2020 CHAIN OF CUSTODY PILOT

Zara Morris-Trainor, SFA Operations Manager

12th March 2020
What do we mean by chain of custody?

- pasture use
- animal welfare

SFA Certified raw fibre

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

CHAIN OF CUSTODY

SFA Certified product claim

CONTAINS AT LEAST 33%
SFA CERTIFIED CASHMERE
A chain of custody for the SFA

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

Production

10 tonnes SFA Certified fibre and transaction certificate

20 tonnes non-certified fibre

Transport, wholesale and factory storage area

10

10

20

Conversion

Batch-level blending

20 non-certified and 10 SFA Certified tonnes of cashmere are blended together

End-use claim

Declared Percentage

All goods from this batch are sold labelled ‘Contains at least 33% SFA certified cashmere’

Until the product is blended, SFA Certified cashmere and non-certified cashmere is kept separate and tracked.
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
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

FULL SEGREGATION CoC WITH MINIMUM THRESHOLD OF 30%
PATHWAY 1: Vertically-integrated Mongolian company

Chain of Custody:
- SFA Herder Organisation
- Scouring/Dehairing + Processor/Manufacturer/Retailer

Country: Mongolia

FULL SEGREGATION CoC WITH MINIMUM THRESHOLD OF 30%
PATHWAY 2: Mongolia to vertically integrated UK company (A)

**Chain of Custody:***
- SFA Herder Organisation
- Scouring & Dehairing
- Manufacturer/brand/retailer

**Country:***
- Mongolia
- United Kingdom

**Processes:**
- Goat → Fibre → Trader → Processor → Yarn → Fabric → Garment → Brand → Retailer

**Notes:**
- FULL SEGREGATION CoC WITH MINIMUM THRESHOLD OF 30%
PATHWAY 3: Mongolia to UK spinner, to UK manufacturer/retailer (B)

Chain of Custody: SFA Herder Organisation → Scouring & dehairing → Spinning → Manufacturer/Retailer

Country: Mongolia → United Kingdom

Process:
- Goat
- Fibre
- Trader
- Processor
- Yarn
- Fabric
- Garment
- Brand
- Retailer

FULL SEGREGATION CoC WITH MINIMUM THRESHOLD OF 30%
PATHWAY 4: Mongolia to vertically-integrated Chinese company

Chain of Custody

Country

SFA Herder Organisation | Scouring and dehairing | Processor/Manufacturer/Retailer

Mongolia | China

Goat ➔ Fibre ➔ Trader ➔ Processor ➔ Yarn ➔ Fabric ➔ Garment ➔ Brand ➔ Retailer

FULL SEGREGATION CoC WITH MINIMUM THRESHOLD OF 30%
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.
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
A company does not need to know certification details beyond its immediate supplier to be assured that material purchased is certified.
How it will work

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)
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
Stages of certification (reference slide)

SFA Chain of Custody Certification

1. **Accreditation Services**
   - **Certification Body**
     - Rangeland Stewardship
     - Animal Husbandry
   - **Certification Body**
     - Herder Community Certification
     - Chain of Custody Certification
     - Trademark Licence

SFA CERTIFIED

Gold  Silver  Bronze