CONSUMER GOODS & RETAIL

Building Your Corporate Social Responsibility Roadmap
Introductions

- Katherine Stein
- Germaine Zhang
- Brian Whitters
Agenda

- SGS Overview
- CSR Understanding
- Elements of a Social Responsibility Programme
- Country Risks
- Code of Conduct Principles
- Root Cause Analysis
- Ethical Sourcing RoadMap
- Business Benefits of Compliance
- CSR and Security
- CSR and Conflict Minerals
- CSR and the Environment
GLOBAL REACH AND LOCAL SUPPORT

North America
- 84 Offices
- 100 laboratories
- 8,300 employees

South America
- 90 Offices
- 30 laboratories
- 6,800 employees

Europe
- 410 Offices
- 115 laboratories
- 13,600 employees

Africa
- 128 Offices
- 39 laboratories
- 6,600 employees

Asia Pacific
- 133 Offices
- 54 laboratories
- 16,800 employees

- 70,000+ employees
- 1,250+ offices and laboratories (25 labs in China)
- Offices in 140 countries
- Inspection & Verification
- Testing & Analysis
- Certification
- Training
- Technical Consulting
- Risk Management
DIFFERENT TYPES OF SCHEMES

- WRAP
- C-TPAT (Security)
- ICTI (Toy Assoc.)
- BSCI
- SMETA
- EICC (Electronic)
- SA8000
- FLA (Fair Labor Assoc.)
- Environmental Audits
- Conflict Mineral Services
- RJC (Responsible Jewelry Audits)
GLOBAL AUDITOR NETWORK

Europe & AFME
- Austria
- Czech Republic
- France
- Italy
- Netherland
- Portugal
- Spain
- Turkey
- Belgium
- Denmark
- Germany
- Russia
- Norway
- Slovakia
- Sweden
- Ukraine
- Bulgaria
- Egypt
- Hungary
- Jordan
- Pakistan
- Slovenia
- Switzerland
- UAE
- Croatia
- Estonia
- Iran
- Kenya
- Morocco
- Poland
- South Africa
- Tunisia
- UAE
- UK

Americas
- Argentina
- Brazil
- Canada
- Chile
- Colombia
- Dominican Republic
- Ecuador
- Guatemala
- Jamaica
- México
- Panama
- Paraguay
- Perú
- Uruguay
- USA

Asia Pacific
- Australia
- Bangladesh
- China
- Hong Kong
- India
- Indonesia
- Japan
- Korea
- Malaysia
- Mauritius
- New Zealand
- Philippines
- Singapore
- Sri Lanka
- Taiwan
- Thailand
- Vietnam
<table>
<thead>
<tr>
<th>AUDIT TYPE</th>
<th>WHAT IS AUDITED?</th>
</tr>
</thead>
<tbody>
<tr>
<td>Environmental audit</td>
<td>Environmental management system, energy use, transport and GHG, water use, waste water/effluent, emissions, waste management, pollution prevention, major incident prevention and management, contaminated land and groundwater pollution prevention, land use, biodiversity, nuisances</td>
</tr>
<tr>
<td>Factory assessment</td>
<td>Quality management system, Supply chain management, Incoming quality control, In-process quality control, Process control, Finished goods quality control, Measurement system control, Storage and distribution management</td>
</tr>
<tr>
<td>Security audit</td>
<td>Physical security, warehouse/transportation security, access controls, investment in security staff and electronic system, procedural security, personnel security, education &amp; awareness training, security of outside vendors and service providers</td>
</tr>
<tr>
<td>Social responsibility audit</td>
<td>Child labor, Forced labor, Health &amp; Safety, Freedom of association, Discrimination, Disciplinary practice, Working hours, Compensation and benefits, regular employment, management systems; business integrity</td>
</tr>
<tr>
<td>Integrated audit</td>
<td>A combination of one or more of the above</td>
</tr>
</tbody>
</table>
Corporate Social Responsibility

CSR - It’s a step-by-step commitment
My understanding of CSR

- Corporate social responsibility (CSR) is a form of corporate self-regulation integrated into a business model.

- CSR policy functions as a built-in, self-regulating mechanism whereby a business monitors and ensures its active compliance with:
  - the spirit of the law
  - ethical standards, and
  - international norms.

- It is a process with the aim to embrace responsibility for the company's actions and encourage a positive impact through its activities on the environment, consumers, employees, communities, stakeholders and all other members of the public sphere who may also be considered as stakeholders.
Balancing people, profit, product and the planet

**Environment**
- Reduce Green House Gas / CO2 Emissions
- Source environmentally friendly products
- Conserve energy / water

**Social**
- Look after employees & local community
- Improve Supply Chain Security
- Partner supplier to continually improve

**Economic**
- Develop long term supplier partnerships
- Optimise supply chain performance / # suppliers
- Transparent and open reporting
- Value for money for all products (including green)

**Sustainable**
- Source from environmentally & socially aware factories

**Balancing people, profit, product and the planet**
CSR is Multi-Faceted…

- Supply Chain
- Ethics/Legal
- Charity
- Internal Programs
Why have a CSR program?

Increased Awareness of How Products are Made

Consumers
- Changed expectations
- More access to information
- Increased awareness

NGO’s & Activist Groups
- Number of Pressure groups increasing
- Instant Internet Campaigns
- Outdoor Industry Popular Target
- Patagonia brand name now well known

Media in USA, Europe, Asia
- TV
- Internet
- Print Media
- Social networking

Government Pressure
- New laws
- Increased Risk for law suits
- Financial liability w/USA Factories
- Increased US & European government enforcement
## Benefits of Having a CSR Program

<table>
<thead>
<tr>
<th>Enhances your company</th>
<th>Increases quality and efficiency</th>
<th>Good for workers</th>
</tr>
</thead>
</table>
| • Competitive advantage  
  • Meet customer and consumer expectations  
  • Protect your brand and reputation  
  • Increased staff morale and retention  
  • Meeting regulatory and legislative requirements  
  • Understanding the broader implications of your business operations  
  • Best and leadership practice in Outdoor Industry | • Studies indicate that reduced overtime and open communications can lead to increased factory productivity, reduced turnover, decreased production errors and increased product quality | • Workers are more productive and have better morale when their health, safety and well-being are protected  
  • It’s the right thing to do to be a good corporate citizen |
Why CSR? Is it merely the latest Fashion or New Reality?

*CSR - It’s a step-by-step commitment*
CSR and Compliance – Fashion or new Reality?

- Increased globalization
- Information technology
- Mass media
- More complex supply chains
  - Client-Supplier-Local Supplier-Factory
- Existence of varying local standards and enforcement
WHY CSR AUDITS?

- Customers’ expectations:
  - Society expects businesses to behave in a socially responsible manner
  - Social responsibility contributes significantly to a company’s long-term sustainability

- Stakeholders require companies to:
  - Report on sustainable business practices
  - Have robust systems to support claims

- Brand image and company value
  - According to an EU published study 85% of consumers believe a company’s commitment to social responsibility is important when purchasing goods or services.
  - One in five consumers WORLDWIDE avoided a company’s products or spoke against a company in the past year for not behaving responsibly.
Europe's rising traffic in illegal immigrants is producing shocking abuses.

**UNITED COLORS OF BENETTON, CHILD LABOR FOR BENETTON IN TURKEY**
Social Compliance: A Brief History

- 1992: Reebok creates first human right functions
- 1997: FLA & SA8000 standards operational
- 1999: World Trade Organization protests
- 2000-present: Additional sectors explore/adopt code
- 2002: Chiquita, Adidas and Shell include Human Rights information in Social Reports
- 2002: Campaign launched in U.S. to legislate company adherence to human rights standards
- 2003: UN Norms on Transnational Corporations adopted; UN Global Compact formally launched
- 2004: Gap publishes CSR report and provides access on-line to factory reports
Your CSR Wishes

- I wish we could tell the “life story” of all the products we sell and be proud
- I wish our integrity was never questioned by our factories, and that we were always given the benefit of the doubt
- I wish NGOs would give us an award for the new and innovative work that we are involved with
- I wish that our name was clearly recognised as an ethical sourcing organisation
- I wish that our buyers rewarded ethical factories
Elements of a CSR Programme

CSR - It’s a step-by-step commitment
Elements of a Social Responsibility Programme (today, the basics)

- The Basic Approach
  - Obtain Executive Buy In, Assign Accountability
  - Creating a Code of Conduct
  - Supply Chain Mapping
  - Auditing and Remediation

- The Intermediate approach
  - Engage Stakeholders
  - Build Capacity and Train
  - Be Transparent

- The ‘Beyond Auditing’ Approach
  - Responsible Sourcing and Purchasing Practices
  - Adding Environmental Responsibility
  - Factory Assessments
  - Root Cause Analysis
Obtain Senior executive Support
Give the job to someone

CSR - It’s a step-by-step commitment
Obtain Senior executive Support
Just give the job to someone

- Your program will fail miserably without the highest support and a senior person responsible for the tasks.

FAILURE
Obtain Senior Executive Support

- Be aware
  - It’s a long road
  - Be patient
  - It takes time
  - Education is key
    - Candid discussion of risks to your company/brand
    - Expectations of your customers
    - Complex, need budget and staff
    - Right thing to do
    - Consequences of no adoption
Assign Accountability

- **No Money**
  - Use existing resources/staff
  - Attend free trainings
  - Talk to other brands

- **A little Money**
  - Hire SGS to set up a simple program

- **Loadsa Money**
  - Hire high level CSR staff
  - Hire support staff
Write a Code of Conduct

CSR - It’s a step-by-step commitment
Why should you have a Code of Conduct?

- It shows company commitment to a standard
- It shows that you are aligned to the industry and your supply chain
- It demonstrates your internal and external expectations
Code of Conduct

- Step 1: Creating a Mission Statement
  - Start here
  - Short, descriptive, and focused statement of purpose for your organization
  - Includes your company's core values, beliefs
  - The “North Star” for all your employees

- Step 2: Developing Your Code
  - Easy, many Codes in public domain
  - Must be able to stand up to NGO review and criticism
  - Include basics:
    - ILO Core conventions
    - Wages, hours, benefits, EHS
    - Law compliance
    - Strictest standard applies (beyond law)
    - Translate into languages of employees
Code of Conduct

Step 3: Developing Your Code

- You might want to
  - Join an MSI and adopt their Code
  - How far do you go in scope: Tier 1, Tier 2 and subcontractors
  - Living wage language
  - Subcontracting element
  - Cite ILO convention numbers
  - Include feedback mechanism (email address)
  - Grievance hotline for workers, report violations
Code of Conduct

Step 4: Communicating Your Code

- Basics
  - To your factories/supply chain
  - Internal employees
  - Customers
  - Stakeholders
- Best Practice
  - Webinars
  - Trainings
    - Supplier summits
    - Internal trainings
  - Public announcements
Code of Conduct

- No Money
  - Copy an open source Code
    - OIA, GSCP, FLA, ETI, SA8000, friendly brand

- Loads of Money
  - Commission someone to write your Code
    - Conduct Code comparison for your industry or for suppliers, your customers
Assess your Risk. Map your Supply Chain

CSR - It’s a step-by-step commitment
Sample Supply Chain Tiers

- Farming
- Ginning (Removal of the cotton seed)
- Spinning cotton into yarn
- Weaving/Knitting (Mill)
- Dying of fabric
- Cut, Make Trim, Finishing (Factory)
Supply Chain Mapping: No Money

- Supplier survey approach, Tier 1 factories
  - Ask your primary contact to explain how their company is organized
  - Identify the actual factory name, full address and country where your production happens
  - Identify % of production for your brand at these factories
Supply Chain Mapping: Some Money

- Supplier survey approach, Tier 1 and 2 factories
- Purchase a country risk profile based on your unique supply chain
- Visiting a sample of suppliers at different tiers
- Start pilot audits
Supply Chain Mapping: Loads a Money

- Hire someone to map your supply chain for each product
- Hire someone to map your risk from highest risk to lowest risk factories based on country/region/product
- If you don’t have one already hire a firm to create a supply chain database where all the above information can be housed
- Hire a person to maintain the database
Audit/Monitor and Put it Right

*CSR - It’s a step-by-step commitment*
Monitoring (AKA Auditing)

- Avenues to basic monitoring
  - Factory Self evaluation
  - Internal team audit
  - Full third party audit
- Baseline of Compliance
  - Snapshot of what’s happening at the factory
- Information Gathering
  - Did your COC get to the factory?
- Discover Problems
  - Law violations
  - COC violations
  - Environmental issues
- Measure Progress
  - Through desk follow ups
  - Through re-audits
What happens during an audit

- Document review
  - Payroll journal (register)
  - Piece-rate records & Time cards
  - Proof of Age Documents (employee files)
  - Labor contracts
  - Facility rules and policies (policy handbook)
  - Production records
  - Business license (s)
  - Environmental Licenses (permits)
  - Waste discharge permits
  - Training documentation

- Observation
  - Health & Safety
  - Age,
  - Wall postings, discrimination,
  - abuse, dormitories, etc

- Interviews
  - Employees
  - Management
  - Union
Monitoring: No Money

- Obtain an audit report and corrective action plan from another brand or the factory (6 months to one year old max)

- Ask another brand what has been their experience with this factory

- Ask the factory to provide you with evidence of corrective actions (i.e. policies, procedures, training records, photos, etc.)

- Assign a risk level to the factory based on the audit findings and their openness to improve and provide corrective actions.
Monitoring: Some Money

- Create audit process
  - Announced vs. Unannounced
  - Scope
  - Timeframe

- Develop tools needed
  - Audit procedures
  - Report template
  - CAP template
  - Grading matrix for factory scoring

- Choose SGS as your third party monitoring firm
  - Ask other brands for feedback
  - Shadow the audits
  - Ask for Auditor experience and training program
  - Do they have ethics policies and procedures
Country Risks
Clint Eastwood Model

CSR - It’s a step-by-step commitment
The Good
The Bad
The Ugly
The Ugly
The Inventive
UNDER THE SPOTLIGHT

- Forced child labour
- Freedom of association
- Working Hours
- Living wage
- Impact on health and
- Environment
Top Violations

- Double Books (to hide hours/time
- Violations or to avoid tax!
- Failure to pay for hours worked
- Paying piece rates that are less than the minimum wage
- Missed payrolls
- Failure to pay overtime premium
- Illegal use of workers
Current Position

CSR - It’s a step-by-step commitment
Current Position

- Brands and Retailers aligning themselves to codes/standards based on geographical acceptance and/or sector schemes. E.g.
  - ETI Base Code used by most UK companies but only small number actual members
  - Mainland Europe converging on BSCI (Business Social Compliance Initiative)
  - US largely proprietary Codes of Conduct
  - Sector schemes such as CRJP (Council for Responsible Jewellery Practices) being developed

- Differences between Codes is minimal – presentation rather than substance!
  - Most Codes go back to ILO conventions

- Trends for Brand Collaboration – sometimes on informal basis
Some Key Codes/Standards

- SA8000
- ETI Base Code
- Business Social Compliance Initiative
- Initiative Clause Sociale
- WRAP
- Fair Labor Association
- ICTI
- ISO 26000!
ILO Conventions 1919 -

- C1 Hours of Work (Industry) Convention, 1919
- ILO Conventions 29 and 105 (Forced & Bonded Labour) 1930/1957
- ILO Convention 87 (Freedom of Association) 1948
- ILO Convention 98 (Right to Collective Bargaining) 1949
- ILO Conventions 100 and 111 (Equal remuneration for male and female workers for work of equal value; Discrimination) 1951/1958
- ILO Convention 135 (Workers’ Representatives Convention) 1971
- ILO Convention 138 (Minimum Age and Recommendation) 1973
- ILO Convention 155 (Occupational Safety & Health) 1981
- ILO Convention 159 (Vocational Rehabilitation & Employment/Disabled Persons) 1983
- ILO Convention 177 (Home Work) 1996
Code of Conduct Principles

- Child labor
- Forced labor
- Health & Safety
- Freedom of association
- Discrimination
- Disciplinary practice
- Working hours
- Compensation and benefits
- Regular Employment
- Environment
- Management Systems
- Business Integrity
Business benefits of audit compliance

- **Business benefits**
  - How might your suppliers reduce their costs?
    - Increased productivity
    - Reduced sickness/absenteeism
    - Reduced breakages/repairs
    - Tightened and simplified labour controls
  - How have your suppliers improved quality of operations:
    - Increased skill levels of workers
    - Motivated and focused workforce
    - Tightened operational controls and procedures
    - Creating an environment where people like to work
Factory Audit Grading

Corrective Action Plan (CAP) Grading

- **Green** – 24 months
- **Yellow** – 12 months
- **Orange** – 9-12 months
- **Red** – Immediate
Examples

**Green – Low Risk**

Work area poorly lit, poorly maintained restroom facilities, insufficient canteen capacity

**Yellow – Medium Risk**

Incomplete age documentation, violation of the seventh day of rest policy, locked/blocke‌d exits

**Orange – High Risk**

Inadequate compensation, extended work hours, counterfeit id

**Red - Critical**

Child labour, forced labour, unsafe or hazardous work conditions
Root Cause Analysis

CSR - It’s a step-by-step commitment
“So now I have a list of findings … Now what?”

- Determine the Root Cause …

Root: Poor hiring practices

If you fix the one root, you fix multiple symptoms!
Root Cause Analysis

- **Definition:**
  - A Root Cause is the earliest cause (or causes) in the chain of events that lead to one or more non-compliant findings.
  - It is the first systems failure or gap which results in a multiple of symptoms, issues.
Root Cause Analysis

The “5 Whys” Exercise is a great way to get to the root cause:

- Finding: The workers aren’t wearing PPE.
  - Why? Because it is uncomfortable, and they remove it.
  - Why? Because they don’t understand the risk that they face by exposure.
  - Why? Because it was never communicated to them.
  - Why? Because there are no postings, and there was never any training on PPE.
  - Why? Because there is no documented system or set of policies regarding EHS, hazard mitigation, and exposure.
Supplier FAQ’s

- Why do you have an audit programme?
- Are you members of Sedex?
- Are you members of the FLA/ ETI?
- Will you accept audits from other retailers?
- Do I need to conduct an audit?
- Which audit companies do you use?
- Who pays for the audit?
- What happens when I fail an audit?
Minimum Wages in China

The Ministry of Labor and Social Security set China's first minimum wage law since 2004 to ensure the basic needs of workers and their family and to promote fair competition between enterprises. Since different provinces, municipalities, and autonomous regions are allowed to legislate for their own minimum wage, SGS now built a minimum wage summary for adult workers in China for your easier reference. Please click on the following map for more detailed information.

Hot Areas

- Jiangsu
- Zhejiang
- Fujian
- Guangdong

Minimum Wages in Guangdong Province

<table>
<thead>
<tr>
<th>City</th>
<th>District/County/County-level City</th>
<th>Minimum Wage (RMB/Month)</th>
<th>Effective Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Shenzhen</td>
<td>Nanshan, Futian, Luohu, Yantian</td>
<td>1100</td>
<td>2010-7-1</td>
</tr>
<tr>
<td></td>
<td>Ba’nan, Longgang</td>
<td>1100</td>
<td>2010-7-1</td>
</tr>
</tbody>
</table>

http://www.cn.sgs.com/cn-wages
Ethical Sourcing RoadMap

CSR - It’s a step-by-step commitment
Ethical Sourcing Roadmap

- Contractual code of conduct
- Factory self-evaluation
- Factory confirmed on orders
- Factory validation exercise
- Factory audits
- Factory assessments
- Supplier briefings
- Supplier ethical best practice manual
- Supplier workshops

- Supplier performance reviews to include ethical sourcing
- Technologists ethical training course
- Ethical principles training course
- Buying practices review
- Update B&M and Technical job spec and competencies for ethical sourcing
- Encourage discussion with national/local ethical bodies
- Network with other retailers/Brands
Minimum Wages in China

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CSR Security

CSR - It’s a step-by-step commitment
“As the border agency of the United States, CBP's priority mission is preventing terrorists and terrorist weapons, including weapons of mass destruction, from entering the United States.”

- **Customs-Trade Partnership Against Terrorism (C-TPAT)** was launched in November 2001
  - A partnership with the trade community for securing global supply chains and facilitating legitimate cargo and conveyances.

- **Voluntary** participation between business partners involved in the importation of goods to the U.S. and Customs and Border Protection (CBP)
  - Extending the *U.S. border* to the point of origin
  - Companies must sign an agreement with CBP committing to the program’s security guidelines.

- Currently more than 10,000 companies are certified partners.
Supply chain due diligence

- Verification “Trust and Verify”
  - By 3rd party audit firm
  - By internal trained staff
  - Combination above
Minimum Security Criteria

- Business Partners
  - Written procedures for selection
  - Risk assessment
  - Internal and external audits

- Container & Trailer Security
  - Documented inspections
  - Written seal control procedures

- Physical Access Controls
  - Employee and visitor access and identification
  - Challenging and removing unauthorized persons
Minimum Security Criteria

- Personnel Security
  - Pre-employment verification
  - Formalized background checks
  - Documented hiring/termination procedures

- Procedural Security
  - Documentation processing
  - Manifesting procedures
  - Shipping/Receiving procedures

- Security Training & Threat Awareness
Minimum Security Criteria

- Physical Security
  - Fencing/gates/entrances/parking
  - Locking devices and key control
  - Alarm system and surveillance cameras

- Information Technology
  - Password protection
  - Accountability
  - Disaster recovery plan/back-ups
Container and Trailer Security

Meet or exceed the current PAS ISO17712 for high security seals

Procedures to verify physical integrity of the container structure
Container and Trailer Security

Seven-point inspection process for container and 10 for trailer
Container and Trailer Security

17-Point Truck & Trailer Inspection

1. Bumper
2. Engine
3. Tires
4. Floor (Truck)
5. Fuel Tanks
6. Cab
7. Air Tanks
8. Drive Shafts
9. Fifth Wheel
10. Outside/Underride
11. Outside/Inside doors
12. Floor (Trailer)
13. Side walls
14. Front wall
15. Ceiling/Roof
16. Refrigeration Unit
17. Exhaust
Physical Security

Fencing enclose the areas around cargo handling area. Gates are manned and/or monitored.
SUGGESTED AUDIT SCOPE

- Physical security
- Warehouse / conveyance security
- Access controls
- Electronic & security staff investments
- Procedural security
- Personnel security
- Education & awareness training
- Service provider security
CSR Conflict Minerals

CSR - It’s a step-by-step commitment
What is “Conflict Minerals” 3T&Gold

Covered Countries:
The DRC (Democratic Republic of the Congo) and 9 adjoining countries (Congo Republic, Central Africa Republic, Tanzania, Sudan, Burundi, Zambia, Rwanda, Angola, and Uganda)

<table>
<thead>
<tr>
<th>Mineral/Metal</th>
<th>Industries</th>
<th>Applications</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cassiterite (Sn) / Tin</td>
<td>Electronics, Automotive</td>
<td>Solders for joining pipes and circuit</td>
</tr>
<tr>
<td></td>
<td>Industrial equipment</td>
<td>Automobile parts, Tin plating of steel, Alloys (bronze, brass)</td>
</tr>
<tr>
<td></td>
<td>Food</td>
<td></td>
</tr>
<tr>
<td>Columbite-tantalite (Ta) / Tantalum</td>
<td>Electronics, Medical equipment</td>
<td>Capacitors, Hearing aids and pacemakers, Carbide tools, Jet engine components</td>
</tr>
<tr>
<td></td>
<td>Industrial tools</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Aerospace</td>
<td></td>
</tr>
<tr>
<td>Wolframite (W) / Tungsten</td>
<td>Electronics, Lighting</td>
<td>Metal wires, electrodes, electrical contacts, Heating and welding</td>
</tr>
<tr>
<td></td>
<td>Industrial machinery</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Aerospace</td>
<td></td>
</tr>
<tr>
<td>(Au) Gold</td>
<td>Jewelry</td>
<td>Jewelry</td>
</tr>
<tr>
<td></td>
<td>Electronics, Aerospace</td>
<td>Electric plating and IC wiring</td>
</tr>
</tbody>
</table>

Mineral/Metal: Sn = Tin, Ta = Tantalum, W = Tungsten, Au = Gold
What is Dodd-Frank Act Section 1502

- Signed into law on July 21, 2010
- Final rule of Section 1502 approved on August 22, 2012
- Reporting requirements for companies’ (SEC) U.S. Securities and Exchange Commission filings on the sources of certain “conflict minerals”
- The Act’s intent is to try and curb the violence and exploitation in the Democratic Republic of Congo (DRC) and neighboring countries
- 1st report - May 31, 2014 for the 2013 calendar year
What the Company Should Do

- **OECD** Due Diligence Guidance
  - Establish strong company management systems
  - Identify and assess risks in the supply chain
  - Design and implement a strategy to respond to identified risks
  - Carry out independent third-party audit of smelter/refiner’s due diligence practices
  - Report annually on supply chain due diligence
CSR Environmental

CSR - It’s a step-by-step commitment
In the past 15 years, companies had to progressively extend their CSR programs from social to environmental initiatives.

NEW challenges:

- Environmental regulation
  - RoHS, WEEE, ErP, REACH, Environmental Labeling of consumer products
- Market requirements
  - EPEAT registry, Green building, Retailers initiatives (Walmart’s sustainability index,…)
- Industry initiatives
  - HiGG index of the Sustainable Apparel Coalition, GSCP Programme,…
- Competition
  - The environment is an opportunity to differentiate with the competitors
CORPORATE CARBON FOOTPRINT OF A RETAILER – Scope 1, 2 and 3
GSCP Programme — A tool to implement a sustainable suppliers strategy

- Global Social Compliance Programme:
  - A business-driven program for the sustainable improvement of workplace and environmental conditions in global supply chains
  - Created by and for global buying companies looking to work collaboratively on improving the sustainability of their often-shared supply base
A PROGRESSIVE AND TAILORED APPROACH

Based on the 3 levels of GSCP: a progressive system:

- **Level 1**: Awareness & Compliance
- **Level 2**: Proactive Management & Performance Improvement
- **Level 3**: Leading Practice / Operational Excellence

Build a program to progressively involve your suppliers in improving their:

- Energy consumption
- Water consumption
- Air and Water emissions
- Waste management
### Overall Conformance

#### Conformance area
- **Total Check Points**: 74
- **Compliance**: 45
- **Minor NC**: 10
- **Major NC**: 16
- **Critical NC**: 0
- **NA**: 2

#### Specific Areas

<table>
<thead>
<tr>
<th>Area</th>
<th>Compliance</th>
<th>Minor NC</th>
<th>Major NC</th>
<th>Critical NC</th>
<th>NA</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total</strong></td>
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<td>3. Pollution Control and Resource Conservation</td>
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<tr>
<td>a) Water Use</td>
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<td>2</td>
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<tr>
<td>b) Waste Water</td>
<td>10</td>
<td>7</td>
<td>2</td>
<td>1</td>
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<tr>
<td>c) Waste Gas</td>
<td>7</td>
<td>5</td>
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<td>0</td>
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<tr>
<td>d) Waste Management</td>
<td>10</td>
<td>8</td>
<td>1</td>
<td>1</td>
<td>0</td>
</tr>
<tr>
<td>e) Hazardous Substance</td>
<td>8</td>
<td>4</td>
<td>0</td>
<td>4</td>
<td>0</td>
</tr>
<tr>
<td>f) Noise</td>
<td>2</td>
<td>1</td>
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<tr>
<td>4. Emergency Preparedness and Response</td>
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<td>5. Energy Use, Transport and Greenhouse Gases (GHGs)</td>
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<tr>
<td>6. Contaminated Land / Soil and Groundwater Pollution Prevention</td>
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<tr>
<td>7. Land Use and Biodiversity</td>
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#### Graphical Representation

- **Total Conformance**
- **Environmental Permit**
- **Management System**
- **Water Use**
- **Waste Water**
- **Waste Gas**
- **Waste Management**
- **Hazardous Substance**
- **Noise**
- **Emergency Response**
- **Energy & GHG**
- **Soil Pollution**
- **Land Use and Biodiversity**
- **Nuisance**

The graphical representation shows the distribution of compliance and non-conformances across different areas.
TO AVOID THIS CSR DISASTER...
Ethical Sourcing Roadmap

- Contractual code of conduct
- Factory self-evaluation
- Factory confirmed on orders
- Factory validation exercise
- Factory audits
- Factory assessments
- Supplier briefings
- Supplier ethical best practice manual
- Supplier workshops

- Supplier performance reviews to include ethical sourcing
- Technologists ethical training course
- Ethical principles training course
- Buying practices review
- Update B&M and Technical job spec and competencies for ethical sourcing
- Encourage discussion with national/local ethical bodies
- Network with other retailers/Brands
Workshop Details.

- Step One: form into groups of 5-7 people.

- Step Two: Look at the previous slide and choose one of the following:
  - Self Assessment (Supplier Self Assessment) *What three things would you include on a self assessment form?*
  - Code of Conduct *What are three things you would include in your code of conduct?*
  - Audit *What are the top three areas you would audit?*
  - Best Practice Chose three things you would consider best practice for a supplier program?
  - Risk Analysis *What are the top three (3) criteria you would chose for a supplier risk analysis?*

- Step Three: Assign a group leader and report your results back to the presenter.
Thanks

- The OIA for their guidance