SUSTAINABILITY DISCLOSURE IN THE LEATHER INDUSTRY: A CONTENT ANALYSIS OF SELECTED SUSTAINABILITY REPORTS

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Abstract. This study identifies good practices of sustainability reporting and discusses the details of sustainability reporting from a selected number of companies in the leather supply chain. A content analysis was used to extract sustainability information from either the website, annual report, sustainability report or corporate social responsibility report of six leather-related companies. A review of existing literature assisted in categorising different practices under social, economic and environmental sustainability, while an identification of patterns among practices followed. The results show that the companies are observing a good practice of either dedicating a section of their website to revealing their sustainability activities or utilising their sustainability reports or annual reports. Additionally, these companies follow a good practice of reporting their activities based on the economic, social and environmental sustainability dimensions, rather than focusing on just one of the aspects. Energy efficiency, waste management and reduction in greenhouse gases emission were the most occurring environmental sustainability practices. On the other hand, health and safety occurred as the dominant social sustainability practice, while economic sustainability practices have not been well defined, providing an opportunity for future research. Conclusively, the study provides a useful resource for managers and companies in the leather supply chain to learn from brands that have been embarking on sustainability efforts and assist them to a better understanding of the concept, in readiness for strategy formulation, implementation and reporting.

1 Introduction

Over the years, the subject of sustainability reporting has gained prominence in industrial contexts. Previously, the need for sustainability actions and reporting was borne out of the need to meet legal and regulatory compliances. Now, business stakeholders such as suppliers, customers and investors are the main drivers for the communication of sustainability credentials[1–3]. Furthermore, being transparent about revealing sustainability credentials has also been a source of competitive advantage for businesses[4]. This study focuses on the leather industry, where present literature on sustainability has often significantly focused on the environmental aspect, with social and economic sustainability aspects having gained less attention.

Few studies relating to sustainability reporting in the leather industry exist. A recent study by[5] revealed the "impacts of CSR reporting on pro-ecological actions of large and small tanneries" but does not delve into the specificity of what is contained in the reports of companies surveyed in their study.[6] Sustainability reports and reporting play a crucial role in improving the understanding of sustainability amongst companies. Thus, this paper proceeds from the above perspective, owing to the need for a long-established industry, like leather, with a complex global supply chain and presence of several small and medium enterprises to understand the practices relating to the sustainability dimensions.

Several authors have discussed different topics relating to sustainability reporting but none of the previous studies have made a comparison between companies on how reporting is done and what is being reported, in the context of the leather industry. Hence, the aim of this study is to

compare the areas of focus of social, economic and environmental sustainability practices, using the sustainability reports of selected leather-based companies. This paper contributes to the literature in a major way - it focuses on a 'sustainability-sensitive' industry like leather where sustainability reporting is crucial but understudied, compared to other industries.

2 Literature Review

Sustainability reporting is described as a voluntary activity that has become prominent among business enterprises[2,5]. Though a voluntary endeavour, its adoption is seeing exponential growth by organisations across the globe[4]. In 2017,[7] revealed that three quarters of 4900 (large and middle-sized) companies studied now issue corporate responsibility reports. Given the recent EU directive 2014/95/EU that necessitates corporations (with at least 500 employees) to disclose information relating to their sustainability credentials[8], it can be argued that in the near future, the practice of reporting could become a necessity for small, medium and large companies. Furthermore, in different organisational contexts, sustainability reporting has been similarly referred to corporate social responsibility (CSR) reporting, triple bottom line reporting, non-financial reporting, sustainable development reporting, environmental, social and governance (ESG) reporting[1,4]. However, sustainability reporting is pragmatically used in this study as it conforms to the subject of the paper.

Sustainability reporting has been identified to provide organisations with several benefits.[5,7] posits that it contributes to the enhancement of organisations' reputation, thereby attracting investors. Similarly,[9] also argues that reporting drives value and companies preparing reports manage liquidity better than their counterparts who do not. Understanding the practical aspect of sustainability in the leather industry context in relation to the three sustainability dimensions could enable related organisations to reap the possible benefits.

Social sustainability, also known as the "people" aspect of sustainability is often regarded as the least explored dimension of sustainability. Owing to the labour-intensive nature of the leather industry[10] and the multiplier effects that poor environmental practices can have, social sustainability is an important issue. For example,[11] found out that people of both genders, working in the tanning industry, have an increased risk of developing some form of cancer during their lifetime, if protective measures are inadequate. These suggests a dire need for actors to take the issue of occupational and community health and safety, as crucial. Intuitively, only healthy work and happy workers could adequately contribute to the economic or environmental sustainability of a company or industry over the long run.

On the other hand, economic sustainability, also referred to as the "profit" dimension takes into consideration an organisation's effort to improve the value it generates and delivers, at the same time reducing the cost of its supply chain related activities[12]. In becoming economically sustainable, organisations are suggested to gear considerable efforts towards making maximum profit while ensuring the most efficient use of all resources and raw materials[13].

Finally, the "planet" aspect of sustainability, known as environmental sustainability, is based on the notion that for humans to continually enjoy the ecosystem services the environment provides (such as renewable and non-renewable resources and capacity for waste absorption), there is a need to live within the boundaries of "biophysical environment"[14]. The leather industry, characterised by its high volume of solid and liquid effluents takes the issue of environmental sustainability seriously[15]. In fact, if adequate environmental management systems are not installed, the tanning industry could pose a threat, both environmentally and socially, due to the chemical intensive production processes, energy consumption and solid and liquid wastes[5]. Considering this as a stand-alone factor necessitates the importance of revealing how leather-related companies

are (and can) gear efforts towards being environmentally friendly, socially responsible and economically viable.

The International Council of Tanners (ICT), an organisation of world's leather trade associations defines the three sustainability aspects as in **Table 1**:

Table 1. Sustainability Practices (Source:[16])

Environmental sustainability	Social sustainability	Economic sustainability
Complete compliance with environmental regulations that encapsulates water, air emissions, solid waste.	Complete compliance with product safety regulations.	Commitment to fair trade practices.
Obligation to energy efficiency.	Health and safety compliance.	Traceability of raw material hides.
Life Cycle Assessment (LCA) identification, environmental footprint of the leather industry.	Compliance with employers' regulations (e.g. no use of forced or child labour, respect of human rights).	Observing and promoting correct labelling of leather and its products.
Application of best practices during processing to anticipate future environmental controls and carbon footprint reduction.	Commitment to the principles of animal welfare.	Transparency on origin of leather production.

The table provides a comprehensive and useful insight into what being sustainable depicts, in terms of the leather industry and serves as a basis of comparison to what is being reported by leather companies.

3 Materials and Methods

To achieve the aim of the research, secondary data in form of the sustainability/CSR reports or statements of six leather-related companies in Europe were used. These companies were purposely selected based on the criteria that they are involved in some form of sustainability actions and there is ease of access to their CSR/Sustainability report or statements. The content analysis method was used to analyse the contents of these reports because of its suitability for analysing information from documents[17]. This approach was also followed by[18–20] in similar studies. Content analysis is defined as the "systematic reading of a body of texts, images and symbolic matter, not necessary from an author's or user's perspective"[21]. The reports were carefully examined to extract word clusters that suitably explain the constituents of their efforts in relation to the three sustainability dimensions. The identity of the companies used in the study was also anonymised.

The nature of sustainability concept requires that an understanding of contextual meanings and phrases are taken into consideration in order to extract necessary information. Hence, human coding method was used. Additionally, human coding is appropriate for small volumes of data[22] and in this case, six sustainability reports/websites were reviewed. Latent and manifest analysis i.e. what is evident and obvious from the reports as well as underlying meanings from textual data from the reports[23], were the approaches to analysis. Thus, the unit of analysis is the words or group of words that state each sustainability practice. Furthermore, the "emergent" method of coding was used rather than the "a priori" method[24]. This meant the categories of words coded were identified after carefully reading through the sustainability reports or statements to identify key words or

group of words related to the three sustainability dimensions. Existing literature was used to verify the efficacy of the coding categories.

4 Results and Discussion

Results show that that companies have a range of ways through which they publish their sustainability efforts as shown in **Table 2.**

Table 2. Source of data analysed (Source: authors' compilation)

Company	Year of Report	Source
Tannery A	2018	Sustainability report
Tannery B	2017	Sustainability report
Tannery C	2019	Website
Manufacturing A	2018	Annual report
Manufacturing B	2017	Annual report
Manufacturing C	2017	CSR report

While some companies published separate sustainability reports apart from their annual reports, some other companies have adopted an integrated approach of including their sustainability activities within their annual report without publishing a separate sustainability report. The latter is called integrated reporting, and this signifies one of the growing trends of sustainability reporting[7]. The latest report from these organisations was selected and practices from the three sustainability dimensions were carefully identified and results presented in **Table 3** below:

Table 3. Degree of focus of leather companies on three aspects of Sustainability (Source: Authors' compilation based on reports of mentioned companies)

	List of Companies – Tan = Tannery; Man = Manufacturing					
Coding Categories	**Tan A**	**Tan B**	**Tan C**	**Man A**	**Man B**	**Man C**
Environmental sustainability practices						
Energy Efficiency	o	o	o	o	o	o
Emission reduction of greenhouse gases	o	o	o	o	o	o
Efficient water management	o	o		o	o	o
Waste Management	o	o	o	o	o	o
LCA Assessment identification		o			o	o
Reduced noise and olfactory emissions					o	
Social Sustainability practices						
Health and safety	o	o	o	o	o	o

Employee development	o	o		o	o	o
Diversity and equal opportunities at the workplace	o	o		o	o	o
Social Sustainability practices (continued)						
Coding Categories	**Tan A**	**Tan B**	**Tan C**	**Man A**	**Man B**	**Man C**
Respect and protection of human/workers' rights	o	o		o	o	o
Local community engagement	o	o		o	o	o
Work-life balance	o	o			o	o
Job security		o				o
No use of forced or child labour	o	o		o	o	o
Animal welfare	o	o			o	
Economic Sustainability practices						
Investment in innovative technologies.	o	o				
Traceability of raw skin and hides.	o	o		o		o
Efficiency of resource use.		o	o			o
Profitability.		o	o			

From the analysis, some companies stated their holistic approach towards sustainability. For example, in Tannery A, what sustainability means to the company was well captured in a statement in their sustainability report:
"Sustainability is not just about continuing business as usual. Rather, it is an evolution towards a sustainable future in which environmental priorities, economic prosperity and social justice are pursued simultaneously".

Similarly, in Tannery B, a holistic approach towards sustainability is captured on their website as thus:
"achieving sustainability means bringing the environmental, financial, and social aspects of our commercial operations together in a permanently balanced and harmonious relationship"

These clear statements suggest how crucial the focus on the three sustainability aspects is, rather than a focus on just one aspect. However, it is important to note that failure of companies to indicate some practices in their report does not necessarily mean an absence of these practices, more so, since the absence of a sustainability report does not translate to the absence of sustainability practices[5]. Furthermore, it was found out that some brands use the concept of sustainability and CSR interchangeably as shown in **Table 2** and this conforms to the literature in form of [1,4].

The findings reveal that energy efficiency, waste management and reduction in greenhouse gases emission represented the most reported environmental sustainability practices, occurring in all the analysed reports. Efficient water management and evaluation of the environmental footprint of activities (in form of LCA identification) were other key practices. The uniformity of practices

among these actors suggests a sound understanding of environmental sustainability among the organisations. This finding reflects with the literature on the prevalence and dominant focus on the environmental aspect.

With regards to social sustainability, health and safety occurred in all the reports analysed. The authors posit that this could be because of the nature of the industry. Additionally, in five of six companies, employee development; diversity and equal opportunities at the workplace; respect and protection of human/workers' rights; local community engagement and compliance to labour regulations (in form of no use of forced or child labour) featured as important social sustainability practices. Work-life balance was also a point of emphasis in four of the companies. While animal welfare was also deemed as an important practice, it should be understood that the leather industry does not take responsibility for the impacts of animal rearing (an agricultural activity) in relation to sustainability[25]. Nevertheless, some companies seek to ensure that their relevant upstream supply chain partners treat animals with utmost care. Conclusively, the recurrence of these practices amongst the companies suggests a good level of awareness and understanding of the social dimension of sustainability.

Finally, traceability of the raw materials used in production of the leather products is the most recognised economic practice. Traceability is a crucial aspect of the leather supply chain, as some of the regulating bodies and associations (like the LWG – Leather Working Group and COTANCE – European Confederation of the Leather Industry) constantly push for transparency on the origin of hides and skin and other raw materials to improve the image of the leather industry[26]. Efficiency of resource use (an important economic problem due to scarcity) was also highlighted in half of the reports analysed, as an important consideration. This factors into some important initiatives related to resource efficiency like the United Nations Environment Programme[27] and part of Europe 2020's strategy called "Resource-efficient Europe"[28]. Lastly, profitability (a traditional business indicator that reflects the health of a business) and investment in innovative technologies least featured. Largely, economic sustainability practices were found to be dissimilar and under-reported. In fact, there appears to be a non-convergence on the areas of focus on economic sustainability practices when compared to the environmental and social aspects. Hence, future research to investigate the causes of disparity in focus may be necessary to set the foundation for unification on related practices.

To reiterate, companies not highlighting specific practices in their reports or website does not necessarily mean an absence. For example, the statement of Tannery C focuses significantly on their environmental responsibility efforts. However, this does not translate that they are not making efforts relating to economic and social sustainability, since the company falls under the EU directive previously mentioned. An absence of a sustainability report may thereby be a reason for under-expression of their sustainability credentials. Conclusively, the recent trends suggest that companies should publish some form of report that succinctly explains their sustainability efforts, as this information is increasingly demanded by investors, among other business stakeholders[7]. The understanding of these practices is useful because the brands used in this study are well known in their supply chain and thus, could have significant level of control in terms of urging their global supply chain partners towards more sustainable business practices.

5 Conclusion, Implications and Recommendations for Future Research

The importance of sustainability in the leather industry has continually increased over time but in practice, there is a need to foster the holistic understanding of this concept in the supply chain as a significant focus has been on the environmental aspect. This paper attempted to uncover some of the practices relating to the dimensions of sustainability, providing a useful resource for actors

in the leather supply chain. This study is part of a larger study that broadly focuses on social and economic sustainability in the leather supply chain.

The study has its limitations. The companies whose reports were analysed are all Europe based and fall under the EU directive 2014/95/EU. Hence, the results from this research may not reflect the practices in other non-European countries. Future research may investigate the practices in leather-related companies in other countries for comparative purposes. The data analysed in this study was obtained solely from the company reports and as such, the "face value" of information acquired was adopted but not backed up with primary research. Thus, the validity of findings could be reduced. While this research focuses on particular organisations in different supply chain levels, the transcendence of practices among their supply chain partners can also be investigated to identify best practices and gaps in order to ensure a sustainable leather supply chain.

The findings from this study could assist managers in leather-related companies to better integrate the information on the three sustainability dimensions into their sustainability strategy which could allow for a multiplier effect on better sustainability credentials of actors in the leather supply chain. Furthermore, while metrics usually exist to measure environmental and economic sustainability, the social aspect still suffers from the use of limiting qualitative metrics, such as "yes and no" that does not reveal the true extent of progress. Further research could delve into developing robust metrics which could be qualitative or quantitative in nature and specific to the leather industry. Given the global nature of the leather supply chain, some form of regularised standards could be instituted to ensure the uniformity of sustainability reports in the global industry.

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