

SCM Audit Findings & Driving Change

MAR 2017

SUSTAINABLE CHEMICALS MANAGEMENT (SCM)



Introduction

Throughout FY 2016/17, 111 production units have been audited as part of the roll-out of the C&A Sustainable Chemicals Management (SCM) program. The audit is conducted alongside wastewater testing. The purpose of the audit is to assess the on-site chemical and environmental management performance, and to perform a detailed check on the chemical inventory.

We further enhanced our assessment procedures and tools, to allow greater clarity in performance indicators and focus on driving improvements on the ground. We also strengthened our assessment framework, collaborating with our auditing partners to establish a robust approach for on-site assessments complemented with a comprehensive auditors capability building program. The program includes auditors qualification screening, on-boarding trainings, in-depth training on audit indicators and field guide.

We have observed improvements in capability within our value chain since we started our program in Q4 2015. This is aligned with the growth in awareness across the industry and the global market drive towards clean production. As we continue on our journey in the SCM program, there are always areas for improvements, this report will explore some of the common issues identified in our audit over the past 12 months as part of our approach to be transparent and our commitment to the public Right to Know.

Methodology

Audit Protocol

As part of our vision to drive the development of one industry standard that comprehensively assesses the on-site chemical management performance of a facility, C&A piloted the SAC Higg 3.0 methodology alongside the components of the Zero Discharge of Hazardous Chemicals (ZDHC) audit. As the assessment tool is currently in a pilot stage, a scoring framework has not been finalized. We continue to work closely with SAC and ZDHC on the development of Higg 3.0. assessment tool and verification framework.

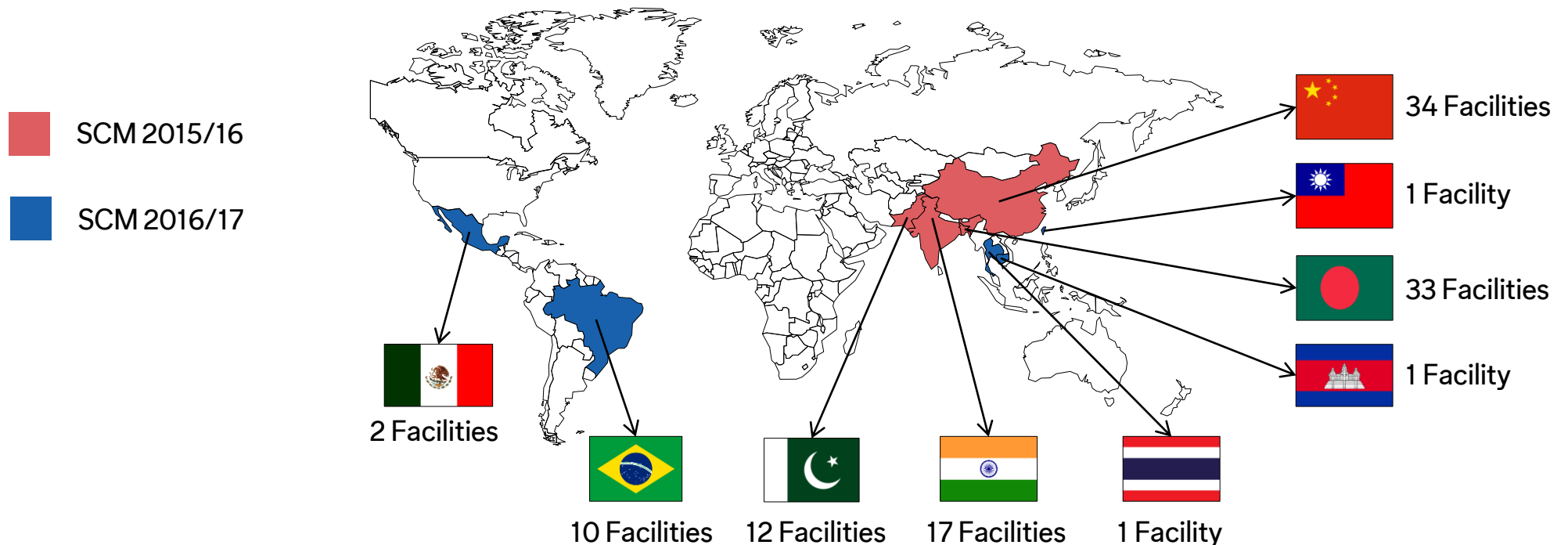
In the mean time, C&A implements an assessment methodology that conforms with the future directions of the Higg 3.0., and communicates our performance based on the number of non-conformances identified alongside their severity; Zero Tolerance, Critical, Major and Minor. The severity rating has been defined based on their conformance to our commitment of ZDHC by 2020, taking into consideration the steps that are needed to achieve our goals. By rating this way, it raises the awareness and need of driving immediate change to meet our 2020 commitment. We also assessed whether a series of best practices in chemical management were implemented.

Methodology

Geographical Coverage

In FY 2015/16, the Sustainable Chemicals Management (SCM) program covered 52 facilities with wet processes across Bangladesh, China, India and Pakistan.

In FY2016/17, C&A expanded the SCM program to cover 111 wet processing facilities, with additional geographies including Thailand, Cambodia, Taiwan, Brazil, and Mexico. This coverage equates to 79% of our nominated fabric C&A Europe, 50% products sourced from vertically integrated production units, 33% of domestic fabric for C&A China, 70% of laundry units for C&A Europe, 10% of domestic fabric for C&A Mexico, and 50% of domestic fabric for C&A Brazil



Methodology

Audit Scope

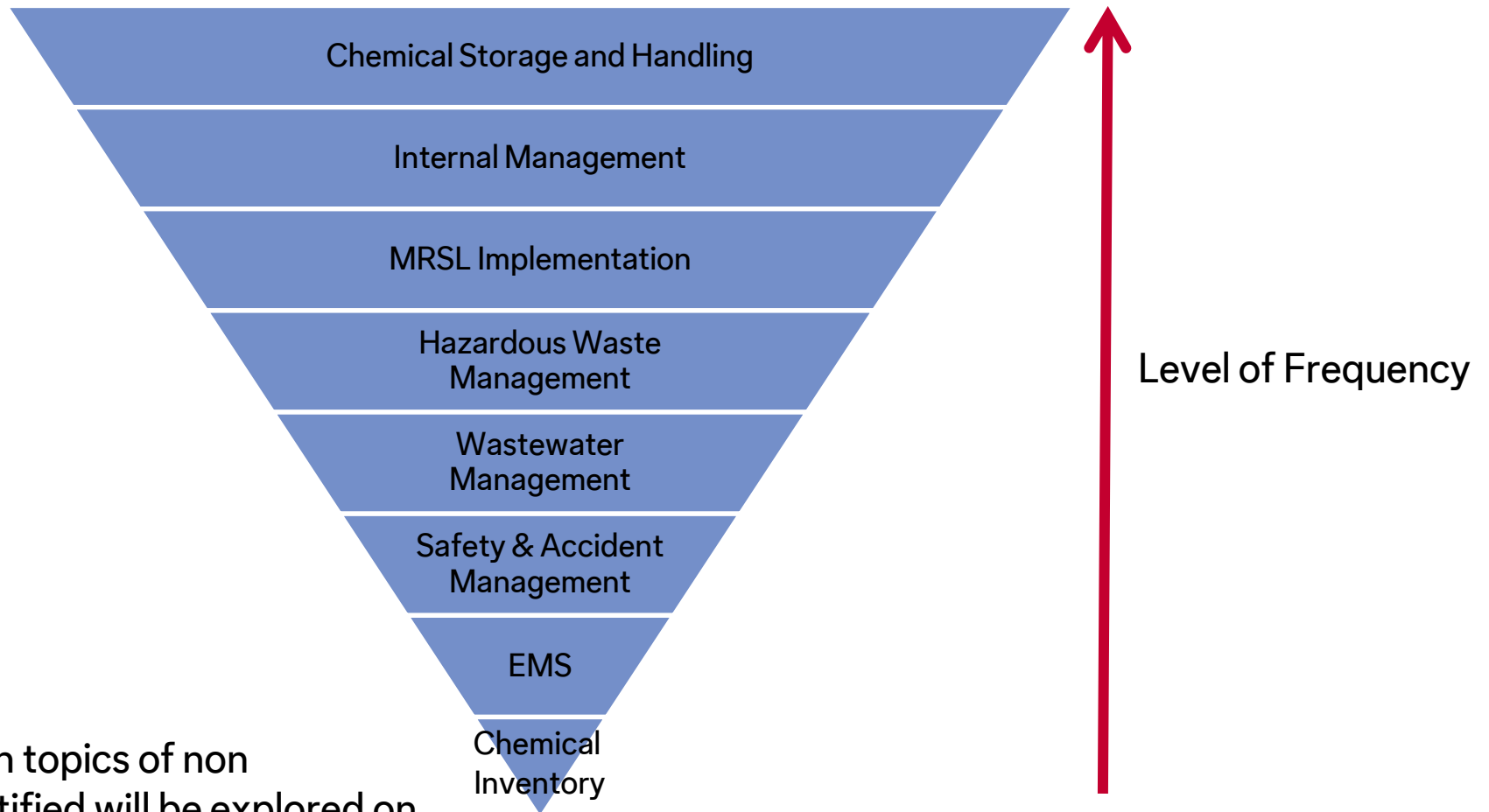
The SCM Audit covers following areas:

- Chemical Management
 - Internal Management
 - Supply Chain Management
 - MRS� Implementation
 - Storage and Handling
 - Safety and Accident Management
 - Chemical Inventory
- Wastewater Management
- Environmental Management Systems
- Energy & Greenhouse Gas Management
- Water Management
- Hazardous Waste Management
- Solid Waste Management

Audit Findings

Frequency by Topic

Below is a summary of topics ranked based on the frequency of critical and major non conformances identified.



The 5 most common topics of non conformances identified will be explored on the following pages.

Audit Findings

Chemical Storage and Handling

In this section we examine that the storage and conditions are appropriate for the chemical hazard class, that chemicals are categorized and segregated correctly and that they have the correct procedures covering handling, use, storage and disposal of chemicals according to the MSDS.

87 facilities had at least one non conformance detected across the 2 indicators in this section:

Indicator	Number of facilities not conforming
Plan and procedures of the proper handling, use, storage and disposal of chemicals and hazardous chemicals according to the MSDS / technical sheets and industry good practice had not been written and implemented at the facility	87

Audit Findings

Internal Management

This section looks at the policies for monitoring and controlling restricted substances, the process of selecting and purchasing chemicals against conformance the regulatory and customer requirements, availability of records detailing chemical usage and traceability, competent staff and that a chemical risk assessment has been undertaken for all chemicals used on-site.

80 facilities had at least one non conformance detected across the 7 indicators in this section. Top 3 indicators:

Indicator	Number of facilities not conforming
Facility does not have a system to ensure chemical formulations purchased are compliant with an ZDHC MRSL or similar standard	80
There is no policy for monitoring and controlling banned and restricted substances that is applied to all chemicals used at the facility	75
Chemical risk assessment of all the chemical used in the facility has not been undertaken and available	68

Audit Findings

MRSL Implementation

In this section we assess if the MRSL has been adopted and the awareness level around its requirements, along with, the purchasing practices of using positive formulations, monitoring and verification of MRSL conformance and whether the facility had MRSL restricted chemicals detected in its wastewater. There is also a focus on tracing these detections back to their original source.

76 facilities had at least one non conformance detected across the 2 indicators in this section.

Indicator	Number of facilities not conforming
ZDHC priority chemical substance detected in the facility's latest wastewater test report	76
Facility does not have a phase-out plan for chemicals listed in the MRSL/RSL that are used in production	74

Audit Findings

Hazardous Waste Management

In this section we assess the proper collection, tracking, storage, handling, and disposal of hazardous wastes generated at the facility. It also looks at the availability of relevant personal protective equipment (PPE) and trainings for operational staffs.

78 facilities were reported to have non conformances across the 3 indicators in this section.

Indicator	Number of facilities not conforming
Facility does not properly manage hazardous waste	78
Facility does not segregate all hazardous waste from solid waste	57
Facility does not track its hazardous waste generation at least annually	49

Audit Findings

Wastewater Management

In this section we assess if the wastewater generated at the facility is properly treated with adequate effluent treatment system (ETP), tracked and monitored in quantity and quality, and meeting the law and ZDHC foundational limits. We also look into the usage of off-site effluent treatment plant and its visibility. There is also a focus on the public disclosure of the wastewater test results, as part of C&A's commitment to the public Right to Know via IPE Detox disclosure platform.

70 facilities had at least one non conformance detected across the 9 indicators in this section. Top 3 indicators:

Indicator	Number of facilities not conforming
Quality of waste water is not tracked frequently (at least weekly analysis of COD, BOD, pH, TSS is required)	70
Facility does not have a back up process for when regular treatment process fails	56
Facility does not meet the FOUNDATIONAL limits for Conventional Parameters set out in the ZDHC Wastewater Guidelines	42

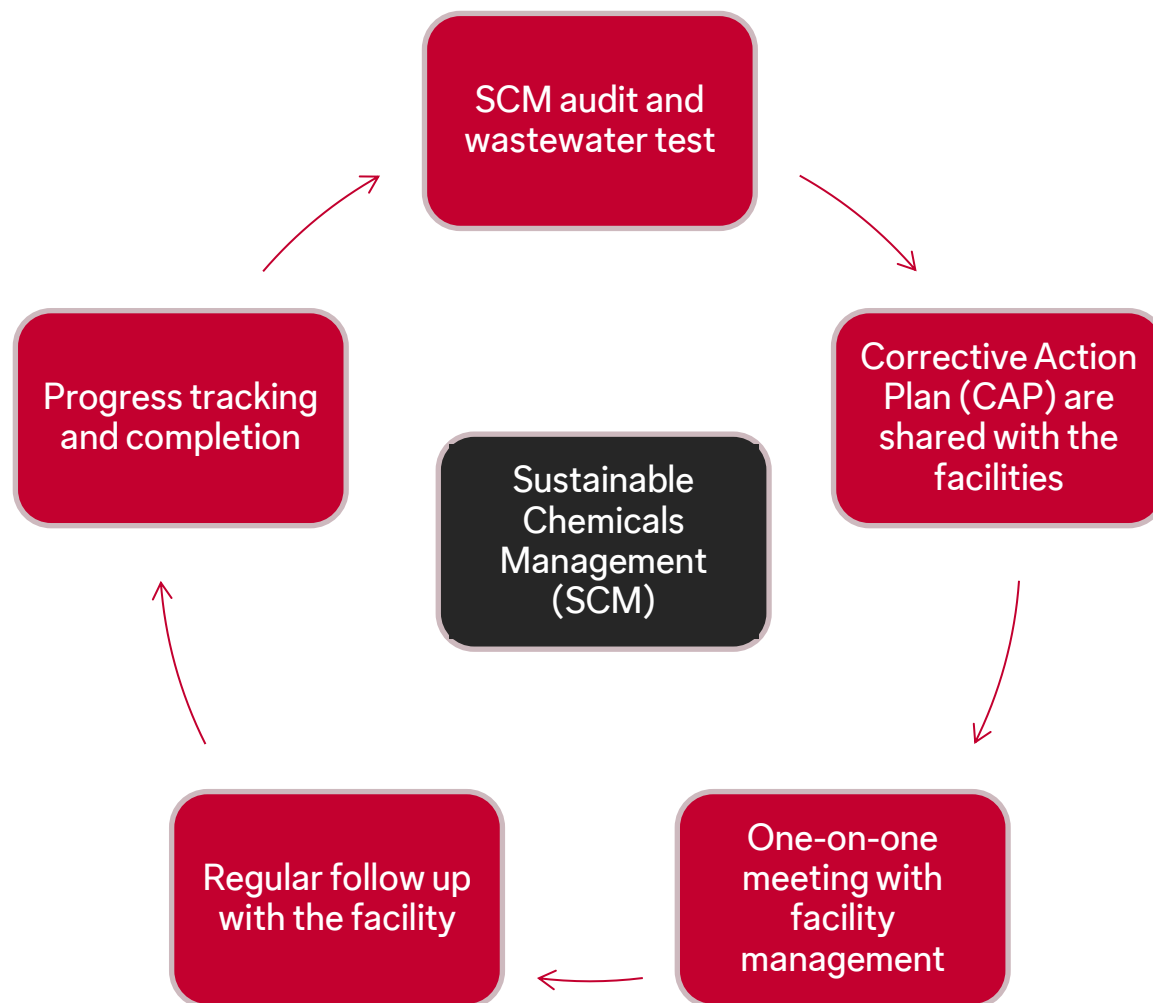
Driving Improvements

One of the key focuses in our SCM program is to work with our suppliers and production units to drive improvements on the ground.

We identify the area of improvements through the outcome of the assessment, and collaborate with each facility to find and implement solutions.

Every facility is unique in size, product type, processes, and organizational structure. Our SCM team members are strategically located in China, India, and Bangladesh, and have regional coverage of all facilities in our program.

We conduct on-site visit regularly and communicates with the facilities on daily basis to follow up their progress in implementing the improvement action plan, and to identify capacity building/training needs.



Capacity Building Initiative

C&A rolls out a comprehensive 2-days training program on chemicals and wastewater management

We work collaboratively with our suppliers to monitor the implementation progress of the improvement plans. We identified the common areas of improvement and delivered a comprehensive 2-days training program on chemical management and wastewater management, in partnership with a leading subject matter capacity building expert.

1. Priority Chemicals for Detox
2. Chemical Management System - CMS
3. Chemical Inventory Management - CIM
4. Material Safety Data Sheets - (M)SDS
5. Declarations, Certificates and Commitment letters
6. Risk assessment - Processes and Sources of Chemicals
7. Waste Water Treatment Technologies and Plants - WWTP
8. Management of Chemicals at WWTPs through CIM
9. Air Emission

