



To date, the Leather Working Group (LWG) forum initiated by the Brands and their suppliers has had significant, positive effect on the environmental stewardship practices of the footwear leather manufacturing supply chain. The auditing process has successfully identified areas for improvement within the supply base. This has been particularly positive for those suppliers that had previously fallen short of appropriate environmental standards and practices. The terms of reference within the protocol sets standards for best practice that are often significantly more challenging than local legislation and this has driven positive reductions in water and energy consumption as well as improvements in restricted substance and regulatory compliance.

The LWG protocol that BLC follows to conduct the environmental stewardship audit is a comprehensive assessment of a leather manufacturer's current environmental performance at a point in time. The audit uses a combination of interview, inspection, document verification and observation. However, while it is an in depth review of an organisations operating policies, practices and controls, the assessment is based on sampling and therefore non conformities may exist which are not been identified.

It is feasible that at some point, audited companies will face an environmental situation which could be caused by operator error or equipment failure etc. These situations may result in temporary breaches in the company's discharge limits. This may result in a fine and a series of corrective requirements imposed by the local authority. It is unusual that this would result in a withdrawal of a discharge or operating permit unless it was a significant event. The LWG audit assesses the systems and policies with a view to ensuring that the company understands and manages its operations with appropriate environmental diligence and stewardship. The audit process also encourages environmental improvement and should breaches occur, they are minimised, corrected or eliminated.

As breaches are often quickly corrected it is common for the operating permits and licences to be unaffected. Therefore when an audit is conducted it is most likely that the permits and documentation are in order. To address these circumstances an interview response is required to a series of questions in section 7 and 10. If the company has had breaches then its score is marked down accordingly.

With respect to the allegations made by the Institute of Public and Environmental Affairs against Shanghai Richina Leather (SRL), BLC have investigated the allegations and have the following points to make. The investigation has been done through independent local research, on-site visits and telephone interviews with SRL senior staff. SRL have also conducted an internal review of the situation and shared those findings with BLC.



At all times during this investigation we have found SRL staff to be open and supportive in their responses and keen to resolve the issues to the satisfaction of the authorities, customers and local stakeholders.

While this situation is not straight forward the BLC investigation confirmed that on a number of occasions over several years SRL had been sited for issues which related predominantly to odour. On each occasion SRL took appropriate action to correct or improve the situation. These corrective actions included the covering of the effluent treatment plant and the installation of odour scrubbers in 2004. With these corrective actions in place occasional odour issues continued to occur and in December 2006 SRL closed their beamhouse operation (which is often the major source of odours from a tannery) and began processing from wet blue. In 2007 following the October 3rd BLC mediated LWG audit and during a routine inspection by Baoshan authorities a spraying machine scrubber was found to be defective and a corrective action was issued by the authorities. SRL responded by closing the machine and correcting the fault. In August 2008 it is reported that SRL's effluent treatment plant covers were damaged during a typhoon and there were again complaints about odour while the plant was being repaired and subsequently a fine was imposed.

In 2009 the Baoshan authorities tested the SRL site on two occasions once on February 20th and again on July 13th. Our investigations found that there has been no formal action or communication with SRL by the authorities following these tests (the odour evaluation carried out by the authority uses a subjective olfactory assessment of air quality).

In addition during both the LWG audits conducted in 2007 and 2009 by BLC an olfactory check was carried out at the factory boundary by the auditor and no odour was detected. Although it was noted in both audit notes that the company had experienced issues with odour and it was understood that corrective action had been taken.

It was also noted during the audit that SRL had gone through significant change in management at all levels and this had resulted in some minor gaps appearing in management and communication related to the environmental management systems.

During the latest audit in May 2009 BLC found SRL to be a well managed leather manufacturing facility with appropriate systems, procedures skills, people and equipment to manage its environmental responsibilities effectively.

Despite the audit being conducted in line with the latest LWG audit protocol it is clear that the current situation is not acceptable. Therefore a number of corrective actions and recommendations have been made in relation to SRL, BLC and the LWG audit protocol;



For SRL

1. SRL need to identify the occasional causes of odour at the site and implement a robust corrective solution. BLC will review the action plan.
2. In the short term SRL have agreed to have independent odour testing of the site on a monthly basis. BLC will review and record the results of these tests each month and support in corrective action if required.
3. SRL will open dialogue directly with the Institute of Public and Environmental Affairs (IPE).
4. SRL will advise its top customers of the issues identified and publish a response on its web-site and through normal trade communication channels.
5. BLC will re-assess SRL's audit results for section 7 & 10 of the LWG protocol and issue a revised report and score.

For BLC as the auditing body

6. BLC will stress the importance to the leather manufacturers during the audit of declaring all discharge or odour non compliances
7. BLC will require that the leather manufacturer signs and accept the audit return as a true and accurate record of the observations, responses and evidence presented during the LWG audit. If the company fail to do this their audit may be deemed a gross failure and certification withdrawn.

The corrective actions for the protocol will be discussed at the next meeting of the LWG executive committee and then published on the leather working group web-site

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