REI’s Product Sustainability Standards & Supply Chain Social Responsibility

March 20, 2018
What We'll Cover

• REI’s Product Sustainability Standards
• Key Concept: Manufacturing Code of Conduct
• Continuous Improvement of Social Responsibility in the Supply Chain
• Overview of Fair Trade USA
• OIA’s Sustainability Resources
• Q & A
REI’s Product Sustainability Standards: what are they?

Voluntary product certifications that REI encourages brands to utilize.

Expectations of all brands retailed at REI.

REI’s product sustainability values

Brand Expectations

Preferred Attributes

- Fair & Safe Supply Chains
- Chemicals Management
- Land Stewardship
- Animal Welfare
- Environmental Management
### Product Sustainability Standards: Fair & Safe Supply Chains

#### Brand Expectation

<table>
<thead>
<tr>
<th>Product Sustainability Value</th>
<th>Topic</th>
<th>Brand Expectation</th>
<th>In-Scope Product Categories</th>
<th>Effective Date</th>
<th>Transition Period for New Brand Partners</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fair and safe supply chains</td>
<td>Manufacturing code of conduct</td>
<td>REI expects each brand partner to have in place a manufacturing code of conduct that outlines the social and environmental standards to be upheld within their supply chain. Brands’ standards should be based on internationally accepted fair labor principles and practices.</td>
<td>All</td>
<td>Ongoing</td>
<td>N/A</td>
</tr>
</tbody>
</table>

#### Preferred attribute

*Fair trade certification:* Promotes safe, healthy working conditions; helps empower communities to build strong, thriving businesses; and supports better trading conditions – including higher wages – for producers and workers.
Where can brand partners go for guidance?

**Resources on REI Partners Site:**

- REI’s Product Sustainability Standards
- REI Product Sustainability Guidebook

**Have questions or need help?**

- Contact the REI team at: productsustainability@rei.com.
REI / OIA Webinar Series

- February 27th: Overview of REI's Standards
- March 6th: Chemicals Management
- March 13th: Animal Welfare
- March 20th: Supply Chain Social Responsibility

Recordings of past webinars available at:
INTRODUCTION TO MANUFACTURING CODE OF CONDUCT AND ELEVATING SOCIAL RESPONSIBILITY IN THE SUPPLY CHAIN

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Vice President of Client Services
March 2018
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Overview of Key Concept: Manufacturing Code of Conduct

• What is a code of conduct and why is it important?
• How can brands go about developing and implementing a code of conduct?
• How can brands monitor compliance with their code of conduct?

Continuous Improvement of Social Responsibility in the Supply Chain

• Beyond simply monitoring compliance with their code of conduct, how can brands partner with their suppliers to continuously improve social conditions in their supply chains?
WHAT IS A MANUFACTURING CODE OF CONDUCT AND WHY IS IT IMPORTANT?

“Principles, values, standards, or rules of behaviour that guide the decisions, procedures and systems of an organization in a way that (a) contributes to the welfare of its key stakeholders, and (b) respects the rights of all constituents affected by its operations”

- Wikipedia
## Typical Code of Conduct – Content Areas

**Typical key provisions to measure performance** - Accompanied by a set of supporting tools and guidance.

<table>
<thead>
<tr>
<th>Transparency and Business Integrity</th>
<th>Freedom of Association &amp; Grievance Mechanisms</th>
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<tbody>
<tr>
<td>Management Systems</td>
<td>Foreign Migrant Labor</td>
</tr>
<tr>
<td>Hiring, Disciplinary &amp; Termination</td>
<td>Wages &amp; Benefits</td>
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<tr>
<td>Young Workers and Child Labor</td>
<td>Hours of Work</td>
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<tr>
<td>Forced Labor</td>
<td>Health and Safety</td>
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<tr>
<td>Harassment or Abuse</td>
<td>Environment</td>
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<tr>
<td>Non-Discrimination</td>
<td>Sub-Contracting</td>
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<td></td>
<td>Homework</td>
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</table>
HOW ARE CODES OF CONDUCT TYPICALLY IMPLEMENTED?

Policies and Procedures

Typically determine how to assess by developing via benchmarking and/or implementing against an industry standard. Examples include:

- Responsible Business Association (RBA)
- Ethical Trading Initiative (ETI)
- Foreign Trade Association (FTA) Business for Social Compliance Initiative (BSCI)
- ICTI CARE Foundation
- Sedex SMETA 6.0 framework
- Worldwide Responsible Accredited Production (WRAP)
- ELEVATE Responsible Sourcing Assessment (ERSA)
HOW ARE CODES OF CONDUCT TYPICALLY IMPLEMENTED?

Additional typical Policies and Procedures

- Factory Profile
- Supplemental Data Sheet
- Audit Report
- Photo Form(s)
- Corrective Action Plan
- Checklist
- Grading / Red-Flags

- Training
- Field Instructions
- Report Writing Guide
- Transparency Protocol
- Working Hours / Pay Sheets
- Worker Interview Guides
- Notes Documents etc. ...
HOW CAN BRANDS MONITOR COMPLIANCE WITH THEIR COC?

Typical Types of Questions answered in Program Processes & Policies

1. Do all factories (or farms, sites) in your supply chain get audited? How often? Is there a follow up audit?
2. What are the consequences for the various findings?
3. What happens directly after the audit?
4. How will you measure factory improvement? How will you incentivize (or penalize) improvement or lack thereof?
5. Will you have ongoing supplier/factory engagement and/or training?
6. What monitoring tools are there beyond assessment?
7. What improvement tools, if any, will be available to facilitate improvement and impact?
HOW CAN BRANDS MONITOR COMPLIANCE WITH THEIR COC?

OPTION 1 (RECOMMENDED): FIRST CONSIDER YOUR SUPPLIERS AND RISK MAPPING

It is important for the CSR organizations to have a more comprehensive view of the supplier and factory leverage, relationship and performance.

The first step is to create a holistic profile of the factory base by joining the data and files, such as:

- Profile information (geography, sector, product, factory size, active/not)
- Audit violations – past 2 years
- Purchase order history – past 2-3 years
- Account payable – past 2-3 years
- Relationship history – past 2-3 years
- Business data (turnover, rework, fill rate, on-time, ASN accuracy, etc.)
- Supply chain and/or social scorecard data
CONTINUOUS IMPROVEMENT OF SOCIAL RESPONSIBILITY IN YOUR SUPPLY CHAIN

Typical Cycle

- Face to face training (management, workers, supervisors)
- eLearning
- Business capacity analysis and improvement plan
- Social & Environment assessments
- Foreign migrant assessments
- Self assessments
- Specialty assessments
- Code of conduct
- Implementation policies
- Worker surveys
- Worker engagement and grievance platforms
- Predictive analysis
- Policy
- Assessment
- Tracking & reporting
- Root cause analysis & Improvement management
MOVING BEYOND AUDIT: EXAMPLE TOOLS AND SERVICES

Assessment & Verification
Worker Survey & CAP Management

Awareness & Insight

Monthly Reporting

eLearning

Capability Building (Train)

Performance & Continuous Improvement (Plan & Consult)

Trainings
Factory Programs
Individual factory consultancy
MOVING “BEYOND AUDIT”: WORKER ENGAGEMENT

1 Challenge

Existing audit approach is limited in terms of:

- Getting candid, reliable and meaningful workers’ feedback on compliance performance or beyond;
- Providing continuous visibility into factory’s performance instead of a “snapshot” of what is happening at a defined period of time;
- Offering insights and solutions that aim at addressing compliance issues at the root cause level.

2 ELEVATE Vision and Goals

ELEVATE Worker Engagement Services aim to:

- **Worker**
  - An anonymous and safe channel to voice their opinions and concerns
- **Factory**
  - Meaningful bottom-up insight on workers’ perceptions
  - Identify gaps in current management practice
  - Clear recommendations to drive for sustainable improvement
- **Client**
  - Offer relative understanding and severity to common compliance issues through more reliable worker feedback
  - Continuous visibility into their factories over an extended time period, providing multiple monitoring & beyond monitoring opportunities
  - Better measure the impact of compliance efforts, and increase their stickiness and influence, wherein factories are more encouraged to see the linkages between compliance and worker satisfaction
**MOVING “BEYOND AUDIT”: INTEGRATED ASSESSMENT + WORKER SURVEY**

### Survey Questions
**Beyond Compliance**

Worker Satisfaction Survey includes 15 questions on:

- Grievance Mechanism
- Wages
- Working hours
- Relationship with Direct Supervisor
- Job Satisfaction
- Demographics

### Reporting
**Enhanced Analytics**

- Supplement audit findings
- Highlight risks and high priority issues
- Identify potential groups at risk
- Provide recommendations on improvement directions

### Benefits
**Drive Business Improvements**

- Increase retention, productivity & quality
- Scale worker engagement across the value chain
- Deeper investigation of root causes
- Specific compliance improvements
- Best for your TRANSACTIONAL & CORE factories, which represent the majority of your suppliers

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eLearning

ELEVATE eLearning provides a scalable, standardized and cost-effective approach for delivering introductory social and environmental performance training to factories, suppliers and brands. Our animated courses incorporate local language voiceovers, interactive elements and graded quizzes. Each course is comprised of multiple lessons, and our programs are administrated through our online learning management system (LMS).

To date, over 100,000 lessons have been completed on our LMS.

All aspects of the production process from script writing, storyboarding, animation, translation, and voice over are all handled in-house in ELEVATE’s Shanghai office.
MOVING BEYOND AUDIT: IN-FACTORY SERVICES

Our In-factory Services involve extensive onsite and desktop support to assist factories in developing and implementing plans for addressing their most challenging business and social issues.

We utilize a segmented approach and design programs around factory maturity levels and intensity of work.

Phase 1 - Assess & Plan
• Factory Self-assessment
• Business & Social Performance Review
• Baseline Survey
• Improvement plan

Month 1

Phase 2 - Implement
• Onsite training & consulting
• Data collection & eLearning

6-12 Months

Phase 3 - Review
• Impact survey
• Project review meeting
• Close-out report

Final Month
IF THERE ARE 3 THINGS THAT I CAN DO TO TAKE THE NEXT STEP ON SOCIAL RESPONSIBILITY, WHAT ARE THOSE THINGS?

1. Map your suppliers/factories to understand who you are sourcing from.
   - Best Practice: Segment supply chain based on risk and impact factors such as spend, location, history of relationship, size, etc.

2. Develop and/or communicate your expectations regarding your manufacturing code of conduct.

3. Develop policies and processes to implement, inclusive of assessment and beyond assessment.
   - Who do you audit and how often? What are the triggers?
   - How will you report out on risk mitigation and impact?
   - What incentives are there for higher performance? Penalties?
   - How will you drive impact and what tools will you use for that?

4. Implement!
Global professional services firm focused on business driven sustainability

- In 2013, Level Works and INFACT merged to form ELEVATE
- In 2016, investment from EQT Mid Market to drive growth in integrated supply chain services
- In 2017, ELEVATE acquired CSR Asia to broaden sustainability services beyond supply chains...
- 4th largest global social compliance auditing organisation

Work oriented around four thematic pillars that drive IMPACT in key markets

- Assessment
  - 12,000+ assessments annually across 85 countries
  - 500+ workplace improvement engagements annually
- Improvement
  - 35,000+ attendees of ELEVATE training sessions
  - 75,000+ workers surveyed
  - 100,000+ eLearning lesson completions
- Consulting
  - 150+ consulting projects annually
- Development
  - 3,000,000+ workers positively impacted annually

Client Management Offices:
San Francisco, New York, London and Hong Kong

Client Delivery Offices:
Bangladesh (2), China (3), Vietnam (1), Mexico (1), India (2), Turkey (1), Pakistan (1), Brazil (1)

China Offices
Shenzhen, Shanghai, Hangzhou

350+ staff globally
>95% of auditors have over 2 years experience
ELEVATE PARTNERSHIP ADDS VALUE

Thought Leadership
ELEVATE is known industry wide for thinking ahead and innovating in ways that are true to our motto “Business Driven Sustainability”

100% Focus on Responsible Sourcing
ELEVATE, as a company, is 100% focused on sustainability and supply chain labor, environment and security practices. We do not offer quality assurance services or testing. We do offer improvement services including in-factory consulting, training, eLearning etc.

Strong Reputation
ELEVATE has a strong reputation amongst global retailers and brands for innovation, integrity, flexibility, service and quality execution (see slide 11)

Custom Client Programs
ELEVATE was built on the delivery of client-specific / customized programs and is well placed to meet client’s unique needs

Integrity and Quality is at our Core
Our rigorous quality assurance standards and auditor training protocols ensure our team are best in the industry, and posing no risks on your behalf

Leading Client Service Metrics
Our client service is consistently ranked the best in the industry: 71% of our clients said they liked our service better than other service providers (with an additional 26% saying we were on par). Over 90% would recommend our services to a colleague or company

Unique Analytics and Trending
Our structured SQL database and Tableau platform support live analytics on program effectiveness and benchmarking

Flexibility and Nimbleness
ELEVATE is vertically integrated, allowing us to quickly calibrate our teams to evolving client expectations and trends
What is Fair Trade?

Fair Trade Certified™ products were grown or made according to rigorous social and environmental standards, and the people who produced them earned more money with every sale.

**Safe Working Conditions**
Guarantee of safe factory working conditions

**Protection for the Planet**
Focus on environmental stewardship

**Advancement of People**
Direct mechanism to improve worker livelihoods

**Consumer Activation**
Celebrate responsible sourcing practices with your consumers
How Fair Trade Factory Certification Works:

Worker Health & Safety
Fair Trade Certified Factories are audited against the Fair Trade Factory Standard, which assures safe working conditions, proper pay and benefits, etc.

The Fair Trade Premium
In addition to the cost of goods, brands pay a Premium for each Fair Trade Certified product. These funds, called the Fair Trade Premium, accumulate and are placed into a worker-managed bank account.

Worker Empowerment
Workers democratically elect a group of their peers to work with the worker community to use the Premium money to fund projects that address local needs. The workforce community then votes on their favorite projects.

Consumer Activation
Fair Trade engages consumers and raises awareness about the need for ethically traded products; the Fair Trade Consumer-Facing Label enables consumers to easily identify and purchase quality products that align with their values.

To see Fair Trade in action, watch this [film](#) on the difference of Fair Trade Certified™
Fair Trade USA Factory Standard

<table>
<thead>
<tr>
<th>Fair Trade USA Social Compliance Requirements</th>
<th>The Fair Trade Certified Difference: Beyond Compliance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Covers all standard code of conduct requirements, and is based on SA8000</td>
<td>Economic Development</td>
</tr>
<tr>
<td>Prohibited Forced Labor</td>
<td>Fair Trade premium: 1-10% FOB</td>
</tr>
<tr>
<td>Prohibited Child Labor</td>
<td>Worker Engagement</td>
</tr>
<tr>
<td>Freedom from Discrimination and Abuse</td>
<td>Worker trainings, grievance procedures, and Fair Trade Committee</td>
</tr>
<tr>
<td>Freedom of Association</td>
<td>Women’s Rights</td>
</tr>
<tr>
<td>Legally Required Wages and Benefits</td>
<td>Equal pay and rights for women</td>
</tr>
<tr>
<td>Health and Safety Protections</td>
<td>Environmental Management</td>
</tr>
<tr>
<td>Standard Work Hours and Mandatory Breaks</td>
<td>Reducing water, waste and energy use</td>
</tr>
</tbody>
</table>

Fair Trade USA ensures safe working conditions through the Fair Trade Factory Standard. In addition, the objective of the Fair Trade standard is to increase empowerment, economic development, social responsibility, and environmental management.

Factories are audited against the Fair Trade Standard annually.

To view the Fair Trade Factory Compliance Criteria, click [here](#).
Fair Trade Premium to Workers:

Fair Trade ensures an additional financial Premium to workers on every certified item. The Fair Trade Premium is a mechanism to directly improve worker livelihood and enable a journey to living wage.

Examples of Fair Trade Premium Projects:

- Health and sanitation projects
- Childcare facility
- Bicycles for workers
- Cultural celebrations
- Medical programs or health insurance policies
- Savings accounts & investment schemes
- Coupons for basic household Items
- Hot plate and cookware sets
- Etc.

The Fair Trade Committee

Workers at Fair Trade Certified factories democratically elect peer representatives to the Fair Trade Committee.

This Committee meets throughout the year with factory management to discuss issues at the factory. They also conduct worker surveys to identify community needs and propose Premium project ideas.

The Fair Trade Committee is responsible for effective management of the Fair Trade Premium fund.
A major component of Fair Trade USA’s theory of change is to engage consumers to purchase sustainably sourced products. We do this by celebrating brands committed to Fair Trade Certified™ and supporting our brand partners tell their Fair Trade story.

*Watch Patagonia’s short film about their commitment to Fair Trade*

*Watch west elm’s film about Fair Trade and why it matters*

*Watch this film on the difference of Fair Trade Certified*
Opportunities for Partnership

Nominate a supplier for Fair Trade Certification

Start sourcing Fair Trade products from Certified Supplier
To learn more about Fair Trade USA’s certification options:
www.fairtradecertified.org/business

For more information on the Fair Trade Factory Program:
www.fairtradecertified.org/business/apparel-home-goods

To learn how to become a Fair Trade Partner, please contact:

Amy Blyth – Senior Manager, Program Development & Partnerships
ablyth@fairtradeusa.org

Allie Fite - Partnerships Specialist
afite@fairtradeusa.org

Certified
Every Purchase Matters.
Outdoor Industry Association (OIA)

www.outdoorindustry.org

- Member-driven trade organization
- Industry-wide collaboration to achieve change
- Three pillar focus:
  - Advocacy
  - Participation
  - Sustainability
We support companies:

- From corporate practices to supply chain management
- Tools to assess, act & drive change on priority topics
- Latest industry news via Sustainability Snapshot
- Collaboration amongst companies via Sustainability Working Group (SWG)
Priority Issues:

- Microfibers
- Chemicals Management
- Animal Welfare
- Higg Index
- Circular Economy
- Preferred Materials
- Social Responsibility
Resources Include:

- Social Responsibility Guide (Compliance, Performance Improvement, Leading Practices & more.)
- Sample Code of Conduct
- Industry Working Group
- Videos & Blogs
Questions? Reach out

www.outdoorindustry.org/sustainability

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Questions?

Brand partners can always submit questions and feedback to REI’s product sustainability team at ProductSustainability@rei.com.