Sustainable Supply
Raising standards and building capacity

Our supply chain encompasses more than 1 million people, employed through 722 global suppliers, who run more than 1,600 production units, across four entirely different sourcing regions and many different cultures. Even though these numbers appear to be very large, our part of the supply chain represents only a very small part of the entire apparel and textile industry. On one hand, this represents a real opportunity to help normalise sustainable behaviour amongst diverse populations. On the other, it requires vigilance and dedication to better practices. We must identify issues and build capacity for change, working in close partnership with our suppliers and stakeholders.

C&A’s priority is to invest in long-term relationships with strategic suppliers who live our values, this is why we develop long term relationships with our supply chain. In this light, we have maintained our relationships with over 71% of our suppliers for more than 5 years. Working with those suppliers who understand our social and environmental requirements, and who are committed to meeting them strengthens our supply chain and helps us meet our sustainability goals. Optimising our number of factories and suppliers supports our commitments towards safe and fair labour practices and a clean environment throughout our supply chain. Over the last two years, we have reduced our supply base by 39% and we continue limiting our number of suppliers, as appropriate and possible.

We start with our supplier relationships because we understand that we can, collectively, create positive impact. We always look for ways to collaborate and improve standards further, driving sector-wide change on important issues, together with like-minded industry partners. We focus on two main areas: ensuring that the people who make our clothes are safe and treated fairly, and that we foster and support a clean environment for the benefit of healthy communities in our sourcing countries and for the planet more broadly.

Our ambition

A sustainable supply chain from farmer to customer
For us, sustainability means moving towards a circular model where clothing is designed with its next use in mind – clothing that is also made with fewer, safer chemicals, renewable energy, and clean water, and in safe and dignified working conditions. To normalise sustainable behaviour among suppliers, we believe in building capacity across our supply chain, from the farmer’s field to the factory floor. We see compliance as the starting point, but not the ultimate goal: we must collaborate with our suppliers and their factories to create change.

We’re also making steps towards our goal of circular fashion and focusing on how to incorporate sustainability considerations from the start. This means revolutionising how we design products with their next use in mind. It means carefully selecting materials and chemicals that are safer from the beginning and working with our suppliers’ factories to ensure that working conditions are safe and fair. And it means expanding the ‘end of use’ solutions we offer our customers.

Our 2020 goals for sustainable supply

Safe and fair labour

100% of our products will be from top-performing, A-and B-rated suppliers. We will build capacity and supplier ownership within our supply chain.
Clean environment

Zero Discharge of Hazardous Chemicals.

20% reduction of carbon footprint in C&A stores, distribution centres, and offices (from 2012 baseline).

30% reduction of water in raw materials stage (from 2016 baseline).*

10% reduction of water in C&A stores, distribution centres, and offices (from 2012 baseline).*

Zero waste to landfill.*

*2025 goal

Auditing and transparency

Making transparency the norm

The apparel industry supply chain is notoriously complex; ours includes over 700 suppliers and 1,600 tier-1 and tier-2 production units. This creates challenges, but also a huge scope for impact and creating change. By re-evaluating our own standards and influencing the development of shared ones, we’re taking the industry with us, embedding good practice as we go.

Being transparent is one part of the solution. We need to create traceability and accountability across the apparel industry’s supply chains. That way, we can collaborate with stakeholders including other brands, to understand shared challenges, offer the right kind of support, reward good behaviour, and drive the change we want to see in the industry. We continually increase the scope of our supply chain transparency and publish a list of our tier-1 and tier-2 supplier factories at least once a year.

Our overall approach

An important first step to achieving greater transparency in our supply chains is to make sure we are gathering accurate data about our suppliers’ performance – for everything from chemical, energy, and water use, to issues in relation to wages or safety in the workplace – and assessing their ongoing actions and results. The more comprehensive and accurate the information is, the more targeted and effective support we can offer.

Different monitoring and assessment tools are currently being used by different businesses and organisations in the apparel industry. However, we believe – as do many of our stakeholders – that we must create convergence and use standardised tools to increase the quality of our data, the efficiency of our actions and therefore, the rate of change.

The Sustainable Apparel Coalition’s (SAC) Higg Index provides that centralised standard of assessment. Already used by many major brands, including C&A, the index is growing in its scale and effectiveness. In 2018, C&A piloted the Higg 3.0 Facility Environment Module (FEM), which serves as a full environmental assessment tool for the entire apparel supply chain. We have adopted it for use in our supply chain as of 2019. We are also part of the
social and labour convergence project (SLCP) that aims to develop an assessment tool for human and labour rights. In fact, C&A has been elected by SLCP members to represent the brands in their Steering Committee.

In the meantime, we are using a combination of our own auditing and assessment tools, existing Higg modules, and the Zero Discharge of Hazardous Chemicals (ZDHC) audit protocol. We will continue to use and/or supplement these tools as long as necessary, and to avoid any gaps in coverage, we will drive towards one solution endorsed by all brands in a multi-stakeholder consultation process.

Transparency Pledge

In 2016, the NGO Human Rights Watch approached 72 global apparel brands, including C&A, to commit to the newly created Transparency Pledge. The pledge is part of an initiative to encourage brands to adopt a consistent approach towards transparency in their supply chains. The pledge helps the apparel industry reach a common minimum standard for supply chain disclosures, requiring them to publish standardised information on all factories in the manufacturing phase of their supply chains. We committed to the Pledge in February 2017, and have since aligned fully with the requirements and provided this information in a consistent manner.

Read more about the Transparency Pledge

Our Supplier Code of Conduct

What we expect of suppliers is clearly laid out and communicated through our Supplier Code of Conduct and checked using regular audits by our Sustainable Supply Chain (SSC) team, which comprises nearly 90 people worldwide, including 36 auditors and 25 development officers. We update the standards expected within the Supplier Code of Conduct as appropriate, such as we did in 2017, when we made our standards on fire safety, environment, and working hours more stringent. When there are breaches of our Supplier Code of Conduct, we invite suppliers, C&A employees, and workers in our supplier’ factories to let us know through our Fairness Channels, where breaches can be escalated to management anonymously. All our suppliers are required to sign our Code of Conduct as part of our contractual relationship and purchasing agreements.

How we rate suppliers
When it comes to rating our suppliers on sustainability, our first guiding principle is transparency, supported by our commitment to capacity building. This is reflected in our ratings. Sustainability criteria make up 20% of our overall supplier ‘scorecard’ rating and have the same weight as price, quality, delivery, and product execution. Each production unit is rated from A to E, with A being the highest rating, based on a set of assessment criteria for the elements of our Supplier Code of Conduct.

Production units rated A and B are those that have no serious violations as evaluated against weightings that correspond to each element of our Supplier Code of Conduct. As an example, the discovery of a serious issue like insufficient firefighting equipment or repeatedly missing fire drills will result in a D rating, while the discovery of any zero-tolerance issue will result in an E rating.

A supplier’s overall rating is calculated as the average of the total number of production units used for C&A production. However, if a supplier has one E-rated production unit, the overall supplier rating will become E. It is our policy not to place production orders with E-rated suppliers – although we work closely with them to address these issues and improve their rating over time, so they are able receive new orders in the future. New suppliers and production units must be able to demonstrate that they meet our sustainability criteria, and if needed, make improvements before they can start working with us.

**Relationship termination**

In cases where suppliers and the factories are non-compliant with our Code of Conduct, we seek to work with the supplier, factory management, and our internal teams to improve. Unless the non-compliances are serious and of a zero-tolerance nature, we maintain our business relationship to avoid unintended consequences to workers.

If a supplier maintains a non-compliant factory (E-rated) for longer than 6 months, the relationship with the supplier and associated factories is suspended. Because every situation is unique, potential exit strategies must be tailored to each situation. In all cases, we ensure that the workers are not adversely affected by a potential termination of our business relationship – at a minimum, by following the local laws.

**Our zero-tolerance criteria**

To continually improve our auditing process and drive the right behaviour, we update our audit protocols every year to raise the bar on our standards over time. For example, C&A’s code for underage workers is set at the International Labour Organization (ILO) standard (16 years of age) that can be above national regulations (14 years of age). In 2018, we worked with a new set of zero-tolerance issues to keep improving working conditions in our supply chain.

<table>
<thead>
<tr>
<th>Zero-tolerance issues and their rationale</th>
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</thead>
<tbody>
<tr>
<td><strong>Issue category</strong></td>
<td><strong>Description of issue</strong></td>
</tr>
<tr>
<td><strong>General Zero-Tolerance Violations</strong></td>
<td></td>
</tr>
<tr>
<td>Forced, bonded, indentured or prison labour</td>
<td>Forced work – by actual or perceived threat</td>
</tr>
<tr>
<td>Issue category</td>
<td>Description of issue</td>
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<tr>
<td>----------------------------------------------------</td>
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<tr>
<td>Serious forms of child labour</td>
<td>A worker under 16 years old who is subject to slavery, forced or compulsory labour, prostitution, pornography, drug trafficking, or other work likely to harm the worker’s health, safety, or morals</td>
</tr>
<tr>
<td>Child labour/underage workers</td>
<td>Workers who are below 16 years old</td>
</tr>
<tr>
<td>Abuse</td>
<td>Any evidence of physical, sexual, verbal or mental abuse</td>
</tr>
<tr>
<td>Failure to pay minimum wages</td>
<td>If more than 50% of sampled workers do not receive the legal minimum wage</td>
</tr>
<tr>
<td>Failure to pay probationary wages</td>
<td>If more than 50% of sampled workers do not receive the legal probationary wage</td>
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<tr>
<td>Foreign or migrant workers without legal work permits</td>
<td>Workers do not have the right to work or have a valid work permit</td>
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<tr>
<td>Unauthorised working at home</td>
<td>Production placed in an unauthorised home production unit</td>
</tr>
<tr>
<td>Denied audit</td>
<td>Not granting unrestricted access to workers, records, all areas of the production unit and dormitories, without unreasonable delay for a second time</td>
</tr>
<tr>
<td>Bribery and corruption</td>
<td>Any case of giving or receiving an unearned reward to influence behaviours in C&amp;A’s value chain, including kickbacks and facilitation payments. Any unlawful or improper behaviour that seeks to gain an advantage through illegitimate means.</td>
</tr>
<tr>
<td>Working Hours</td>
<td></td>
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<tr>
<td>Paid overtime</td>
<td>Any case where more than 50% of sampled workers are not paid for their overtime hours and the gap between the amount they get and legally required is more than 50%</td>
</tr>
<tr>
<td>Workplace Health &amp; Safety</td>
<td></td>
</tr>
<tr>
<td>Sandblasting</td>
<td>The use of manufacturing practices that propel very fine bits of material at high velocity to clean or etch a surface. This process often uses sand with crystalline silica that could lead to silicosis</td>
</tr>
<tr>
<td>Building Safety</td>
<td></td>
</tr>
<tr>
<td>Production unit located in a multi-tenant building where four minimum criteria are not met</td>
<td>Minimum criteria: 1. The entire building has a valid fire licence. 2. The entire building has a valid building certificate. 3. A common fire drill has been conducted for the entire building. 4. A centralised fire alarm system is installed and operational for the entire building.</td>
</tr>
<tr>
<td>No legal building certificate or permit</td>
<td>A building certificate/permit or application for the permit allowing legal use and occupancy is not available, is not valid, or does not cover the entire building, and/or the building does not have approval for industrial use</td>
</tr>
<tr>
<td>Zero-tolerance issues and their rationale</td>
<td></td>
</tr>
<tr>
<td>------------------------------------------</td>
<td></td>
</tr>
<tr>
<td><strong>Issue category</strong></td>
<td><strong>Description of issue</strong></td>
</tr>
<tr>
<td>Structure and use of the building are not aligned with the legally approved building plan leading to a high risk for workers, and the application for building inspection is not available</td>
<td>For example, items such as incorrect or addition of floors, incorrect number of buildings included in the legal approval, and the roof of the building not constructed or used in accordance with the legally approved building plan</td>
</tr>
<tr>
<td>Business licence not valid</td>
<td>The production unit address does not match the address on the business licence</td>
</tr>
</tbody>
</table>

**Fire safety**

<table>
<thead>
<tr>
<th>Issue category</th>
<th>Description of issue</th>
</tr>
</thead>
<tbody>
<tr>
<td>No fire licence</td>
<td>Fire licence is not available, is not legally valid, or does not cover the whole building, and/or the company is not able to provide an official application of the fire licence</td>
</tr>
<tr>
<td>Separate living area for workers</td>
<td>Dormitory or living area is not clearly separated from the production area and/or warehouse</td>
</tr>
<tr>
<td>Separation of generators and/or boilers</td>
<td>Industrial generators and/or boilers are not isolated from the production area</td>
</tr>
</tbody>
</table>

**Environment**

<table>
<thead>
<tr>
<th>Issue category</th>
<th>Description of issue</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wastewater Treatment Plant</td>
<td>Offsite or onsite wastewater treatment is legally required, but is not present</td>
</tr>
<tr>
<td>Wastewater discharge</td>
<td>Wastewater discharge does not meet legal requirements</td>
</tr>
</tbody>
</table>

Our Supplier Code of Conduct describes in more detail what C&A expects from our suppliers regarding legal compliance, labour practices, environmental performance, and anti-corruption. The provisions in the Code constitute the minimum, never the maximum standards. These are different to the zero-tolerance issues outlined above. For instance, the Supplier Code of Conduct outlines our expectations for working hours, which means our suppliers must meet the following minimum standards:

- Suppliers must define standard working hours by contract, at a number that is in line with national law or collective agreements, with a maximum of 48 hours per week, plus 12 hours maximum of overtime.
- Suppliers must make use of overtime work responsibly, not request overtime work on a regular basis, and accept that overtime is voluntary, and therefore not coerce workers to work overtime.
- Working hours must not exceed 60 hours in any seven-day period, except in truly exceptional, unforeseeable circumstances, and only if all the following conditions are met: 1) allowed by national law, 2) allowed by collective agreement, and 3) safeguards are taken to protect workers’ health and safety.
- Suppliers must allow workers to take breaks, to have a least on day off in every seven-day period, and to take statutory holidays.

Read more about our Supplier Code of Conduct

Read more about the guidelines for implementation of our Supplier Code of Conduct
Our 2018 performance

The majority of our production (94%) is concentrated in ten sourcing countries.

Garment sourcing countries by % share of volume of product made

2016 was the first year we reported our global supplier ratings by production unit and by percentage of workers. Throughout 2015, Brazil and Mexico began implementing the global Sustainable Supply Chain (SSC) programme guidelines and audit process. As a result, 2016 was the first year the new Supplier Code of Conduct was in effect in all sourcing regions, allowing us to provide global figures.

It is important to note that Brazil and Mexico have sizeable domestic supply chains, with 84% of products sold in Brazil and 45% of the products in Mexico produced domestically. Because our new requirements are unique for the supply chain in Brazil and Mexico, we are working closely with each supplier and factory to build their capacity and improve ratings over time to meet our Supplier Code of Conduct requirements.

Proportion of products sourced from A- and B-rated suppliers (% volume/region)
Tier-1 and tier-2 production unit rating by country of origin

<table>
<thead>
<tr>
<th>Country of Origin</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Brazil</td>
<td>42%</td>
<td>68%</td>
<td>78%</td>
</tr>
<tr>
<td>Mexico</td>
<td>36%</td>
<td>48%</td>
<td>64%</td>
</tr>
<tr>
<td>China</td>
<td>52%</td>
<td>68%</td>
<td>69%</td>
</tr>
<tr>
<td>Europe</td>
<td>89%</td>
<td>65%</td>
<td>70%</td>
</tr>
<tr>
<td>TOTAL</td>
<td>78%</td>
<td>65%</td>
<td>71%</td>
</tr>
</tbody>
</table>

Proportion of workers in production units by rating and country of origin
In 2018, 46% of the workers in our supply chain were working in A and B-rated factories. This is a reduction of nine percentage points compared to 2017, when 55% of workers were in top-rated factories. The change is largely due to an increase in the percentage of workers in C-rated factories. For C&A Brazil suppliers, this is primarily a result of the significant decrease in production units with D/E ratings as they improved their ratings to C. For C&A Europe, it is due to the high percentage (24%) of new production units brought into our supply chain by the growth of the business. Many of these new suppliers performed at a C rating.

As of the close of 2018, 12% of the total still work in D- and E-rated factories. To continually improve ratings over time, all D- and E-rated factories have corrective action plans (CAPs), are monitored by local teams, and have order placements restricted until their performances improve significantly.

In Brazil and Mexico, 22% and 15% of supply chain employees work in D- and E-rated factories, respectively, in 2018. These regions adopted the full Supplier Code of Conduct for the first time in 2016, meaning that we now have a single global standard for suppliers in all regions. In 2018, the teams working with the domestic supply chains of Brazil and Mexico focused on building capacity and technical know-how in all production units to progress towards our goal. In Brazil, we focused mainly on making sure suppliers and their workers secured and maintained the required governmental documentation to permit working in that country. This was done with the support of our development officer team as part of an effort recognised by the ECO AMCHAM Award. In addition, it is worth noting that three of the D and E-rated facilities in Brazil are large, representing about 17% of workers in the supply chain. These factories have clear action plans for development in 2019 and no critical issues.

Validating our programme
Our Sustainable Supply Chain (SSC) team is made up of expert practitioners and located in different sourcing hubs – including Bangladesh, Brazil, Cambodia, China, Hong Kong, India, Myanmar, Mexico, Pakistan, and Turkey.

The global sustainability team leads and owns the global policy and strategy for SSC and facilitates the sharing of learnings across all our sourcing countries and retail markets. This allows the SSC team to focus on executing the SSC programme on the ground, supporting production units through their continuous improvement journey.

In 2015, C&A set up a third-party relationship with a professional services provider to carry out ongoing human rights due diligence in our supply chain, using the UN Guiding Principles for Business and Human Rights to verify whether the current SSC programme is fit for purpose against the requirements outlined in the C&A Supplier Code of Conduct.

Through the process, extensive testing and analysis was conducted to assess our progress in implementing the SSC strategy, examining how it was rolled out through all our sourcing countries in Asia, Europe, Europe, Middle East and Africa (EMEA), and Latin America. We took a phased approach, beginning in 2016 with C&A Europe and following with C&A Brazil and Mexico in 2017.

This analysis covers the company’s supplier portfolio, audit programme, capacity building programme, and approach to minimising human rights risks. As part of this ongoing due diligence process, shadow and validation audits are conducted in different sourcing countries to assess the accuracy, precision, and repeatability of our audit processes. In addition, desk assessments and interviews are conducted with the Sourcing, Buying, and Sustainability teams.

**Sustainable Supply Chain focus areas**

The due diligence was designed to test our SSC operations against ten strategic focus areas:

1. Programme governance
2. Implementation of our Supplier Code of Conduct
3. Supplier registration and onboarding process
4. Implementation and follow-up of the audit program
5. Supplier rating and performance management
6. Corrective action plan (CAP) implementation and remediation
7. Building capacity in our supply chain
8. System integration, processes, and accuracy
9. Organisational structure and resources
10. Programme impact and reporting

The assessment showed that the SSC programmes have different levels of maturity. Europe and Brazil are the most advanced and their programmes are working effectively within their mandate. The programme in Mexico also made good improvements during 2018 and is now positioned to become even stronger.

The third-party auditor concluded that, to effectively address the human rights risks in our supply chain, C&A should continue moving towards a more strategic and systematic
approach. We have taken note of the individual recommendations and have built an integrated, transparent approach through an online real-time project management platform. Regional action plans are being independently verified through third-party assessment for SSC Europe, and second-party assessment for SSC Brazil and Mexico.

**Europe**

After almost three years since the third-party assessment took place, the majority of the recommendations have been implemented through the regional action plan. SSC Europe is currently updating its strategy, in which it will address the remaining opportunities for improvement.

**Brazil**

The 2018 assessment carried out by members of the Global Team found that our SSC programme in Brazil is fit for purpose. It has improved substantially since 2017, showing a strong governance model, and the majority of the recommendations have been successfully implemented. Additionally, the programme contains several elements in line with international good practice, setting a benchmark in the country.

The Brazil Regional Sustainability Steering Committee has clear goals and objectives and meets every 6 to 8 weeks. The committee sets targets and conducts follow-up to track progress. Its IT platform and system allow effective management of processes and procedures. Key functions and responsibilities also have been set up, and there is a good level of interaction between the SSC team, Sourcing, and the broader Sustainability team. Awareness of the Supplier Code of Conduct is high and there is a clear and effective on-boarding process for suppliers and production units.

A solid audit and corrective action plan (CAP) process is also in place. Shadow audits of four production units generated the same ratings as the SSC auditors. CAPs were being generated as required, and all issues identified in the CAPs were discussed with the suppliers and their factories. The 2017 assessment also found that some requirements of the Supplier Code of Conduct still had to be adapted locally, particularly building and fire safety. This important piece was addressed during 2018 and a new model that accounts for the Brazilian production units’ specifications is ready to be implemented in 2019.

**Mexico**

The second-party assessment carried out in 2018 has certified that the SSC programme in Mexico has made good progress compared to the ‘not fit for purpose’ finding of the 2017 third-party assessment. The SSC team is now in place and fully operational, processes and procedures have been developed and rolled out, and the programme is running at an acceptable level. Some of the important milestones during 2018 included:

- Conducting alignment and capability building workshops to ensure audit consistency and evaluation
- Improving relationships with commercial areas, sourcing, and buying
- Generating positive supplier feedback, as the work is starting to show positive impacts
- Updating the supplier agreements
Safe and fair labour

Safe and dignified work for all

We believe that safe and fair working conditions should be the norm for all apparel workers, not just the ones that work in our suppliers’ factories. That’s why we are using our influence to build capacity across our supply chain, striving to normalise good practices and create convergence with other brands and multi stakeholder initiatives. We were one of the first apparel companies to institute a Supplier Code of Conduct in 1995, and have forged long-term relationships with many of our suppliers to build trust.

C&A follows the UN Guiding Principles on Business and Human Rights. We are fully aware of the roles and responsibilities we have as a company. We have embedded the OECD Due Diligence Guidance for Responsible Supply Chains in the garment and footwear sector to properly identify, prioritise, and manage risk throughout our supply chain. This ongoing exercise aligns with C&A’s work with the German Partnership for Sustainable Textiles, the Dutch Covenant for Sustainable Apparel and Textile, and the industry-wide Action, Collaboration, Transformation (ACT) initiative.

We have defined the top four challenges faced by our suppliers and created long-term engagement strategies for each challenge. We are committed to seeking out solutions to eradicate practices such as excessive overtime and wages, undisclosed subcontracting, fire and building safety, restrictions to freedom of association and labour rights in our key sourcing countries. We will continue to work in partnership with other leading organisations and civil society to drive change across the industry.

Our top four labour issues

Over the past several years we have identified four priority challenges that significantly affect the working conditions in our supply chain. These issues are complex and usually interconnected in the unique contexts of the various countries that we source our products from. Because of this, it takes time, collective action, influence, and partnerships to deliver sustainable change.

Over the past year, we’ve focused on building capacity, tackling those issues where our
business decisions have the greatest impact, and identifying areas of convergence with other industry partners. In addition, we thoroughly analysed our purchasing practices and identified the areas where we can perform better towards our suppliers. The key challenges below are not in any specific order of importance.

**Challenge 1 - Compensation and working hours**

**Challenge 2 - Building and fire safety**

**Challenge 3 - Freedom of association**

**Challenge 4 - Undisclosed production**

**Challenge 1 - Compensation and working hours**

**Working to live**

For garment workers in markets such as Bangladesh, a long working week can be normal. We acknowledge the various factors that can cause this to happen and are working to change practices to ensure that workers are compensated fairly and no worker works more than a maximum of 48 hours per week, plus 12 hours maximum of overtime. In fact, our Supplier Code of Conduct stipulates that working hours may not exceed a 48-hour week plus a maximum of 12 hours overtime, or 60 total hours in any seven-day period, except in truly exceptional and unforeseeable circumstances. In addition, workers need to be fairly compensated for their hard work.

Through supplier training and regular auditing, our supplier partners are aware of the requirement to comply with national laws, the ILO Core Conventions, collective bargaining agreements, and the aspects of the ETI Base Code dealing with maximum working hours, overtime pay, and rest days. They are also aware of the need to compensate workers for overtime in a timely manner. To maintain a safe and comfortable workplace, workers must also be allowed to take breaks, have at least one day off in every seven-day period, and be eligible for statutory holidays. To detect and address potential non-conformances with these requirements, our audit teams and Development Officers regularly assess, monitor and help to mitigate unintended consequences.

**Read more on how we rate our suppliers**

**Challenges**

Through our experiences, we recognise that our buying and sourcing practices may affect
how our suppliers plan for production and can have significant impacts on wages and working hours. Last-minute changes in design, production, or delivery timings may inadvertently exacerbate this issue. Aside from this, we have also experienced that suppliers may not adequately plan for production, leading, among other things, to challenges in staffing levels to deliver the orders on time. Other factors like workers needing to attain additional compensation to support their families, and situations where factory management may intentionally misrepresent actual working hours to avoid business impacts, make this particular issue very challenging to address. Lastly, there is a general lack of wage law enforcement by local governments, requiring the brands to do most of the checking.

For many years, we have required our suppliers and their factories to compensate workers by paying wages that meet or exceed legal minimum and/or industry benchmark standards, whichever is higher. Even so, it’s still common to find instances of unpaid overtime premium. In some cases, workers are being compensated by productivity (the number of pieces made) instead of hourly at a premium rate.

**How we’re responding**

Many workers want or need to maximise their pay, so reductions in work hours can only benefit them if wages increase. Therefore, we have embarked on a journey to identify and overcome the barriers to these tensions through a multi-stakeholder approach with other brands, the Action, Collaboration, Transformation (ACT) initiative, C&A Foundation, and our own pilot projects.

**Accurate tracking and adequate remuneration**

Transparency on working practices is of utmost importance in allowing us to monitor performance across our supply chain. Over the past four years, we have emphasised the need for transparency with our suppliers and their production units. For instance, suppliers must use reliable time recording systems, where all regular hours, overtime hours, and breaks are accurately tracked. Our Sustainable Supply Chain (SSC) Development Officers help factory management understand these requirements and work with them to ensure the accuracy of their records.

**Ensuring appropriate payment and training**

C&A’s Code of Conduct specifies that ‘wages and compensation (for standard working hours, i.e., without overtime) must be paid regularly and on time, and be sufficient to meet basic needs and provide some discretionary income for workers and their families’.

This definition is aligned with the one used by the Clean Clothes Campaign and others. In addition, C&A is a founding member of the industry-wide initiative ACT. C&A has highlighted its commitment to work towards living wages in our supply chain in the Memorandum of Understanding signed in 2015 with IndustriALL. Among other commitments, as part of ACT we committed to help establish industry-wide, national collective bargaining agreements in those production countries that do not yet have them. This will allow worker representatives to bargain with the local manufacturers’ associations to secure the wages they need.
Whenever a piece-rate wage is used, suppliers must demonstrate that payments are at least equivalent to the minimum wage or that collective bargaining is in place. This is supported by a written wage and compensation policy that is communicated to workers through employee handbooks, notice boards, letters, regular meetings or other means. Factories must also provide training to all workers and subcontractors. These measures increase transparency and empower workers, while helping us identify the issues more easily. In 2018, 98% of our production units were in compliance with national wage legislation. All suppliers to our Brazil and China regions were found to be in compliance with respect to wages. Non-compliances were discovered among a small percentage of suppliers to our Europe and Mexico regions.

Read more about our Supplier Ownership Programme

Supportive purchasing practices

Our aspiration is to drive an efficient and ethical buying process, taking into consideration the challenging environment in which our suppliers operate. We have undertaken a thorough internal assessment of the way we buy, using the ACT self-assessment tool. C&A actively participated in the creation of this tool and analysed all steps of its buying process thoroughly: from forecasting and product development to production and delivery. We identified eight core areas for improvement within our purchasing practices. These improvement areas have been agreed collectively in the form of ACT purchasing practices commitments by which we abide.

Together with our senior sourcing and buying management, C&A is working on implementing a holistic internal action plan focused on improving our communication with suppliers to create additional trust and training our own employees on responsible buying practices, among many other areas of work. In addition, we are committed to developing a monitoring process, together with other ACT brands, suppliers, and trade unions that will make it possible to measure improvements in our purchasing practices and report on progress.

Improving purchasing practices is not a project with a start and end date. We believe it is a continuous journey — one we have just started. If we want to have a long-lasting impact on suppliers and workers, engaging the whole industry on this journey is crucial. That is why we are proactively sharing our knowledge and experience buying responsibly with industry peers and initiatives such as the Dutch Covenant and German Partnership for Sustainable Textiles.

Case study

Towards living wages for workers

Achieving a living wage is a continuous improvement journey that is sustainable over time only if it takes place through a process owned by both worker and entrepreneur representatives. We aim to make sure there is full freedom of association so that suppliers and workers in our supply chain are knowledgeable and empowered to negotiate, sign, and implement collective agreements. When there is full respect of labour rights, workers
feel empowered to negotiate their living wage and participate in ensuring gradual wage increases over time.

ACT is made up of 21 international brands and IndustriALL Global Union. Its members are bound by a common objective: to ensure living wages for garment and textile workers by promoting industry-wide collective bargaining agreements in the most important sourcing countries. C&A has been part of ACT, as a founding member, since its inception.

ACT members recognise that no sustainable solution is possible without close collaboration with manufacturers, employers’ organisations, trade unions, and governments in the garment producing countries. In a globalised economy, national solutions cannot be separated from the role of international supply chains. Together, we are focusing on three elements that can have a positive effect on outcomes at the factory level:

- Establishing programmes for industry-wide collective bargaining – which can lead to improved worker participation and voice to influence practices and conditions.
- Developing responsible purchasing practices for the garment and textile industry – which can lead to better planning and anticipation of the issues that may contribute to excessive working hours and unpaid wages.
- Actively engaging the countries’ governments in the conversations – to support advocacy and national wage review processes.

**Our approach**

Collective bargaining at the industry level means that workers within a country can negotiate their wages under the same conditions, regardless of the factory where they work in, or the retailers and brands for which they produce. The ACT approach links collective bargaining with brands’ purchasing practices as the mechanism that provides the economic leeway for national bargaining partners to agree on continuous, substantial improvements in working conditions and wages. Therefore, C&A actively promotes the fundamental labour right of workers to bargain and negotiate collectively through their democratically elected labour unions.

We believe collective bargaining is the only viable approach to achieve living wages in the apparel industry in a sustainable manner. Collective agreements at the national level provide a level playing field for all employers and workers to agree on higher wages and better working conditions, instead of competing on those issues.

We are aware that brands’ purchasing practices and capacity planning are key for suppliers to plan their production cycles, avoid excessive working hours, and ensure on-time and accurate payment to workers. As the countries in Asia do not have a long history or experience with collective bargaining, we acknowledge that for a certain period of time, moving towards a living wage agreed through collective bargaining may carry the risk of an international competitive disadvantage. To address this challenge, the approach will be pursued in key sourcing countries simultaneously. Meanwhile, special supportive country commitments by C&A and other ACT brands for the first countries signing a collective bargaining agreement at industry level will mean that higher wages will not lead to international competitive disadvantages. We have a global supply chain and we believe it needs a global approach to transform the industry together with other peers.
Country work

C&A is working in Cambodia, Myanmar, Turkey, and Bangladesh alongside other ACT brands. These initial countries have been selected due to their sizable garment production, the considerable presence of ACT member brands, and the potential for trade unions to engage in collective bargaining at the industry level. Together, these countries make up 51% of our sourcing volume. Successfully working in these countries—along with the others where collective bargaining is already in place—will result in the vast majority of our supply base being covered by collective agreements.

Our progress in 2017 was crucial for the groundwork initiated in three of the pilot countries for establishing an industry-wide collective bargaining mechanism. In 2018, we were key participants in the three ACT country missions in Cambodia and Turkey, where we joined other brands and IndustriALL to meet key local stakeholders (local unions, factory owners, and Cambodian ministries) and drive positive change in the development of a long-lasting collective bargaining process in the country.

In March 2018, C&A hosted the ACT country consultation in our Yangon, Myanmar offices. Our initial meetings and the proposed ACT approach on wage setting mechanism were well received by ministries, unions and suppliers. We did not want to lose momentum, so we returned to Myanmar later in 2018 to continue our engagement and work towards living wages for the textile industry. During the year, we met with unions, suppliers, and the government in Myanmar to address work conditions and wages. Together with other ACT brands, we also met with the tripartite delegation of Myanmar (Ministry of Labour, Unions, and the supplier association) during the International Labour Conference in Geneva to discuss labour and human rights, wages, and the continued development of the country.

A lot remains to be done in this field. We are committed to engaging with all relevant stakeholders as well as working towards increasing the necessary buying leverage by inviting non-ACT brands to join our collective efforts to achieve our ultimate goal of living wages for workers in the apparel industry.

Challenge 2: Building and fire safety

Building capacity on fire, building, and electrical safety

It is a fundamental right of all workers to have a safe and healthy work environment. However, a lack of fire safety precautions in apparel production units has claimed the lives...
of thousands of people in Bangladesh.

Our Supplier Code of Conduct includes robust requirements for building construction, fire protection, and emergency preparedness. We have learned a lot from our work with the Bangladesh Accord on Fire and Building Safety, and have maintained leading brand status in remediation of fire and building safety issues in Bangladesh. We have rigorous requirements of all our factories and in all sourcing countries globally, and when appropriate, provide additional resources and training to improve safety. In Brazil during 2018, we trained 27 suppliers in the state of Santa Catarina about requirements and best practices in health and safety, fire safety, compensation, governance, and other topics.

Challenges

Significant gaps in education and expertise

Fire and building safety are complex topics, with engineering and technical aspects that are often beyond the internal knowledge of an apparel factory. To assess these issues at the factory level, advanced vocational training and/or engineering degrees are required. In many of the sourcing countries, there is a lack of a competent talent pool to support the identification and remediation plan development, requiring costly consultant support.

In addition, fire and building safety requires robust processes from the local government that ensures adherence to the national building, fire and electrical legislations. Bringing many of our suppliers up to standard has required partnership, leading to significant actions at the factory level such as educating and upskilling the workforce and refitting locations with fire-resistant features. Often, these upgrades are costly or require significant time and resources to achieve.

How we’re responding

Supporting our suppliers

Normalising a high standard of fire safety requires significant effort from us and our suppliers. We work closely with them to understand the implications of new requirements and support them as they implement improvements. With our input, factories can access the necessary skills and tools to implement fire, building and electrical safety programmes and management systems. We also assess their capability to implement the changes from a capital or resource standpoint.

Auditing

Our Supplier Code of Conduct was updated in 2015 to include additional extensive requirements for fire and building safety throughout our supply chain. During 2017 and early 2018, we worked with a consultancy to review our fire and building safety requirements again, ensuring compliance with local legislation and industry standards. We inspect all of our factories and require them to have legal documentation in place for each of their buildings, including dormitories, canteens and warehouses. Legal documentation is checked, and buildings undergo regular safety inspections to ensure improvements are implemented according to local legislation. Since this is an ongoing task, we will continue to adjust processes and requirements to ensure all production units are operating as safe working places.

Legal documentation
C&A suppliers are required to maintain adequate insurance that covers workers for any injuries, accidents, or death. This applies to all work done on site and should also, when stipulated by law, include contractors and temporary and part-time workers.

**Case study**

**Improving building and fire safety in Bangladesh**

It has been six years since the Rana Plaza collapse in Bangladesh, in which more than 1,100 garment workers lost their lives.

C&A was one of 220 brands, international unions, and members of civil society to sign the Accord on Fire and Building Safety in Bangladesh in response to the disaster. The Accord is an independent, legally-binding agreement, designed to create a safe and healthy Bangladeshi ready-made garment industry. It aims to create a working environment in which no worker needs to fear fire, building collapse or other accidents that could be prevented through health and safety measures, as well as ensuring the right to refuse unsafe work.

Approximately 35% of C&A suppliers are in Bangladesh. All of C&A’s suppliers’ cut-and-sew factories in Bangladesh have been inspected and corrective action plans (CAPs) have been developed for each of them. To support the complex and highly technical aspects of the corrective actions and remediation, we developed a strong technically expert team in Bangladesh. We’ve also arranged training sessions for Accord engineers to share their knowledge with suppliers.

To date, 96% of the issues identified across C&A’s operations have been corrected, up from 92% in 2017, with the remaining CAPs in the process of remediation. The main reason for those still in the process of remediation is the addition of several new production units to our supplier list in 2017. Their remediation plans are at an earlier stage than the rest of our suppliers.

Official data from the Accord may vary because they must verify the corrective actions before their numbers gradually match ours.

Read more on the Accord website

**Accord 2.0**

The Bangladesh Accord has now been in place for nearly six years. C&A has been recognised as one of the brands that has made a dedicated effort to making this initiative successful, having been part of its steering committee since inception. In 2017, we were one of six organisations selected to help define how the agreement should be extended past its five-year anniversary.

Together, we agreed that the Accord has made great progress in raising awareness on important safety measures, empowering and involving workers, and driving real change in fire and building safety in the Bangladesh garment industry. After fruitful negotiations among the brands’ representatives, IndustriALL Global Union, and local stakeholders, it was decided that the Accord would be extended until May 2021, with some important
additions:

- Strengthening brands' commitment to freedom of association based on the ILO Core Conventions
- Enlargement of the scope to include tier-2 productions units (such as printing and laundries) on top of cut-and-sew factories
- A clear description of when and how the work of the Accord will be handed over to the Government of Bangladesh

The renewed Accord was signed at the OECD Global Forum on Responsible Business in June 2017 with C&A representing the brand community. The new Accord is important for us because it extends independent, expert building safety inspections for three more years, ensuring that safety improvements achieved under the first Accord will be maintained and that any new findings in any factory will be addressed.

Despite the encouraging progress of 2017, we are concerned about the uncertainty of the Accord going forward. During the last months of 2018 and beginning of 2019, the capacity of the Accord to perform has been limited due to a number of court decisions in Bangladesh that remain open. We are deeply committed to the good work of the Accord. As founding members and as a company dedicated to building safety, we believe the Accord is the best way to address the Bangladesh apparel industry's fire safety challenges. Should the Bangladeshi courts decide the Accord will no longer be permitted to do this work, C&A will still focus on ensuring safe working conditions in Bangladesh.

Additional support to victims of the Tazreen fire

We remain deeply saddened by the loss of life and injuries caused by the tragic fire in November 2012 at Tazreen Fashion in Bangladesh, a factory that supplied C&A Brazil. In the aftermath, C&A Foundation provided immediate financial support to the families of all 112 people killed and established a fund to provide ongoing support to 49 adult dependents.

Working with Caritas Bangladesh, C&A Foundation also created a rehabilitation programme to help survivors find a new path for themselves. C&A Foundation continues to contribute to the Trust for Injured workers' Medical Care (TIWMC), which supported 172 workers injured in the Tazreen fire and also ran two medical camps in 2017. These 172 workers will receive medical treatment and psychosocial support for the next 14 years through a grant from C&A Foundation.

C&A Foundation also supported the Tazreen Claims Administration Trust (TCA) alongside the Clean Clothes Campaign and IndustriALL Global Union in 2015, to help survivors and the families of victims gain access to adequate compensation. The TCA finalised its work in 2016, completing the compensation payments to the victims of the fire. In total, approximately US$2.17 million was paid out to all the impacted families and the workers injured in the fire.
Challenge 3: Freedom of association

Enabling worker organisation and collective bargaining

Freedom of association and collective bargaining is fundamental to improving labour conditions across the apparel supply chain and in our sourcing countries. Freedom of association remains an important focus of our strategy to amplify workers’ voices, encourage a dialogue with management, and advance the overall performance of our suppliers’ factories.

Challenges

Overcoming legal restrictions

Some countries restrict collective bargaining by law. In these cases, we expect our suppliers to help workers establish alternative forms of worker representation and negotiation. We also expect our suppliers to establish, implement and communicate a grievance mechanism that is accessible, predictable, equitable, transparent, rights-compatible, confidential and based on engagement and dialogue to resolve internal disputes and employee complaints. Freedom of association is tested as part of our auditing process and violations are considered a severe non-compliance with our Supplier Code of Conduct. It is also a key aspect of our Fairness Channel and WeChat (in China only) compliance hotlines, implemented with the support of Ethicspoint incident management software.

Incidents

In 2018, we detected eight cases where freedom of association was not respected in our supply chain. Of these, four were found in Turkey, two in India, and one each in Myanmar and Cambodia. To remediate these incidents, our local Sourcing and Sustainable Supply Chain (SSC) teams, with support from the Global Sustainability team and the Sourcing teams, have worked closely with our suppliers, the workers’ representatives, and international trade unions to address each issue individually. As of early 2019, four cases are still open and we are working to successfully close them in the coming weeks.

How we’re responding

Fair resolution

When freedom of association issues are discovered through auditing, union allegations, strikes or via our Fairness Channel compliance hotlines, we take decisive action to work
together with the proper groups to resolve the issue, ensure the fair treatment of workers and implement the necessary safeguards to avoid being repeated in the future. Where necessary, we will support the reinstatement of workers dismissed unfairly and ask for compensation or support.

Read more about our values and Fairness Channels

Case study

Combating child labour in embroidered garment supply chains

In 2018, C&A Foundation and C&A continued our journey to eradicate human and labour rights abuse in the embroidered garment supply chain. Hand-embroidered items are one of India’s main contributions to the global apparel market. Workers are often in home settings, making it difficult to monitor their working conditions. Home working is allowed in our supply chain only if suppliers follow C&A Guidelines for the Use of Home Workers, which is adapted from the Ethical Trading Initiative (ETI) guidelines.

The non-governmental organisation GoodWeave envisions a world where all children are sent to school and not to work, and in which adults have rights, dignity and opportunities in the workplace. It has been extremely effective: child labour in South Asia’s carpet industry has declined by an estimated 80% since its work in the region began. The effectiveness of this work is based on the successful implementation of a traceability system, monitoring standard and improved social infrastructure in home working communities.

In 2016, we commissioned a two-year pilot project with GoodWeave in Uttar Pradesh, India. The goal is to find an approach for the apparel industry that will be as successful as the carpet industry model, providing educational support to those too young to be working and ensuring all adults are working in safe and fair conditions.

The pilot is with three apparel producers in five communities, supporting 7,500 home workers and 6,000 children within and beyond C&A supply chains. Child Friendly Community (CFC) programmes, which ensure children are enrolled in schools, are now established in three project communities in India: Kanwara, Tilbegumpur and Jaee. Where this is not possible, children are enrolled into informal bridging schools known as Motivation and Learning Centres (MLCs) to help them reach the standard they need to enrol in private or government schools. As of January 2017, 750 children were attending Motivation and Learning Centres and 243 children have been enrolled in school.

The pilot is already shedding light on the economic hardships faced by home workers, but securing access to our full supply chains remains a key challenge. Suppliers are more engaged and the mapping is more successful when several brands push for participation and transparency together – a similar finding to GoodWeave’s work with the carpet industry. GoodWeave has invited additional apparel producers and NGOs to engage and is currently in discussion with several other brands.
Championing worker representation

Our Supplier Code of Conduct requires our suppliers to adopt an open and collaborative attitude towards worker representation, allow workers to form or join trade unions of their own choosing, and to bargain collectively.

In addition, we are participating in the ACT Initiative, which plays a key role in assuring living wages in the supplier countries through the creation of national industry-wide collective bargaining processes with freedom of association as a main cornerstone.

Read more about our involvement in the ACT Initiative

Empowering workers

When workers and management communicate well, they are more likely to collectively support a healthy work environment. Workers need to know their rights and responsibilities and have channels through which they can raise concerns. C&A is committed to helping our suppliers provide workers with safe and effective ways to raise concerns and grievances. During the last decade, our compliance hotlines have helped us identify issues that arise in our offices, stores, or supply chain. We aim to support fairness and transparency in how we work with our employees, suppliers and their workers.

Read more about how we empower workers

Learn more about our values

Supporting freedom of association

Recent years have seen unrest in the Cambodian garment industry. Protesters have taken to the streets, clashing with security forces and union leaders have been dismissed as they planned to organise strikes. Unions have repeatedly described repression of workers’ rights by company management and anti-union crackdowns. Engaging with suppliers on freedom of association and collective bargaining is a high priority for us.

Through the Ethical Trade Initiative (ETI), we have engaged with other brands to voice our concerns directly to the Government. Together, we were clear that stability, predictability, and the rule of law are needed for further growth of the garment sector in the region. In particular, we want to see Cambodian laws respecting the ILO) Core Conventions.

In 2018, C&A also continued its active engagement with the Government of Cambodia, suppliers, and key stakeholders to raise our concerns about labour and human rights. To date, we have participated in three consultations with unions, suppliers, and the government in Cambodia. In 2018, C&A convened two roundtable meetings with suppliers in Cambodia to discuss freedom of association, collective bargaining and wages. Together with our previous round tables, we have now held eight round table discussions on the issue of freedom of association, focusing on building healthy labour/management relations with senior management representatives all of our Cambodian suppliers.

During the round tables, we emphasised that C&A aims to work only with production units that fully comply with our Supplier Code of Conduct. We encourage suppliers to enable open communication to solve disputes amicably and are willing to support them with
technical knowledge if they have difficulties resolving a dispute.

Due to the rigour of these round table discussions, we have already seen changes start to happen in the region, including the following outcomes:

- Improved supplier knowledge of local legislation
- Increased understanding of the role of trade unions
- Improved means to address conflicts between management and worker representatives

**Case study**

**Resolving a freedom of association issue leads to collective bargaining agreement**

Concerns regarding Akar Tekstil in Turkey were communicated to our SSC team, as well as to representatives of two other apparel brands, in early 2017. Allegations included unionised workers being dismissed from the factory using false reasons and discrimination against unionised workers by changing their work stations and separating them from others.

In collaboration with other brands, we held open dialogues between factory and union management over a 6-month period. However, the situation did not improve, C&A and the other brands decided to conduct an independent investigation, which revealed clear breaches of freedom of association.

During a meeting with union and factory management, the brands suggested the expected action plans to be implemented by the supplier. This included the owner making an announcement in the factory regarding freedom of association, avoiding any further discrimination, and holding dialogue with the union. In early 2018, a protocol was signed, establishing 30% union participation in the factory as the threshold at which discussions would begin for a collective bargaining agreement (CBA) covering all workers. In addition, a committee with representatives of the factory, the union, and IndustriAll was established to clarify unionisation steps. In July 2018, the factory signed a CBA with the union Deriteks. It was also decided that workers would determine their representatives to the union, instead of the union making these decisions, and that worker representative training would be provided.
Challenge 4: Undisclosed production

Preventing undisclosed production

Undisclosed production is when a production unit that has not been previously approved for production is discovered. Although it is not often detected, it constitutes a serious violation because we cannot verify that the factory is in alignment with our Supplier Code of Conduct and our environmental and social requirements. We require that each new production unit is audited and meets the requirements of our Supplier Code of Conduct before orders are placed.

Challenges

The detection of undisclosed production requires ongoing vigilance due to the complexity of the global supply chain. It’s one of the reasons that we disclose a list of our tier-1 and tier-2 suppliers’ factories every year. By being transparent on where our products are produced, we can create accountability for ourselves and our suppliers when undisclosed production is used.

In 2018, we detected 26 incidents of undisclosed production in our supply chain, of which one case involved undisclosed home working. We consider these violations to be serious, and six of those cases led to the suspension of C&A’s business relationship with the supplier. In all cases, a thorough investigation was conducted, and corrective action plans put in place with the supplier and our internal teams.

Read more on how we rate our suppliers and our commitment to transparency

See our suppliers’ list

How we’re responding

Clear expectations and serious consequences

If undisclosed production is identified, the Sustainable Supply Chain (SSC) and Sourcing and Quality teams assess the situation and the production unit. Because the circumstances behind the cases are sometimes complex, the teams thoroughly investigate the situation and intentions, and utilise a systematic process to determine the consequences.

Three-strike process

In 2016, we rolled out a three-strike policy to mitigate the risk of undisclosed production units such as home working. Additionally, if a zero-tolerance item is found on inspection, a supplier can be suspended for 12 months or terminated, depending on the results of the investigation. If undisclosed production is detected and the factory meets the other requirements of our Supplier Code of Conduct and quality standards, the supplier will receive a warning on the first instance, leading to suspension for 12 months or termination after the third instance. In all cases, if a zero-tolerance finding is detected at the undisclosed production unit, the supplier will be suspended for 12 months.

To foster accountability and understanding of our requirements around undisclosed subcontracting, we informed our entire supply base and have regular interactions on the subject during our audit process.
Supplier and worker engagement

Working together to build a better supply chain

Although we have a rigorous auditing process and maintain a zero-tolerance approach to serious issues at our suppliers’ production units, more needs to be done to normalise good practice across the entire industry. That's why we are moving beyond auditing and compliance. To achieve our vision of safe and fair workplaces for all, we must employ a two-pronged approach: building our suppliers’ capacity to assess and strengthen their performance, and empowering their workers to act.

In many places, workers are simply not used to being able to influence decision-making. The right to freedom of association or acknowledgement of workers’ rights can be unheard of. We are changing that through supporting fair contracts and social dialogue.

Supplier Ownership Programme

Each supplier faces their own unique set of challenges, so a one-size-fits-all approach will not work. Instead, we must partner with our suppliers to enable ownership of the issues and challenges they face in this area.

We launched a Supplier Ownership Programme (SOP) with 14 key suppliers in 2015 and expanded it to 24 in 2016. As of early 2019, the participating suppliers and production units covered more than 67,500 workers, an increase over 2017. The managers involved in the programme report into senior factory management and lead the social and environmental compliance or sustainability programmes in the factories. We have shown that the programme is scalable and will continue with the certification of currently enrolled suppliers.

The programme contains seven key interactive modules – from an overview on management systems to worker communication and the environment. Each module includes a one- or two-day workshop, home assignments, and joint on-site visits by the C&A Development Officer and the responsible supplier representative.

Eight suppliers are now certified, with a total of 17 certified production units in the programme, validated by the C&A Sustainable Supply Chain (SSC) team and Elevate, a third-party auditing company. This means that we trust the supplier to have the necessary
social compliance management systems at a corporate level, and that the factories themselves have established management systems.

Our experience so far shows a number of essential factors required for a successful programme:

- Top management commitment and mindset
- Commitment from the factory manager to work cross-functionally
- Competent compliance managers reporting directly to top management
- Compliance managers with time and resources dedicated to the project
- Suppliers and production units with at least two people skilled in the Supplier Ownership Programme
- Aligned targets between compliance and production teams

**Supplier Ownership Programme module topics and engagement approach**

Where next?

**Extending the Supplier Ownership Programme**

We will continue to build capacity amongst our suppliers, while ensuring workers are aware of their rights and responsibilities, and that their freedom of association is respected. In 2018, the eight suppliers already certified under our Supplier Ownership Programme continued to run more of their production units through the programme.

**Case study**
Empowering employees at Epyllion

Epyllion in Bangladesh has been a C&A supplier for over 20 years – in fact, C&A was the company’s first international customer. Epyllion employs 12,060 workers in Bangladesh and has been participating in the C&A Supplier Ownership Programme since 2016.

Since starting the Supplier Ownership Programme, Epyllion’s knitwear factory in Mirput, Dhaka, has implemented several changes, including proactive management systems, better risk controls, and clear communication of policies and procedures to all employees.

At Epyllion, employees are empowered so the company understands their needs and they keep up to date on HR management issues, health and safety, their security and rights, and working practice. Workers and management have the resources to address issues proactively, and production can continue uninterrupted on a more regular basis. Having safe employees has meant better retention, leading to a more stable and productive workforce.

Being part of the Supplier Ownership Programme means that Epyllion can maintain a high level of compliance with its own company policies, C&A’s Supplier Code of Conduct, and local legislation. This forward-thinking outlook is paying dividends. The company has reduced its own costs and business risk by preventing problems instead of reacting to them.

Protecting the most vulnerable

Safeguarding human rights

Our large supply chain touches the lives of many people and every one of those people has the right to work in safe and fair conditions. We actively seek out issues that may take advantage of a worker’s dignity or human rights, and take a zero-tolerance approach when we find them. Thankfully, as our supply chain becomes more sophisticated and we increase our partnership with suppliers, we find fewer and fewer cases each year.

Eradicating underage labour

[Image of workers in a factory]
No workers under the age of 16

In 2015, we raised the required minimum age of workers in our supply chain to follow the recommendations in the ETI Base Code and in line with ILO standards. All workers must be at least 16 years to be present or work in a supplier’s production area. If young workers (aged 16 to 18) are hired, suppliers must comply with all relevant legal requirements, including work hour restrictions, hazardous work restrictions and health checks.

Supporting victims of underage labour

If underage labour is identified in our supply chain, the child is removed from the factory immediately. To discourage them from seeking a job elsewhere, monthly payments equal to the minimum wage, funded by the supplier, are disbursed until they reach the legal minimum working age. At this point, the individual should be given the opportunity to be re-employed.

We also require that the supplier provides families with compensation for health screening, transportation funds and accommodation for a child’s relatives to return them to the home. If the child is willing to attend lessons, the supplier must pay their school fees until the child meets the legal minimum working age.

Incidents

In 2018 we detected seven incidents of underage workers in Myanmar and Mexico. In all of these cases except one, the workers were between 14 and 16 years old. We handled each situation with care and in accordance with our remediation process, including working closely with the suppliers and local civil society to ensure that the case was clearly resolved and that the underage workers were supported through the process.

The children found in Myanmar are both now in education. We are making sure they are receiving proper local support, including the provision of a monthly income to their families by the factory in which the children had been employed. In Mexico, we are closely working with Save the Children to address this issue in a more proactive manner since sometimes we see resistance from the children and their families to join the remediation process and return to school. Together with Save the Children, in 2019 we will assess the best way to tackle this resistance in Mexico.

Who we work with

We partner with local NGOs like the Centre for Child-Rights and Corporate Social Responsibility (CCR CSR) in China and South East Asia, Sheva in Bangladesh, Çagdas Yasami Destekleme Derneği (the Association for the Support of Contemporary Living) in Turkey, and Save the Children in Mexico, to ensure that underage workers are supported and that we follow through the process of remediation. In other production countries, we are seeking NGOs that can better support the needs of children and follow the remediation process. In the meantime, our local teams take the responsibility to ensure that the remediation process is fulfilled.

Modern day slavery

Hidden out of sight and often out of reach, an estimated 45.8 million people are trapped in situations of modern day slavery across various industries [SOURCE: Global Slavery Index].
Forced labour thrives in areas where there is high social and economic inequality, opaque business practices, weak rule of law, and high demand for cheap labour. To put an end to this, we work with C&A Foundation to challenge deep-seated cultural and social norms and improve transparency within our supply chain.

**Eradicating forced, bonded or compulsory labour**

Safe and fair labour practices mean that people must be free to make their own choices. Workers must be entitled to freedom of employment and movement. Work must be voluntary and all forms of bonded, indentured or prison labour are prohibited. Suppliers and labour brokers must not restrict the freedom of employment of workers and workers should be free to refuse to perform certain hazardous tasks. Our [Supplier Code of Conduct](#) lays out our full list of requirements.

If any form of bonded, indentured or prison labour is identified in our supply chain, we terminate our relationship with the production unit immediately and the supplier is disciplined. By taking such a tough stance, we hope to educate suppliers and improve conditions for workers.

In 2018, we detected no cases of forced, bonded, or compulsory labour in our supply chain.

In late 2017, C&A was awarded the prestigious Stop Slavery Award by Thomson Reuters Foundation in recognition of our best-in-class demonstration of integrity and innovation in detecting, preventing, and remediating forced labour in our supply chain.

**Supporting cotton workers in our supply chain**

Cotton makes up 57% of the materials we buy and use at C&A. Around the world it supports the livelihoods of 250 million people [SOURCE: BCI]. Growing cotton is resource-intensive, and forced and bonded labour has remained a key challenge for the industry.

C&A is committed to sourcing 100% more sustainable cotton by 2020, and in 2018, a total of 71% of our cotton was more sustainable. Buying organic cotton has a direct positive impact on the health and safety of farming communities who are no longer exposed to hazardous chemicals.

We also work closely with the Better Cotton Initiative (BCI), which has a strong focus on promoting decent work.

In addition, we have a history of taking concrete steps to support cotton workers when required. In 2007, we signed the Cotton Pledge against forced labour, committing to end the practice of forced labour in the cotton sector in Uzbekistan. In practice, we banned the use of Uzbek cotton by our suppliers when the government forced adults and children to grow and harvest cotton, violating their human rights.

[Read more about our commitment to more sustainable cotton](#)
Case study

Taking steps to abolish Sumangali in India

Sumangali is a form of bonded labour practiced in some spinning mills in southern India. The practice violates international labour standards and the human rights of women. Women are given three-year contracts, often in unacceptable working and living conditions, with the promise of a bulk payment that will cover their dowry to get married. However, their wages are often held back, if they receive them at all, and they are not allowed to leave or return to their homes.

We first became aware of this illegal system in 2007. Since then, we have been working to eradicate it from our supply chain, regularly inspecting our direct suppliers - with an emphasis on spinning mills - to ensure that the bonded labour practices and curfews are discontinued.

In 2018, we continued our engagement in the second phase (2018-2022) of the Tamil Nadu multi-stakeholder initiative’s Nalam Programme, a learning programme created by ETI to educate young female workers about their rights and responsibilities within mills. We constantly work towards assessing and verifying more vertically integrated spinning mills in our supply chain, and aim to involve all of the newly-approved mills in the second phase of the programme.

These efforts by the Nalam Programme to educate women workers on their workplace rights and health and safety issues have already reached nearly 21,000 women in spinning mills and garment factories. In addition, over 360 supervisory staff—the direct link between management and the workforce—participated in 2-day residential training programmes during 2018 to make sure they understand and implement the requirements for acceptable work hours, overtime, communication with workers, and other workplace concerns.

Beyond this programme, in April 2018 C&A joined the newly launched ETI South India Ethical Trade Platform. The purpose of the platform is to support brands, manufacturers, and trade unions in adhering to global standards and to work together towards improving working conditions in the Indian supply chain. The work of the platform is performed
alongside local stakeholders and government to build awareness of and capacity in business and human rights.

To further support the eradication of Sumangali, C&A Foundation has been working for several years to address the root causes of the issue, beginning with a three-year project run by Terre des Hommes. C&A Foundation is also working to prevent vulnerable girls and young women from entering the system in the first place. In 2015, C&A Foundation made a €2.4 million grant to the Freedom Fund, the world’s first private donor fund dedicated to ending modern slavery. Since then, C&A Foundation has awarded €6.4 million to the Freedom Fund to combat Sumangali and to strengthen protections against forced and child labour at the state and national levels.

**Efforts supporting the end of forced labour in South India**

Together with four other brands and the OECD, we are working on prevention and mitigation of the harmful impacts of forced labour, with a focus on the spinning mill industry in South India. The OECD is supporting this initiative and providing technical assistance as part of its sector work on due diligence and responsible business conduct within the garment and footwear sector.

In February 2019 at the OECD Garment Forum in Paris, C&A, together with industry peers, the Confederation of Indian Industry (CII), and the OECD, launched a partnership — initially formed in 2018 — to support a sector-wide approach to due diligence for responsible business conduct within the Indian garment and textile sector. Successful transformation of the sector requires a sector-wide approach that is tailored to the operating context and drives partnership with local industry at scale. In order to advance the work of the platform, C&A is also part of a subcommittee (steering group) with representatives from the Indian Industry, global brands, CII, and OECD secretariats.

**Raising awareness within the Indian manufacturing sector, including spinning mills**

In addition, the parties to the partnership held two roundtables to increase awareness about the OECD due diligence process, share information from global brands about drivers for due diligence requirements, and hear from Indian garment and textile manufacturers on the challenges they face in carrying out due diligence in their supply chains:

1. CII-OECD Roundtable in New Delhi, July 2018, with C&A and global apparel brands, as well as 40 Indian textile business representatives.
2. CII-OECD South India Roundtable in Coimbatore, Tamil Nadu, December 2018, with C&A and global apparel brands, as well as 40 South Indian manufacturers, including representatives from the South Indian spinning mills sector.

This engagement will continue with additional platform activities in 2019, starting with the OECD baseline assessment, which will establish a common understanding of key due diligence risks in the Indian garment and textile supply chain.

**Responding to the global refugee crisis**

Europe has experienced one of the most significant influxes of migrants and refugees in its
history. Civil war and terror in the Middle East and Africa has led to migration where refugees seek a better life, risking their lives along the way. Among the forces driving people to make the dangerous journey were the conflicts in South and Central America, Syria, Afghanistan, Myanmar and South Sudan. According to UNHCR, the majority – some 57% – of the total 68.5 million refugees worldwide had migrated from just those three countries [SOURCE: UNHCR and UNHCR Global Trends Report 2017].

We have participated in a workshop convened by the Centre for Global Development and the Tent Partnership for Refugees along with NGO, business, and multilateral leaders and experts. The purpose was to analyse the barriers preventing refugees from finding jobs and to develop a blueprint for facilitating greater business engagement in policy dialogue that increases refugee access to the formal labour market. Providing greater formal labour market access would unlock significant benefits for refugees, hosts, and businesses. We have continued our engagement with the Centre for Global Development, among other knowledge partners, to craft our support to refugees for greater impact.

**Supporting migrant workers and refugees**

We have updated our migrant labour guideline based on recommendations from the Ethical Trading Initiative (ETI). We believe that protecting labour rights and promoting safe and secure working environments for all workers, including migrant workers, is important to safeguard their dignity and rights. We acknowledge that monitoring and improving employment practices and working conditions for migrant workers can be challenging. C&A’s updated guideline outlines the responsibility of our suppliers and their production units to meet fundamental principles for the employment of migrant workers as outlined in the ILO Conventions and comply with local labour laws and our Code of Conduct.

In general, our approach to the refugee crisis is exemplified in how we have been supporting Syrian refugees in Turkey. Turkey hosts an estimated 3.6 million refugees from Syria [SOURCE: World Vision]. The country’s workers routinely suffer from low wages, weak enforcement of labour standards, informal and unregulated working arrangements, gender violence, and challenges to the right to freedom of association, making working conditions hard. This is all exacerbated by the Syrian refugee crisis.

Our teams on the ground have been actively participating in key initiatives in order to provide better solutions and safeguards for the Syrian refugee workforce in the garment industry, together with ETI and the Fair Labour Association (FLA).

Protection of these vulnerable workers and their right to work is paramount. C&A was one of the very first brands to ask the government of Turkey for a process that would enable refugees to receive legal permission to work, a process which was finally enacted in January 2016. We have also developed a booklet in collaboration with FLA, that helps refugees understand how to apply for a job in Turkey and what to expect in terms of workers’ rights and how to defend them.

Even though we have observed no illegal refugees in our Turkish supply chain, we have continued our unannounced audit protocol for every production unit in order to ensure that no workers are abused. In 2019 and beyond, we will continue to support Syrian refugees in Turkey, taking part in initiatives to help recruitment, raise awareness and support social integration.
In addition, C&A remains deeply concerned by the ongoing persecution against the Rohingya people in Myanmar and we strongly condemn the human rights violations that have been reported. Since 2017, more than 900,000 Rohingya have fled Myanmar across the border into Bangladesh, in a tragic refugee crisis. According to UNICEF, over half of the refugees are children and highly vulnerable. C&A and C&A Foundation continue working together to support the protection of these vulnerable people.

Read about our support of refugees from Myanmar

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**Case study**

**Working in partnership to guarantee labour rights**

Migrants from Angola, Bolivia, Haiti, and Venezuela often enter Brazil hoping to find jobs and a better life, but with little idea about their labour rights. C&A Brazil and Instituto C&A, as C&A Foundation is known in Brazil, play an important role in making sure those workers know their rights, helping to defend them where necessary.

Through the support Instituto C&A gave to Missão Paz as part of the anti-slave labour programme, Missão Paz helped 703 immigrants from the fashion supply chain. In addition, 831 immigrants in the fashion industry took part in meetings about rights and empowerment. Importantly, nine people rescued from slave labour were supported by the organisation. Missão Paz also collaborated on 16 national press articles about immigrant slave labour to raise awareness of the issue.

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**Clean environment**

**Enhancing our Sustainable Chemicals Management programme**

When it comes to managing sustainable chemicals, we apply the ‘clean factory’ approach, encouraging the elimination of hazardous chemicals across production for all brands, not just C&A’s production. Since we first began our Sustainable Chemicals Management (SCM) programme, it has expanded to include hundreds of production units in our supply chain, from fabric mills to printers. Now we are working with them to achieve lasting positive
impacts in identifying and adopting safer chemicals, improving on-site chemical management systems, and eliminating hazardous chemicals from wastewater. Among other activities, this work includes communicating our SCM Minimum Performance Standard and Rating System to our supply chain and regularly enhancing the standard, such as to add further Zero Discharge of Hazardous Chemicals (ZDHC) wastewater guidelines and wastewater legal requirements.

**Continually driving significant water and carbon reductions**

The apparel industry faces environmental challenges at every stage of a garment’s life, from farms, to fabric and garment production, through to transportation and in our stores. Our cornerstone commitment to sourcing more sustainable cotton results in significant carbon and water savings when compared to conventional cotton. Considering that 71% of our cotton is now more sustainable, our role in driving less impact is significant on the upstream supply chain.

We believe that our focus areas should be based on scientifically sound data and analysis. In 2018, we completed our fourth C&A-specific, cradle-to-grave hybrid life cycle assessment (LCA) to better understand our carbon and water footprints and our impacts on climate change and water risk. We’re also working hard to build and test robust assessment tools for chemicals and environmental management that drive consistent change toward zero discharge of hazardous chemicals and reduced environmental impacts across the industry. Finally, we continue to strengthen our efforts by setting new global goals to reduce water use in the production of raw materials, striving to cut waste and water use in our own operations, and providing in-store recycling solutions for our customers.

**Our 2018 actions**
Launched a hazard-based chemical assessment project across key fabric mills and laundries and conducted a project to understand the provenance of chemicals.

Continued to implement the Sustainable Chemicals Management (SCM) Programme at all key tier-1, tier-2, and tier-3 suppliers, creating tangible progress towards our ZDHC commitment.

Improved our hybrid LCA methodology to better understand our carbon and water footprints and the impact of our actions in these areas.

Began the development of science-based climate targets.

**Our 2018 performance**

**Advancing Sustainable Chemicals Management**

We began with 50 fabric mills in our SCM programme back in 2016, and now have more than 300 production units covered globally under the SCM programme. This includes all major fabric mills, laundries, printers, and vertical set-ups. Over the coming years, we will shift our focus from expanding coverage to driving impact creation jointly with our industry partners in three key areas:

1. **Input management** - identify safer chemicals, drive adoption and eliminate the usage of hazardous chemicals.
2. **Process management** - assess and verify on-site chemical management systems and performance.
3. **Output management** - validate the elimination of hazardous chemicals from wastewater and publicly disclose.

In 2017, we communicated our SCM Minimum Performance Standard and Rating System globally with our supply chain to ensure our expectations of chemical management performance are clearly understood. That same year, we also identified wastewater discharge quality for conventional parameters as an on-going concern for our supply chain. In 2018, to increase the emphasis and priority of this issue, C&A further enhanced the Minimum Performance Standard by adding the requirement to meet the Foundation Level set in the ZDHC Wastewater Guidelines. Also during the year, we upgraded the supplier requirement to meet legal wastewater discharge requirements to a zero tolerance item in the SSC Audit.

The Standard, and its associated performance requirements, is updated annually as we work towards ZDHC.

**Chemical audits and Higg 3.0 pilot**

We have been actively supporting the convergence of the ZDHC Chemical Management Audit and the Sustainable Apparel Coalition (SAC) Higg Index tool to create the Higg Index...
3.0 Facility Environment Module (FEM). This is in line with our commitment to utilise industry tools and standards to ensure we reduce cost and complexity across our supply chain.

Driving the adoption of safer chemistry

The starting point for safer chemistry is transparency. In 2018, C&A rolled out tools to increase the transparency of the chemicals used in our supply chain, allowing us to determine which chemical products are being used, who is supplying them, and in what quantities. Known as CleanChain, this tool provides information that promises to drive the adoption of safer chemistry.

Collaboration with others in the industry is central to our shared progress. To this end, we have been working with other brands and stakeholders on a chemical screening project that uses a hazard-based approach to identify and substitute best-in-class or better alternatives. Additionally, we continue collaborating on the development of the ZDHC Gateway, a platform funded by C&A Foundation, which acts as a global database of green chemistry and wastewater testing results.

Carbon and water footprints

We completed our fourth hybrid LCA in 2018, gathering data on our carbon and water footprints from cradle to grave. We reduced our global carbon footprint by 14% compared to 2016, driven by a reduction in the materials we used (despite selling more items in 2018) and by the sourcing of more sustainable materials.

Our 2018 water footprint increased by 18% compared to 2017. This includes a 13% increase in blue water consumption, a 16% increase in green water consumption, and a 19% increase in grey water consumption. This is due to a variety of factors, most notably a 12% increase in raw material use. However, we have achieved an absolute reduction of 8% in our blue water consumption in raw material extraction compared with 2016, or roughly 28 million cubic metres ($m^3$) of water.

To make further reductions, in 2017 we committed to new global 2025 goals to reduce water in the production of our raw materials by 30% (compared to 2016), and to further reduce the water we use in stores, distribution centres, and offices by 10% (compared to 2012). In 2018, we made progress towards these commitments. For instance, we saved 1 billion cubic meters ($m^3$) of water – the equivalent of 400,000 Olympic-sized swimming pools — through more sustainable agriculture and apparel production in our supply chain. However, as of this report publication, we are still analysing the data for C&A Europe, our largest region. Results will be updated once progress has been analysed.

Towards zero waste

In 2017, C&A committed to sending zero waste to landfill from C&A stores, distribution centres, and offices by 2025. With products such as our gold level Cradle to Cradle Certified™ collection developed in 2017 and expanded in 2018, we’re also one step closer to our goal of circular fashion. We recognise that zero waste is an ambitious and difficult aspiration. At the same time, we are committed to building the foundation for minimising waste production — and helping our customers do the same — so that we can eventually meet our goal.
Chances

Progressing towards zero discharge of hazardous chemicals

Chemicals surround us in our daily life. Not surprisingly, they are also an integral component in making and washing garments – from helping grow raw materials like cotton, to processes like dyeing or as key ingredients in the laundry products our customers use. At C&A, we want to make sure chemicals used in making C&A products are safe for people and the planet. We apply the ‘clean factory’ approach, encouraging the elimination of hazardous chemicals across production for all brands, not just C&A’s production. To that end, we are a founding member of ZDHC, a coalition of 27 global brands and retailers with a shared commitment to zero discharge of hazardous chemicals in their supply chains.

Each year we demonstrate our public commitment to the communities where our apparel is produced – and to Greenpeace – by reporting our progress in this detailed report. Along with a full explanation of our chemicals management approach and the progress we make, we also present the challenges we face. Year-on-year performance data is also available on the chemical audits and regular wastewater testing we carry out as part of our Sustainable Chemicals Management (SCM) programme.
Read our public commitment to ZDHC

Our approaches to controlling hazardous chemicals

Our approach to Sustainable Chemicals Management

C&A’s holistic approach to chemical management revolves around three areas: input, process, and output management.

Our holistic approach to chemical management

We recognise that our vision of a supply chain with zero discharge of hazardous chemicals cannot be achieved alone. Only with industry efforts including brands, NGOs, academics, chemical suppliers, and manufacturers can we drive permanent change. Within each of
the above three areas, C&A has focused on developing industry standards, tools, and methodologies, such as our efforts in developing the Sustainable Apparel Coalition’s Higg 3.0 Facility Environmental Module (FEM) and the ZDHC Gateway.

We have also created a Minimum Performance Standard as a tool to communicate our expectations in chemical management to our supply chain. All of our facilities under the SCM programme are provided with a rating that encourages them to meet or conduct remediation to ensure the expectations are adhered to. The Standard is updated annually to drive continuous improvement towards ZDHC. And since 2015, all our facilities have been required to disclose their wastewater test reports on the Institute of Environmental Affairs (IPE) website, and required to disclose on the ZDHC Gateway since its beginning.

C&A engages with industry stakeholders such as the Institute of Public and Environmental Affairs (IPE). As part of this engagement, C&A regularly screens our supply chain for environmental violations listed on the IPE website and works jointly to drive remediation across our supply chain in China. This screening extends beyond C&A’s direct suppliers to also cover upstream and downstream suppliers such as chemical formulators, waste disposal operators, and off-site effluent treatment plants. As part of these efforts, C&A has joined the IPE Blue EcoChain tool, which provides automatic notifications to C&A should an environmental violation be detected in the supply chain. This allows C&A to provide an immediate response and work quickly with the facility to remediate the issue.

**Input management**

Input management is the cornerstone of the SCM programme. The objective of input management is simple: for C&A suppliers to procure chemicals that meet ZDHC requirements. In practice, this means screening and testing chemical products against the requirements of the ZDHC Manufacturing Restricted Substances List (MRSL) and registering the results on the ZDHC Gateway. The Gateway acts as a global database for safer chemistry for C&A suppliers and the industry at large.

To support the identification of safer chemistry, C&A implements a hazard-based Screened Chemistry Programme with several other brands to identify best-in-class and better alternative chemicals. Together, along with the ZDHC Gateway, we provide our suppliers with information on safer chemicals so they can make informed decisions when procuring chemicals.

We are also working globally to engage with key chemical suppliers and formulators to increase the awareness of ZDHC and its requirements, with the aim of increasing knowledge of safer chemistry and driving research and innovation to find suitable alternatives.

**Our approach to chemical input management**
Process management

Process management is key to ensuring each of our supply chain partners has the necessary personnel, management systems, tools and expertise to reach ZDHC requirements. To do this, we developed the SCM Audit — an approach we used from 2015 through 2018 and in which we sent in technical experts to each of our wet production units to assess their current level of performance and create a joint action plan to drive continuous improvement. Beginning in 2019, our auditing approach is being replaced with the Higg Index 3.0 FEM.

Output management

C&A is committed to report publicly on its progress towards ZDHC. We conduct regular wastewater testing at our production units against the ZDHC Wastewater Guidelines to validate the elimination of hazardous chemicals. By testing raw wastewater for chemicals listed on the ZDHC MRSL, we validate the elimination of hazardous chemicals at individual facilities. If a detection is found, a phase-out plan is created with the facility to replace the chemical with a sustainable alternative within the shortest possible timeline.
Additionally, all C&A suppliers communicate their wastewater testing results publicly on the Institute of Environmental Affairs (IPE) website as well as the ZDHC Gateway. This ensures that all relevant stakeholders have access to the progress we are making year-on-year.

**Capacity building**

We train our suppliers to understand why chemical management matters and what it involves, and to develop the infrastructure they need to reduce their impact. This capacity building covers many different areas, but includes training about which chemicals to use, how to select better alternatives and how to safely manage chemicals in their operations.

On-the-ground experts conduct frequent site visits to provide any support required and to assess remediation progress and timelines as part of our corrective action plan (CAP) process. C&A also hosts regular meetings at our local offices, at an operational level to discuss common issues in the supply chain and develop solutions, and also at a top management and owner level to raise awareness of our requirements.

**Working together towards zero discharge of hazardous chemicals**

The SCM programme was built on a foundation of collaboration. From the very beginning, we realised that no brand can achieve zero discharge of hazardous chemicals alone. To that end, we were a founding member of the Zero Discharge of Hazardous Chemicals (ZDHC) Foundation, established in 2012 with the goal of eliminating the use of priority chemicals by:

- Developing and updating the Manufacturing Restricted Substances List (MRSL) and accompanying guidance on conformity
- Identifying safer alternatives for chemicals that are included on the MRSL
- Developing a robust chemical assessment process
- Monitoring the quality of wastewater from production units and reporting publicly on results
- Working towards full transparency of chemical discharge in our supply chain
- Empowering our suppliers to move towards zero discharge of hazardous chemicals through capacity building and training

By using our global size and scale to deliver results in these six areas, our company is going beyond compliance. Ultimately, we are seeking to normalise good practice at C&A suppliers’ factories and across the rest of the industry.

C&A engages with industry stakeholders such as the Institute of Public and Environmental Affairs (IPE). As part of this engagement, C&A regularly screens our supply chain for environmental violations listed on the IPE website and works jointly to drive remediation across our supply chain in China.

**Working with C&A Foundation to drive improvement**

C&A Foundation brings together brands, initiatives and people who collectively have the power to create a fair and sustainable fashion industry. A core focus area of the foundation is circular fashion, including chemicals. C&A Foundation has been working extensively with the ZDHC to accelerate, further scale and drive impact on eliminating the use of
hazardous chemicals across global apparel and footwear supply chains.

The foundation has several active grants with the ZDHC:

**Five-year strategic growth plan.** This plan is enabling ZDHC to prioritise actions and document important milestones, supporting its vision of ‘widespread implementation of sustainable chemistry and best practices in the textile, leather and footwear industries to protect consumers, workers, and the environment’. C&A Foundation also provided a grant to accelerate plan implementation. This includes demonstrating the enabling role of chemistry, strengthening ZDHC organisational capacity, deepening support in target regions/countries, and promoting continuous improvement in the industry.

Other grants support the development and application of two important tools that have been adopted by C&A for our supply chain:

- **ZDHC Gateway - Wastewater Module.** One of the barriers to better chemical management is a lack of data to inform and drive wastewater improvement. The Wastewater Module is a disclosure platform for wastewater discharge information that helps factories to disclose timely and accurate information, allows brands to monitor progress throughout the supply chain, and demonstrates accountability to industry stakeholders.

- **ZDHC InCheck Tool.** Suppliers do not always know how to access alternative chemicals for their production processes. This tool allows manufacturers to create and update a chemical inventory, complete a self-assessment, and source better chemicals.

Read more about C&A Foundation’s support of ZDHC

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**Our 2018 performance**

In 2018, our input management approach matured to include greater focus on mapping and transparency with respect to the chemicals used in our supply chain. This included working closely with ZDHC to populate the gateway, and with our suppliers to upload and register their chemicals to the gateway. When hazardous chemicals are discovered through this process, we are supporting our suppliers in replacing them with safer chemicals where possible, using hazard-based Screen Chemistry to assess chemical products.
Together, these are central components of the C&A SCM Programme, which covers 92% of our global business volume – an increase of 11% over 2017 – from our wet processing units in tier-1 and tier-2 facilities to all nominated fabric mills. Our SCM minimum performance standard, introduced at the end of 2017, is a holistic scoring mechanism that transparently aggregates a facility’s performance across the three pillars of the programme: Input, Process, and Output. The standard also covers remediation, to ensure facilities are continuously working to improve their performance. Requirements are categorised into three groups—Zero Tolerance, Critical, and Major—and each facility is scored based on the number of requirements met.

In 2017, we determined that 71% of our supply chain was not meeting our Minimum Performance Standard, so in 2018 we focused on creating impact. This involved special efforts to build knowledge, strengthen skills, and drive remediation in the supply chain. By 2018, the number of facilities not meeting our minimum performance standard was reduced by 56%. The facilities not meeting our requirements, 15% of the total, were primarily new facilities that were added into the SCM Programme during 2018 and were conducting their first audit and wastewater testing.

Between 2017 and 2018, we remediated:

- 478 Critical issues
- 663 Major issues

This was achieved by performing:

- 379 Chemical management audits
- 478 Wastewater tests to identify hazardous chemicals in our supply chain
- 379 Corrective action plan visits to evaluate efforts towards meeting our SCM programme requirements
- 16 two-day seminars on chemical and wastewater management, training over 400 factory staff

2017 represented the first year our facilities were given a SCM performance score based on a standard, and 29% of facilities were found to be meeting our requirements, with the remaining facilities given a clear timeframe for raising their performance to ensure they can continue to work with C&A. During 2017 we determined that significant work was needed to support our supply chain in meeting C&A’s requirements in chemical and environmental management.

Therefore, our focus in 2018 was on enhancing our internal and external support programmes. As a result, 85% of facilities were meeting our requirements by the end of the year. The SCM Minimum Performance Standard becomes more exacting each year, so facilities will continue to be held accountable for any new requirements as well as any required remediation against the 2017 and 2018 standard.

Whilst we continue to issue a SCM Rating to communicate internally and to our facilities their high-level performance status, we feel it is more tangible to communicate the number of non-conformances remediated.

**Average number of Critical and Major non-conformances for facilities in 2017 and 2018, after 12 months of remediation**
Total number of Critical and Major non-conformances in 2017 and after 12 months of remediation

<table>
<thead>
<tr>
<th>Production country</th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bangladesh</td>
<td>14</td>
<td>11</td>
</tr>
<tr>
<td>Turkey</td>
<td>6</td>
<td>7</td>
</tr>
<tr>
<td>India</td>
<td>4</td>
<td>2</td>
</tr>
<tr>
<td>Pakistan</td>
<td>7</td>
<td>6</td>
</tr>
<tr>
<td>Cambodia</td>
<td>10</td>
<td>7</td>
</tr>
<tr>
<td>P.R. China</td>
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<td>9</td>
</tr>
<tr>
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<tr>
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<td>Brazil</td>
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<td>8</td>
</tr>
<tr>
<td>Mexico</td>
<td>4</td>
<td>4</td>
</tr>
</tbody>
</table>

The above results show that the SCM remediation programme is working, with further efforts still required to increase the level of performance in line with C&A expectations. As the minimum performance standard rises each year, C&A drives continuous improvement. Since updating our standards in 2018, SCM identified an additional 65 critical and 158 major issues across the supply chain, and suppliers are now being given 12 months’ support for remediation. These newly identified issues are not included in the above analysis so that we can more clearly show the effectiveness of the SCM remediation programme by providing a year-on-year comparison.

**Input management**

We made significant progress in 2018 in better understanding the challenges of input management as well as advancing industry solutions.

During 2017, C&A conducted a pilot project using CleanChain, a chemical inventory
management tool, to better understand what chemicals our suppliers purchase and where they come from, and then—by mapping against the ZDHC Gateway—identify their MRSL conformance. In 2018, CleanChain was rolled out to facilities globally, which make up a long and complex chemical supply chain.

The CleanChain process produces the ZDHC InCheck tool, which we piloted in our supply chain throughout 2018. This tool will standardise the industry’s approach to monitoring input chemistry. By collecting a facility’s chemical inventory list and screening it against safer chemicals listed in the ZDHC Gateway, the tool identifies the facility’s level of conformance to the MRSL. Each facility in the pilot was given an InCheck report, which we used to identify and manage progress towards the elimination of hazardous chemicals.

It is vital that the industry have one source of information for conformant chemistry. To address this, in 2017 ZDHC launched the Gateway, a global database of safer chemistry that enables chemical formulators to securely share chemical information with brands and textile, footwear, and leather suppliers, in line with the ZDHC standards. ZDHC brings together a global database of conformant chemistry by recognising existing certifications, and now includes more than 20 such certifications.

As of the end of 2018, 130 facilities had adopted CleanChain. These facilities sourced from 1,122 chemical formulators and purchased 7,777 unique chemical products. Using a combination of data from ZDHC Gateway and other public portals, C&A has identified that 46% of these chemical products are MRSL conformant. Not all of these remaining chemicals are necessarily non-conformant, but simply have yet to be certified. From the chemical products used by these facilities, the coverage of ZDHC Gateway was 11%. This demonstrates that the platform is still in its infancy and requires further industry support to reach its potential.

This experience demonstrates the need to have global alignment on input chemistry in order to engage the long, complex chemical supply chains used by the apparel and textile industry. To this end, C&A continues to engage with our key chemical suppliers, both international and domestic, to introduce the ZDHC requirements, with the aim of publishing their conformant chemistry in the ZDHC Gateway. Despite continued challenges to the Gateway, C&A remains committed to the Platform as its one source of information on safer chemicals.

**Process management**

For last few years, we have relied on a comprehensive system of SCM audits to assess a facility’s on-site chemical management system and performance. In December 2018, we moved to adopt the Sustainable Apparel Coalition’s updated Higg Facility Environmental Module (FEM) 3.0, following our successful pilot at 41 facilities throughout the year.

Our internal audit system was phased out in March 2019 in favour of the Higg 3.0 FEM industry standard, which links manufacturers, brands, and retailers together in measuring environmental impacts and provides various training and improvement resources. This module offers a holistic approach beyond chemicals and wastewater – our previous primary focus areas – to include environmental management systems, permits, water, air, wastewater, chemicals, and waste.

The top five non-conformances identified in 2018 were:
1. Facility not implementing a plan for the proper handling, use, storage, and disposal of chemicals.
2. Facility not properly managing hazardous waste (including sludge).
3. Facility does not have a system to ensure chemical formulations purchased are compliant with ZDHC MRSL or similar standard.
4. Facility does not maintain personal protective equipment (PPE), safety showers, or other safety measures appropriate for the chemical hazards according to the MSDS.
5. Facility not having a policy for monitoring and controlling banned and restricted substances for all chemicals used in the facility.

Once all the non-conformances are identified, the SCM team works with the facilities to implement a corrective action plan and provide technical support wherever needed. To date, the C&A SCM Programme has created 379 corrective action plans that all contribute to the elimination of hazardous chemicals. Given that many new facilities were added into the global SCM Programme in 2018, the top five non-conformances are similar to those identified in 2017. The SCM team members typically identify the same challenges during the first audit cycle, given that some of these issues go beyond legal compliance and are not necessarily in the scope of typical compliance audits.

**Overcoming challenges**

In 2017, C&A identified a knowledge gap in the supply chain needed to overcome many of the issues we had identified through our audits. Most of the mills, laundries, and printers we work with only have a basic understanding of chemicals issues, and lack the skills and information to make necessary changes.

To meet this challenge, in 2018 C&A implemented a series of global trainings with an expert chemical management consultancy. Over 2 days, we trained more than 400 factory workers on Chemical and Wastewater Management, tackling issues such as how to manage hazardous waste, properly handle and dispose of chemicals, conduct chemical risk assessments, and address other important knowledge gaps identified during our audits.

Another challenge is third-party resources. Although some good progress is being made – particularly with the Higg Index 3.0 module – third-party resources for chemical auditing and wastewater testing are not yet mature. High costs and a lack of resources and collaboration are currently slowing down the kind of progress we need to meet our targets as an industry.

**Output management**

In 2017, C&A conducted wastewater testing at 358 facilities across 16 countries using the methodology listed in the ZDHC Wastewater Guidelines. C&A tests wastewater samples at three points: incoming water, raw wastewater, and discharged wastewater. Since 2018, all our facilities have been required to disclose their wastewater test reports on both the IPE website and ZDHC Gateway.

**Rates of MRSL compliance in raw wastewater by chemical group**
This graph reflects the latest wastewater test reports from 358 facilities globally using the clean factory approach, meaning results include all production on-site from all brands. Results indicate a positive trend in facilities continuing to identify hazardous chemicals used in their production facilities and phase them out. Ten of the 14 chemical groups now have a failure rate of 5% or less, demonstrating that the majority of facilities have now phased out these chemicals. Of high concern is the number of detections in AP & APEOs and phthalates, a similar trend to 2017, in addition to disperse dyes and Poly Aromatic Hydrocarbons (PAHs).

C&A will continue to work with our supply chain, and the chemical industry, to strive towards zero detections of hazardous chemicals in wastewater. C&A’s advances in chemical input management will support this work as it directly tackles the issue at source and works to ensure that facilities know which chemicals are compliant before they are purchased and used.
Where next?

Industry-wide, apparel suppliers continue to face challenges in substituting safer chemicals. Factors such as the limited availability of viable and cost-effective alternatives, the need for thorough assessment of chemicals thought to be safer, the lack of support from governments, and a need for greater transparency in chemical formulations all present difficulties to the supply chain. At C&A, we are using a variety of approaches—including training, capacity building, and infrastructure changes—to help suppliers address these challenges, while also recognising the broader issues that extend beyond their control.

Input management

Looking ahead to 2019 and beyond, we will continue increasing traceability in our chemical supply chain. Using the CleanChain tool work we began in late 2018, C&A will continue mapping our chemical supply chain to better understand what chemical products are being used, where they are coming from, and how they are disposed. This will include focused engagement with our chemical supply chain as we work to identify and phase out hazardous chemicals and to certify safer chemicals to be used in the supply chain, via ZDHC. This is a long process likely to take several years, but we are confident the CleanChain tool and ZDHC Gateway will play a key role.

Our efforts to enhance transparency in our chemical supply chain allow us to prioritise our collaborations to create the biggest impact. In 2019 and beyond, we will keep working with key chemical suppliers to drive further adoption of the ZDHC Gateway. We will also continue setting requirements on the usage of chemicals registered in the Gateway for our supply chain from 2019 onwards. In addition, Screen Chemistry, which uses a hazards-based approach to chemistry, will continue to play an important role in our programme as it is critical to ensuring that human health and environmental impacts are fully evaluated before adopting alternative chemistries. This is imperative to avoid regrettable substitutions.

Process management

C&A will continue to drive positive impacts in process management. Many of the facilities audited for the first time in 2017 were given expert technical support to remediate all key issues, and are expected to continue this work until the issues have been addressed. In
2019, we are evolving our previous approach and replacing the internal SCM Audit with the Sustainable Apparel Coalition (SAC) Higg FEM 3.0 tool, an important industry standard. We are excited to join the growing number of brands and retailers looking to align their assessment of environmental and chemical performance across the industry. Using the Higg FEM 3.0 tool, we are able to reduce auditing for our suppliers and contribute to improved alignment across brands, making it more efficient for suppliers to implement necessary changes for the benefit of multiple customers and the industry as a whole.

Annually, C&A suppliers will use the FEM tool to conduct assessments, which are then verified by SAC-approved, on-site assessors. Benchmarking by facility type will allow facility managers to compare their performance against that of their peers. The modules will also give manufacturers guidance for improvement and current best practices, while creating opportunities for conversation among supply chain partners so businesses can collectively perform better.

Also in 2018, we continued rolling out SCM Capacity Building to ensure we close the skill and knowledge gap that exists within the textile supply chain today. In 2019, facilities will continue to receive on-site expert support via C&A’s SCM team located in all major production countries.

**Output management**

Alongside a strengthened input management programme, wastewater testing continues to validate that the elimination of hazardous chemicals has been achieved in specific facilities, or reveals their progress towards reaching ZDHC. With many facilities having conducted their first ever wastewater testing in 2017, the focus in 2018 was on root-cause analysis – identifying the failing chemical detection back to its original source and looking for alternatives. C&A continues creating phase-out plans for each facility where a failing chemical detection occurs and supporting them in finding alternatives via the ZDHC Gateway.

Likewise, we remain committed to publicly disclosing wastewater test results using the ZDHC Gateway Wastewater Module and IPE. The Gateway Wastewater Module, funded by C&A Foundation, serves as a global portal for verified wastewater results tested against the ZDHC Wastewater Guidelines. It provides suppliers (manufacturing facilities) with an easy way to disclose secured and verified wastewater and sludge data to their clients (brands/retailers), reduce unnecessary testing, and focus on improving the quality of discharge.

**Designing products with zero discharge of hazardous chemicals**

Our vision is for the global apparel industry to become a circular system, where clothes are designed with their next use in mind. Our gold level Cradle to Cradle Certified™ t-shirts and jeans play a vital role in the certification of safe chemistry. These products are designed and made with fewer, safer chemicals, and complement our overall approach to better chemical management by demonstrating that zero discharge of hazardous chemicals is possible. Our leadership in sustainable chemicals management involves working with suppliers to reduce all hazardous chemicals in their factories, not just the chemicals used for C&A production. In this way and others, we are striving to create a paradigm shift not only in our own supply chain, but across the entire apparel industry.
Climate Change
Reducing our impacts by focusing in the right areas

Climate change is one of the most important areas for C&A to focus on because it threatens the communities we work in, as well as our ability to access raw materials in the future by increasing the frequency of unpredictable or extreme weather events. To be effective, we must focus our efforts on those areas where we can make the most change, most quickly. To identify these opportunities, we routinely assess our impacts using Life Cycle Assessment (LCA) across our entire value chain – from raw material extraction to end of use.

In 2018, we committed to the Science Based Target initiative (SBTi) to reduce our greenhouse gas emissions (GHG) in alignment with the Paris Agreement. This included developing and evaluating various target scenarios to achieve a well below 2 degree C Global Warming pathway. We have conducted a detailed analysis that will continue through 2019, culminating the publication of our targets in December of 2019. The work is being done in coordination with the development of our next sustainability strategy.

Approach and methodology

Working with the scientists at Aligned Incentives we have determined our GHG inventory for Scope 1, 2, and 3. To accomplish this, we use a hybrid LCA in accordance with the World Resources Institute/World Business Council for Sustainable Development GHG Protocol for corporate accounting and reporting and value chains. Our model combines
input-output and process LCA methods, enabling us to focus on the key hotspots in our value chain.

Our 2018 estimate uses data from more than 523,000 shipments from our sourcing countries to our stores. We also evaluated emissions across 3,120 unique non-product spend categories to assess the value chain impacts of products and services that are related to our business operations and administration. This, combined with energy and fuel data for each of our stores, distribution centres, and offices, has provided us with a comprehensive data set used in the analysis. It has therefore enabled us to set a firm baseline from which we will measure our reductions going forward.

**Improving our model to enhance our approach**

In 2017, we updated our estimate for the consumer use phase by utilising customer survey data, garment-specific care instructions, and garment durability data from the Sustainable Apparel Coalition. In 2018, we updated waste ratios at each life cycle stage, giving us an even more accurate understanding of material inputs and resulting waste embedded in the products sold. All previous estimates were recalculated to reflect this improvement to the methodology.

**Making progress**

In 2018, GHG emissions were 14% lower than our baseline year of 2016. We have observed a slight increase in GHG emissions from 2017 due to increases in sales; however, we continue to demonstrate progress through the sourcing of more sustainable raw materials like sustainably sourced cotton and viscose.

**Total greenhouse gas emissions 2018, by scope**

<table>
<thead>
<tr>
<th>Reporting Category</th>
<th>Scope Grouping</th>
<th>Impact Amount</th>
<th>% of Total</th>
<th>Impact Unit</th>
</tr>
</thead>
<tbody>
<tr>
<td>Scope 1</td>
<td>Fuel oil</td>
<td>746</td>
<td>0.01%</td>
<td>mtCO₂e</td>
</tr>
<tr>
<td>Scope 1</td>
<td>Natural gas</td>
<td>18,429</td>
<td>0.33%</td>
<td>mtCO₂e</td>
</tr>
<tr>
<td>Scope 2</td>
<td>Purchased electricity</td>
<td>107,392</td>
<td>3.05%</td>
<td>mtCO₂e</td>
</tr>
<tr>
<td>Scope 2</td>
<td>Purchased district heating</td>
<td>10,141</td>
<td>0.18%</td>
<td>mtCO₂e</td>
</tr>
<tr>
<td>Scope 2</td>
<td>Purchased district cooling</td>
<td>2,968</td>
<td>0.05%</td>
<td>mtCO₂e</td>
</tr>
<tr>
<td>-------------------------</td>
<td>----------------------------</td>
<td>-------</td>
<td>-------</td>
<td>--------</td>
</tr>
<tr>
<td>Scope 3</td>
<td>Purchased goods and services</td>
<td>4,207,645</td>
<td>75.71%</td>
<td>mtCO₂e</td>
</tr>
<tr>
<td>Scope 3</td>
<td>Fuel-and energy-related activities</td>
<td>23,955</td>
<td>0.59%</td>
<td>mtCO₂e</td>
</tr>
<tr>
<td>Scope 3</td>
<td>Upstream transportation and distribution</td>
<td>485,567</td>
<td>8.74%</td>
<td>mtCO₂e</td>
</tr>
<tr>
<td>Scope 3</td>
<td>Waste generated in operations</td>
<td>295</td>
<td>0.01%</td>
<td>mtCO₂e</td>
</tr>
<tr>
<td>Scope 3</td>
<td>Business travel</td>
<td>14,402</td>
<td>0.26%</td>
<td>mtCO₂e</td>
</tr>
<tr>
<td>Scope 3</td>
<td>Employee travel</td>
<td>109,970</td>
<td>1.98%</td>
<td>mtCO₂e</td>
</tr>
<tr>
<td>Scope 3</td>
<td>Use of sold products</td>
<td>474,802</td>
<td>8.54%</td>
<td>mtCO₂e</td>
</tr>
<tr>
<td>Scope 3</td>
<td>EOL treatment of sold products</td>
<td>29,564</td>
<td>0.53%</td>
<td>mtCO₂e</td>
</tr>
</tbody>
</table>

**Total greenhouse gas emissions, year-on-year comparison**

![Graph showing total greenhouse gas emissions 2018 across our life cycle](image)

- **2016**: 6,451,528 mtCO₂e
- **2017**: 5,352,366 mtCO₂e (6% increase)
- **2018**: 5,678,204 mtCO₂e (12% reduction)

*Source: Aligned Incentives, 2018*
Total greenhouse gas emissions across our life cycle, year-on-year comparison

Unit: mtCO$_2$e

Source: Aligned Incentives, 2018

Reducing our climate impact through more sustainable materials

Roughly 9% of our GHG emissions are from agriculture, most of which is from cotton agriculture. In 2018, 71% of the cotton we sourced was more sustainable, meaning that it
is grown organically or sourced as Better Cotton. We estimate that our sustainable sourcing of cotton in 2018 avoided roughly 54,600 metric tons of GHG emissions, or a reduction of 10% in GHG emissions compared to conventional cotton.

**Greenhouse gas emissions of C&A's cotton mix, compared to conventional cotton**

In 2018, roughly 9% of our GHG emissions from raw material production is from man-made cellulosic fibres. We have an aspiration to source all of our viscose free from ancient and endangered forests and from suppliers that use best available technologies (BAT). This effort is already contributing to noticeable emission reductions. We estimate that by sourcing more sustainable viscose, we have avoided roughly 62,000 metric tons of GHG emissions, or a reduction of 47% compared to conventional viscose.

**Greenhouse gas emissions of C&A's viscose mix, compared to conventional viscose**
Together, the combination of sourcing more sustainable cotton and viscose has enabled us to avoid over 116,000 metric tons of GHGs.

Read more about our commitment to more sustainable viscose

**Reducing our climate impact through more efficient production**

Material processing, which is dominated by textile production, is the largest source of emissions in our supply chain, representing about 44% of total emissions. Our SCM programme focuses on these impacts, where we will focus additionally in 2019 to strengthen our approach and drive reductions over time.

**Reducing our emissions from retail operations**

Our scope 1 and 2 GHG emissions account for around 3% of our total GHG emissions. We have a 2020 target to reduce emissions intensity by 20% compared to 2012.

In order to calculate our emissions intensity, we normalise using Gross Leasable Area (GLA) or the total square metres (m2) that can be leased for our stores, offices, and distribution centres. In 2018, we reduced our carbon intensity by 16% and increased our energy efficiency by 20%, compared to 2012. The reductions experienced were due to improvements in energy management, lighting, and practices across a variety of retail stores in our four retail markets.

In the graph below, our emissions estimate for purchased energy (electricity, district heating, and cooling) is market-based, Scope 2 methodology.

**Absolute CO₂ emissions and carbon efficiency of stores, offices and distribution centres**

GLA: Gross Leasable Area
Consumer use

The use and disposal of clothing by our customers makes up 10% of our total carbon footprint. Prior to 2017, our past estimates of consumer use impacts were based on large assumptions with high levels of uncertainty. In 2017, however, we took a closer look at our customers’ habits to improve our estimate and understand the levers with which C&A – and other brands – can reduce consumer use impacts. Using primary data collected from a customer survey, we identified previous assumptions that had overestimated impacts in this life cycle stage, and we were pleased to learn that a sizeable portion of our customers are currently consuming fashion more sustainably. Specifically, we learned that a high proportion (60 to 85%) of our customers line-dry their clothes, and a majority wear articles such as trousers, shirts, and blouses multiple times before washes.

Also in 2017, we ran a sensitivity analysis to measure the impact of the average cleaning cycle on the carbon footprint of our clothing. We found that clothes washing represents roughly 55% of total greenhouse gas impact, and drying accounts for the remaining 45%. Washing at 40°C is the dominant driver (52%) of the greenhouse gas impacts of washing clothes. This was not surprising, as many washing machines have 40°C as their default setting.

These results show the power of normalising sustainable behaviours. Using our data, we estimate that the total greenhouse gas impact of our clothing could be reduced by 45% if line-drying were the norm for the 15 to 40% of customers who machine-dry their clothing. And if the default 40°C wash became a 30°C wash, we would see additional greenhouse gas savings of approximately 21%. Together, these simple changes could cut the carbon footprint of our clothing by one-third, or over 300 megatons.

Customer survey results: drying method by region and garment type
Customer survey results: wears-per-wash profiles by region and garment type

Source: Aligned Incentives, 2017
Where next?
In 2019, we will finalise our science-based targets, where we will focus on reducing GHG emissions in the areas where we have the highest leverage and largest impact.

Water

The opportunity to reduce our impact
Today, around one billion people live in areas where access to fresh water is scarce. By 2025, two-thirds of the world’s population may struggle to access enough clean water to meet their needs. The apparel industry uses a lot of water across its supply chain, from crop irrigation to wet processes in production, through to customer use. For instance, a simple cotton T-shirt requires the equivalent of three years’ worth of drinking water (2,700 litres) to manufacture and use [SOURCE: WWF]. In a world of shrinking natural resources, we must work together to reduce this level of consumption quickly. Our cornerstone commitment to sourcing more sustainable cotton underpins our approach to water, as more sustainable cotton uses considerably less water than conventional cotton.

How we define our water footprint
The water footprint is an indicator of freshwater use that looks at both direct and indirect water use for any kind of productive activity: for example, growing cotton for the products consumed by an individual or group of individuals or for the activities within a geographic area. It accounts for water consumption and pollution over each phase of the production process and value chain, and includes three components:

- The blue water footprint is the amount of fresh surface or groundwater used to grow a crop or produce goods or services. It is the amount of water evaporated, incorporated into the product or returned to a different location or in a different time period from where it was withdrawn.
- The green water footprint is the total rainfall or soil moisture used to grow plants. It is relevant for products that include agricultural crops, and wood and other forestry inputs, where it refers to the quantity of water either through plant evapotranspiration
incorporated into the harvested crop, or both.

- The grey water footprint is a measure of pollution. It is expressed as the volume of water required to assimilate the pollutant load to meet ambient water quality standards. The pollutant that requires the largest assimilation volume is referred to as the critical pollutant and is used to calculate the grey water footprint. If there are both surface and groundwater discharges, the grey water footprint for each discharge is calculated separately.

**How we measure our water footprint**

Similar to previous years, we have used hybrid LCA to assess our water footprint across our value chain. The analysis demonstrates that the largest water consumption phase is the production of raw materials (65%), followed by intermediate textile goods (29%). Together, they make up 94% of our total combined blue, grey, and green water footprint.

**Total water footprint, year-on-year comparison**

![Bar chart showing water footprint comparison](image)

Source: Aligned Incentives, 2018

**Our performance in reducing our water footprint**

In 2018, we observed a similar increase from 2017 in our absolute water footprint as our GHG emissions, driven primarily by sales increase. In spite of this absolute increase, our estimated retail water footprint decreased by 13% since 2012, thus overachieving our goal of 10% reduction.

We have also achieved an absolute reduction of 8% in our blue water consumption in raw
material extraction compared with 2016, or roughly 28 million cubic metres (m³).

The graph below shows a comparison of our water footprint between 2016 and 2018. This reduction is strongly influenced by a reduction in sourced materials (inventory weight decreased despite an increase in sold items) and the sourcing of more sustainable materials, (e.g., cotton and viscose).

**Total 2018 water footprint across our life cycle**

Source: Aligned Incentives, 2018

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**Total water footprint across our life cycle, year-on-year comparison**

Reducing our water footprint through more sustainable cotton
Our cornerstone commitment to source more sustainable cotton – including organic and Better Cotton – has resulted in significant reductions in our water consumption. Sourcing more sustainable cotton has resulted in the reduction of our water footprint by 37% when compared with conventional cotton, or 1 billion m$^3$.

**Blue water footprint of C&A’s cotton mix, compared to conventional cotton**

**Green water footprint of C&A’s cotton mix, compared to conventional cotton**
Reducing our water footprint through more efficient production

29% of our water footprint is from the production of fabrics, primarily in the dyeing and finishing stages. These stages of production are addressed in our SCM programme where there is a strong focus on chemical use and wastewater treatment.

Where next?

Throughout 2019, we will build upon our learnings with the Better Mill Initiative in China and our previous work with the Partnership for Cleaner Textiles (PaCT) programme in Bangladesh to support our suppliers in their continual improvement of water efficiency. We will also leverage our rollout of the Higg 3.0 Facility Environment Module to understand supplier performance from primary data to create new benchmarks for improvement.

In addition, we will focus on continually increasing our more sustainable raw material shares and working closely with Fashion for Good to identify innovations in processing and materials that may lead to water reductions.

Waste

Pursuing zero waste to landfill

The apparel industry creates significant waste along its value chain. The majority of this occurs when we make clothes and when we throw them away. Less than 1% of material used to produce clothing is recycled into new clothing, representing a loss of more than
$100 billion worth of materials each year [SOURCE: Ellen MacArthur Foundation].

In 2017, C&A committed to sending zero waste to landfill from C&A stores, distribution centres, and offices by 2025. Our approach to reducing waste is grounded in the idea that we must shift our industry from a model of ‘take, make, use, and dispose’ to one where every resource is used and then repurposed, again and again. Our vision is to help enable a restorative circular economy, where nothing is wasted in the creation or disposal of our clothing. Products are designed and developed with their next use in mind, using pure materials and safe chemicals. Social justice, including safeguarding health and safety and fair labour, water stewardship, and the use of renewable energy, are also an integral part of the circular model.

Read more about our approach to circular fashion

The transition to a fully circular apparel industry will take many years. To truly create the pathway to a new normal, we must reimagine much of what we do. However, there are various steps we can take today to start reducing our impact straight away, such as in-store waste management initiatives and the use of recycled materials in our clothing. In 2018, we continued scaling up our efforts in these areas.

Read more about our ‘we take it back’ recycling programme

Our 2018 performance

Consistency in managing unsold inventory

As part of our ongoing commitment to responsibly manage unsold inventory, in 2018 we began making improvements to the management structure and processes for dealing with unsold items in a consistent way across our regions. For instance, in Europe, where we operate in 18 countries, we are developing a unified European approach to handling unsold inventory and emphasizing reuse wherever possible. We have also begun working with our other three regions to determine the feasibility of greater consistency for handling our unsold inventory and contributing to our global zero waste goal.

Starting our journey with recycled fibres

In 2017, C&A Europe started taking meaningful steps to increase use of recycled fibres in our collection. We used recycled polyester in outerwear and blouses, recycled nylon in lingerie and have continued using recycled cotton in denim. In 2018, C&A Europe sold more than 300,000 items containing recycled polyester and 95,000 pieces containing...
recycled cotton in both Mens’ and Ladies’ denim.

Read more about our products made with recycled materials

In-store take-back and recycling facilities for customers

Following its successful launch in the Netherlands, we rolled out our in-store take-back programme to additional retail markets, as well as a pilot in Brazil that has continued to evolve and grow to an anticipated 130 stores in 2019, and a 10-store pilot in Mexico early in 2019. This brings our total to nine countries, and we aim to expand the programme further by 2020.

In Brazil, we sell mobile phones in addition to clothing, and have shared responsibility for taking back and disposing of cell phones and batteries appropriately. We work with GM&Clog, who collect the waste and make sure it gets to the correct destination. We have an e-learning programme for all store staff to help raise awareness of this issue as well. In 2018, we collected 49,472 batteries and 3,960 cell phones, for a total of 53,432 items collected.

Read more about our in-store take-back programme

Reducing waste from store construction and refurbishment

As we grow, we build new stores and refurbish older ones. In Brazil and Europe, we are working towards greater reuse and recycling of construction materials. In Brazil, we have the support of a specialty construction waste management consultancy to help us reduce the environmental impacts of store openings and updates. In 2018, more than 60 stores were renovated in Brazil, generating a total of 943 metric tons of construction waste, of which 53% was sent to recycling.

In late 2018, C&A stores in Brazil also began implementing the workplace organisation approach known as 5S — named for the Japanese words seiri, seton, seisō, seiketsu and shitsuke — which is designed to strengthen efficiency in our store operations and improve the daily work experience of retail employees. The 5S approach brings together C&A resources in sustainability, engineering, and communications to rethink how we can best reduce waste, manage depreciated assets, organise internal store space, and communicate with employees. As a next step, we will develop a manual and monitoring checklist that helps managers implement the 5S methodology through training and audits.

Recycling rates by retail market (2018)
Total waste produced by retail market (2018)

<table>
<thead>
<tr>
<th>Waste type</th>
<th>Europe (metric tons)</th>
<th>Brazil (metric tons)</th>
<th>China (metric tons)</th>
<th>Mexico (metric tons)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hazardous*</td>
<td>-</td>
<td>29</td>
<td>8</td>
<td>9</td>
</tr>
<tr>
<td>Non-hazardous</td>
<td>25,084</td>
<td>7,028</td>
<td>133</td>
<td>1,448</td>
</tr>
</tbody>
</table>

*Europe does not track hazardous waste data.

Where next?

More Cradle to Cradle Certified™ products in-store

To date, we have brought almost 4 million pieces of Cradle to Cradle Certified™ apparel to market, and look to continue expanding these offerings in additional regions. In Brazil and Mexico, our Cradle to Cradle roadmaps are helping to build on our initial success.

Increasing uptake of recycled polyester through product innovation

In 2016, we recognised the need to increase our use of certified recycled polyester, and in 2017, we developed new products with polyester certified to the Global Recycled Standard (GRS) or the Recycled Content Standard (RCS). These were launched in stores in early 2018 in both outerwear and Ladies’ blouses. As a result, more than 300,000 items containing recycled polyester were sold in our European stores during 2018.

Expanding in-store and online take-back

In 2018, we further expanded our used clothing take-back programme to new geographies globally, and extended our Brazil in-store take-back programme from 31 stores in 2017 to 80 stores in 2018. In Germany, a new online take-back programme provides another convenient way for consumers to turn in their used clothes for a second life. We now offer clothing take-back options in nine countries.