



A paid supplement to the Washington Post and Globe and Mail  
*The Magazine for Clean Capitalism*

NOV 2013  
VOL 12 • ISSUE 4  
\$ 6.95

# Corporate Knights

# WOODY'S WHEATIES

*Why Hollywood actor Woody Harrelson wants to turn straw waste into paper, and how this issue of CK is helping him* **p54**



## GLOBAL BODY COUNT p20

*The rich blame the poor for overpopulation. The poor blame the rich for overconsumption. Both have a point. So how do we move forward?*

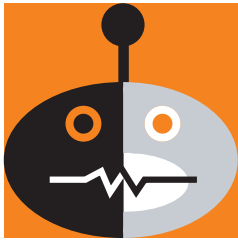
## PIGGYBACKING PIPELINES p30

*When it comes to green power, there's the wrong way and the right-of-way. Could pipeline assets be the key to tapping into stranded renewables?*



*This issue is printed on paper made from 60% wheat straw*





## International Council of Toy Industries

*Toy retailers are working together to build a database of bad apple factories.*

BY ADAM ASTON

Mortally dangerous conditions remain a grim reality for workers at factories around the world.

In September last year, some 300 workers died in a garment factory fire in Pakistan, many because they were trapped behind locked emergency exits. Six months later, another 1,100 seamstresses were crushed to death when an eight-storey building collapsed in Bangladesh, despite warnings it was unsafe.

As the multi-trillion-dollar textile industry struggled to respond to these tragedies, the much smaller global toy industry was able to call on a resource no other consumer product industry can match.

In short order, big toy brands and retail members of the International Council of Toy Industries (ICTI) were able to tap into a one-of-a-kind database they have built over the past decade known as the ICTI CARE (Caring, Awareness, Responsible, Ethical) Process (ICP).

The trove of data, which includes wage rates, hours worked, worker age and 200 or so other metrics at thousands of toy factories, allowed big toy buyers to rapidly identify manufacturers located in the areas affected by the recent labour disasters for focused follow-up.

Within weeks, industry executives started to develop and roll out tougher rules to all of the factories in the ICP network, guiding inspectors to enforce stricter requirements for fire escapes and building integrity.

The quick response was made possible by a combination of ICP's carefully cultivated industry collaboration together with a recent decision to port its unique database onto a web-based platform provided by Enablon, a supply-chain software service provider founded in 2000.

"Not long ago, this sort of information was considered proprietary. A single factory might have two dozen clients, but they didn't want to talk to one another, for fear

of competitive disclosure" says Philippe Tesler, co-founder and CEO of Enablon North America.

A combination of factors has rewritten these habits. There's a growing recognition that risks can be lowered and costs minimized through collaboration. "Reporting has gone from a defensive response to a more proactive process," says Tesler.

Back in 2002, the toy industry was facing a series of relatively small-scale labour mishaps at overseas factories. "Pressure was building from retailers, from consumers, NGOs [non-governmental organizations] and investors to boost regulation," recalls Christian Ewert, president and CEO of the ICTI CARE Foundation, which oversees the supply chain program.

Instead, the industry group pushed for self-regulation and established the ICP, a framework in which toymakers would share and compare information towards the end of "ensuring safe and humane workplace environments for toy factory workers worldwide," says Ewert.

Notably, the ICP was established as a standalone not-for-profit, overseen by a board that includes NGO and civil-sector experts, and on which active toy industry executives are in a minority.

Streamlining inspection efforts has been a central priority from the beginning. When Ewert started in the toy industry in the 1990s, he worked with a manufacturer that faced 64 audits per year, each asking for similar information. "I'd much rather have seen those auditors inspecting 64 different factories, rather than the same factory 64 times," he says.

The move to Enablon's platform has helped transform this process from a cumbersome paper chase into a more scalable, easier to use and fast-evolving technology. On a factory floor in China, auditors and

factories can input data wirelessly. On the other side of the planet, ICP members can log in and tweak standards on the fly, and do deep data analysis across the factories they are working with.

Today, the system tracks data on roughly 2,500 factories that employ some one million workers. Most are based in China, home to a vast majority of the world's toymakers. Just 1,600 factories are currently certified as meeting ICP's criteria. New factories join each year, but year to year about 13 per cent lose their approved status.

The most frequent causes for such a loss? A lack of transparency about whether workers are paid correctly or companies are demanding too many hours of work, says Ewert. Picking up such malpractice early can nip bigger problems in the bud, lowering the risk to corporate reputation.

"Companies don't want to be named and shamed," says David Metcalfe, CEO of Verdantix, an independent analyst firm focused on energy, environment and sustainability issues.

Over time, Metcalfe adds, the best employee health and safety plans can evolve to do more than protect workers. They can also proactively improve supply chain operations by identifying potential trouble spots, focusing corrective responses and avoiding the cost and hassle of switching factories following a crisis.

ICP, for example, goes beyond simply tracking auditors' reports. It reaches out to workers directly. Factories are required to post a hotline to which workers can anonymously phone in problems. The organization receives up to 350 such calls per month. When the software detects a spike in calls from a given factory, ICTI CARE can increase its training efforts with both staff and management, before a crisis breaks.

And if early action doesn't work, the threat of being de-certified is a potent motivator, says Ewert. After all, it's not a single buyer pulling out, but the entire ICP network. Ewert is confident the transparency will continue to grow as technology advances.

"Workers can call us today," he says. "In time, they'll be able to send pictures of dangerous conditions too," as smart phones emerge as another tool to help the industry identify and repair risks before they become tragedies. 📱