

Audit Findings Report

MAY 2016

SUSTAINABLE CHEMICALS MANAGEMENT (SCM)



Introduction

Since 1841, our family owned company has put serving our customers and local communities first. Today, this means striving to do business sustainably: everyday, everywhere, for everyone.

An important part of this commitment is to achieve a zero discharge of hazardous chemicals (ZDHC) in the supply chain by 2020. In 2015-16, C&A rolled out its Sustainable Chemicals Management (SCM) program to 52 facilities with wet processing. As part of the program, these facilities conducted a SCM audit that assess the on-site chemical management performance and performs a detailed check on the chemical inventory. Additionally, all facilities conducted wastewater testing of 163 analytes in 11 priority chemical groups for the presence of hazardous chemicals.

At C&A we are strong believers that if the industry can adopt one standard assessment tool, this will simplify the process of assessing and sharing performance results and allow for more efforts to focus on implementation. As such, for the above audits C&A piloted the Sustainable Apparel Coalition's (SAC) Higg 3.0 methodology alongside the ZDHC chemicals management audit.

This purpose of this report is to explore some of the common issues identified in the audit. The report serves to act as a progress indicator of current performance and will be further enhanced with future data in order to monitor trends and progress.

C&A releases this information as part of our commitment to the Right to Know principle.

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 components of the Zero Discharge of Hazardous Chemicals (ZDHC) audit.

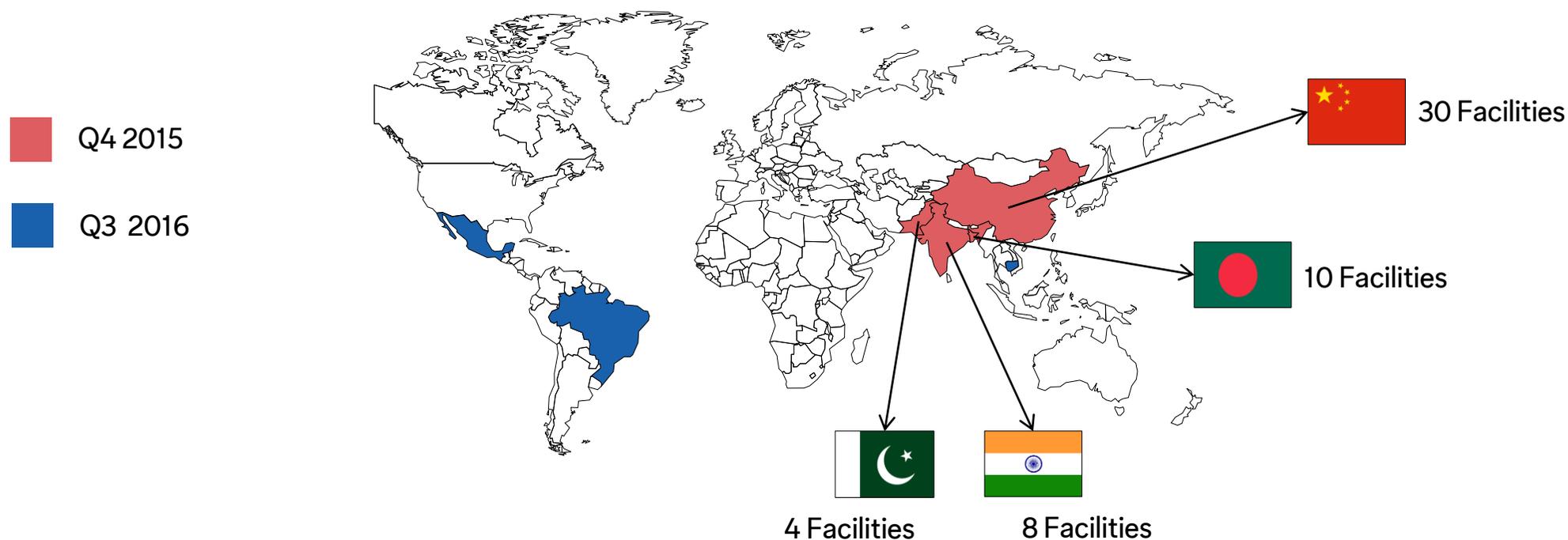
As the audit protocol is only in a pilot stage, a scoring framework has not been finalized. C&A communicate performance based on the number of non-conformances identified, alongside their severity; Critical, Major and Minor. C&A also assess whether a series of best practices in chemical management have been implemented.

The severity rating has been defined based on their conformance to our commitment of ZDHC by 2020, meaning that although non-conformances may be rated as critical, the facility has until a period of time before conformance becomes mandatory, such as complete MRSL conformance. By rating this way, it raises the awareness and need of driving immediate change across the supply chain to meet our 2020 commitment.

Methodology

Geographical Coverage

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



By July 2016, C&A will extend the SCM auditing program to over 100 wet processing facilities, including, sites in Brazil, Cambodia and Mexico. This coverage equates to 74% of our nominated fabric sourced from Asia, 35% of our fabric sourced from Mexico and 46% of our total sales in Brazil.

Methodology

Audit Scope

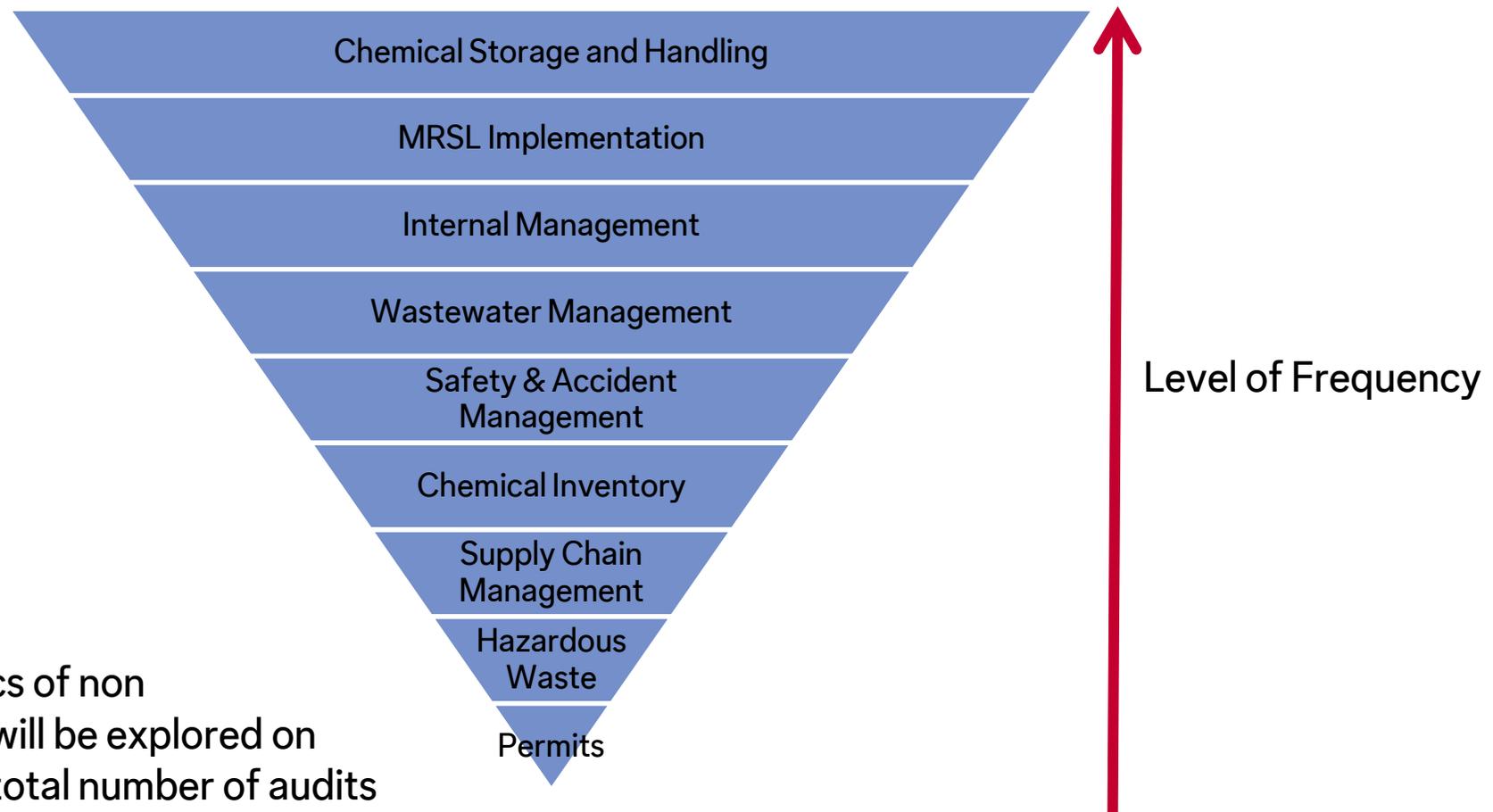
The SCM Audit was categorized into the following topics;

- Chemical Management
 - Internal Management
 - Supply Chain Management
 - MRSL Implementation
 - Storage and Handling
 - Safety and Accident Management
 - Chemical Inventory
- Wastewater Management
- Permits
- 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. The total number of audits completed is 52.

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.

Top 3 issues:

Issue	Number of facilities not conforming
Categorization of hazardous chemicals	28
Secondary containment	27
Chemical containers closed and secured	25

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.

Top 3 issues:

Issue	Number of non conformances
Detections of MRSL in the wastewater	39
Root cause analysis of detections	26
Chemicals purchased are MRSL compliant	25

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.

Top 3 issues:

Issue	Number of non conformances
Chemical risk assessment undertaken	29
Documentation for production and chemical operations	23
Policy for monitoring and controlling banned and restricted substances	19

Audit Findings

Wastewater Management

In this section we look at the tracking systems of wastewater, treatment type, internal and external analysis, the process for ETP failure, disclosure of wastewater quality along with examining the discharge points.

Top 3 issues:

Issue	Number of non conformances
Publically available waste water data	25
Back up process for ETP Failure	17
Frequency of monitoring for wastewater quality	15

Audit Findings

Safety Accident & Management

In this section of the Audit Protocol we assess the availability of personal protective equipment (PPE), safety showers/ eye wash stations and fire extinguishers that appropriate for the chemical hazards on-site. It also looks the availability of Material Safety Data Sheets (MSDS) and the chemical accident response procedure.

Top 3 issues:

Issue	Number of non conformances
Chemical spillage kits	23
Personal Protective Equipment (PPE)	22
Availability of MSDS	18

Way Forward

C&A will constantly strive to improve the on-site chemical management in partnership with our supply chain

- Facilities will continue to be audited, at least annually, against our Sustainable Chemicals Management standards
- A prioritized corrective action plan will be developed for each facility
- Progress will be closely monitored by the local SCM team with support offered where necessary
- A series of trainings will be conducted, and a capacity building program launched, to raise the level of understanding and knowledge of relevant staff members on-site
- Continue the expansion of our SCM auditing program to 100 facilities in 2016
- Conduct an annual update of this report to allow for greater transparency on progress in meeting our 2020 commitment.

