's own sustainability efforts in general, and the code of conduct in specific, is very important. There is a risk of a lack of clarity when a company refers to a link when one is accounting for what requirements are placed on one's suppliers. Fair Trade Center believes that Scorett should publish FWF's code of conduct on its website, or adopt its own code of conduct based on FWF's code. The advantage of FWF's code in comparison with the other three is that it is the only code that makes reference to a living wage, even if it does not provide any benchmark as to what a living wage is, something which Fair Trade Center considers a precondition for the company

to be able to make efforts in an effective and goal-oriented way to raise wages. Another precondition for improved working conditions is freedom of association. It is therefore surprising that Nilson Group AB does not choose to prioritize freedom of association in its minimum requirements for new suppliers. Fair Trade Center encourages Nilson Group AB to review this priority.

SUPPLY CHAIN

It is not always simple to determine how far up the supply chain a company's code of conduct reaches. Deichmann and Nilson Group AB write expressly in their respective code of conduct that they consider the code to reach all suppliers in all tiers of the supply chain. Having said this, Fair Trade Center expects that a code that encompasses "all suppliers in all tiers" leads to inspections being conducted so that the code also is compiled within all tiers, especially in the most risk-filled part of the supply chain, such as tanneries. Regarding the issue of how far upstream inspections are conducted, Nilson Group AB and Scorett answer that inspections are conducted in the first tier (in the case of Nilson Group AB, inspections will be undertaken in the second tier 2014) and Euro Sko Group that inspections are conducted in the second tier. Deichmann states that they have begun to perform inspections in the second and third tiers. Deichmann also reports that homework has been prohibited in the company's supply chain due to the high risk for hazardous child labor. Fair Trade Center believes that it is positive that the company has chosen to situate labor at a common gathering point in order to make it possible to ensure that no children are working in the production, instead of relocation of labor to a factory and increasing the risk that workers lose their income.

TANNERIES

Fair Trade Center's report shows that none of the four store chains conduct systematic inspections of the tanneries which provide their direct suppliers with leather. It is also surprising that three of four companies (all except Euro Sko Group) interpret the question, "What substances and processes are according to you the main problems in shoe production and how do you handle these problems?" that the question only concerns processes at their direct suppliers. In response to the follow-up question, if the answer concerns the entire shoe production process, all four companies are in agreement that the tanning of leather is the biggest problem. To Fair Trade Center, this indicates that none of the

companies take complete responsibility for their entire supply chain. In addition, when this concerns one of the world's most dangerous industries for both people and the environment, Fair Trade Center views this very seriously. Deichmann is a member of the Leather Working Group (LWG) which works for better control functions within the leather industry. It is good, of course, that the industry itself calls attention to a large gap in their own supply chain, however, Fair Trade Center is critical to the fact that the organization does not include trade unions. It is also a weakness that LWG does not yet have inspected one single tannery in Bangladesh. An initiative like LWG cannot avoid to improve conditions in the countries where the state of the leather industry is at its worst. Another additional business initiative that Fair Trade Center will follow is the Swedish Shoe Environmental Initiative (SSEI), of which Nilson Group AB and Scorett are a part. Yet another initiative that Fair Trade Center will follow up on is Nilson Group AB's process of finding its own material suppliers of leather, for example. As the only company in the survey, Scorett offers two environmentally-friendly brands where "Läeder by Nature" is only manufactured using vegetable leather. Ulrika Simonsson, CSR officer at Scorett, says that the demand is what is decisive if the assortment of tanned leather shoes will increase. Fair Trade Center holds the view that this is placing a great deal of responsibility on the conscious consumer. Scorett should ensure marketing of those environmentally-friendly alternatives which they offer in order to give the consumer a real possibility to choose sustainable alternatives, otherwise the poor demand risks becoming a self-fulfilling prophecy. Cooperation with existing independent labelling initiatives should also be something that would assist consumers in making conscious choices.

NEW PRECONDITIONS IN CHINA

Fair Trade Center believes that it is important to pay consideration to the large discrepancies in living conditions that exist in different provinces in China. It is important to remember that large problems remain in China. One fundamental problem is, of course, the state monopoly on union organizing; another is wages that don't cover basic needs. The effects of these problems are becoming larger in the new production provinces as workers have a lower awareness of their rights and authorities show even less will in protecting these rights. Deichmann says that their physical presence on the factory floor in China allows for workers to be

better prepared to report violations of the code of conduct and that there is thus no need for a complaint mechanism. Neither does Euro Sko Group see a need for a complaint mechanism, although the company is considering at the same time why they do not receive feedback from the workers. Fair Trade Center wants to draw attention to the companies the fact that the lack of complaints should be viewed as a sign that the channels for factory workers to make complaints does not work and that the company should take this up in discussions with the supplier. Fair Trade Center considers having a functioning complaint mechanism operating from the workers point of view an obvious necessity and also a precondition to be able to capture potential problems directly from the factory floor. Only Nilson Group AB of the four companies reviewed state that they systematically follow up that a functioning complaint mechanism is in place at their suppliers' factories.

MULTI-STAKEHOLDER INITIATIVES OR BUSINESS INITIATIVES?

Deichmann is the only company covered by the survey that is a member of the business initiative Business Social Compliance Initiative (BSCI). Both Nilson Group AB and Scorett have previously been a part of the organization, but later left it. The reason, according to Nilson Group AB, is that BSCI's inspections led to the lessening of their suppliers' transparency. The company states that they receive better knowledge of deviations directly from the suppliers rather than through the inspections that are performed by BSCI. Even if Fair Trade Center realizes that it is time-consuming for factories to be subject to too many inspections by single purchasers, Nilson Group AB's experience shows that partnership with BSCI requires active membership in order to function effectively. As with Euro Sko Group, accepting BSCI's inspections without being a member is a risk that requires thorough follow-up and complementary measures. One such complementary measure is, of course, to be a member of another multi-stakeholder initiative with representatives from companies, unions, and voluntary organizations. Having good contacts with trade unions and voluntary organizations, both in production countries and at home is something that Fair Trade Center is convinced serves the industry at large, and the individual company in specific.

SUSTAINABLE PURCHASING PRACTICES

All companies are in agreement that the uneven order flow is a problem within the shoe industry, a problem that leads to substantial overtime work and precarious forms of employment. All companies answer that they take measures in order to help their suppliers to even out the order flow. Deichmann says that their close cooperation with their suppliers allows them to fill, at least the largest suppliers, order books during low season. A similar approach has been reported by Nilson Group AB which also emphasizes partnership with its direct suppliers. Euro Sko Group and Scorett state that they attempt to submit orders on portions of their basic assortment during low seasons. On Euro Sko Group's part, only two percent of its assortment is represented by base assortment that is being placed during the low season. According to Fair Trade Center, this must be possible to increase. Fair Trade Center believes that the company reviewed must take greater responsibility for how they conduct their purchasing. Focus on cost and pressing lead times are traditional purchasing methods that have been a contributing reason for some of the most common problems that arises in the supply chains in trading with low-income countries; unreasonable amounts of overtime and salaries which do not cover the workers basic needs. It is of the greatest importance that companies choose to integrate sustainability efforts with the company's purchasing methods, otherwise the company risks undermining its own sustainability work. There is also a continual risk that the supplier receives mixed messages and that requirements are placed that are impossible to comply with. Companies must be aware that purchasing methods that focus on pressing prices and lead times, in the end, contribute to violations of human rights.⁹⁵

LIVING WAGE

Wages that are impossible to live upon are, together with lack of worker representation, two fundamental problems within the manufacturing industry. As previously mentioned, only Scorett's (FWF's) code of conduct make any mention of living wages. The problem with a code that does not mention living wages is, according to Fair Trade Center's experience, that the company stares itself blind trying to reach the legal minimum wage, which in a country like Bangladesh, is one

95. Fair Trade Center, Hållbara inköpsmetoder (2013)

fourth of a living wage and, in China, one half. The legal minimum wage risks being a ceiling rather than the floor it was intended to be. Deichmann maintains that all direct suppliers, according to inspections, pay more than minimum wages. This is of course better than if they did not, but not good enough. Generally speaking, all companies state that they are in the process of learning more and are mapping wage levels in production. Fair Trade Center of course encourages mapping of wages but would like to remind the companies that mapping exercises do not put food on the workers' tables. Something unique in China that Nilson Group AB highlights is the system with "piece rate" that, according to the company, "makes it more or less impossible to verify how much a worker earns in relation to working hours". Fair Trade Center will, with interest, follow the company's mapping of this problem. Hopefully, more workers can benefit from this, rather than only those workers supplying for Nilson Group AB.

WORKERS REPRESENTATION

Similar answers to the question on low wages were received by Fair Trade Center in answer to the question on measures for increasing workers representation, "we are mapping this". Also here, concrete measures are required such as training for both workers and management. It is encouraging to see that three companies (Euro Sko Group, Nilson Group AB and Scorett) report that they have begun trainings with supplier factories and that the interest in these trainings is great. Fair Trade Center believes that this trainings should be conducted in close cooperation with local unions and/or human rights organizations. If an independent party is involved, this gives the effort a higher degree of transparency and credibility. If not, the training risks losing local relevance and there is even a risk that it undermines already existing attempts to promote worker representation. A large part of the manufacturing industry is comprised of young women who many times have migrated from the countryside to the city. In the most popular production countries, this group is especially vulnerable which, according to Fair Trade Center, requires special measures. It is therefore surprising that three of four store chains have not taken any measures at all to protect this group. It is only Scorett that reports that they have taken up this as a safety issue and also have raised the question of career possibilities for young women during factory visits. This is an area where all companies need

to strengthen their efforts in order to not risk the violation of basic human rights.

SUSTAINABILITY REPORTING

Of the four companies, only two (Nilson Group AB and Euro Sko Group) publish annual public sustainability reports. Deichmann states that they do not wish to publish a sustainability report only for the sake of it. "A sustainability report should only be about the supply chain", says Deichmann's head of quality. Fair Trade Center would like to ask why Deichmann does not do exactly this? If the company has a clear idea about what a sustainability report should look like, they should step forward as a good example, especially given that Deichmann is the largest shoe store chain in Europe. Publicly sharing what the company does in the area of sustainability has several upsides, all of which are to promote a more sustainable shoe industry. If the company publicizes what it does, they promote positive competition between businesses and conscious consumers have the possibility of making conscious decisions. In order to see the direction one is taking, it is necessary to document from where one is coming. No company would ever come up with the idea of not doing an annual financial report because they want to devote all resources to earning more money. As much as an annual financial report don't contradict the operational work of doing better business an annual sustainability report should not contradict a company's sustainability efforts, rather the opposite. Openness and exchange of experiences are things that all companies highlight in their survey responses as a key for a more sustainable shoe industry. If companies mean business an annual sustainability report should be a matter of course.

Recommendations

TO ALL SHOE STORE CHAINS

- Add living wage to your code of conduct and describe how you define it
- Take concrete measures in order for workers at your suppliers' factories to receive a living wage for a normal working week of 48 hours
- Conduct systematic inspections of tanneries in the supply chain and take an active role in efforts for a cleaner tanning industry
- Review your purchasing methods in order to guarantee that these do not contribute to violations of workers' rights
- Act for workers and management at your suppliers' factories to undergo more training in workers representation. Highlight vulnerable groups such as young women and migrant workers
- Ensure that workers in your suppliers' factories have access to safe and rights-based complaint mechanisms
- Increase the selection of environmentally friendly shoe models

RECOMMENDATIONS TO THE SPECIFIC COMPANIES

Deichmann

- Set a limit for total working hours including overtime in your code of conduct
- Join a multi-stakeholder initiative that includes companies, unions and non-profit organizations
- Work to involve trade unions in the Leather Working Group and work for the inspections of tanneries in Bangladesh
- Publish an annual public sustainability report

Euro Sko Group

- Highlight the issue of tanneries within the Ethical Trading Initiative Norway
- Develop environmentally-friendly shoe models, among others, models manufactured with vegetable tanned leather. Review possible labelling alternatives
- Increase the portion of the base assortment that are considered for ordering during low season in order to allow your supplier factories to offer their staff permanent positions and avoid unnecessary overtime

Nilson Group AB

- Join a multi-stakeholder initiative that includes companies, unions and voluntary organizations
- Prioritize freedom of association in your minimum requirements for new suppliers
- Highlight the issue of tanneries within SSEI and increase transparency in the project
- Develop environmentally-friendly shoe models, among others, models manufactured with vegetable tanned leather. Review possible labelling alternatives
- Share your experiences from the mapping of issues related to “piece rate” in China and act for workers to receive living wages

Scorett

- Publish Fair Wear Foundation’s code of conduct and your Brand Performance Check directly on your website
- Conduct systematic inspections beyond the first tier in your supply chain
- Highlight the issues of tanneries within SSEI and increase transparency in the project
- Highlight the issues of tanneries within the framework of Fear Wear Foundation and utilize the resources that exist in the organization in this area
- Publish your sustainability report publicly

RECOMMENDATIONS TO CONSUMERS

- Ask what working conditions workers have in the production
- Request the company’s code of conduct and what policy they have regarding living wages
- Ask where the leather in the shoes comes from
- Ask for shoes produced with respect for human rights and environment
- Ask what kind of environmental impact the shoes you are considering buying have
- Ask for chrome-free shoes in the store
- Choose, to the greatest possible extent, the environmentally-friendly alternatives that exist
- Use your shoes for a longer period of time
- Ask if the shoes you are considering buying contains any of the substances on REACH’s candidate list
- Ask at your local recycling station what you should do when it is time to dispose of your shoes

Appendix 1

SURVEY: SWEDISH SHOE STORE CHAINS SUSTAINABILITY WORK - FAIR TRADE CENTER

(This survey concerns the production of your own brands when not otherwise stated)

General questions

1. How many stores do you have in Sweden?
2. What was your turnover in Sweden 2013?
3. How big share (in percentage) of your total sales does the sales of your own brands represent?

The Code of Conduct

4. Do you have a code of conduct that covers both social and environmental aspects (enclose document or make reference), and on what international conventions does it rest (if any)?
5. If yes - question 4. Are your suppliers covered by your code of conduct? In such case, how far down the supply chain?

The Supply chain

6. How many suppliers do you have (first tier)?
7. In which countries are your suppliers located and how are they distributed in percentage?
8. If yes - question 4. Do you follow up your code of conduct with audits at your suppliers?
9. If yes – question 8. How far down the supply chain do you conduct audits?
10. If yes – question 8. Are the audits done by internal or external auditors, and how are the two methods distributed in percentage?
11. If yes – question 8. Are the audits both unannounced and announced and how are these two methods distributed in percentage?
12. If yes – question 8. Do you conduct interviews with workers during audits and if so, how do you conduct these interviews?
13. If yes – question 8. How many of your suppliers are audited each year and how often is each supplier audited?
14. If yes, question 5. What are the most common breaches against your code of conduct in your supply chain?
15. If yes – question 8. What is the process if you find breaches against your code of conduct at your suppliers?
16. Do you know from which tanneries the leather in your shoes are sourced, if yes- from which countries?
17. If yes – question 8. Do you also do audits of the supply chain of the shoes that are not produced under your own brands?

Communication of sustainability work

18. At which level in your organization is the responsibility for CSR and sustainability located?
19. If yes - question 4. How is the code of conduct communicated, internally and externally, and to what stakeholders?
20. Do you do an annual sustainability report and in if so, since what year?
21. If yes, question 20. Do you do your sustainability report according to the Global Reporting Initiative (which application level)?
22. If yes, question 20. How is the sustainability report communicated, internally and externally, and to what stakeholders?

Ability to influence the industry

23. Can you please give examples of measures you have taken to meet the following challenges in your supply chain (please justify why/ why not measures have been taken and the choice of method)? :
 - A. Large variations in order flow that leads to precarious employments.
 - B. Difficulties for workers to join unions.
 - C. Workers lack access to a safe complaint mechanism.
 - D. The statutory minimum wage in the production countries seldom constitute more than 50% of a salary that covers a worker's basic needs.
 - E. A large percentage of those who work in the production of shoes are young women who are often migrants.
24. Do you sell shoes with social and/or organic labels or certifications (which)?
25. How do you think the demand of shoes with social and/ or organic labels or certifications have developed the last five years? (increased, decreased or unchanged)
26. Which collaborations in the area of sustainability (social and/or environmental) are you active in?

Environmental responsibility

27. What substances and processes are according to you the main problems in shoe production and how do you handle these problems?
28. Do you have a Restricted Substance List and how are the substances selected? (please enclose or make a reference to the list)
29. Do you audit the environmental impact of the production of your shoes, how does the audit work?
30. If yes, question 29. Is the waste water treatment included in the audit?
31. If yes, question 29. How is the information about hazardous substances and problems in the production process communicated and to whom?
32. Do you sell shoes by your own brands that are made of vegetable tanned leather, how big is the share in percentage of all the shoes you produce?
33. How big do you think the share of shoes you produce of vegetable tanned leather is in percentage of all the leather shoes you make in the year 2020?

Please enclose your answers in the document after each question, preferably with a different color, such as red.

Submit responses no later than 22 April to charlie@fairtradecenter.se. Please respect the dead line, we need time to complete the follow-up calls so that the result of the survey is as accurate as possible. Do not hesitate to contact me if you have any questions, 08-643 43 64 or charlie@fairtradecenter.se
Many thanks for your participation and cooperation!

Appendix 2

FAIR TRADE CENTER'S REQUIREMENTS ON BUSINESSES

When FTC places requirements on companies and their operations this is done using the following fundamental criterias:

1. Respect human rights and minimize impact on the environment

Companies have a responsibility to respect human rights as determined by the following international instruments:

- UN Universal Declaration on Human Rights
- International convention on economic, social and cultural rights
- International convention on civil and political rights
- ILO's (International Labour Organisation) eight core conventions on human rights at the workplace. These conventions cover freedom of association and collective bargaining, prohibition against various forms of discrimination, minimum age for employment and prohibition against the worst forms of child labor.

Companies also have a responsibility to minimize their impact on the environment and must follow the precautionary principle concerning environmental risks.

2. Take responsibility in the supply chain

According to the UN Guiding Principles on Business and Human Rights, companies have a responsibility to prevent and limit negative impacts on human rights they are involved in through their business relationships with other parties. The term business relationships also applies to actors in the supply chain beyond the first tier. The company should conduct due diligence, which includes negative effects on human rights in the supply chain. When companies have a large number of suppliers, they should identify the general areas where the risk for negative impact on human rights is greatest and prioritize these areas. In the case companies have contributed to violations of human rights, they are liable to compensate the victims.

3. Promoting living wages

According to the UN Universal Declaration on Human Rights and the International Convention on Economic, Social and Cultural Rights, employees have the right to compensation that gives him or her and his or her family the possibility for a humane existence. Companies have the responsibility to provide workers in their own operations and in the supply chain wages that cover the employee's and his/her family's basic needs, such as food, clean water, rent, clothing, education for children, health care and savings.

4. Guarantee insight and openness

It should be possible for consumers to receive information on how the production of different goods and services takes place. According to the UN Guiding Principles on Business and Human Rights, an important part of the company's efforts to demonstrate that they respect human rights is to communicate and give presumably vulnerable people or groups and relevant parties' insight and the possibility for accountability.

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