

## **Responsible Cashmere Round Table (RCRT)**

Meeting #1

Wednesday, March 27, 2019

9:00 AM – 10:30 AM EST

### **Agenda:**

1. Welcome: Introductions, Chatham House Rules, Anti-trust Declaration
2. Why cashmere?
3. Why a Responsible Cashmere Round Table?
4. UNDP work
5. Discussion
6. Next Steps

### **Why Cashmere?**

We at Textile Exchange are not experts, we will just be giving an overview of the issues that have been brought to our attention; everything discussed below is primarily in reference to Mongolia.

#### Land Impacts

- Fragile ecosystems
- Global warming
- Over-grazing leading to erosion, degradation or desertification of land, and increased vulnerability to droughts and floods
- Grazing pressures
- Impacts on natural wildlife and biodiversity

#### Social Impacts

- Cultural erosion threats: herders are leaving the land to move to cities
- Pressure to increase herd size in order to generate sufficient income

#### Animal Welfare Impacts

- Opportunities to improve fiber harvesting methods and general animal health and handling
- Address the Five Freedoms of animal welfare:
  1. Freedom from hunger or thirst
  2. Freedom from discomfort
  3. Freedom from pain, injury or disease
  4. Freedom to express (most) normal behaviour
  5. Freedom from fear and distress

#### Processing

- Social
- Environmental: water, energy, waste
- Chemical use

## Market Impacts

### **What is Responsible Cashmere Round Table?**

A round table is a multi-stakeholder initiative designed to bring key players together to improve sector connectivity and explore ways to, pre-competitively, address barriers to success. It is important that outcomes benefit all.

The RCRT is meant to be a neutral space for stakeholders to learn, discuss and understand, and to provide aligned input into the solutions being developed.

### What does 'Responsible' mean?

/rə'spɒnsəb(ə)l/

1. Having an obligation to do something, or having control over or care for someone, as part of one's job or role.
2. Being the primary cause of something and so able to be blamed or credited for it.
3. (Of a job or position) involving important duties, independent decision-making, or control over others.

## Stakeholder Groups



### 10 Reasons Why We Need A Responsible Cashmere Round Table (RCRT)

1. **To create a common understanding of the important social and environmental issues facing cashmere production.**
2. **To create a shared awareness and understanding of the different programs and initiatives currently addressing issues in cashmere production.**
3. To identify the core needs to be addressed and determine the gaps that need to be addressed.

4. **To find ways to increase market support for best practices in cashmere production.**
5. To encourage and support brands and retailers to make commitments to source more responsible cashmere.
6. To provide a pathway to grow the supply base over time.
7. To build integrity in right from the start.
8. To explore different business models and innovative financing schemes that will support better practices.
9. To review improvements and monitor impacts.
10. **To set up a platform that will allow for clarity, alignment and support of the various initiatives that are active in Mongolia (?).**

### Potential Outcomes

- A platform to connect and share stories and perspectives of the full supply chain
- Clarity and shared understanding of the issues and opportunities with Mongolian cashmere.
- Agreement on what constitutes “sustainable” or “responsible”
- Transparency map of programs and initiatives in Mongolia (recently produced by the UNDP).
- Web page for Responsible Cashmere to share relevant information with the public, and with businesses.
- Collective voice and coordinated platform to talk and work with other stakeholder groups (governments, media, investors, etc.)
- Identification of impact indicators to measure performance of the different initiatives
- Possible benchmarking of the different programs and standards in Mongolia and link to brand actions
- An LCA on cashmere.
- Other?

### **UNDP Work**

- I. Pilot Project in Eastern Mongolia
- II. Supplier Analysis – Comparative Analysis of Sustainable Cashmere Projects
- III. Demand Analysis – Market Demand, Sustainability Standard and Investment
- IV. Vision for Roundtable on June 12

UNDP – Satoko Okomoto, Sustainable Development Goals and Private Sector Officer

- Currently on mission in Eastern Mongolia, harvesting season has already began this year
- Has been working on sustainable cashmere supply chain initiative since 2018

### **Pilot Project in Eastern Mongolia**

UNDP is experimenting the commercial viability of Sustainable Cashmere Value Chain in the Eastern Region to offer inside-out perspectives

- Began in 2018
- Objective: 5-8 tons “Sustainable Cashmere” collected from 200-400 herder households across 2 provinces in Eastern Mongolia
- Results: failed, could not even collect the minimum – not commercially viable because the supply was diverted to Chinese private sector sectors (no market for sustainable cashmere)
- In order for market-driven solutions to work, there needs to be a more robust enabling environment
- Worked with SFA and others as an implementation partners for the pilot

### **Conversations with prospective buyers revealed four key challenges facing Mongolia’s nascent Sustainable Cashmere (SC) market**

1. Inadequate traceability
  - a. Buyers don’t trust authenticity due to inadequate traceability
  - b. As a solution, UNDP is assessing the protentional value of blockchain
  - c. Piloted scanning and tagging to track the sustainable cashmere through the supply chain
2. Quality deficiency
  - a. Sustainability does not necessarily result in good quality cashmere
3. Competition from private (Chinese) traders
  - a. Attractive prices and financial agreements offered by private traders result in suppliers’ high defection rates
  - b. Somewhat anticipated, a right combination of incentives will commit herders to agreements made with buyers
4. Unclearity about what constitutes Sustainable Cashmere (definition)
  - a. Buyers are confused about the sustainability concept

### **Supplier Analysis – Comparative Analysis of Sustainable Cashmere Projects**

- Study examined six development projects with produced Sustainable Cashmere as project outputs
  - Projects supply capacity-building
- Projects are implemented across Mongolia and the Green Gold Animal Health Project covers most of the country
- Each project offers a gamut of input activities to increase the capacity of suppliers
- Training issue areas vary but most offer similar sets of issue areas
- Pastureland mgmt., livelihood enhancement and livestock health improvement are the three pillars of Sustainable Cashmere training

### **Demand Analysis – Market Demand, Sustainability Standard and Investment**

#### **Christina Archer, UNDP Green Commodities Programme**

- Have been working with UNDP Mongolia team for a while now
- Digging deeper into the market demand piece

- Have spoken to about 12 different organizations (brands/suppliers) that are using cashmere and interested in pursuing Sustainable Cashmere

### **Comparative Analysis: Market Demand**

Demand for cashmere **rising** steadily, especially in high end and luxury markets. Increases in mid and mass market significant in last few years but dependent on **price**. But key requirement is always **quality**.

- At the moment, there is not very much consumer demand around Sustainable Cashmere
  - This is growing, however, but is not a huge driver
- The quality aspect is very important because buyers will not switch to Sustainable Cashmere if the quality is not good
- A lot of the brands are using cashmere from China

### **Comparative Analysis: Sustainability standards**

Sustainability issues commonly identified as **environmental**, especially desertification of pasturelands. Other main concern raised is **animal welfare**. Need for **common definitions** and solutions of sustainability, based on expert input, with robust **metrics**.

- How to move forward with making a common definition?
- To make this happen, we really do need to have all the key actors in this sector represented: Chinese traders/buyers, governments, etc.
- The social element of sustainability is also of interest
- Traceability is the first step, we need to know where things come from and be able to demonstrate and monitor impacts
- Some companies have public targets about tracing certain raw materials by a given date
- Buyers and suppliers need robust metrics

### **Comparative Analysis: Investments**

Some **limited** indications of additional investment being available to channel into work to make supply more sustainable, especially at a time of high prices. Some good examples of **long-term partnerships** across supply chain sharing costs.

- **Price is key**: needs to still be affordable or at least show demonstrable and traceable benefit, not just a marketing tagline
- Most companies are investing in the **SFA** process and their related projects.
- Some companies could support through sustainability or CSR budgets, but ultimately has to be in cost of goods. Need **long time lines** of action plans/roadmaps to work these price increases through
- Some long-term relationships along supply chain jointly supporting - especially where cashmere key material. But a need for more commitment to **reduce risk** for intermediaries, and provide incentive to herders.

**Nicolas Petit, UNDP Green Commodities Programme, Senior Commodities Advisor**

UNDP is hosting a Multi-stakeholder Conference in **Ulaanbaatar June 11-12**

### Objectives:

- Take a **deep dive** together on “Multistakeholder Collaboration for Systemic Change in Mongolia” (building on SFA May Conference initial discussion)
- **Build the Business Case for Collaboration** at National Level in Mongolia / Potential benefits for each stakeholder group
- **Sharing best practices** from other commodity sector
- Discuss **recommendations on corporate strategies for investment** in sustainable cashmere
- **Exploring options for multi-stakeholder engagement** (what exists/ gaps/ potential institutional structure and mechanisms to accelerate current efforts)
- Discussion on respective **vision for the future?**
- Jointly identify **priority areas/themes for aligning interest** (e.g quality, traceability, incentives for herders, engaging with China, etc.)
- **Commitment to Action:** What can we all commit to increase collaboration in the short/medium term?

### Key Outcomes:

- **Roadmap for multistakeholder** engagement on sustainable cashmere in Mongolia to accelerate current efforts
- Agree on **high level principles** for dialogue and collective action

+ **Possibility of post Meeting field trip** based on level of interests (13-16 June)

**UNDP Brand Survey:** <https://form.jotform.me/90640744757464>

### Discussion

- Do we even need a Round Table?
- Do we want to be a Global or a Mongolian Round Table?
- Are we looking at cashmere or herding?
- Do we include farming systems?
- Do we address processing?
- Are we a Round Table for brands and retailers, or for all stakeholders?
- What roles do we want to play?

**Question:** It seems like there is already a lot of work in Mongolia- what about Inner Mongolia?

- A good question – there’s quite a difference between Outer Mongolia and Inner Mongolia (still part of China), in general, Inner Mongolian cashmere is from farming systems; some are looking at addressing issues in this area, possibly developing a

standard or solutions there, but the biggest difference is that Outer Mongolia uses herding vs. farming systems.

**Comment:** It would be helpful if the standard helped to lay a foundation for future sustainable nomadic herding standards, even if initially it is only focused on cashmere for now.

- We are not trying to create a standard, but perhaps a benchmarking framework for assessment.

**Comment/Question:** I vote for “Global” as many brands/suppliers only use Chinese cashmere. Is Inner Mongolia included in talking about “Mongolia”? We need to define this point, and outline some of the major differences between Inner Mongolian, Mongolian, and Chinese cashmere.

- The RCRT could ultimately be a global cashmere/herding focus, but the initial focus would be in Outer Mongolia on the herding systems, but later look at the farming systems in Inner Mongolia; can be a longer-term platform for other issues.

**RCRT:** Processing could be added to the larger, longer-term mandate of the RCRT, but put it off to the side until after we address the bigger issues (herding, etc.).

**RCRT:** Everything we do will be completely open for everyone to participate in; special interest groups and organizations in Mongolia will be present to share their expertise, but the Round Table will be that platform for collective action/voices from the retail side.

**Comment:** We are really confident in TE taking on this role. Fully support it.

### **What are the roles we want to play?**

**RCRT:** sharing updates, collective viewpoint, and bringing them back to the organizations that are on the ground to be sure we get to a consolidated, coherent outcome that really works for the brands, because in the end if we want to have a market-based solution, the brands have to buy into it.

### **Next Steps**

- Confirm interest in RCRT and funding
- When the minimum funding amount is raised, launch the RCRT (webpage, charter)
- Participate in the UNDP “Assessment of Demand for Sustainable Cashmere from Mongolia” interviews or [complete online survey](#)
- Meeting in Ulanbaatar on June 12<sup>th</sup>
- Set up future RCRT calls