CSR ASIA

3p

Fashion and Lifestyle Global CSR Survey 2007

1. Introduction

Corporate Social Responsibility (CSR) is widely discussed in the fashion and lifestyle industry, but there is no accurate measure by which companies can benchmark their views and performance against other companies.

CSR Asia and 3P have therefore conducted the first Global Survey of CSR activities. The survey was sent to over 1,500 fashion and lifestyle companies from 10 countries. Although each company was approached individually, the survey had less than an 8% response rate.

The aim of the survey was to provide companies with a global snapshot of CSR in 2007, and benchmark individual companies if they desire against industry-wide perceptions and performance. All of the information collected in this survey from participating companies has been kept strictly confidential, and no company will be named in this public report.

2. Methodology and Survey Breakdown

This survey was accessible to companies for completion between the 1st of June and the 1st of October, and should have taken no more than 20 minutes to complete. The survey was broken down into seven sections.

	Fashion and Lifestyle Survey
1	Your company
2	CSR policy
3	Supply chain
4	Implementation
5	Transparency and communication
6	Future activities
7	Questions about your company

Table1: Fashion and Lifestyle Survey: 7 Sections

Section 1 of the survey asked participating companies specific questions related to consumer concerns surrounding social and ecological issues, CSR business strategies, and risk assessment. Section 2 of the survey focused on CSR policy. Companies were asked whether or not they had written CSR policies, what requirements were included in such policies, and whether or not policy information was made publicly available. Section 3 of the survey focused on the supply chain. In this section, participating companies were asked questions surrounding environmental, social, or ecological standards and requirements they have for their suppliers, and how these policies are being communicated. Section 4 of the survey focused on implementation. Companies were asked how they ensure supplier compliance, and what measures are taken if compliance standards are not being met. Section 5 of the survey asked participating companies questions surrounding transparency and communication. The questions in this section looked at whether or not companies are publicly reporting on social and environmental compliance issues as well as their code of conduct, and where this information is made available. Section 5 also looked at whether companies were producing ecologically optimized products, and whether or not ecological or organic information was provided on labels. Companies were also asked whether or not they had a system in place to identify restricted substances used in their products. In section 6 of the survey, participating companies were asked if they had plans for future activities in CSR, whether or not they believe that they are doing enough for CSR, and how they will be increasing their commitment to CSR in the next 1-3 years. In the final section of the survey companies were asked to provide detailed information such as the company name, number of employees, and the regions from which they source their products.

Each of these seven sections asked specific questions that highlight company involvement with CSR in different ways. This was not an exercise in rating or ranking companies. The data collected will allow companies to compare their CSR views and performance with others in the fashion and lifestyle industry.

3. Findings

3.1 Your company

In section 1, the survey shows that while the majority of companies said their customers are concerned with social conditions in factories, they are believed to be more concerned with ecological issues related to the products they are purchasing. Fig. 1 shows that the majority of companies believe 20-39% of their customers are concerned with social conditions and 40-59% with ecological issues pertaining to the products being purchased.

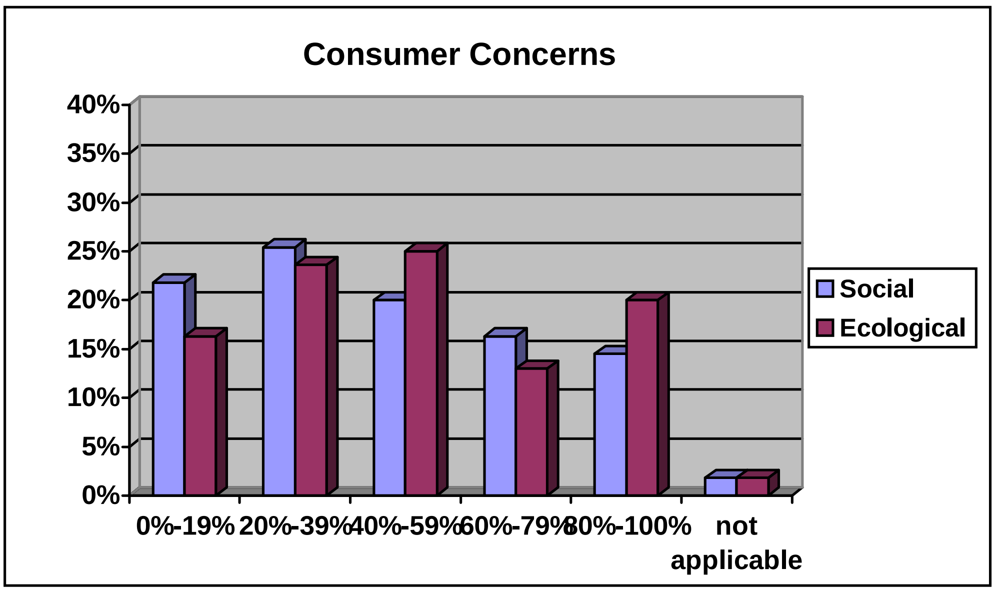

Fig. 1 Consumer Concerns: Social vs. Ecological

The survey shows that 80% of companies were approached in the last 12 months with requests for information on the environmental and/or social performance of factory production. Fig. 2 shows that while such requests for information came from various sectors, the highest number of requests came from the consumer.

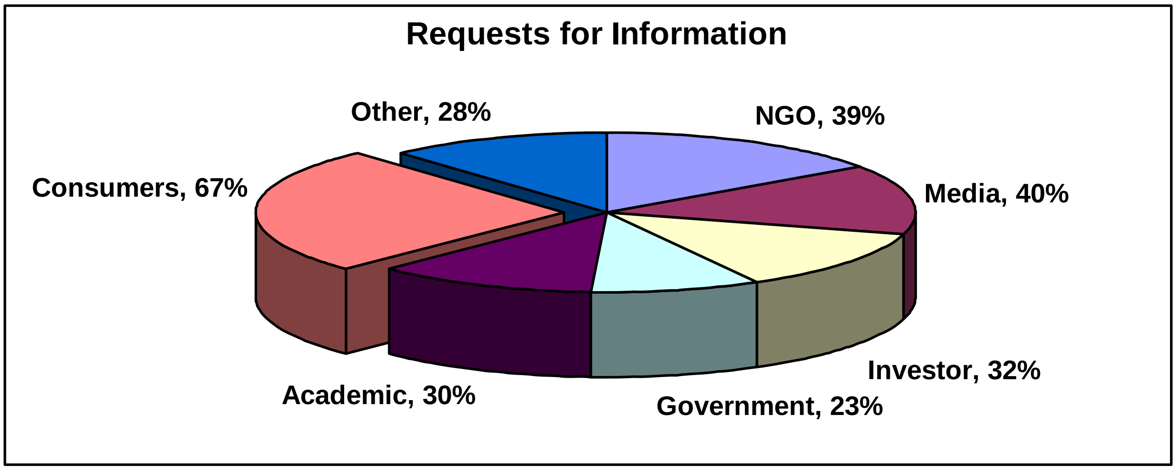

Fig 2 Requests for Information: Environmental and/or Social Performance

While customers may be taking the initiative to inquire about the environmental and/or social performance of the factories from which products are being sourced, the survey shows that the majority of participating companies believe only 19% of their consumers will make purchasing decisions based on such environmental and/or social factors.

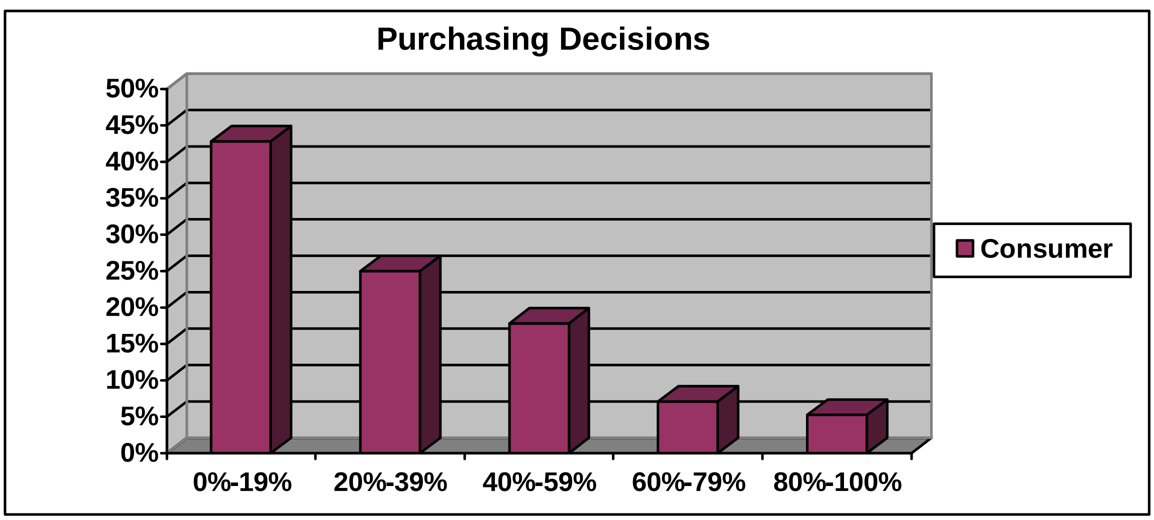

Fig. 3 Consumer Concerns: Purchasing Decisions Based on Environmental and/or Social Factors

Companies were asked whether or not they had ever been named publicly for their factory conditions. Companies who answered yes were asked to rank the importance they assign such coverage on a scale from 1 to 5 (1 as beneficial and 5 as damaging). The majority of companies ranked the importance of being named for their factory conditions at a level 3. This result could be attributed to both positive (in having good factory conditions) and negative (in having bad factory conditions) attention that can develop from such public coverage. Only 7% of companies ranked the importance of this coverage at a level 5. Fig. 4 outlines how public coverage of factory conditions was ranked from those companies who answered yes.

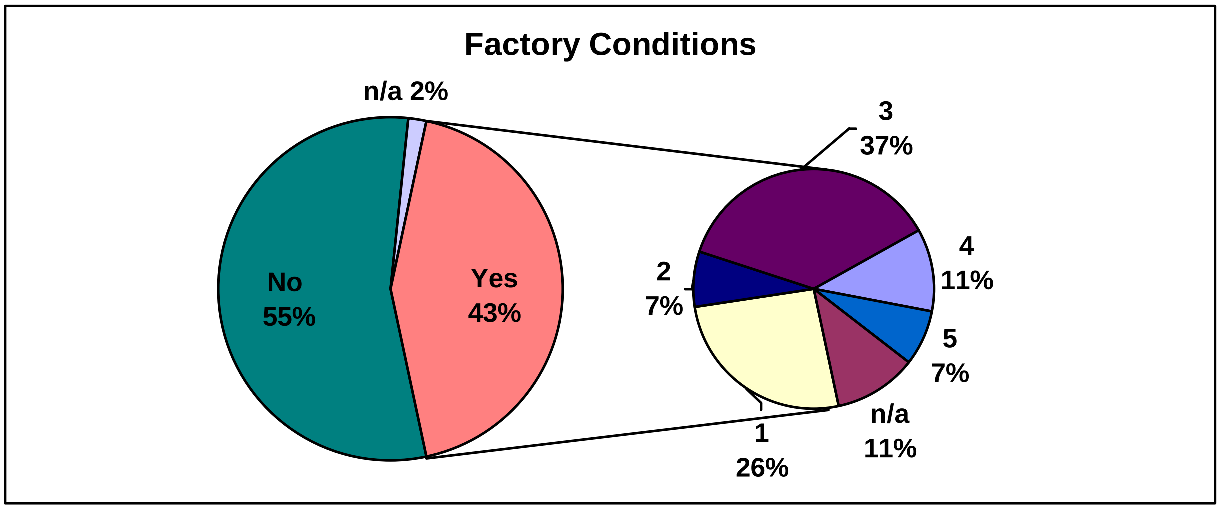

Fig. 4 Ranking the Importance of Public Coverage: Factory Conditions

The majority of companies stated that they assign responsibility for CSR to a senior board member, director or manager. Of those companies, 60% have designated a special CSR manager. Fig. 5 shows which departments the CSR managers are located. These figures also illustrate that over 50% of companies who have assigned a CSR manager have an established CSR department.

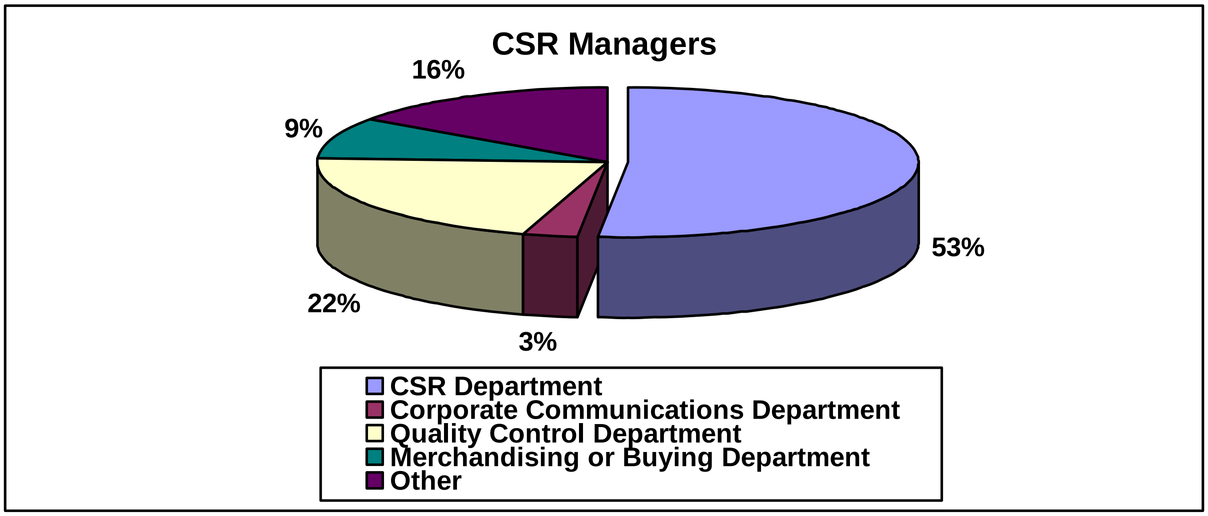

Fig. 5 shows various company departments listed as having a CSR managers.

Companies were asked whether or not they view CSR to be a central component in their business strategy. Those that do, were further asked to rate the importance of CSR on a scale from 1-5 (1 as somewhat important and 5 as crucial). Fig. 6 outlines how the importance of CSR was ranked by those companies who view CSR as central in their business strategy.

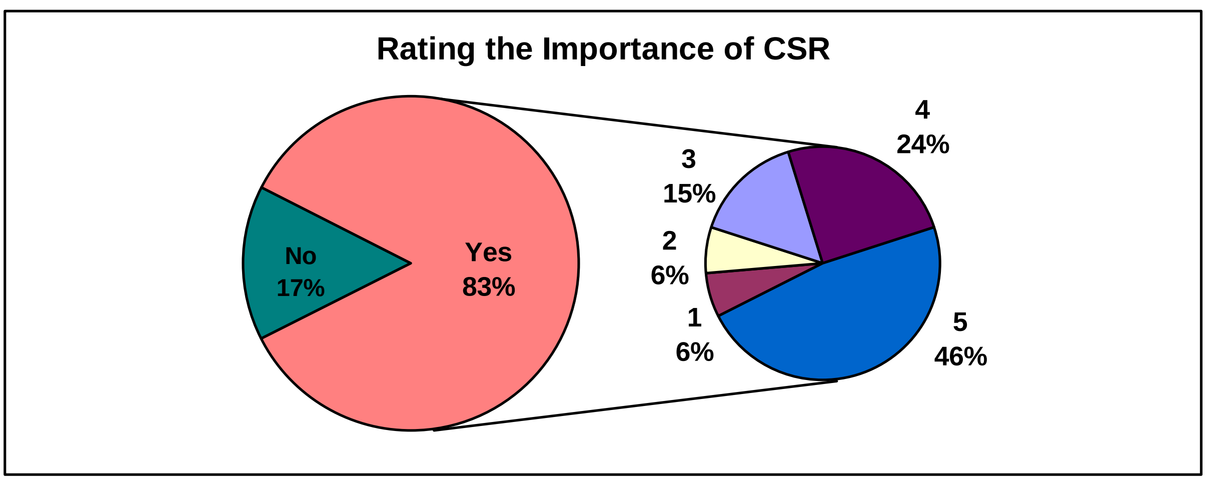

Fig. 6 Business Strategies: Rating the Importance of CSR

Companies were asked whether or not they had allocated a budget specifically for CSR. Although the majority of companies claimed they had not, 42% stated they had. Of those that have, the majority claim to spend more than 250,000 Euro each year on CSR.

In section 1 of the survey, companies were asked on a scale of 1 to 5 to rate the risk of being publicly exposed as having an association with certain factors (1 as having no risk and 5 as having high risk). Table 2 outlines a list of the factors and their abbreviations. Fig. 7 shows how the factors were ranked by participating companies.

Factor	**Abbreviation**
A factory which has been exposed publicly as being a sweatshop	Sweatshop
Political instability in a country being sourced	Political
Corruption in business dealings with suppliers	Corruption
Factors contributing to climate change	Climate Change
Environmental damage resulting from the production of products	Environment
Hazardous substance/s in product	Hazardous

Table 2: The six factors with abbreviations used for Fig. 7

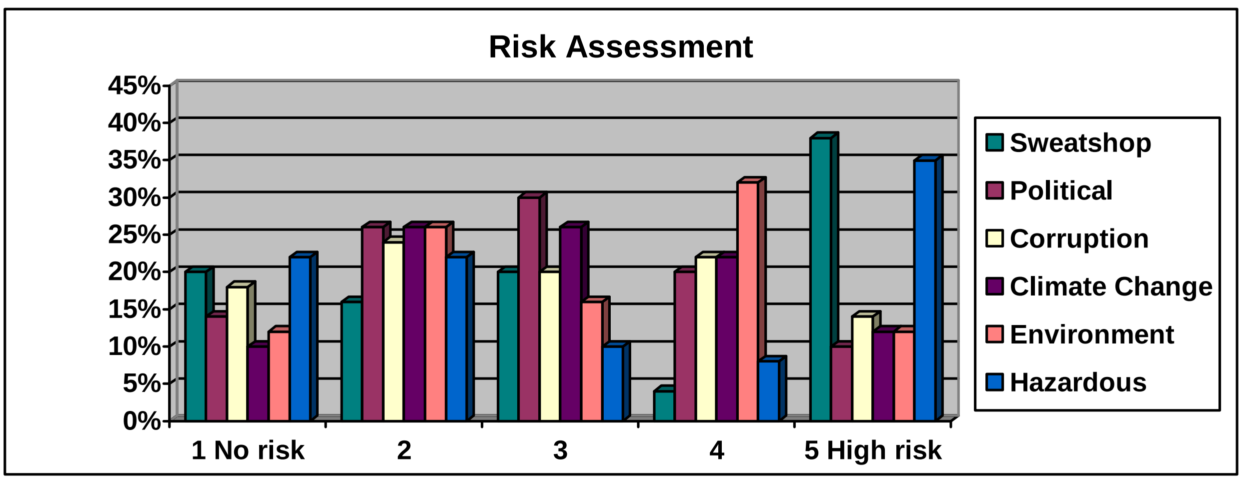

Fig. 7 Six factors: Risk Assessment

Although consumers are believed to be more concerned with ecological issues related to the products they are purchasing than with social conditions in factories (see Fig. 1), companies have ranked public exposure of a sweatshop to be more damaging than hazardous materials found in products. While the majority of companies believe that less than 19% of their consumers would make purchasing decisions based on these factors (see Fig. 3), having factories they source from being exposed publicly as sweatshops was still considered to have the greatest risk. Some clarification as to what constitutes 'risk' may be needed.

When asked if their organization sponsors or runs any special social or environmental projects, over 40% of companies described special events they have been participating in.

3.2 CSR Policy

The majority of companies stated they have a written policy concerning CSR; however 35% said they did not. Table 3 shows a list of items that may be included in CSR policies, and highlights the percentage of companies who claimed to have incorporated these items into their CSR policy.

CSR Policy	
Social requirements within your company	60%
Environmental requirements within your company	60%
Social requirements for suppliers	**82%**
Environmental requirements for your suppliers	75%
Ecological product requirements	45%
Governance issues	50%
Transparency issues	62%
Other: policies to insure welfare of producers/requirements for charities seeking funding or sponsorship/code of business ethics, policies on food nutrition	8%

Table 3: List of items said to be included in different companies CSR policies.

Although the majority of participating companies stated they had a written policy pertaining to CSR, and that such policies included the issues outlined in Table 3 (with an overwhelming presence of social requirements for suppliers), the majority of companies stated that these policies are not made publicly available. This pertains to issues surrounding transparency and communication. We will see more on this in section 5 of the survey.

3.3 Supply Chain

The majority of companies stated that they expect their suppliers to comply with environmental or social standards. Only 10% stated that they do not. Companies who do were asked how they ensure such compliance. Table 4 lists possible environmental and social standards used to ensure compliance within the supply chain. The table also shows the percentage of companies using these standards. The majority of companies listed local laws applicable in the country of production to be their standard. This standard will vary, as the local laws applying to supply chains differ from country to country.

Environmental and Social Compliance Standards	
Company code of conduct	56%
Industry code of conduct (SA 8000, WRAP, CSM2010,CSC9000T)	36%
Multi-Stakeholder Initiative code of conduct (BSCI, FLA, ETI)	38%
The local laws applicable in the country of production	**58%**
Other: IFAT, Fairtrade Foundation, ISO 14001 & ISO 9001, Code of Vendor Conduct (COVC), Client specific requirements, Oeko-tex 100, Global Social Compliance Standard	18%

Table 4: Supply Chain Compliance: Environmental and Social Compliance Standards

Companies were also asked how such environmental and social standards are being communicated to their supply chain. Table 5 shows how such communication can be implemented, and the percentage of companies using these methods.

Communication of Environmental and Social Standards	
Written into the purchase order/contract	**61%**
Verbally	52%
In written form separate to contract	50%
Seminars or training sessions for suppliers	45%
Other: Factory evaluations, shared understanding, separate document (part of contract)	7%

Table 5: Supply Chain Compliance: Communication of Environmental and Social Standard

Close to 60% of the companies stated to have ecological requirements for their products, while almost 40% admitted they do not. As far as ecological requirements for the production line, while the majority of companies stated they do have requirements in place, 23% of participating companies admit they do not. Table 6 lists different expectations for ecological requirements and, of those that do, the percentage of companies using them. The majority of companies listed the legal product requirements for the country of product destination as the ecological requirement for their production process. This standard will vary as different countries may have different legal product requirements.

Expectations for Ecological Requirements Expected	
Legal product requirements (from country of product destination, e.g., EU, US)	**74%**
Legal requirements (in country of product production	60%
Eco-schemes (e.g., Oeko-tex 100)	40%
Your own additional ecological requirements	48%
Environmental Management System (e.g., ISO 14000)	26%
Other: Fairtrade certified organic, BSR water quality guidelines, Ecocert, IMO, Skal Intl	8%

Table 6: Production Process: Expectations for Ecological Requirements

3.4 Implementation

In the implementation process, 86% of companies have taken steps to ensure that their suppliers comply with social and environmental standards. However, 12% of companies admit that they do not ensure compliance with their suppliers. Table 7 lists the measures taken by those companies to ensure supplier compliance. While the majority of companies stated that they use internal auditing procedures conducted by their own staff, 63% stated that they use third party audits by external service providers. Companies were able to choose more than one option for this question, thus many companies stated that both internal and external auditing procedures are being used to ensure compliance with social and environmental standards.

Procedures in Place to Ensure Compliance	
Internal auditing conducted by company staff	**72%**
Third party audit by external service provider	63%
Auditing by Multi-Stakeholder Initiative parties (such as NGOs)	28%
Product Testing (laboratory tests)	58%
Other: Fairtrade certified organic products	5%

Table 7: Social and Environmental Standards: Procedures in Place to Ensure Compliance

When asked what measures are taken by companies in the case of non-compliance with company standards, the majority stated that they provide support and guidelines for corrective actions. Table 8 shows possible actions taken by companies in the case of a non-compliance issue.

Taking Action	
Terminate the business relationship	17%
Give deadlines for corrective actions	62%
Provide support and guidelines for corrective actions	**75%**
Terminate the business relationship if corrective action not taken	52%
***Other**: provide training, capacity building, customized approach	14%

Table 8: Non-Compliance Issues: Taking Action

***** Some companies specified that the measures they take in the case of non-compliance situations would depend on the severity of the violation. One company stated that a severance of business relation was a last resort. Another company commented that all steps would be taken to ensure factory workers were not negatively impacted in the decision process when determining how to handle a non-compliance issue.

Companies were asked which percentage of their supply chain was being covered by their compliance system. Fig. 8 shows the percentage of suppliers covered. The majority of companies stated that their compliance system covers 80-100% of their supply chain.

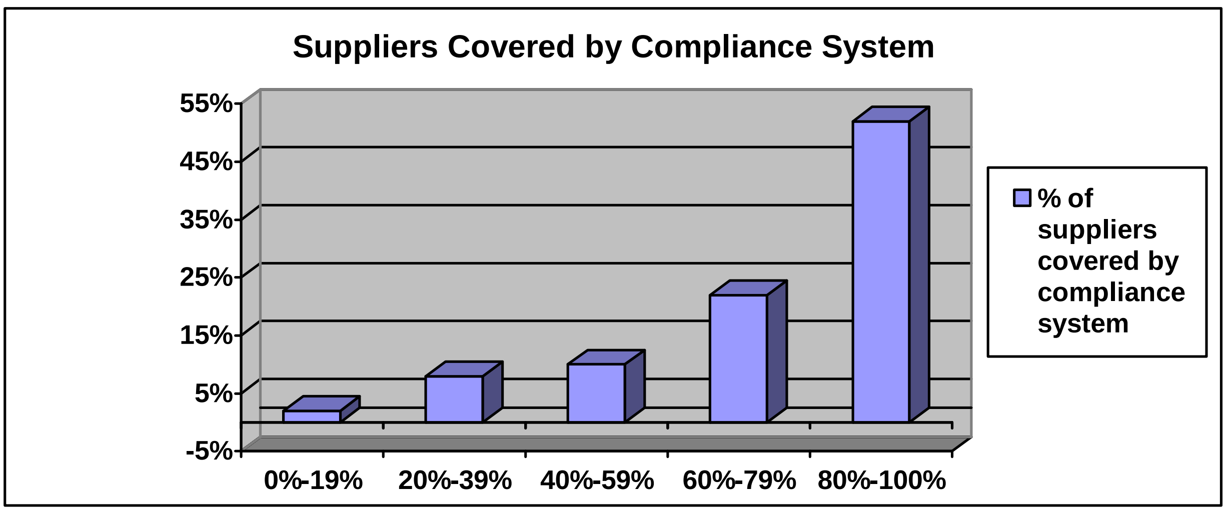

Fig. 8 Percentage of Suppliers Covered: Compliance System

3.5 Transparency and Communication

In the transparency and communication section of the survey, the majority of companies stated that their code of conduct is publicly made available. However, when asked if they publicly report on social and/or environmental compliance issues, the majority (64%) of companies admit they do not. Fig. 9 shows this breakdown, highlighting that codes of conduct may be made publicly available, but social and environmental compliance issues surrounding such codes are often not.

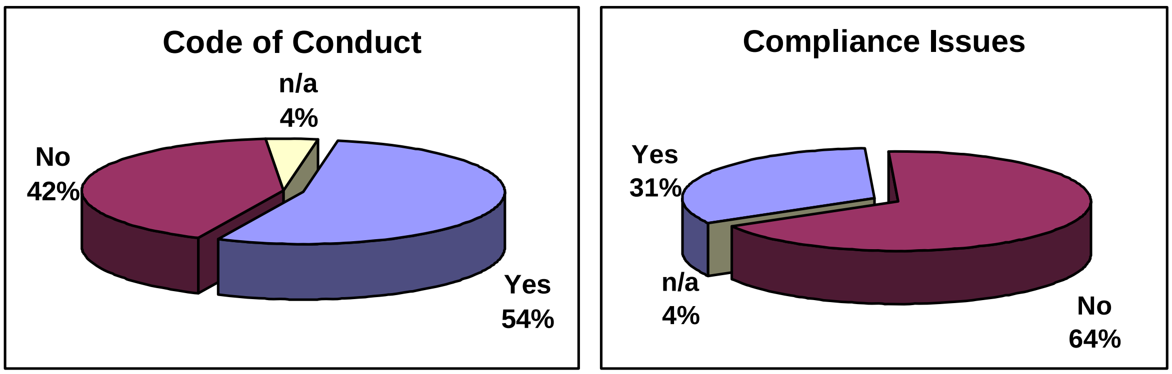

Fig. 9 Social and Environmental Compliance Issues: Public Reporting

Of those companies who have made their code of conduct and/or compliance issues available to the public, Tables 9 and 10 show where such publications can be found. The majority of companies, who have made their reports public, have done so on their websites.

Compliance Issues: Where?	
CSR or sustainability report	47%
Website	**70%**
Annual financial report	24%
Elsewhere: Press, IFAT, FLA public report, Environmental report, Investors report	35%

Table 9: Social and Environmental Compliance: Where Public Reports are Available

Code of Conduct: Where?	
Website	**73%**
Code is publicly available elsewhere	8%
Only available to suppliers	23%
Other: Company intranet, sustainability report, CSR report	19%

Table 10: Code of Conduct: Where Public Reports are Available

While the majority of participating companies (58%) stated they have ecologically optimised products in their product range (organic products, eco labelling scheme, etc.) such products amount to less than 19% of the majority's product range. However, 14% of the participating companies stated that ecologically optimised products comprised more than 80% of their product range.

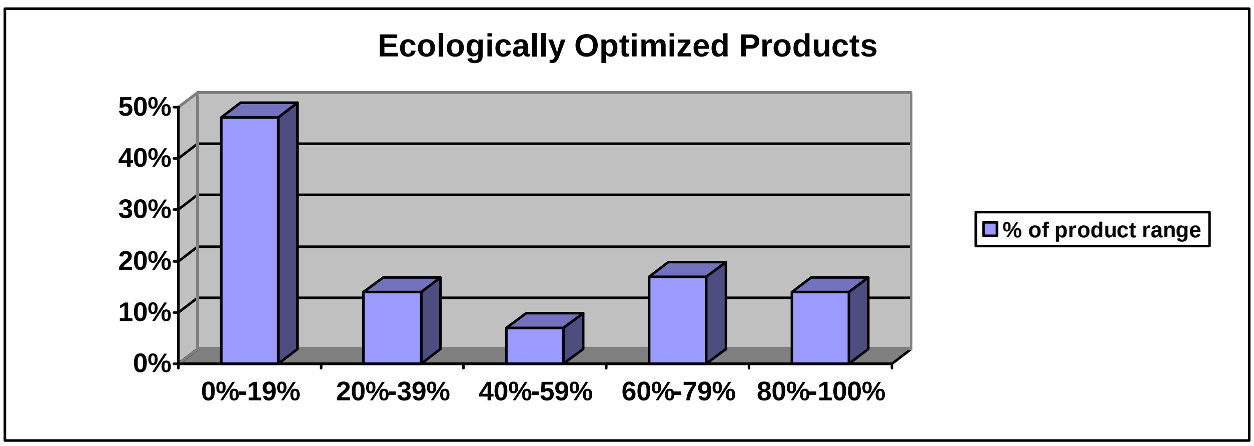

Fig. 11 Product Range: Ecologically Optimized Products

Companies were asked if they had a system in place to identify restricted substances used in their products. Over 40% of companies said they do not. When asked whether information on labels relating to ecological or organic issues was provided, 50% of the companies stated that it was not.

3.6 Future Activities

Close to 90% of companies are planning to increase their involvement with CSR in the next 1-3 years. Table 11 outlines the ways in which those companies are planning to increase their commitment to CSR.

Future Plans to Increase CSR Commitment	
Increase audits of factories producing your products	52%
Conduct more supplier training on your social and/or environmental standards	64%
Improve the ecological aspects of your product line	**74%**
Increase resource and/or personnel in the CSR area	48%
Reporting publicly on your CSR activities	50%
Hire external expertise to advise you on your CSR program	31%
Make CSR a board responsibility	28%
Other: more projects, change to organic cotton, push suppliers to invest more in CSR/Business Management (Lean, etc), improve programmes, Increase funding of worker training, worker support initiatives	9.5%

Table 11: Future Plans to Increase CSR Commitment over the next 1-3 years

The majority of companies believe that they can be doing more for CSR than they are currently doing. Table 12 outlines aspects of CSR companies believe they need to be improving on. The table shows that of the majority of companies who do believe they should be doing more on CSR; most believe improving social conditions in the supply chain is the most important.

Room for Improvement	
Improving CSR within your own company	60%
Improving social conditions in the supply chain	**71%**
Improving environmental conditions in the supply chain	68%
Improving ecological aspects of your product line	66%
Improving communication of your CSR activities to the public	58%
Other: advocacy to increase engagement and government regulation around sustainability, Improving communication of CSR internally	7%

Table 12: Room for Improvement: What Companies Should be Doing.

Companies were asked what restrictions have held them back from improving in these areas. Table 13 outlines the major reasons companies are not doing more on CSR. The table will show that the majority of companies believe they are restricted in their CSR activity due to a lack of budget.

CSR Restrictions	
Lack of budget	**50%**
Lack of transparency in the supply chain	36%
Insufficient evidence that CSR is financially worthwhile	23%
Competitors are not doing CSR	16%
No pressure to do so	32%
Not relevant to our business	4%
Don't understand the meaning of CSR	4%
Not applicable	11%
Other: lack of time, lack of staff, not enough consumer awareness, still in the beginning process	18%

Table 13: CSR Restrictions: Reasons for Holding Back on CSR

3.7 Questions about your Company

In the last section of the survey, companies were asked which regions they source their products from. Table 14 lists those regions, and the percentage of companies that currently source their products from there. Companies were able to choose from more than one region. The survey shows that the majority of companies currently source their products from China.

Sourcing Products	
Northeast Asia	46%
Southeast Asia	68%
South Asia	54%
The Pacific	20%
Eastern Europe	46%
Western Europe	39%
North America	34%
Central America	27%
South America	29%
Africa	20%
Middle East	29%
China	**71%**
Other: NE Asia/Australia/Canada/Asia and Europe/Asia, US and EU/ England	20%

Table 14: Regions: Sourcing Products

4. Conclusion

The results of the survey show some interesting findings. It is clear that customers are communicating to companies their concerns with social and environmental issues surrounding the products they are purchasing. The survey shows that consumers are more concerned with environmental and ecological issues than with social issues. That is not to say that consumers do not care about this issue. The survey shows us that companies are listening, and responding. The degree to which companies are reacting to the concerns of the public may vary; however, the survey shows that companies are planning to increase their commitment to CSR in the next 1-3 years.

There is a serious issue with transparency. For example, most companies admit that compliance issues are not made public. There still exists a cloak of secrecy surrounding compliance with social and environmental factors within the supply chain, and other areas. In fact, 58% of companies stated that they needed to work on improving communication of their CSR activities to the public. This can even be seen with this survey. For example, companies were not required to provide their name, and many did not. As stated, this was not an exercise in rating or ranking companies. This survey was mean to act as a means for companies to benchmark themselves against others in the fashion and lifestyle industry.