



Morning Open Space Interactive Session C – Supply Chain & Product  
Stewardship  
October 20, 2008, 11am

Speakers:

Susi Proudman, Director of Sourcing, Aritzia  
Chris Rickett, Project Manager, Toronto and Region Conservation Authority  
Nick Moss Gillespie, Partner, Responsible Forestry Solutions  
Lorraine Smith, Senior Associate, CBSR

Session Speaker: Susi Proudman, Aritzia

Susi Proudman discussed her CSR experiences at Marks and Spencer (M & S), UK. She identified five pillars or areas of focus in the CSR journey:

- 1) Sustainable Raw Materials;
- 2) Standards;
- 3) Waste;
- 4) Climate Change; and
- 5) Health and Wellbeing.

She noted that in the CSR journey there is no right or wrong approach. As a company you need to know where you strategically want to go, determine what you want to measure, implement it and report it honestly. Ms. Proudman noted that the hardest lesson to learn is that a company cannot do this on its own. It works better if you join with competitors and non-government organizations (NGO's) to collaborate to make change. Companies need the tenacity to keep going, and the belief that the strategies you are pursuing are making a difference.

**Sustainable raw materials**

- There is a need to understand the supply chain of each of your raw materials. It is not enough to adopt existing standards (fair trade, organic). The issues are very complex. Companies need to find the good in each practice and implement the best. At M & S they worked with conventional cotton producers and focused on improved practices for pesticides and water.
- Consider the intermediary processes and steps: ginning (processing cotton “from field to fabric”), transportation, and knitting.

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- Look at where the product started, follow it through and examine how practices might have unexpected consequences. For instance in organic wool you can end up with health issues (flystrike in the sheep), which can lead to animal welfare problems. Another example is the use of bamboo fibres, which can lead to the felling of diverse forests to plant bamboo (mono culture). Also need to examine labour standards in each phase.
- Need to get involved at the research stage; responsibly get involved at early stage so can be proactive.

### Standards

- Examine the standards at all phases of production, processing and distribution.
- Find out what type of standards exist for the intermediary steps. For instance in the dyeing of wool a number of toxic chemicals are used and a lot of water, but there may only be Health and Safety standards, and you may need to develop others.
- Auditing by third parties can be an issue as multiple codes of conduct, and multiple audit companies, multiple methodologies about auditing can occur. Companies can get audit fatigue.

M & S instituted a Forensic Audit to uncover the issues. A team of staff who were local, as well as NGOs and audit companies, would turn up the night before the audit day. A team of five would pose as workers wanting a job and ask the personnel what it was like, ask street vendors, send lead auditor to the front door and send others through the back. See who was leaving, estimate age, etc. They then asked the company what caused them to behave in a way that contravened the standards. Work collaboratively to overcome the issues.

### Waste

- Consider waste through to the end user.

M & S asked, "What does consumer do with the garment once it is sold?" They partnered with Oxfam to create a garment recycling program. As products were taken into Oxfam, customers received a voucher for the next M & S product. Oxfam got revenue from good clothes, some clothes went to charity, and others sold to the ragging industry.
- Consider waste in transportation and packaging: reduce this waste and switch to post consumer waste products and sustainable forests for virgin materials.

### Climate Change

- Consider climate change and greenhouse gas issues in your store builds. Use recycling, green design, and renewable energy.

M & S partnered with factory in Sri Lanka to build a green manufacturing facility.

### Health and Wellbeing

- Engage employees; try to get them to live a healthier lifestyle by giving choices and options. Provide subsidized gym memberships.
- Consider win-win opportunities for communities.

## Linking Stakeholders to the Bottom Line.

In a factory in Indonesia, the plant used its water treatment facilities to clean water and pipe it into the nearby villages. The factory became part of the connection to the community.

### Chris Rickett, Toronto and Region Conservation Authority

Discussed the “GTAA Partners in Green: A Pearson Eco-Business Zone”. Mr. Rickett identified that the success of this project to date has been based on buy-in from the local business community and municipality, as well as the focus on helping businesses improve their financial performance.

- Project engages 250 businesses including: Unilever, Molson, Coca Cola, and so on.
- The Eco-Business Zone will transform the area into an internationally recognized community known for its competitive, high performance and eco-friendly business climate.
- It is a model for leveraging regional transportation and economic development assets.
- Encompasses 12,000 hectares of industrial and commercial land.
- Launched in early October, will include 12,000 businesses with 350,000 employed.
- Currently developing programming to reduce costs and brand the area.
- Business synergies on waste, green buildings and treating storm water on site. In addition, green jobs in the food processing, plastics, automotive, warehousing and logistics industries.

### Nick Moss Gillespie, Responsible Forestry Solutions

- Discussed the Timber Legality & Traceability Verification (TLTV) Program, which is designed to ensure that timber has been legally produced and sold by a given forestry company.
- In Forest Certification Schemes the chain of custody is vital and should be verified by third party audit. SGS is 120 years old and the largest certification and auditing company in the world.
- TLTV has been designed to ensure that the timber has been legally produced and sold by the forestry company. The Legality Verified Timber is then traced through the production and trading chain to prevent illegal timber entering the supply chain.
- Not just for procurement, but for screening of proposal and sustainable finance:
  - Compliance with due diligence requirements while applying for finance.
  - Process includes preparation for forest certification and/or strengthening of the forest certification process.
- Provides competitive edge and access to high value markets for timber products.
- Risk mitigation in purchase and sales.
- There are many impacts of illegal logging:
  - World timber market depressed by 9-14%;
  - In developing countries, possibly 80% of timber comes from illegal sources;
  - \$20 billion annually lost to tax base of developing countries; and

“Conflict” over timber issues.

- Responsibility is to ensure the validity of sustainable timber sources by investors, customers, manufacturers, etc.
- What can you do:
  - Businesses: Develop a responsible purchasing program.
  - Government: promote forest law enforcement and governance.
  - Timber producing companies: demonstrate that you operate legally.
  - Consumers: choose products from verified legal or certified products.

## Lorraine Smith, CBSR

Lorraine Smith spoke about regulations for toxic chemicals in Canada. She identified that companies should examine the chemicals in their products and determine if other jurisdictions have identified them as harmful. As part of a CSR program, and a way of managing risk, companies should proactively take steps to remove these toxins from their products.

- Toxicity in Canada: regulatory “free for all”. Almost no regulations about what can be produced in Canada.
- Regulations in Canada under the Environmental Protection Agency date to 1999.
- Currently products sold in Canada, cannot legally be sold in China.
  - E.g. Bans or partial bans on BPA, lead, etc.

The above means risk and opportunity is present:

- Risk (of not understanding what is in your products): Product recalls, confused consumers, environment and health problems.
- Opportunity: Regulations exist in other jurisdictions such as the EU. These regulations are a good guide. Companies can also look at the internet and search for ‘chemicals of concern’.
  - Steps should be taken to reformulate products to proactively remove toxins from Canadian products.

*What are consumer implications for certified products at Marks & Spencer (e.g.: Certified Sustainable Forests)?*

- People will not pay more.
- Need to give consumers a choice; develop the market by offering the added benefit of a sustainable product without the extra costs. People will then switch over. M&S partially subsidized the products at first.
- FSC: EU 15% recognition, but in North America it is lower.
  - Green premium on bigger products, but not on paper. It is more a risk management issue, access to capital, access to insurance. Firewalling yourself against the risk.

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*Do any of the speakers see a time when the certification symbols come together because there is a lot of consumer confusion around the different certification programs? Is anyone doing the work to bring these all together?*

- No. Consolidation is not happening, but it may not be that important. What is important is that we are working on trying to make sure the certifications are meaningful.
- Decide which of the logos are right for your brand and which ones can you trust.
- The bigger issue is what your brand stands for. Certification logos are not nearly as important as how you have positioned your brand.
- Understanding the logo: how was the standard created, who is doing the certification, oversees there are a number of certification processes.
- Want your own brand: Avoid weakening your brand; if there is risk associated with aligning with an outside brand make sure to go through due diligence; chose your partners with caution.