

All Aboard, Bringing Your Supply Chain & End User Along the Road to Social Responsibility

New Chapter's Ethical Sourcing Program

A Collaboration With NSF International



Presenters:



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For 35 years, we've been honoring natural well-being
by nurturing body, soul, and Earth...



It's In Our Nature

Our concern for the planet is expressed not only through our sourcing and formulation principles but also with every action we take as a company. New Chapter is proud to be a Certified B Corporation, which means we define success in holistic terms that encompass not just profit but people and Earth too.

Sustainable Sourcing

We travel the globe to identify and build relationships with supplier partners who share our commitment to sustainable sourcing. Knowing our suppliers and the origins of their crops helps us uphold a supply chain that is both socially responsible and environmentally conscious.

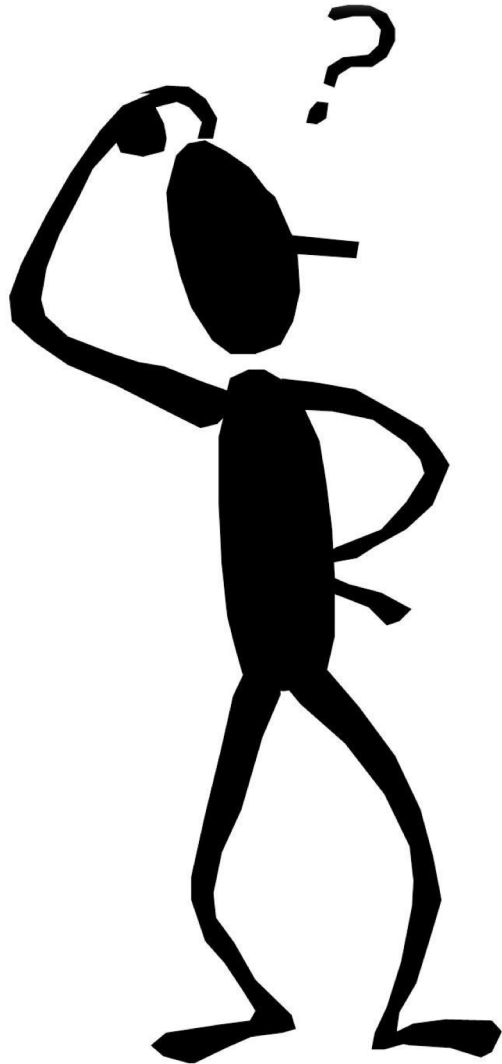
Welfare of People and Planet

Throughout our supply chain, from Vermont to India, it is our intention to engage partners whose workers are treated with respect and provided with working conditions that are safe, healthy, and balanced.

Waste Reduction

We compost, recycle, or reuse more than 80% of the waste we produce – everything from lunch leftovers and office paper to pallets and shrink-wrap. And now New Chapter is certified Zero Waste to Landfill, which reduces our carbon footprint and uses energy recovery to convert our waste into clean energy.





It's in Our Nature

- To deliver the wisdom of Nature, thus relieving suffering and promoting optimal health.
- To advance the organic mission, nourishing body and soul with the healing intelligence of pure whole foods and herbal supplements.
- To nurture and sustain Mother Earth, the source of natural healing.

Other Possible Motives

- Corporate Governance
- Quality Assurance
- Market Differentiation
- Stakeholder Expectations

Proud to **B** the Change:

New Chapter has been certified a **B Corp** since 2014!

Year	Assessment Score
2014	99.5
2016	93.3
2018	104.1



Certified **B** Corporation
Best For The World
2018 Changemakers
Honoree

New Chapter participates in the rigorous B Impact Assessment every 3 years to maintain our certification. Recertification assessments are conducted by B Lab, and assess organizational performance across the 5 impact areas of Governance, Workers, **Community**, Environment and Customers.

BIA: Community> Supply Chain Management:

Does your company screen or evaluate Significant Suppliers for social and environmental impact?

Is there a formal written Supplier Code of Conduct policy that specifically holds your company's suppliers accountable for social and environmental performance?



What areas of social and environmental performance are specifically included in your company's Supplier Code of Conduct policy?

- ☐ Bribery, corruption, and fraud
- ☐ Working hours
- ☐ Freely chosen employment
- ☐ Compensation
- ☐ Child labor
- ☐ Freedom of association
- ☐ Health and safety
- ☒ Use of materials
- ☐ Product's environmental impact
- ☐ Information on how the Code will be monitored and reviewed (e.g. self-audits, site visits)
- ☐ N/A - No Supplier Code of Conduct

What does your company formally screen for regarding the social or environmental practices and performance of your suppliers?

- ☐ Compliance with all local laws and regulations, including those related to social and environmental performance
- ☐ Good governance, including policies related to ethics and corruption
- ☐ Positive practices beyond what is required by regulations (e.g. environmentally-friendly manufacturing process, excellent labor practices)
- ☐ Third-party certifications related to positive social and/or environmental performance
- ☐ Other - please describe

Does your company review or set requirements regarding the labor practices of its subcontracted service providers that includes the following topics?

Your answers determine which future questions in the assessment are applicable to your company.

- ☐ Compliance with all local laws and regulations
- ☐ Compliance with international human rights and labor standards (for employees and contractors)
- ☐ Payment at or above industry benchmarks
- ☐ Payment of a living wage (for employees and contractors)
- ☐ Employee benefits provided
- ☐ Professional development opportunities
- ☐ Other labor practices

What methods does your company use to evaluate the social or environmental impact of your suppliers?

- ☐ We share policies or rules with suppliers but we don't have a verification process in place
- ☐ We require suppliers to complete an assessment we designed
- ☐ We use third-party risk or impact assessment tools (Sedex, BIA)
- ☐ We conduct routine audits or reviews of suppliers at least every two years
- ☐ We have third parties conduct routine audits or reviews of suppliers at least every two years
- ☐ Other - please describe



Unethical Supply Chain Management:

Significant Threats

- Forced/child labor
- Unfair wages
- Hazardous working conditions

Most At-risk Populations

- Women/children/migrant workers
- Residents of rural or poor urban areas
- **Enterprises involved with the import and sale of food products, textiles, and/or technology that are sourced from high-risk areas!**

“Many workers have no realistic ability to bring attention to the problems they face, nor can they themselves secure a remedy.”

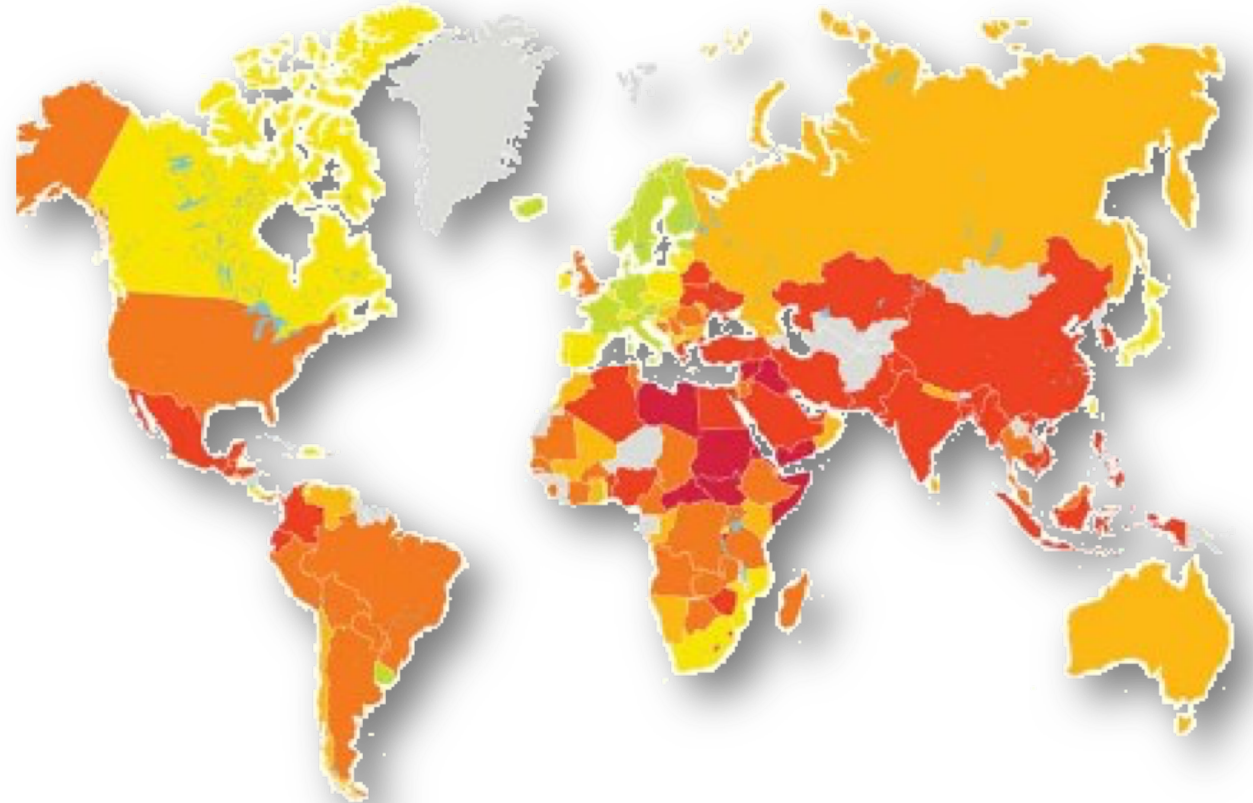
- International Labor Organization, 2016



Unethical Supply Chain Management: (cont.)

High Risk Geographic Areas

- Least developed countries of Asia, Africa and South America
- Areas impacted by:
 - conflict
 - failure of rule of law
 - mass displacement
 - endemic discrimination



Defining Terminology:

Mapping = Discovery

Supply chain mapping is the process of engaging with direct suppliers to discover indirect suppliers, resulting in an understanding of the end-to-end supply chain for a material, a product, or a brand. It is usually the only time a company gets in touch with indirect suppliers, so it's a good time to collect data on quality control, social and environmental performance and make sure the indirect supply chain lives up to the brand's standards. Supply chain mapping is also the foundation for risk planning, conflict minerals reporting and modern slavery / EU vigilance due diligence.

Traceability = Assurance

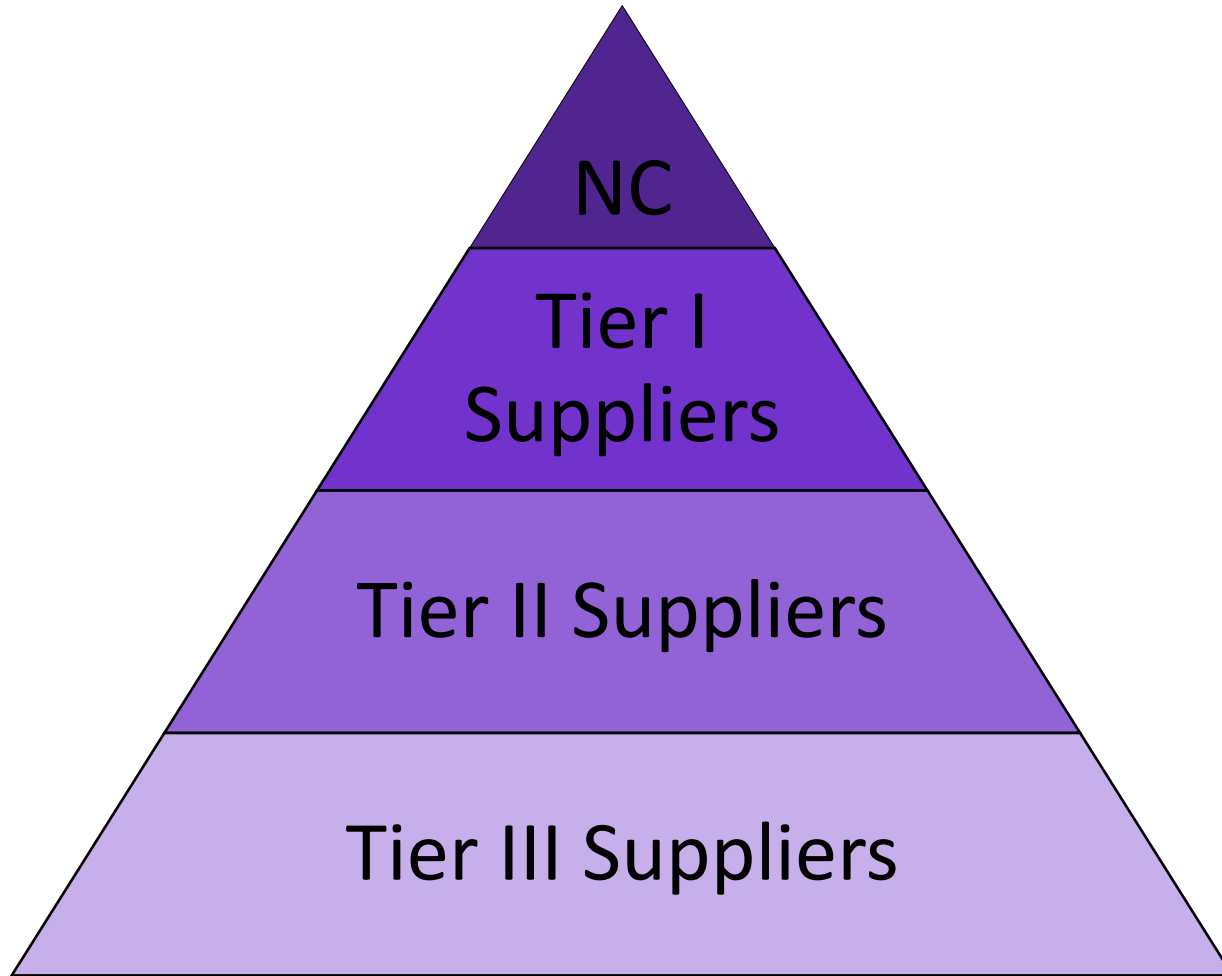
Many companies are eager to publish their supply chains once they're mapped. Your legal department will ask for more: that's because supply chain mapping is only based on supplier disclosure. **Supply chain traceability is the process of tracking every commercial transaction in the end-to-end supply chain to account for the time and place where every step occurred in the supply chain of a unit, batch or lot of finished good.** Traceability offers a number of advantages, from real-time chain of custody reports to verification that products are authentic and vendors are certified. It's also becoming law, from pharmaceutical serialization to US FDA food safety.

Transparency = Disclosure

Having mapped your supply chain and made it traceable, you're ready to share the results with stakeholders. **Supply chain transparency is the process of disclosing suppliers to private customers and/or public consumers.** Committing to supply chain transparency is usually the most effective way to drive the new business processes needed for mapping and traceability. It's also the right thing to do.

SOURCE: <https://www.sourcemap.com/blog/2019/5/6/what-is-the-difference-between-supply-chain-mapping-traceability-and-transparency>

Defining Supplier Tiers:



Tier I: Semi-finished/FG Supplier

- Final step before product reaches OPM
- Strong credibility with OPM
- Technical advantages

Tier II: Parts/value added supplier

- Manufacturer of individual components of an end product

Tier III: Parts suppliers

- Manufacturer of individual parts required in OPM's components

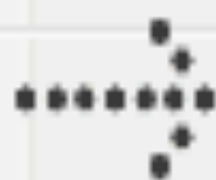
Breakout Session 1

Supply Chain Mapping Exercise

Giftset of Skincare Products



Formula
(Cream)



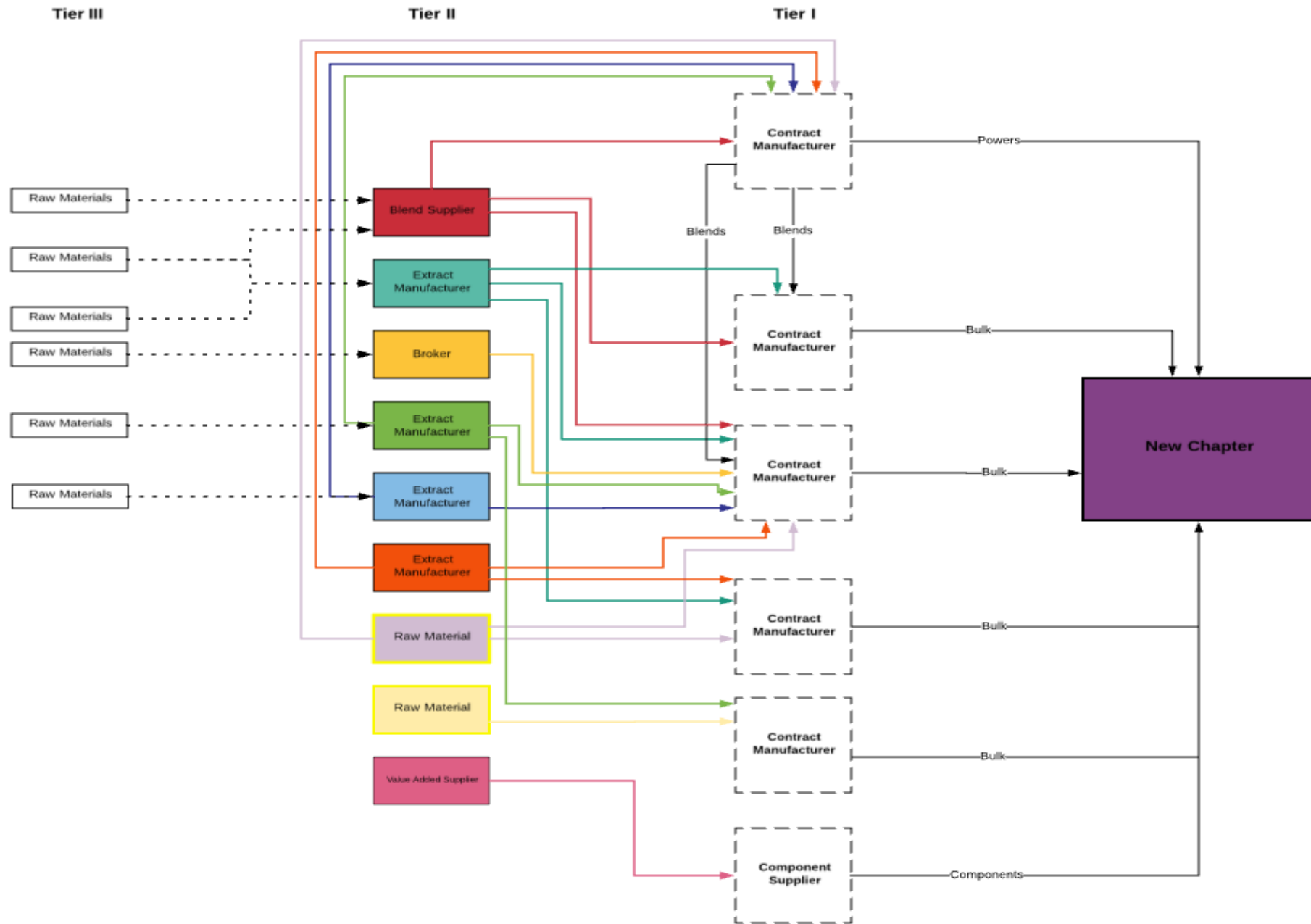
Tube/Cap



Label



Giftset
Packaging



HERE'S HOW:



The Need:

- Understand existing Industry landscape around responsible sourcing
- Select or develop a framework
- Identify internal gaps/opportunities/best practices
- Develop and implement strategy to assess and improve supplier performance

The Solution:

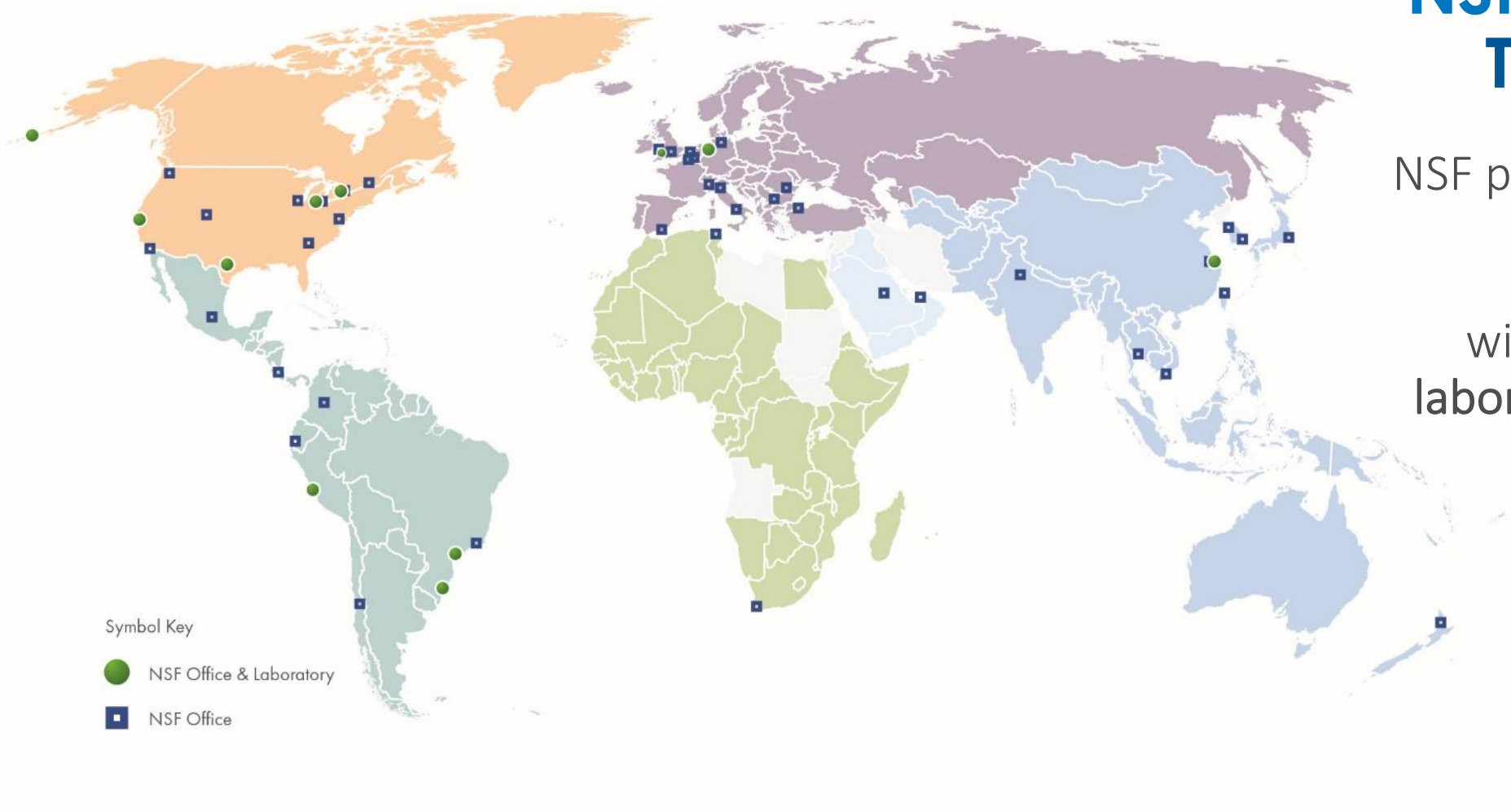
- SEEK HELP FROM THOSE YOU KNOW!
- Leverage existing expertise
- Increase your bandwidth

Who is NSF International?

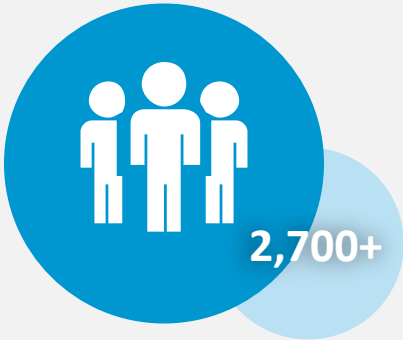


NSF AROUND THE GLOBE

NSF provides services in 175+ countries with 62 office and laboratory locations.

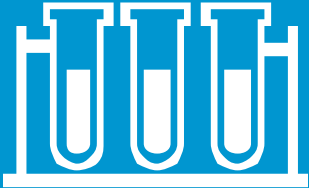


AN UNMATCHED PROFESSIONAL STAFF AND FACILITY



Experienced Professionals

Microbiologists, toxicologists,
chemists, engineers and
public health experts



305,000 ft² of state-of-the-art laboratories

in North America, Europe,
Latin America and Asia,
plus partner labs
around the world



NSF laboratories are ISO/IEC 17025 accredited (testing and calibration)

Provide testing, certification and technical
services for a wide range of industries



NSF's Applied Research Center provides custom R&D services

Contract method development, testing and
consulting services in chemistry, microbiology,
genomics and toxicology, product claim
verification, lab quality/management, methods
training and human health risk assessment



NSF SUPPORTS DIVERSE NEEDS FOR QUALITY & SUSTAINABILITY



STANDARDS

Writing standards to promote food, water, dietary supplements, consumer products and environmental safety



AUDITING

Conducting safety audits for the food, water and consumer goods industries



TESTING

Testing products to these and other standards



CONSULTING

Providing strategic and technical consulting across a number of industries



CERTIFICATION

Certifying products to these standards



TRAINING

Developing training and education programs

OUR MISSION

NSF International is dedicated to being the leading global provider of public health and safety-based risk management solutions while serving the interests of all stakeholders, namely the public, the business community and government agencies.

NSF International is a global, independent public health and safety organization.

Our mission and focus has always been protecting and improving human health.

NSF'S SUSTAINABILITY SERVICES

- > Environmental Verification
- > Environmental/Social Risk Assessment

- > TraQtion Data Management Platform
- > FIRST Risk Assessment
- > ISO 14001 EMS

- > eWaste
- > Sustainability Assessments for Building Products
- > Recycled Content
- > Product Transparency LCA/EPD/PCR

- > Sustainability Consulting
- > Sustainable Strategy Development

> Organic Content

> Responsible Wool

> Forestry & Fiber Verification

> Landfill-Free

> Traceable Down



SUPPLIER ASSESSMENT AND ENGAGEMENT WITH NEW CHAPTER, INC.

GOALS	NSF'S ROLE	OUTCOMES
<div><div>1</div><div>Understand the industry landscape for responsible sourcing, including gaps and best practices</div></div> <div><div>2</div><div>Develop and implement a strategy to assess and improve supplier sustainability</div></div>	<div><div>1</div><div>Conduct industry benchmarking analysis</div></div> <div><div>2</div><div>Facilitate internal strategy and goals development</div></div> <div><div>3</div><div>Design supplier engagement strategy</div></div> <div><div>4</div><div>Develop and roll out supplier assessment</div></div>	<p>NSF's expertise in strategy development and supplier engagement enabled New Chapter to:</p> <div><div>></div><div>Evaluate their industry: through NSF's benchmarking analysis, New Chapter leadership better understood competitor practices, existing standards and assessment tools, and their own gaps and opportunities within the industry</div></div> <div><div>></div><div>Refine their sustainability goals: by acting as a neutral facilitator, NSF helped internal stakeholders clarify their objectives and strategic focus to inform their supplier assessment goals</div></div> <div><div>></div><div>Engage with key suppliers: a phased approach and third-party project management streamlined the engagement process to reduce administrative burden and ensure success</div></div>



SUPPLIER ASSESSMENT & ENGAGEMENT

PART I: PLANNING AND STRATEGY DEVELOPMENT

NSF
ROLE


- 1 Conduct industry benchmarking analysis
- 2 Facilitate internal strategy and goals development
- 3 Design supplier engagement strategy
- 4 Develop and roll out supplier questionnaires

NSF's **benchmarking analysis** resulted in **concrete recommendations for improvement**, and a foundation to **define company goals** and KPIs.

Performance Area	Performance Indicator	Indicator Detail	B Corp	SMETA	TSC	Competitor 1	Competitor 2	Competitor 3	Competitor 4	Competitor 5	Competitor 6
Commitments	Commitment to specific positive social impacts										
	Commitment to serve target group in need										
External Stakeholder & Customer Feedback	Mechanism for customer feedback to be transparent with public										
	Product or service covered by written warranty or client protection										
	Engagement with community members, annual meeting										
	Engagement with advocacy groups										
	Online forum for feedback										
	Third Party or anonymous surveys										


The **planning process** was critical to achieving an **effective** and **on-time implementation**.


Implementation Plan



Internal Engagement


Supplier Engagement





Technology Platform

Deploy Assessment



NSF drafted several sets of **supplier assessment questionnaires** to be phased in throughout the engagement process.

Environmental			
I. Organizational Environmental Goals and Performance		Phase	Supplier Tier
I.1.1	Is your organization tracking and measuring environmental metrics?	Phase I	All Tiers
I.1.2	Does your organization have a commitment to (or goals for) a positive environmental impact?		
I.2.1	Does your organization publicly share these environmental targets, and provide public updates on progress?	Phase II	All Tiers
I.3.1	Are environmental KPI's (Key Performance Indicators) tracked and measured over time through 3rd party assessments, surveys, etc.?		
		Phase III	All Tiers

RESULTS

- 1 Provided recommendations to improve B-Corp score
- 2 Defined objectives and Key Performance Indicators
- 3 Developed supplier engagement action plan
- 4 Designed multi-phased supplier assessment

SUPPLIER ASSESSMENT & ENGAGEMENT

PART II: SUPPLIER ASSESSMENT ROLL-OUT

A phased approach enabled revisions, feedback, and stakeholder buy-in to improve the effectiveness of the engagement. NSF provided New Chapter with all the tools needed for a successful roll-out:



Supplier Engagement Toolkit: outlining company expectations, drivers, and key background information to streamline communication with suppliers



Phase 1 Roll-Out: manage the administrative tasks to ease burden on company resources



Assessment Pilot: test the questionnaire and process with one key supplier, solicit feedback, and revise the program as necessary



Response Analysis: provide data and analytics to measure supplier sustainability

Creating Effective Framework:



Utilizing a phased approach enables you to onboard suppliers slowly in order to build engagement, strengthen relationships and assist in easing suppliers into establishing/ tracking/reporting on social and environmental goals.

Phase I

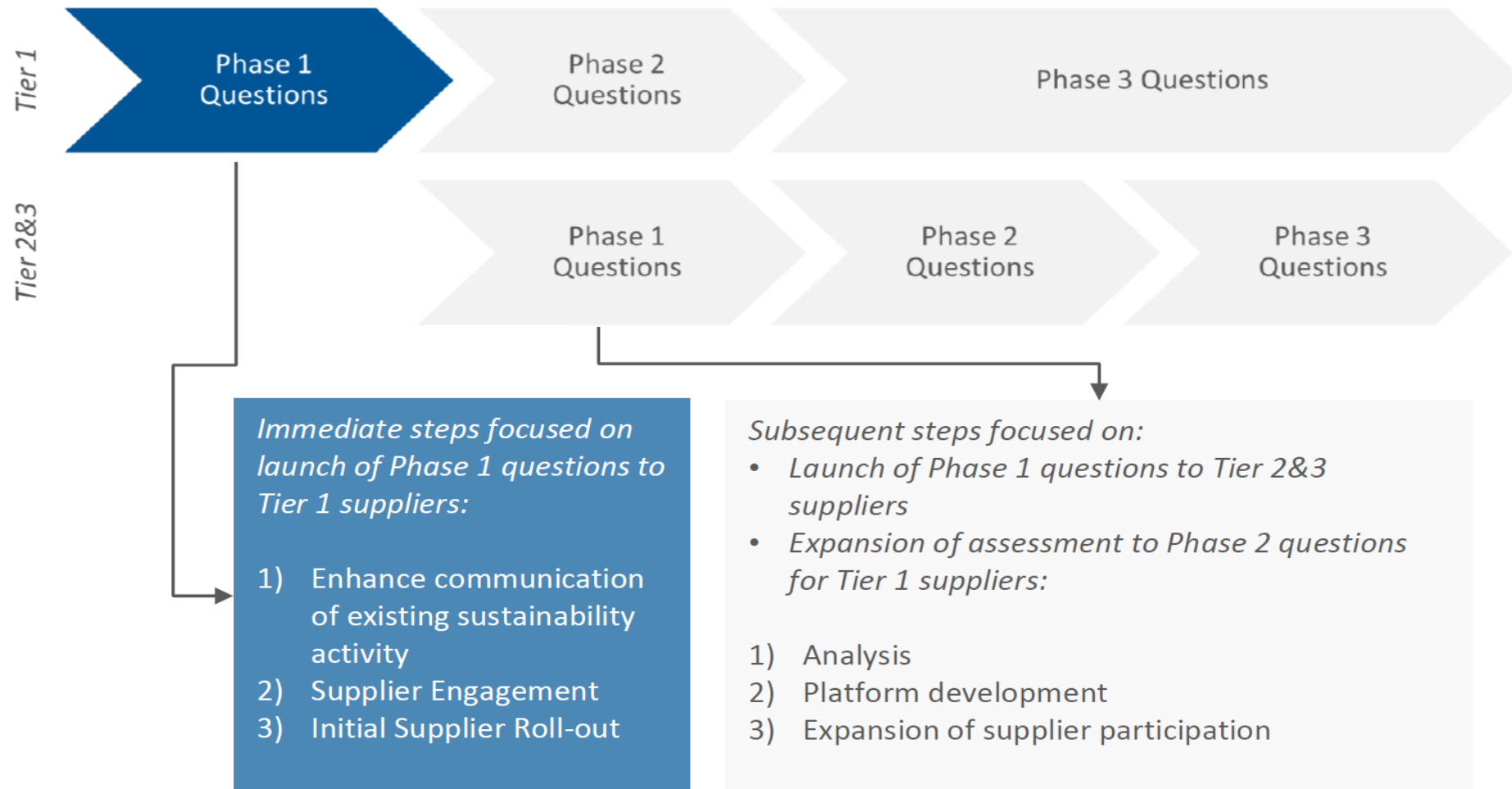
- Gain understanding of where supplier stands today
 - Capturing current goals and activity in a given area, if targets have been established, and if any measurement of progress has begun.

Phase II

- Address policies/transparency of supplier organization to gain insight about business structure and culture.
 - Begin requesting quantitative measurements.

Phase III

- Obtain more substantive quantitative/qualitative progress towards goals and targets.



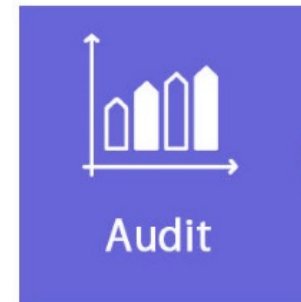
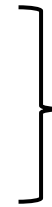
Easing the Road for Suppliers:



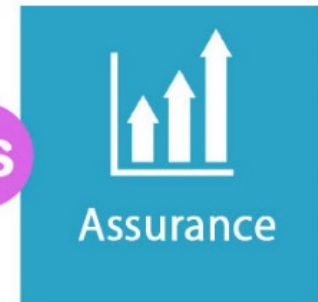
Methodologies can/will vary with each performance indicator so it's important to allow flexibility. Utilize a risk-based approach. If information obtained during the survey period is identified as problematic, utilize onsite visits!

Audits

- Self-reported
- Desktop
- Onsite visitation



VS



Verification

- First party vs. Third-party

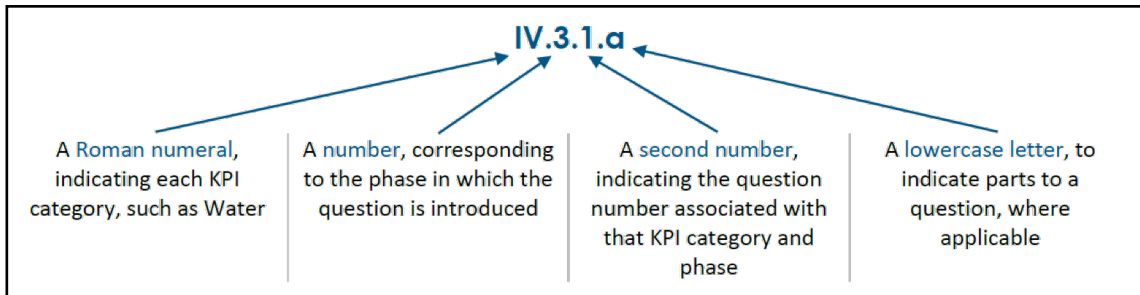
Establishing “Tier-Specific” Criterion:

Tailor tier-specific questions to allow deeper understanding of social/environmental progress and challenges specific to different nodes of the supply chain (i.e. distribution vs farm level).



Assessment Questions

- Categorized into supplier tiers to ensure each question tailored to each supplier type
- Questions organized into five macro-categories
 - Environmental
 - Social
 - Labor
 - facility/operations
 - transparency/organizational commitments
- 23 KPI categories house the assessment questions
- Code questions for tracking purposes



Program Execution:

Review of Materials

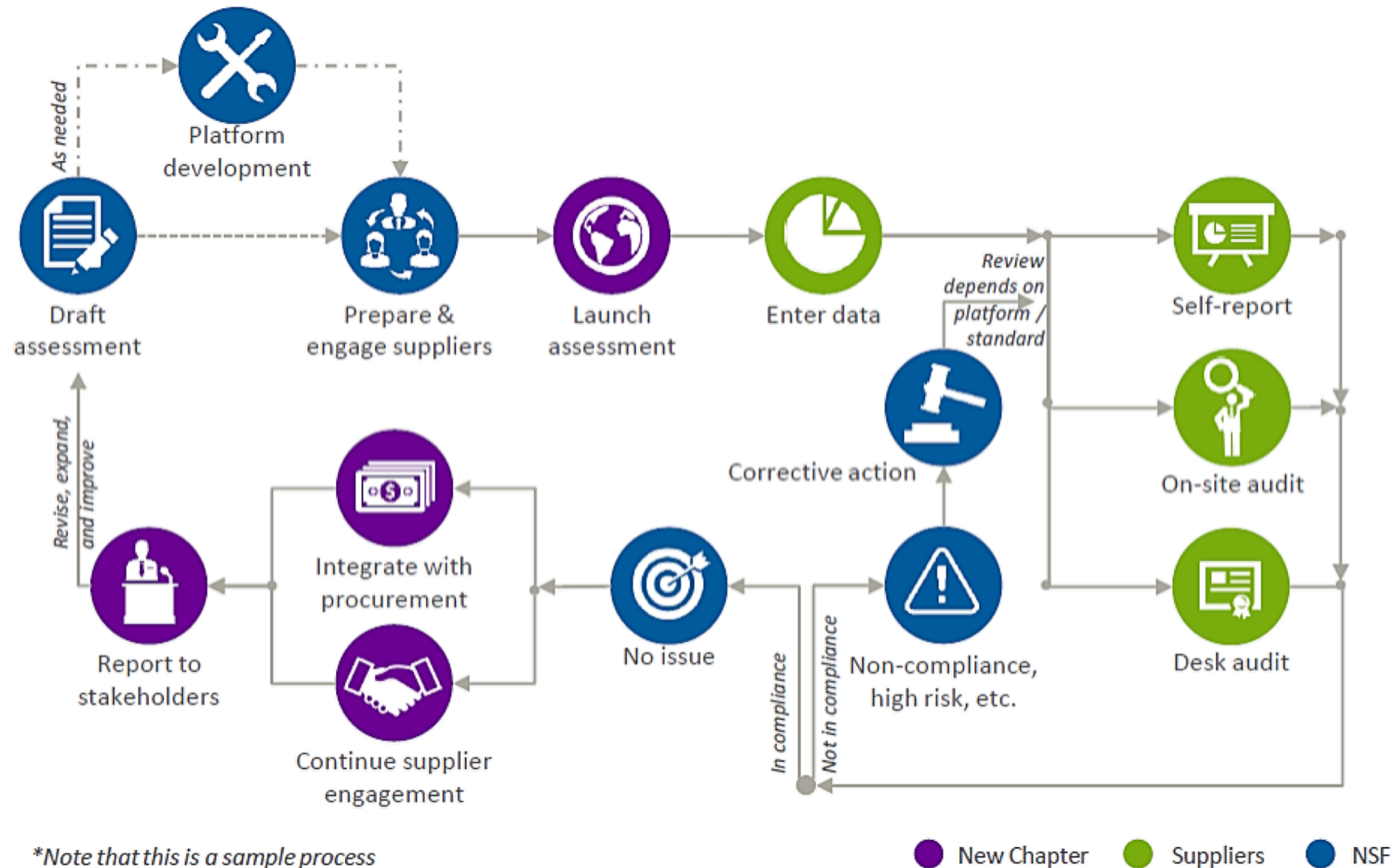
- Supplier Engagement Tool Kit
- Onboarding Meetings
- Annotated Assessment

The Onboarding Process

- Maximize “booked time”
- Meeting Models
- Stress the partnership!



How It All Works: Auditing, Analysis and Improvement



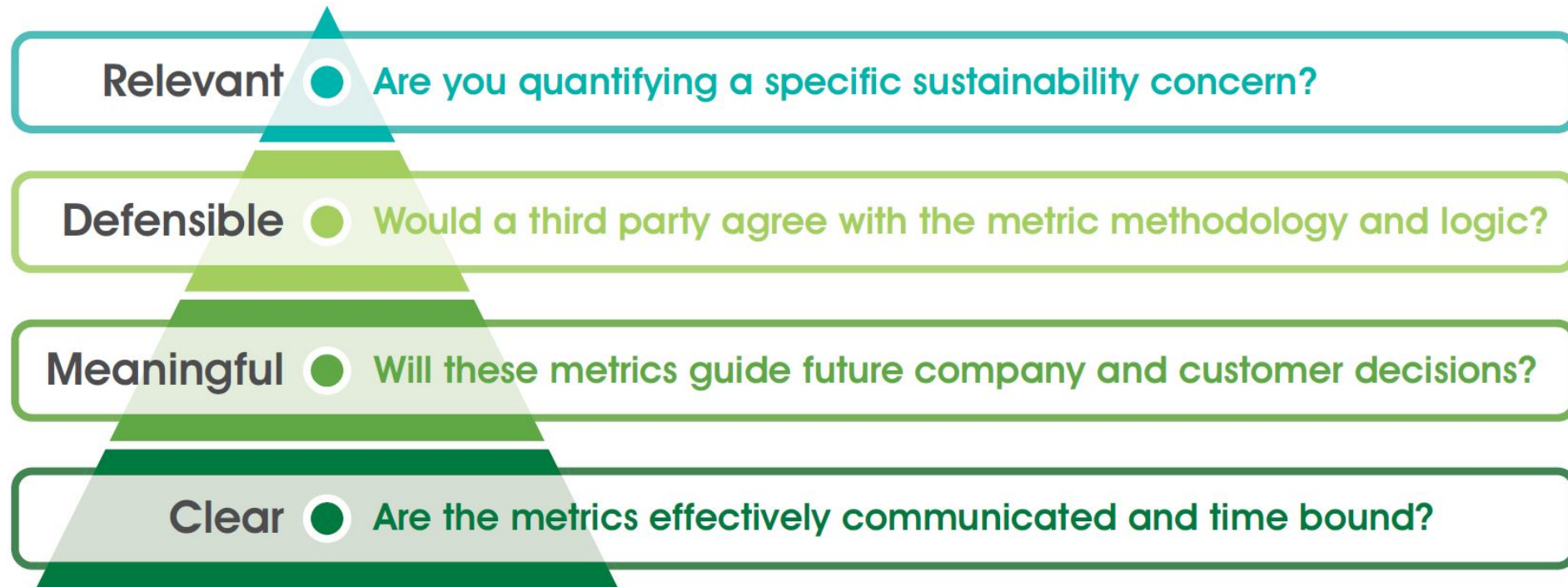
Breakout Session 2

Benchmarking & Setting Realistic Goals

DETERMINE GOALS, TARGETS & PRIORITIES

Sustainability reporting is a great opportunity to set and communicate progress towards sustainability goals. NSF International can help determine what those targets should be, and how they can be reached.

FRAMEWORK FOR DEVELOPING AND REPORTING SUSTAINABILITY METRICS



Q & A