



**SUSTAINABLE
FIBRE
ALLIANCE**

Creating a Sustainable Cashmere Value Chain



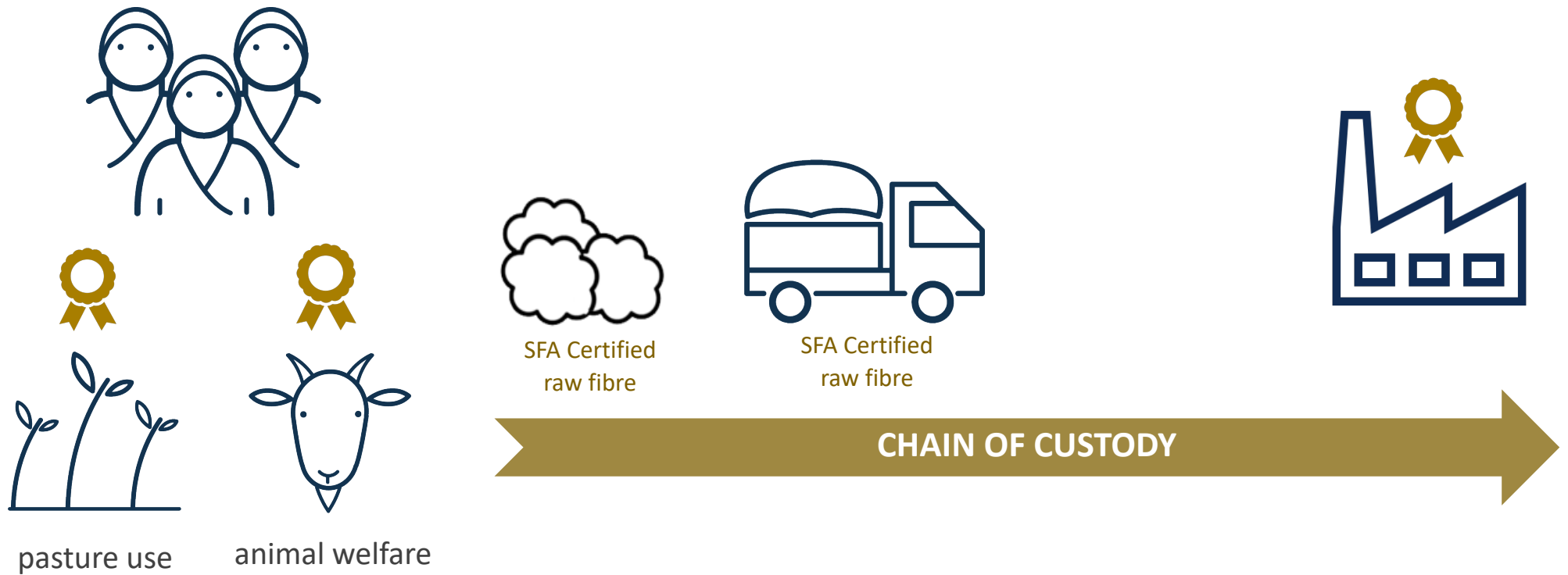
2020 CHAIN OF CUSTODY PILOT

Zara Morris-Trainor, SFA Operations Manager

12th March 2020



What do we mean by chain of custody?

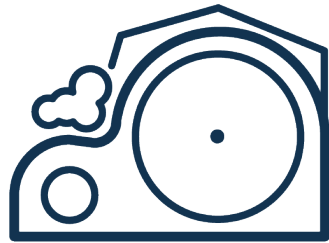




What do we mean by chain of custody?



SFA Certified
washed fibre



SFA Certified
dehaired fibre



SFA Certified
yarn



SFA Certified
final product

SFA Certified
product claim



CHAIN OF CUSTODY



A chain of custody for the SFA



THE SFA CASHMERE STANDARD

Looking ahead to 2030

- Expanding our reach across Mongolia and into China
- Increase in volume of SFA Certified fibre
- Chain of custody an integral part of this expansion
- Our [codes of practice](#) cover the certification of raw fibre
- The [chain of custody](#) traces this fibre through the supply chain

Goal of the chain of custody

- To ensure the accuracy of claims regarding the content of SFA Certified fibre in a final product.

By complying with our chain of custody, as an SFA Member you can demonstrate your use of responsibly produced cashmere and may use the SFA Certified Logo





Developing our approach

The SFA Chain of Custody Working Group

CHAIR: Ruchira Joshi (SFA Board and CoC expert)

TECHNICAL TEAM: Steering Committee (SFA Members)

ADVISORY TEAM: CoC experts

Full Segregation

vs

Mass Balance



Full segregation with minimum threshold

(also known as batch-level mass balance)



Full segregation with minimum threshold

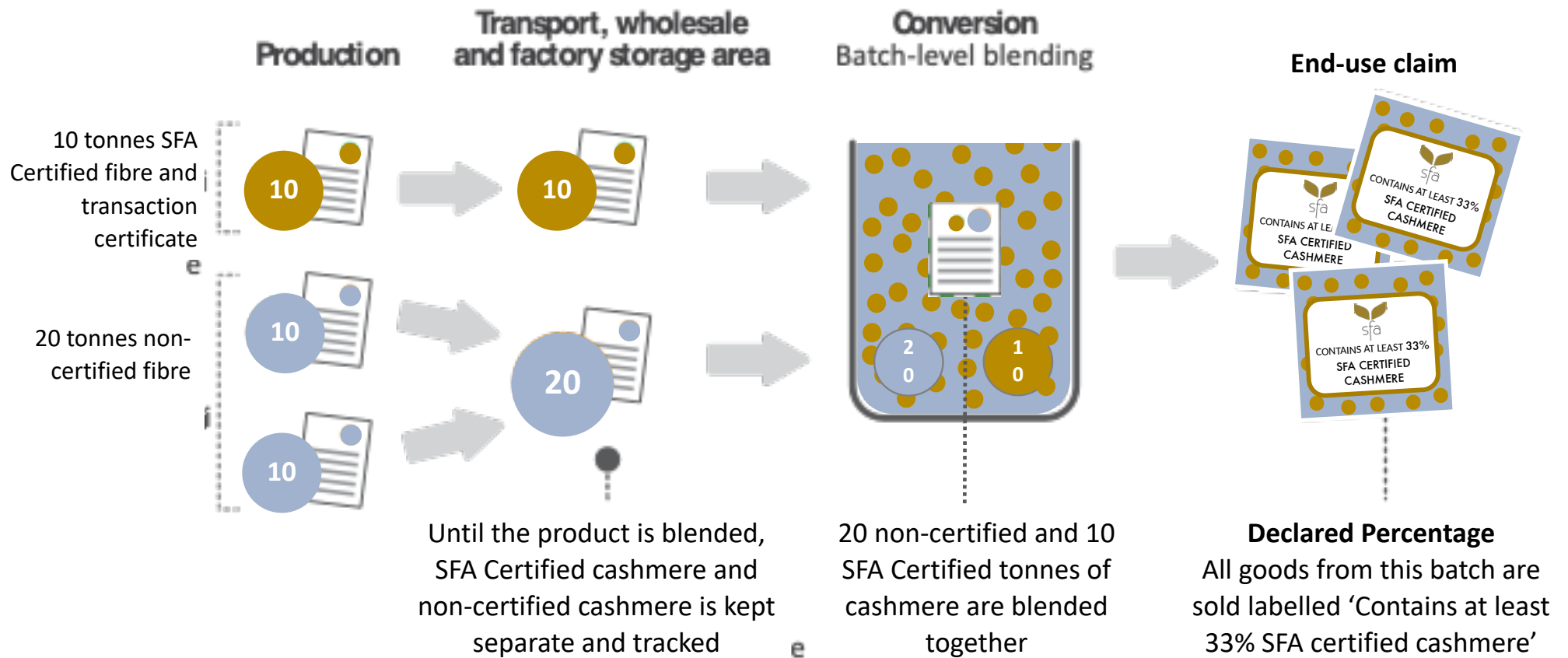
- A form of mass balance (BATCH-LEVEL MASS BALANCE)
- Maintains physical segregation of certified product until the final point of mixing
- Certified and non-certified fibre **can be mixed**
- Mixing is **controlled and recorded**, so the *proportion of certified content* in each final product is known.
- Ensures the end-product contains **at least a proportion of certified product**, which allows specific end-use claims to be made.
- We have selected a **minimum threshold of 30%**





Full segregation with minimum threshold (BATCH-LEVEL MASS BALANCE)

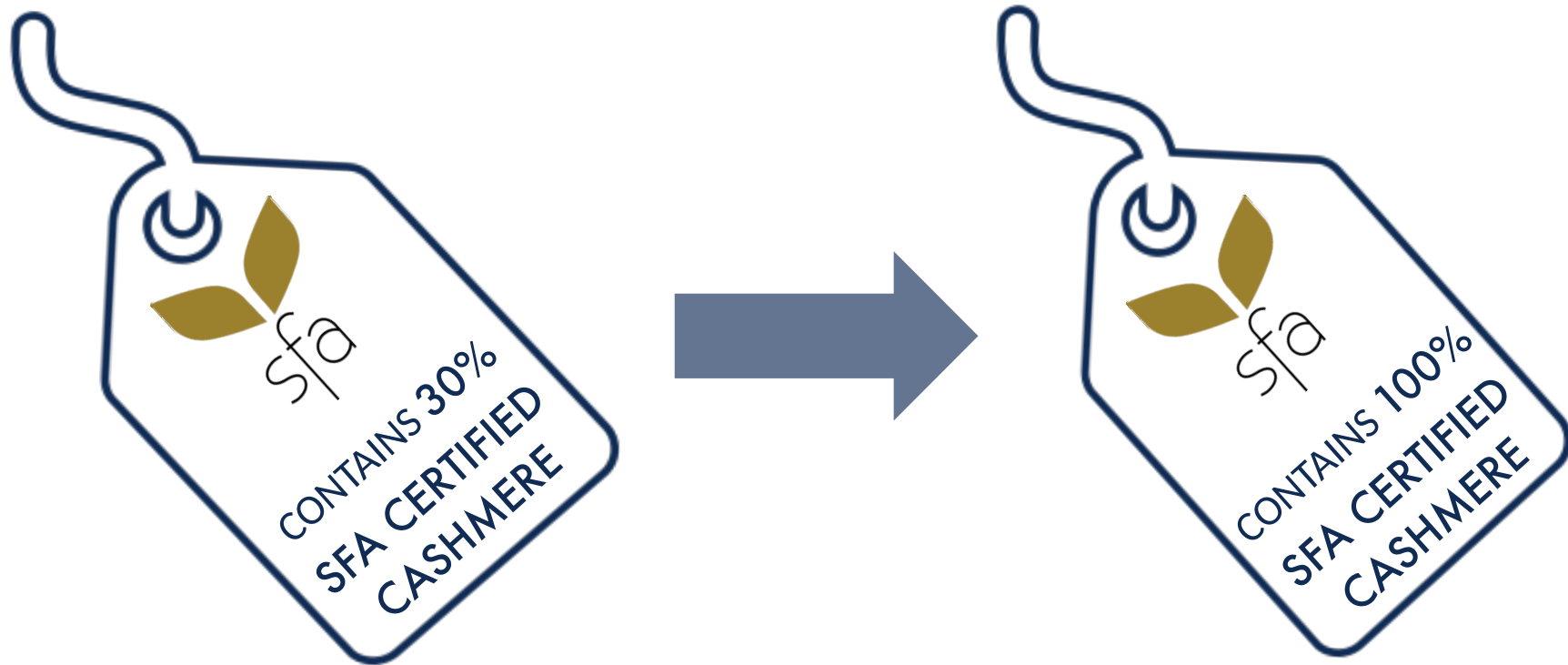
DECLARED PERCENTAGE CLAIM





A flexible model for our diverse SFA Membership

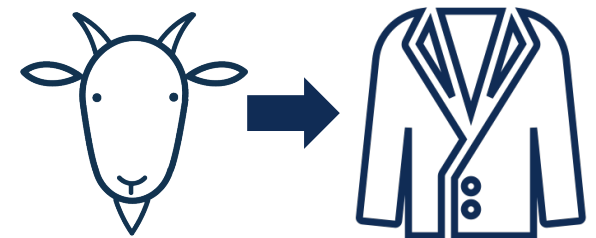
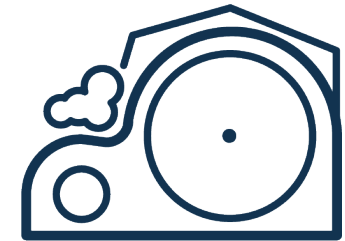
Any physical content between 30 and 100% is permitted – it's up to you...





Our 2020 Chain of Custody Pilot

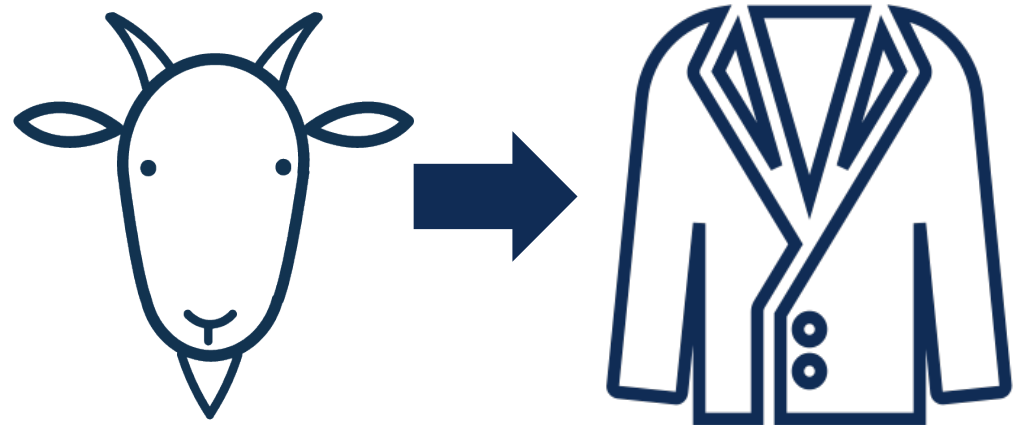
- In 2019, we partnered with **UNDP Mongolia** to trace SFA certified fibre up to first-stage processors using blockchain technology
- This year, we will trace our fibre all the way to the **final garment**
- In collaboration with SFA herders and registered supply chain actors, we will run **four 'goat to coat' pathways**
- Reflect **common supply chain routes** that are relevant for our both our Mongolian, Chinese and international membership base
- Participation is **only available to SFA Members**





Aims

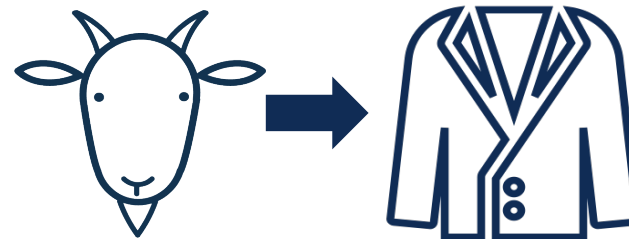
1. Identify **any logistic challenges** associated with implementing this particular model in the field
2. Assess its ability to meet our **members' needs**
3. Gain information that will be useful for **expanding the scope** of our chain of custody





Objectives

1. Test the usability and effectiveness of our CoC Guidelines
2. Test a traceability system from the herder level through to final product
3. Determine fibre characteristics and quality of our herder organisations
4. Determine whether mixing should occur during yarn spinning or fabric weaving
5. Establish estimates of average conversion rates
6. Identify any logistical challenges associated with the segregation of certified fibre
7. Determine likely auditing costs
8. Build relationships with implementing partners
9. Produce the first ever SFA-certified cashmere products with associate claim statement and SFA-Certified logo
10. Demonstrate to our members and herder organisations that we can physically trace SFA certified fibre through the supply chain





Participation criteria

Herder organisations

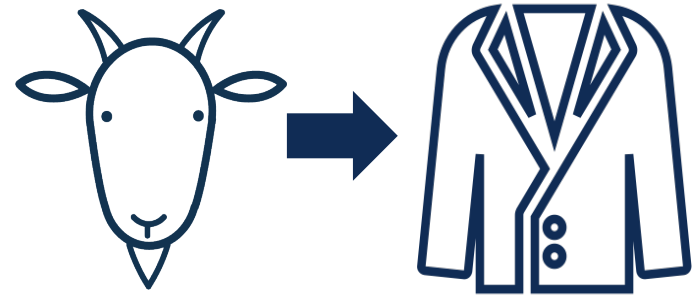
- Compliant with both codes of practice

Processors (scouring and dehairing)

- Signed up to SFA Register
- Carry out scouring and dehairing in same facility
- Participating in Clean Fibre Processing

Brand/retailer:

- SFA Member
- Retail their own cashmere garments
- Previously been audited for chain of custody on another product
- Willing to arrange and cover the costs of the CoC audit
- Further criteria associated with the individual pathways

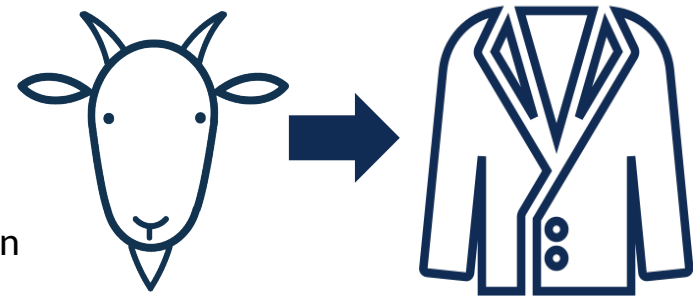




Participation incentives

Herder organisations

- Increase market connections
- Pot of 53 million Mongolian Tugrik (approximately 15,000GBP)
 - NOTE: this does not represent a price premium
- Money must be spent on breeding improvement or fodder preparation



Processors (scouring and dehairing)

- Raise profile and promote compliance with SFA Cashmere Standard
- Secured sale

Brand/retailer:

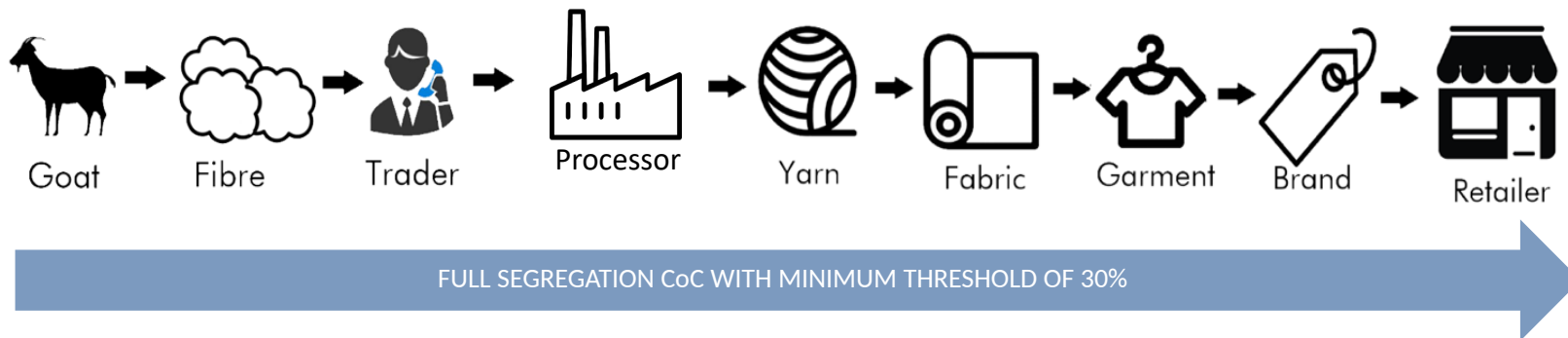
- Opportunity to trial and improve the SFA's chain of custody model
- Demonstrate use of responsibly produced cashmere using the SFA logo and product content claims
- First opportunity to market 'SFA Certified' cashmere products



Our Four CoC Pathways

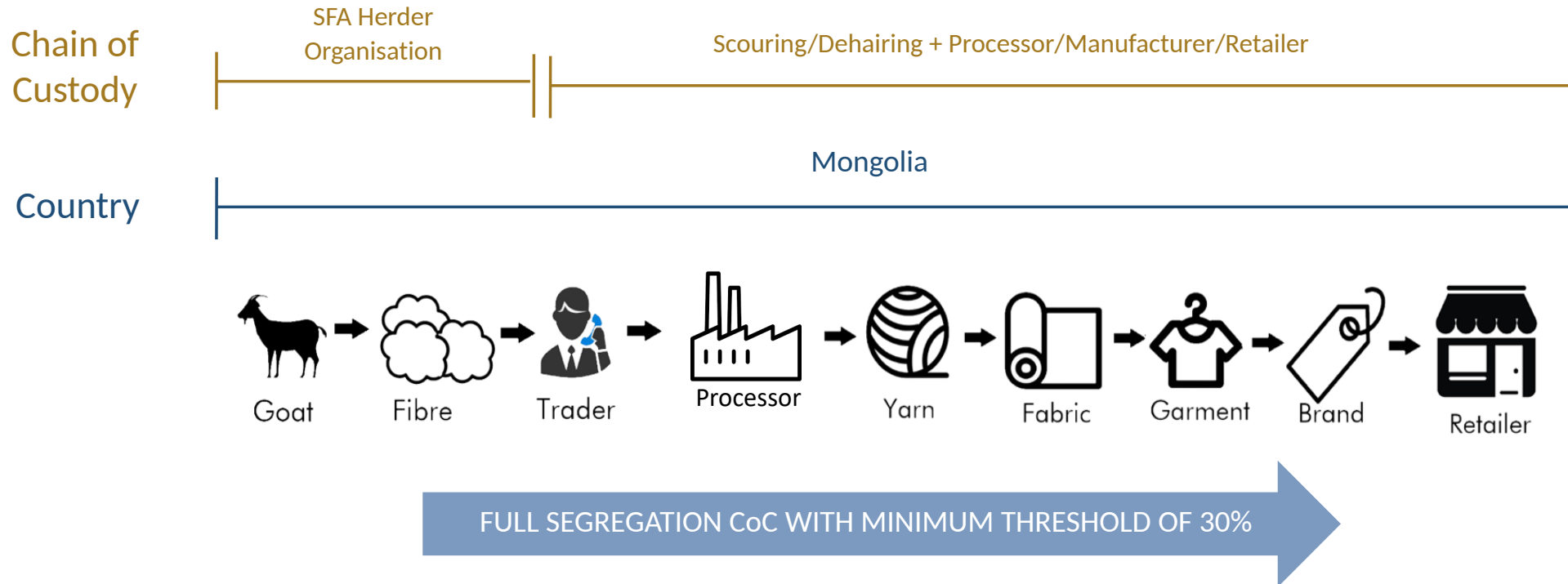


1. MONGOLIA
2. UNITED KINGDOM (A)
3. UNITED KINGDOM (B)
4. CHINA



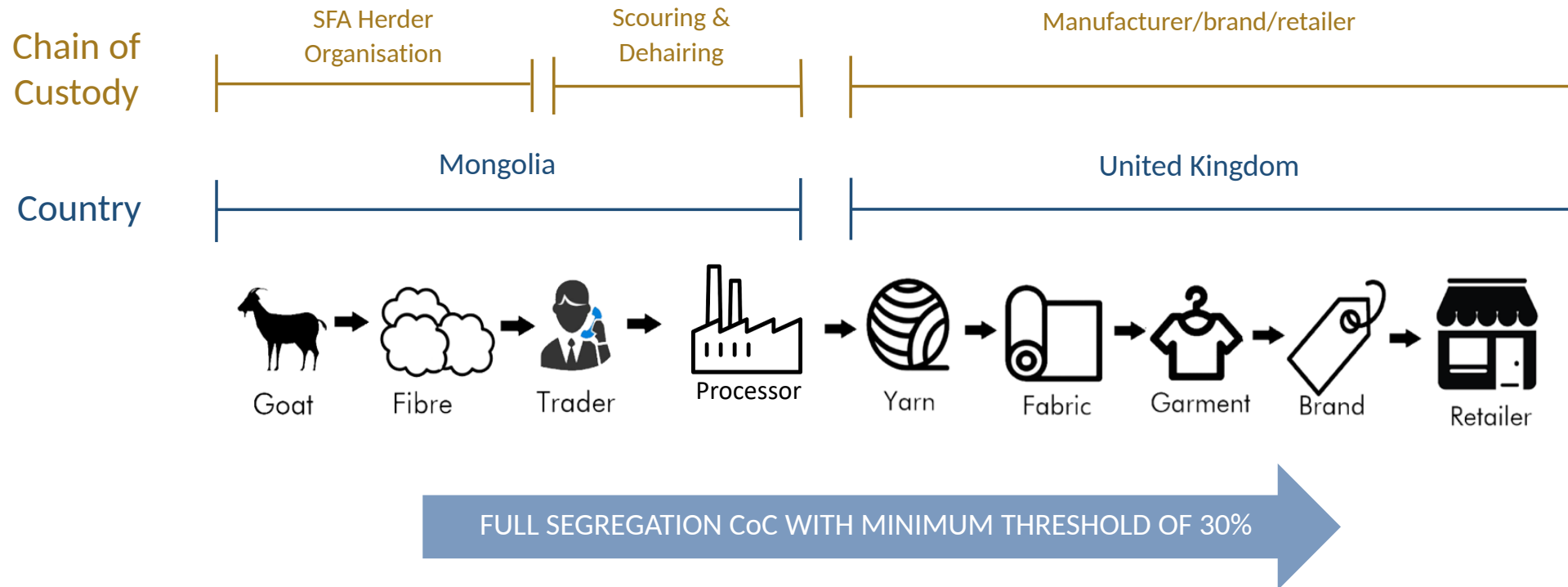


PATHWAY 1: Vertically-integrated Mongolian company



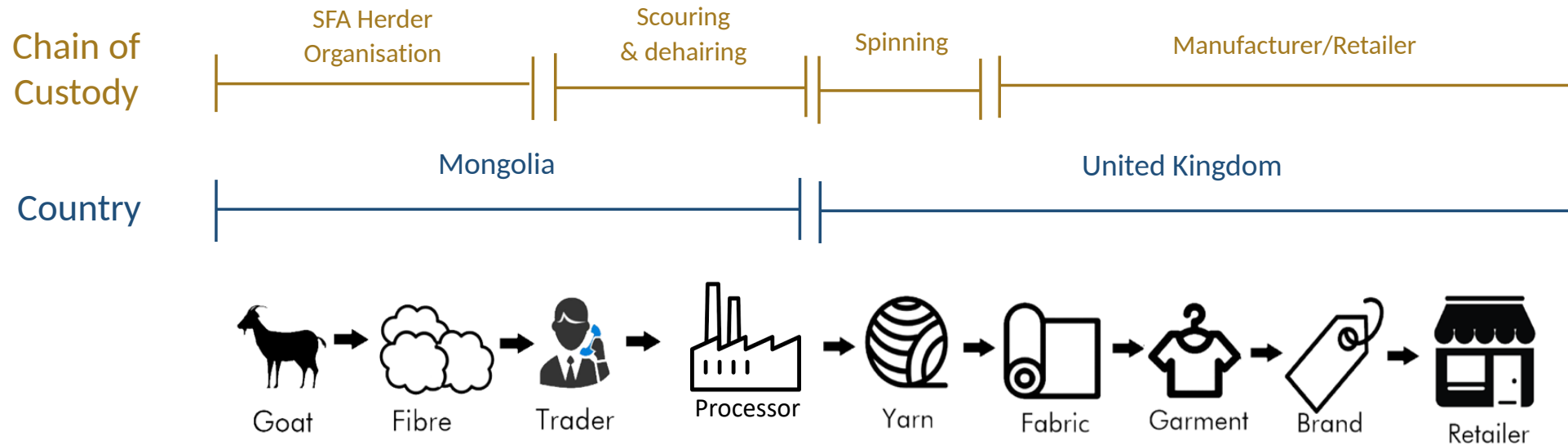


PATHWAY 2: Mongolia to vertically integrated UK company (A)





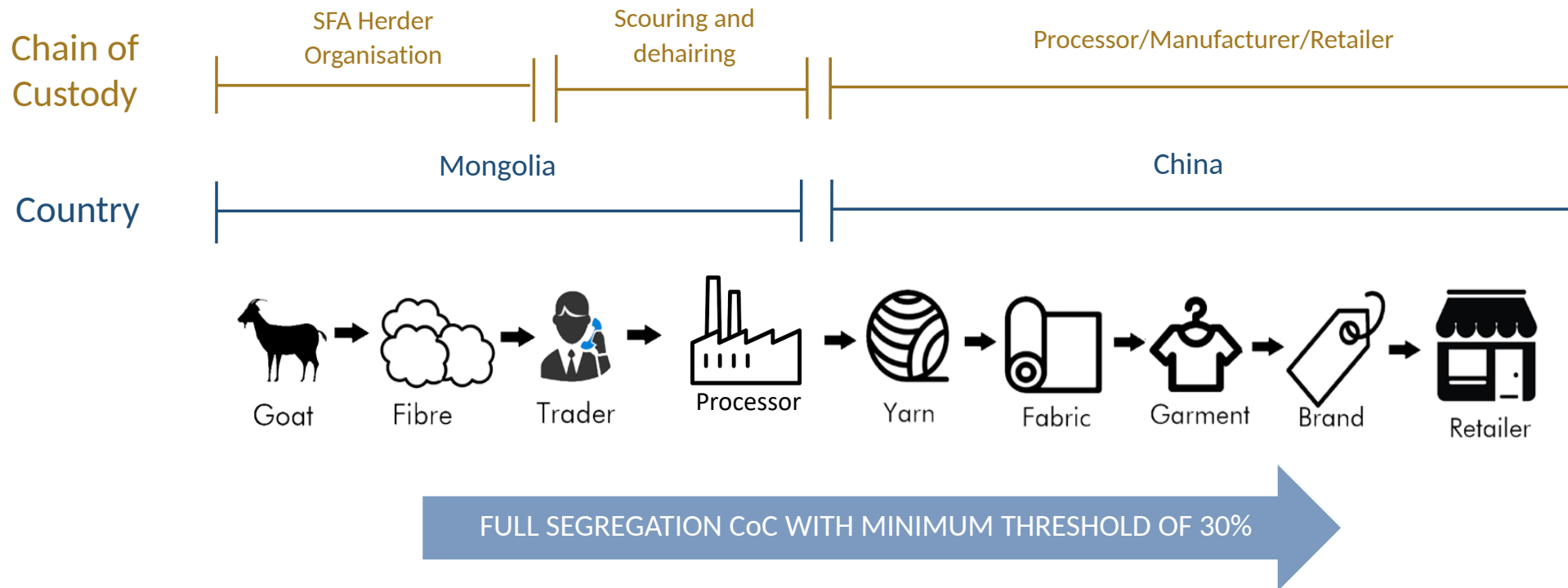
PATHWAY 3: Mongolia to UK spinner, to UK manufacturer/retailer (B)



FULL SEGREGATION CoC WITH MINIMUM THRESHOLD OF 30%



PATHWAY 4: Mongolia to vertically-integrated Chinese company





How it will work

Traceability System

- The system that records and follows the trail as products, parts, and materials come from suppliers and are processed and ultimately distributed as end products.
- Aim is to compliment members existing traceability systems
- Potentially repeat with Convergence blockchain technology
- Mobile devices + scanning + RFID tagging technology

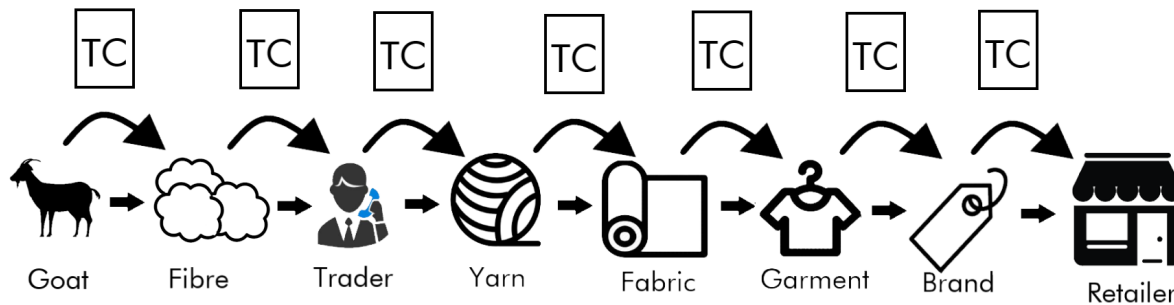




How it will work

Traceability System: Transaction Certificates

- Transaction Certificates (TCs) are issued each time goods change ownership.
- Details will match invoices and shipping documents.



EXAMPLE DRAFT



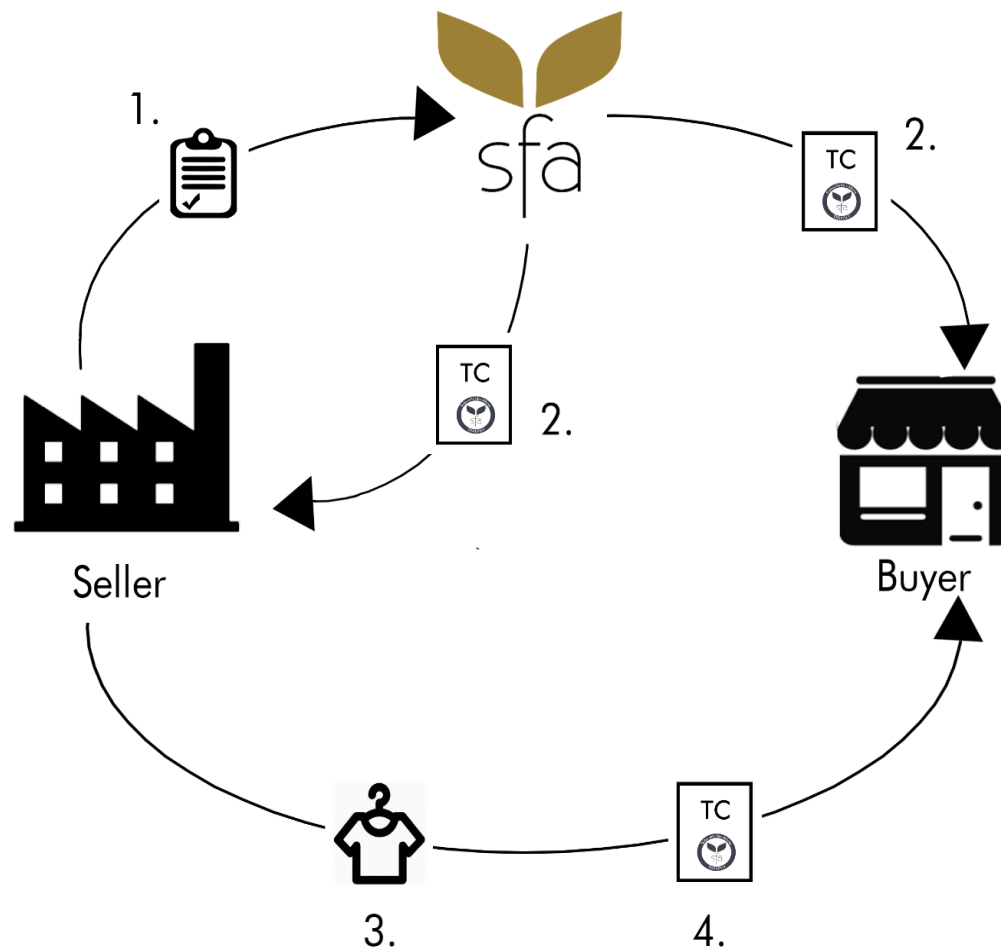
TRANSACTION CERTIFICATE FOR SFA-CERTIFIED CASHMERE

1. Body issuing the certificate (name and address) The Sustainable Fibre Alliance (SFA) 41 Bryn Awelon, Mold, Flintshire, CH7 1LT, UK		2. TC reference number 2019-SFA-000001
3. Name and address of Seller, Seller SFA# Herder Organisation		4. Name and address of Buyer Cashmere Trader
5. Transaction information (see page 2 for any extra information that does not fit on this page) 5a. Date of transaction 12/02/2019		
5b. Product description and weight 100kg mixed cashmere fibre		
5c. Total weight of cashmere fibre used 100kg		
6. Declaration: This is to certify that the cashmere fibre used in the products above has been produced in accordance with the SFA Cashmere Standard.		
		Certificate issued 12/02/2019
 SUSTAINABLE FIBRE ALLIANCE <i>Creating a sustainable cashmere supply chain</i>		

How it will work

Transaction Certificates

1. Seller provides supporting documents to the SFA
2. The SFA issues Transaction Certificate to seller (and maybe also direct to buyer)
3. Seller ships Certified product to buyer
4. Seller sends Transaction Certificate to buyer



How it will work

Transaction Certificates

A company does not need to know certification details beyond its immediate supplier to be assured that material purchased is certified.



Transaction Certificates



- Provide us with accurate, verified records of certified inputs and outputs of SFA cashmere
- Means that single company within the supply chain can make **a valid claim to sell SFA Certified cashmere** if they have proof of SFA Certified inputs.



Based upon transaction certificates, volume reconciliations are done at each point along the full supply chain (accounting for conversion rates)

EXAMPLE DRAFT

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Certificate issued 12/02/2019

Next steps

1. Pilot proposal to be approved by the CoC Working group next week

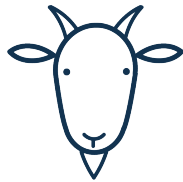
- Please provide any feedback on the proposed pathways by the **18th March**

2. Let us know if you want to participate

- We have limited fibre, so please **contact us as soon as possible** if you are interested to discuss further.

3. Help us develop a traceability system that works for you

- We're aware many of our members already have sophisticated traceability systems in place
- We will try to align our own system as closely as possible
- This 2020 pilot is a chance to trial a traceability system and **assess its compatibility**



THANK YOU



Stages of certification (reference slide)

