



# Standardizing Herschel Supply Company's Social Compliance and Sustainability Messaging

Final summary report

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## Disclaimer

This report was produced as part of the UBC Sustainability Scholars Program, a partnership between UBC and various local governments and organisations in support of providing graduate students with opportunities to do applied research on projects that advance sustainability and climate action across the region.

This project was conducted under the mentorship of Herschel Supply Co. staff. The opinions and recommendations in this report and any errors are solely those of the author and do not reflect the views of Herschel Supply Co. or UBC.



Figure 1: Herschel Supply Co.'s Fall 2024 ad campaign.

The full version of this report was submitted directly to the organization. Unless otherwise noted, all images in this report are © Herschel Supply Co. The photo on the front cover was taken by Lucy Binfield.

## Executive Summary

The original objective of this project was to identify and recommend best-in-class third party (or otherwise) social compliance audit certifications to integrate into Herschel's supply chain. A secondary objective is to assist the Sourcing team and Herschel Supply with any matters related to sustainability and impact. Therefore, this applied research reports contains recommendations on standardizing social compliance in the supply chain of Herschel Supply Co., a mid-sized bag and apparel brand headquartered in Vancouver, Canada. It also contains research and recommendations on standardizing Herschel's environmental messaging and supply chain transparency. This report was informed by desk-based research, internal document review, and interviews with 35 key stakeholders including ten members of staff at Herschel Supply Co. and representatives from four core suppliers.

Herschel Supply Company has made impressive efforts since 2022 to become an industry leader in environmental and social governance (ESG). Positive steps forward include the complete redesign of main bag and suitcase lines to include more than 90% recycled material, less single use plastic packaging and be more durable and repairable; The use of the Worldly platform to collect data on the environmental and social performance of internal operations and some suppliers; the calculation of the 2021 Scope 1 and 2 carbon emissions for the company in 2022; and the setting of Science-based targets to reduce carbon emissions of its own operations and those of its supply chain. It has a comprehensive Code of Conduct that suppliers sign before entering into manufacturing agreements, and 100% of Tier 1 suppliers are audited yearly by a variety of reputable auditing bodies and methodologies. The textile industry is currently facing significant challenges motivating it to streamline and level up its ESG strategies: New legislation is forcing companies to be more and more precise about how they report environmental impact and supply chain information, getting more and more strict every year; The retail space is under massive pressure from supply chain disruptions, the impact of the COVID-19 pandemic, changing consumer habits and cost of living crises in major consumer markets. New strategies are needed to adapt to these challenging conditions. Upcoming legislation, particularly in Canada and the EU, is forcing brands to think deeper about how they report on environmental and social impact. Guidelines like the Global Reporting Standards can provide a useful framework for reporting on ESG issues.

I reviewed a long list of options for Herschel Supply Co. to prioritize vendor social compliance management. Herschel Supply Co plans to find economical ways to encourage its suppliers to enhance work environment. A third party which could work with the vendor themselves to find areas of improvement or certify that no such improvement was needed such that the supplier has reached a certain standard, is currently preferred by Herschel Supply Co since that approach will ensure high standards are maintained whilst conserving Herschel staff time and budget. As a result of this analysis, the certification standard SA8000 appears to be an ideal option as a best-in-class certification standards obtained by vendors themselves. Remediation of non-compliance is managed by the organization that runs the standard. However, the pool of certified vendors is small. Decision-making on supplier agreements must consider prioritized social compliance efforts of suppliers alongside other business decisions. Understanding key difference between different certification, memberships and audit methodologies can allow Herschel to build a flexible social impact and compliance strategy that prioritizes Herschel's values and needs.

## List of abbreviations and terms used

|                |   |
|----------------|---|
| CAF            | Converged Assessment Framework, the overarching assessment methodology used on the Worldly Platform.  |
| CAP            | Corrective Action Plan, required when points of non-compliance are found by factory audits  |
| CoC            | Code of Conduct, a guide of how to behave sign by all parties before entering into an agreement   |
| D2B            | Direct-to-business, a business model in which a company sells products to businesses like wholesalers or distributors   |
| D2C            | Direct-to-consumer, a business model in which a company sells products directly to a consumer, online or via its own stores   |
| Elevate-LRQA   | Global Assurance and audit provider   |
| ESG            | Environmental and Social Governance   |
| ESCP           | Ethical Supply Chain Program, began as a toy factory compliance program but has now extended to other manufacturing sectors   |
| EU             | European Union  |
| FAMA           | Facility and Merchandise Authorization, given to factories authorized to make Disney products   |
| FLA            | Fair Labor Association  |
| FSC            | Forest Stewardship Council, international organization that certified sustainable forests and promotes responsible timber use.  |
| FCS            | Surfboard and accessories brand.  |
| GRS            | Global Recycled Standard, globally accepted certification of recycled good status.  |
| Higg FSLM      | Higg Facility Social and Labour Compliance Module, part of the Worldly compliance and standards verification platform for use by vendors and brands to monitor and assess social and labor issues.                  |
| Higg FEM       | Higg Facility Environmental Module, part of the Worldly platform using Higg methodology to monitor the environmental impact of facilities.  |
| HQ             | Headquarters  |
| ILS            | International Labor Standards, audit methodology developed by Disney and widely adopted.  |
| LVMH           | LVMH Moët Hennessy Louis Vuitton, international Paris-based luxury brand conglomerate.  |
| MCS            | Minimum Compliance Standard, minimum social standard needed to produce Disney products.   |
| NGO            | Non-governmental organization   |
| QJMA           | Quality Control and Supply Chain audit provider.  |
| SA8000         | International social and labor standards certification and assessment program.  |
| SAC            | Sustainable Apparel Coalition, now known as Cascale   |
| SBT/SBTi       | Science-based targets/Science-based targets initiative, a corporate climate action organization that enables companies to set and validate carbon reduction targets   |
| SGS            | World's leading testing, quality, social and environmental compliance and assurance company.  |
| SLCP           | Social & Labor Convergence Program, audit methodology used by the Higg FSLM.  |
| SMETA          | Common internationally recognized social audit methodology.   |
| SWOT           | Strengths, Weaknesses, Opportunities, Threats, a simple analysis framework used in business to assess and compare different options.  |
| T1/T2          | Tier 1 (T1) are the facilities where finished products are made; Tier 2 (T2) are facilities supplying Tier 1, such as fabric mills; Tier 3 (T3) are facilities supplying Tier 2, such as farms and refineries, etc. |
| UBC            | University of British Columbia  |
| UK             | United Kingdom  |
| US             | United States of America  |
| WRAP           | Worldwide Responsible Accredited Production, international certification and audit methodology for factories and facilities.  |
| VF Corporation | American apparel and footwear company that owns several outdoor, bag, and apparel brands.   |
| XUAR           | Xinjiang Uyghur Autonomous Region   |



Figure 2: Herschel Supply Co.'s 2024 softshell luggage ad campaign

## Herschel Supply Co.'s Supply Chain

Herschel Supply Company ('Herschel'/ 'Herschel Supply Co.') is a mid-size bag and apparel brand headquartered in Vancouver, Canada. Herschel was established in 2008 and has become an iconic Canadian brand recognised globally for high-quality, timeless bag styles and durable luggage. Herschel Supply products are made in East and Southeast Asia.

They are sold in key markets via direct-to consumer (D2C) retail stores and online, and to wholesalers and distributors around the world (direct-to-business, D2B), with large consumer markets in the US, Canada, UK and EU.

This report, commissioned by Herschel Supply Co. as part of the University of British Columbia's (UBC's) Sustainability Scholars' Program, identifies and makes several key recommendations on Herschel Supply's social and environmental governance strategies.

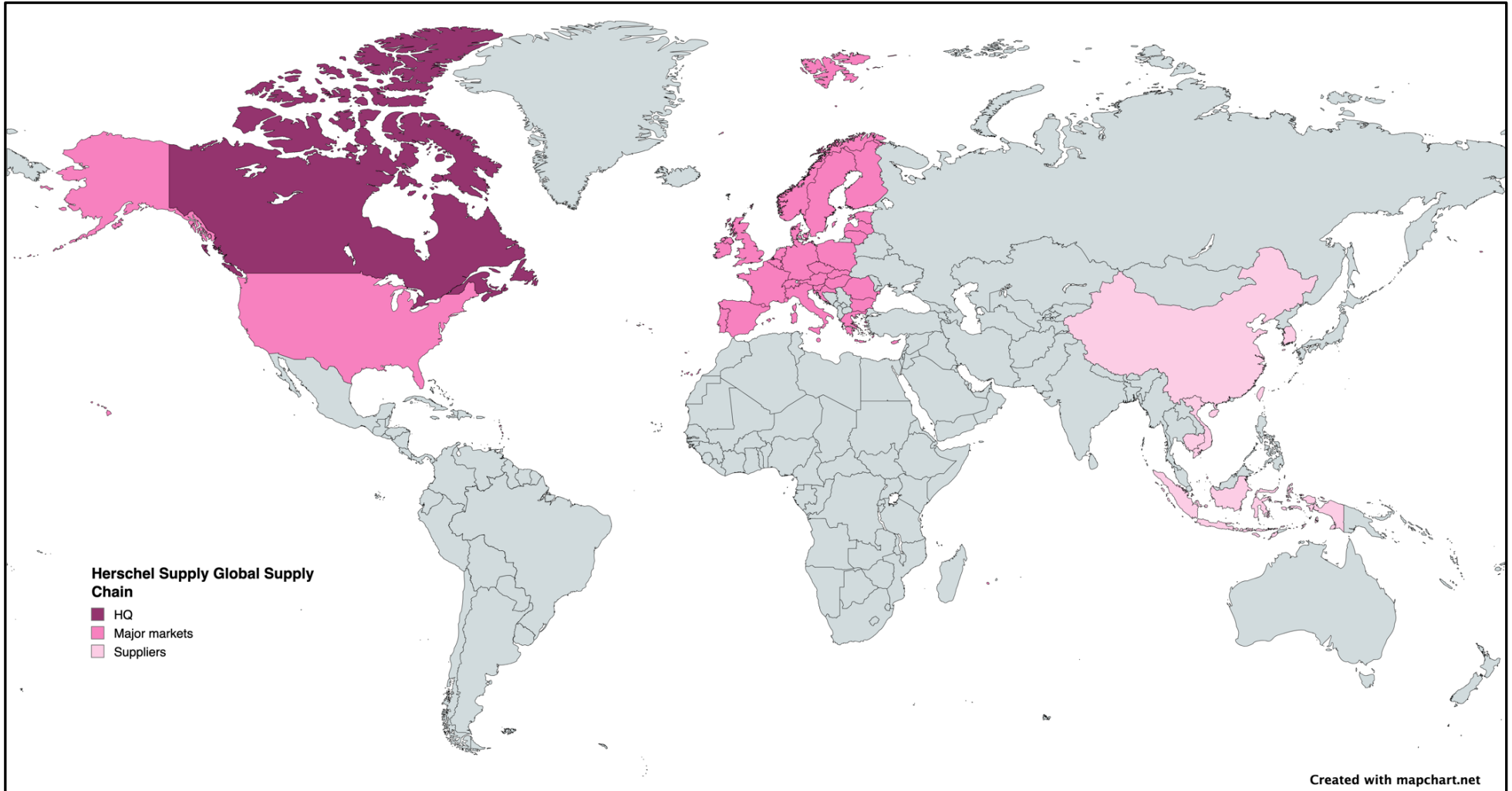


Figure 3: Location of Herschel Supply Co.'s headquarters, major markets and suppliers.



## Herschel Supply Co.'s Environmental Impact Strategy

Herschel Supply Co. launched an environmental impact reduction strategy in 2022, the first year it has published an Impact Report detailing this process. In the report, extensive details on the environmental impact of its 2021 Scope 1 and Scope 2 emissions were reported using the Higg Index and reported using the Worldly platform, then known as the Sustainable Apparel Coalition (SAC) (Herschel Supply Co., 2022a). Science-based emissions reduction targets (SBT) for Scope 1 and Scope 2 were set and approved by The Science-Based Targets initiative (SBTi) at this time. Targets were also set to work towards reporting of Scope 3 emissions, with some vendors reporting on their emissions using the Higg facility Environmental Module (FEM) tool. As a company that outsources manufacturing to factories, most Herschel's emissions (99.9%) are borne from Scope 3, which refers to indirect value chain emissions.



Figure 4: Front cover of Herschel Supply Co.'s first Impact Report, published on the year 2022.

In 2022, products were redesigned with an eye for recycled materials, repairability and durability, and the iconic red and white striped liner of Herschel backpacks was replaced with recycled fabric in the same colour as the exterior of the backpack. Herschel's water-resistant products were confirmed to be PFAS-free the same year, bringing them in line with upcoming legislation mandating warning labels for and consumer products containing this set of chemical links to a wide range of adverse health impacts in both humans and animals. Other changes reduced the amount of packaging used for Herschel products: A polyethylene insert was removed in laptop sleeves manufactured for sale between Fall 2023 and Fall 2024, and QR codes were added to hangtags to replace larger and bulkier tags.

Herschel has entered into partnership with Canopy, a sustainable forests advocacy non-profit, and the logo is visible on the Impact page of the website. In 2023, hangtags were switched to 100% FSC certified recycled cardboard.

Recycled polyester fabric used for bag body fabric and liners was trademarked and is referred to as "Ecosystem™" fabric in marketing and reporting copy as well as in hangtags. The authenticity of recycled materials is confirmed by the Textile Exchange, a global standard-setting organization, that certifies chain of custody and verifies that all products marketed

as "recycled" contain at least 50% recycled materials. They provide Scope Certificates to certified facilities and Transaction Certificates are issued for each transaction involving recycled materials.



Figure 5: Herschel's iconic Little America backpack lines at its Gastown store in Vancouver, now made using 100% recycled polyester fabric for the main body and liner Photo: Lucy Binfield.

## Herschel's social compliance strategy

Herschel currently requires vendors and nominated suppliers to sign and be fully compliant with their Code of Conduct before entering into a Manufacturing Agreement (Herschel, n.d.). Herschel is a member of Cascale and has used the Worldly platform to gather social and environmental data on some suppliers.

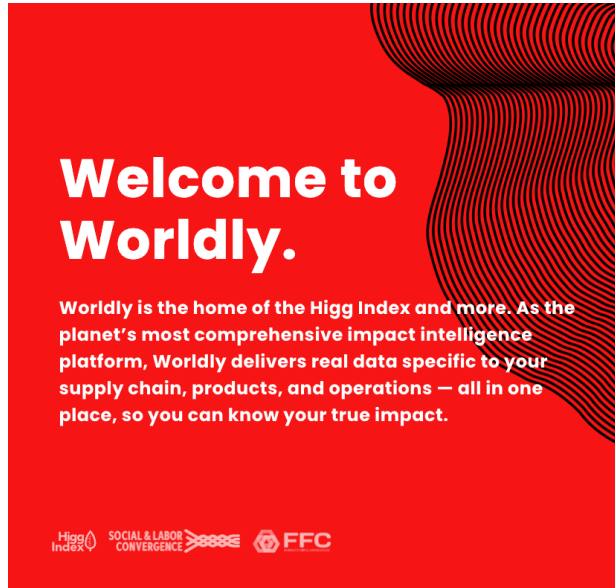


Figure 6: Herschel Supply Co. is currently a member of Cascale, which hosts the Worldly data sharing platform for brands and retailers to upload and share complex data on the social and environmental performance of their supply chain, and to receive and share data with their suppliers.

In compliance with the UK Modern Slavery Act, the California Supply Chains Act and Canada's Fighting Against Forced Labour and Child Labour in Supply Chains Act, Herschel reports publicly on efforts to reduce forced labour in its supply chain. This takes the form of a statement on its website and a report prepared specifically for the Fighting Against Forced Labour and Child Labour in Supply Chains Act. In the report, Herschel Supply Co. identifies that it has not found any instances of forced labour in its supply chain. Use of the Worldly platform and the Higg FEM and FSLM modules by Herschel suppliers are also referred to in that report.

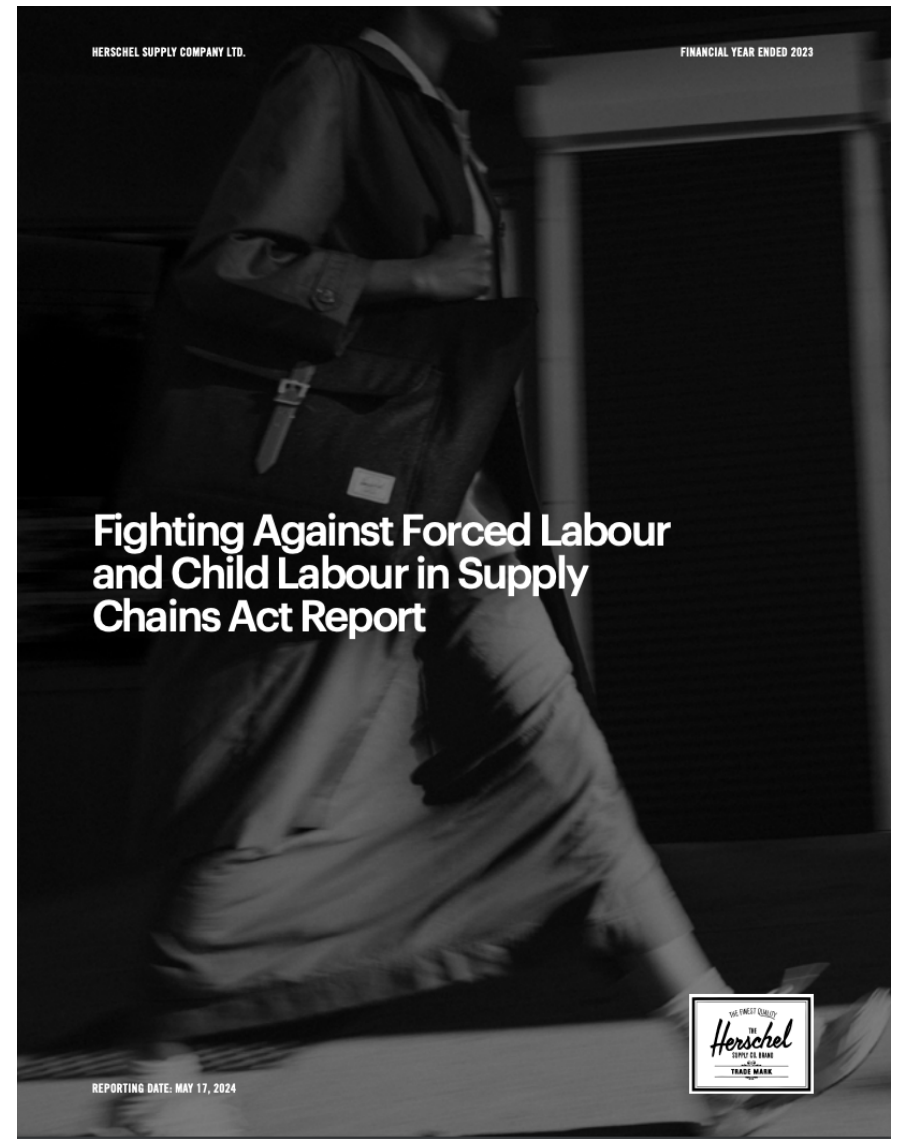


Figure 7: Front page of Herschel Supply Co.'s Supply Chain Disclosures report



## Global Reporting Institute Standards

Global Reporting standards can be used by companies like Herschel to provide an internationally accepted reporting framework social and environmental impact reporting. These standards identify priority areas and a detailed framework for reporting best practice for companies in many sectors, including the textile industry.

## Legislation affecting apparel industry

New and upcoming legislation in key markets is changing the way that companies report on social and environmental performance and force many brands to change their strategies in the coming years (Appendix 1).



Figure 8: Herschel Supply's 2024 ad campaign

## Standardizing Herschel Supply Co.'s social compliance strategy

Herschel Supply Co. wishes to select a single audit methodology to standardize and elevate its current social compliance monitoring and factory improvement strategy.

### Requirements for a new system

The client requested that any standardized social compliance audit or certification system have the following requirements:

- R1: Meets legal requirements of supplier countries; holds factories to a high standard for working conditions and worker safety, and independently verifies these standards;
- R2: includes a mechanism for working with factories themselves to remediate points of non-compliance and ensure continual improvement and high standards;
- R3: Internationally recognized and compatible across various partnerships and relationships that are important to Herschel and its suppliers, including key wholesale partners and collaborators;
- R4: conserves Herschel Supply and vendor staff time, budget, and other resources wherever reasonable.

A longlist of organizations, memberships and methodologies that Herschel could join was compared with these four requirements (Appendix 2). The list is split into organizations joined primarily by the brand or retailer; organizations joined primarily by suppliers; specific audit methodologies; and certifications at the level of the products themselves. Pass/fail certification are presumed to be more valuable to Herschel Supply Co., since they allow for third-party verification that the factory has met a certain level, rather than just providing a report of the conditions there without making any guarantee of the standard. A review of the specific pass/fail certifications of each option was performed and compared with Herschel's CoC to find the most comparable standards.

The two highest performing options from this analysis, and two alternative options combining various longlisted options based on Herschel's needs and current strategy, are described in detail below. The existing audit certifications of Herschel's current list of vendors and their specific needs were also considered when creating this shortlist. An analysis of the strength, weaknesses, opportunities and threats (SWOT) is presented to make comparison easier. Then, the four options are compared via price to Herschel, price to the supplier, and performance on the four requirements in a radar graph.

### Shortlisted options

Option 1: Recent third-party audits and path to continuous improvement with third-party agency support

Option 2: Higg FSLM/Worldly/SCLP

Option 3: Better Work Membership

Option 4: Pathways to SA8000 verification

**Option 1: Eligible third-party audits, audit to code of conduct and external social compliance service**

In this option, Herschel Supply would require vendors to provide a recent (less than 6 months) audit using a recognized methodology, carried out by an approved audit provider, formalizing the existing process and outsourcing key parts.

Table 1: Approved and preferred audit methodologies and providers. Pass/fail certification programs are preferred since certification can replicate or partially replace code of conduct audit and CAP.

| Suggested approved audit providers | Suggested approved and preferred audit methodologies/certification |
|------------------------------------|--|
| Bureau Veritas                     | SAB000 (preferred)   |
| QIMA                               | Better Work (preferred)  |
| Elevate-LRQA                       | WRAP (preferred)   |
| Intertek                           | SLCP   |
| SGS                                | SMETA  |
| SCSA                               | amfori BSCI  |
| TUV Rheinland                      | ILS  |

Support before, during and after the audit process, as well as remediation of non-compliance points, would be the responsibility of a third-party factory improvement program run by a supply chain management agency. This would ensure continuous improvement and compliance with internationally recognized standards and systems, without the need for increased audits for suppliers.

**Options for third party agency programs**

There are many options for third party agencies with presences in the countries with Herschel products are manufactured that would be able to take on all or some social compliance work for the brand.

Table 2: Summary of third-party agencies that support brands through different parts of the social compliance and factory improvement process.

|   | Website   | Operates   | Details   |
|---|---|--|---|
| <b>Impulse</b>                                | <a href="https://www.impulse.co.in/sustainability/">https://www.impulse.co.in/sustainability/</a>                 | India, Bangladesh and the rest of Asia thorough satellite or nominated offices | Indian consultancy and supply chain management company that provides many services for brands and retailers, including social compliance management and factory improvement.  |
| <b>Assent</b>                                 | <a href="http://www.assent.com">www.assent.com</a>  | Offices in Ottawa, Malaysia  | Worldwide consultancy. Offers an ESG program where vendors fill in a detailed yearly questionnaire and Assent will follow up on areas of non-compliance. Vendors pay nothing. Buyer pays a USD 3k application fee and USD 25000 per year, in increments of three years.   |
| <b>Elevate -LRQA</b>                          | <a href="http://www.lrq.com">www.lrq.com</a>  | Global presence  | Third party global agent working with companies like Fenix outdoor, with their own proprietary audit methodology. Recently acquired by LRQA, previously known only as Elevate   |
| <b>SGS</b>                                    | <a href="https://www.sgs.com">https://www.sgs.com</a>   | Vietnam and global   | Worldwide consultancy and audit provider  |
| <b>QIMA Factory Improvement Program</b>       | <a href="https://www.qima.com/factory-improvement-services">https://www.qima.com/factory-improvement-services</a> | Vietnam, China, Cambodia, but may not be in Indonesia                          | Offer a factory improvement program. In this program, Qima can look at the factory audit and recommend length and number of follow-up visits needed to bring the facility up to scratch. Vendors pay USD 850 per visit to fix non-compliance points and most vendors with some way to go would need 3-4 follow up visits. |
| <b>EcoVadis</b>                               | <a href="http://ecovadis.com">ecovadis.com</a>  | Global   | Supply chain sustainability risk, compliance, assessment and monitoring platform operating via contactless questionnaires and scorecards  |
| <b>Social Compliance Services Asia (SCSA)</b> | <a href="http://www.scsagroup.com/">http://www.scsagroup.com/</a>   | Asia   | Provides a wide range of third-party social compliance services to brands and retailers.  |

Although QIMA is already the established audit partner of Herschel Supply, leading to potential conflicts of interest, their factory improvement program also fits well with the requirements for this option. Participation in this program is funded by participating non-compliant suppliers. However, care must be taken since QIMA has a significant incentive to “oversell” the need for its services during the audit process. These options should be used sparingly in times of non-compliance since they represent a cost to the vendor and risk being seen as a punitive measure. A customized collaborative partnership with an agency like Elevate-LRQA could also provide this type of service.

Strengths of this approach include reducing audit fatigue by accepting any approved audit; access to expert advice and factory improvement services from third-party agency; and freeing up Herschel’s staff time by outsourcing social compliance to an external agency. However, drawbacks include the cost and complexity involved with setting up such a relationship, and the costs to vendors of factory improvement.

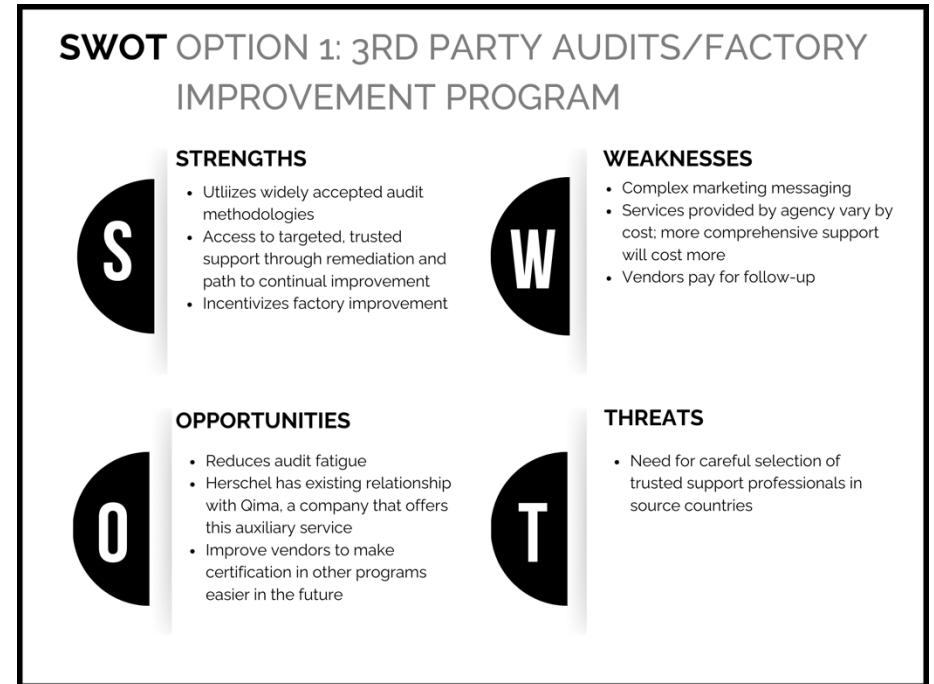


Figure 9: SWOT analysis for Option 1



**Option 2: Continuing the path of SLCP/Higg FEM/FSLM/Worldly**



Figure 10: The Worldly, Cascale, SLCP and SAC logos reflecting changes made to the organization in February 2024.

The Social Labour and Convergence Program (SLCP) is the social compliance and quality audit methodology package used by the Worldly Platform by Cascale, formerly known as the Sustainable Apparel Coalition. Herschel Supply has been a corporate member of this coalition since 2022 and completed Scope 1 and 2 greenhouse gas emissions data reporting through the same platform in the same year.

In this system, social and ethical audit data using the SLCP methodology are uploaded as part of the Factory Social and Labor Module (FSLM), which consists of many questions to be answered first by vendors and then verified using audit data carried out by registered audit providers. Audits last up to 5 days. Many companies and partners will accept data from this platform in place of an internal audit, and data from the module can be shared among many partners. Herschel could standardize social compliance by bringing as many vendors as possible into the Worldly system as possible and by working within the platform to check compliance with the internal code of conduct. This process would take time and effort to set up, but once set up could save significant amounts of time compared to the current system and satisfactorily replace a code of conduct audit.

The Worldly platform is comprehensive, jargon-filled, and there is a steep learning curve for some vendors to use it. Vendors must fill in a self-assessment tool of more than 2000 questions in the Worldly platform. This data is then verified by independent audits lasting several days and carried out by APSCA-accredited auditors paid by the supplier. The SLCP tool is not a pass/fail certification system and gives a score instead of a certification. However, brands can design their own pass/fail system within the platform that allows them to use SLCP data to check conformity with their own code of conduct. Other brands that work with the same supplier can do the same, allowing the same data to be used by many brands to each audit against their own internal standards. This option provides a high standard of transparency, traceability, and transferability, but is expensive.



Figure 11: SWOT analysis for Option 2.

### Option 3: Better work membership



Better Work is a collaboration between the International Labor Organization and the International Finance Corporation and is a participatory program for both vendors and retailers. Better Work audits, referred to as assessments, are carried out by Better Work Enterprise Advisors that are employees of Better Work themselves. Advisors also work directly with factories to engage and follow up on an improvement plan for the process of continual improvement.

Retailers such as Herschel can sign up to membership at two levels: Participants, which only allows for access to the factory audits, and Partner, a more in-depth level that includes training support, commitment from the brand to encourage suppliers to join and to replace internal audits with Better Work audits where possible, the addition of the brand logo to the Better Work website, and more benefits. Partner members commit to not requiring factories to submit to any more audits. Many, but not all, of Herschel's collaborators will accept Better Work audits as proof of social compliance standards. Full membership of Better Work requires Herschel Supply staff to attend meetings and maintain a relationship with the organization.

Quality research suggests that workers at Better Work factories experience less physical and emotional stress, better relationships with their managers, and higher wages (Better Work, 2022). Interestingly, results from a study carried out in Indonesia indicated that employees in Better Work factories only worked an average of 1.4 hours a week less than the average for the industry, indicating that excessive overtime was still present in these factories.

Although Better Work is not a pass/fail audit program, advisors can work with supplier on points relating to the brand code of conduct, especially if the brand is a Partner Member, since brands can discuss points of individual factory non-compliance with advisors. Advisors work with factories on a wide range of improvement points. In the absence of critical issues such as evidence of forced labour, Better Work will work with factories at any level to achieve a process of continual improvement.

The main drawback of this approach is the need for both Herschel staff and suppliers to fully commit significant time and money to the program if they were to get the most benefits from it.

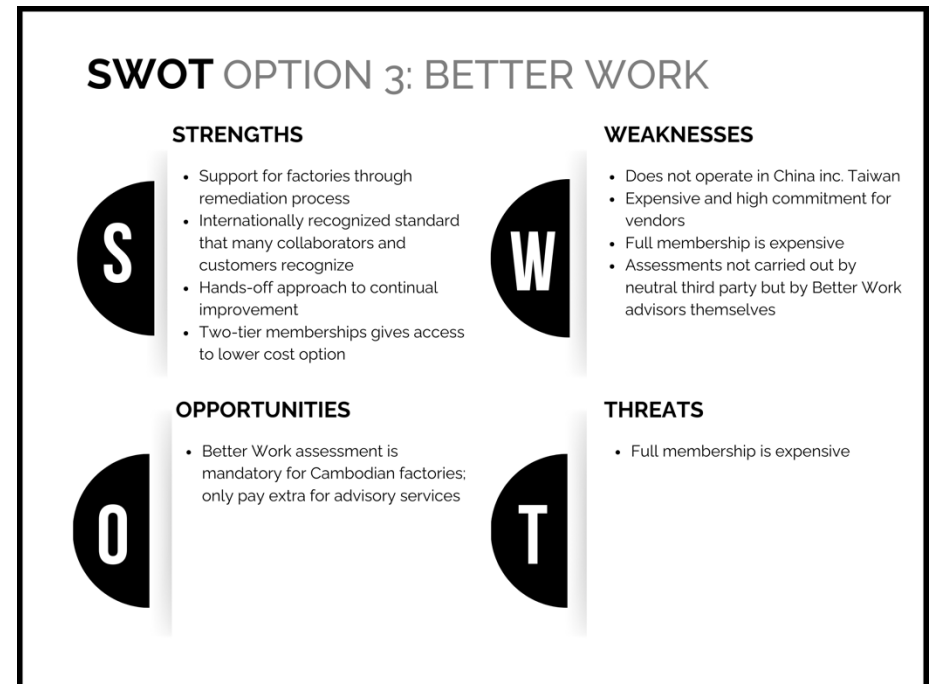


Figure 12: SWOT analysis for Option 3.



#### Option 4: SA8000



SA8000 is a factory certification program developed in 1997 by Social Accountability International, a US-based charitable organization dedicated to advancing worker rights in manufacturing. SA8000 was one of the first social certification standards and remains an industry leader, known as one of the most stringent and reliable standards. One vendor is already certified and most of Herschel's collaborators will accept SA8000 certification in lieu of an internal audit, although some vendors require a recent (less than 12 months) audit which may mean factories have to undergo shorter yearly audits in addition to the three-yearly certification audit.

SA8000 is a supplier-owned standard, meaning that brands and retailers don't need to pay a fee to access reports, and all costs are borne by the suppliers. Correction of minor non-compliance points are also managed by Social Accountability International staff, so certified suppliers can be assumed to be fully compliant with the standard after certification. Since most of the standard is stricter than the Herschel internal code of conduct, then SA8000 certification can replace a code of conduct audit. There are several small points in the Herschel Code of Conduct which are not mentioned by, or less strict in, the SA8000 audit. These discrepancies can be resolved by changing Herschel's Code of Conduct slightly to align with the SA8000 audit. It is worth noting that SA8000 is currently undergoing a major content overhaul, so the specific content of the audit may be different from 2025.

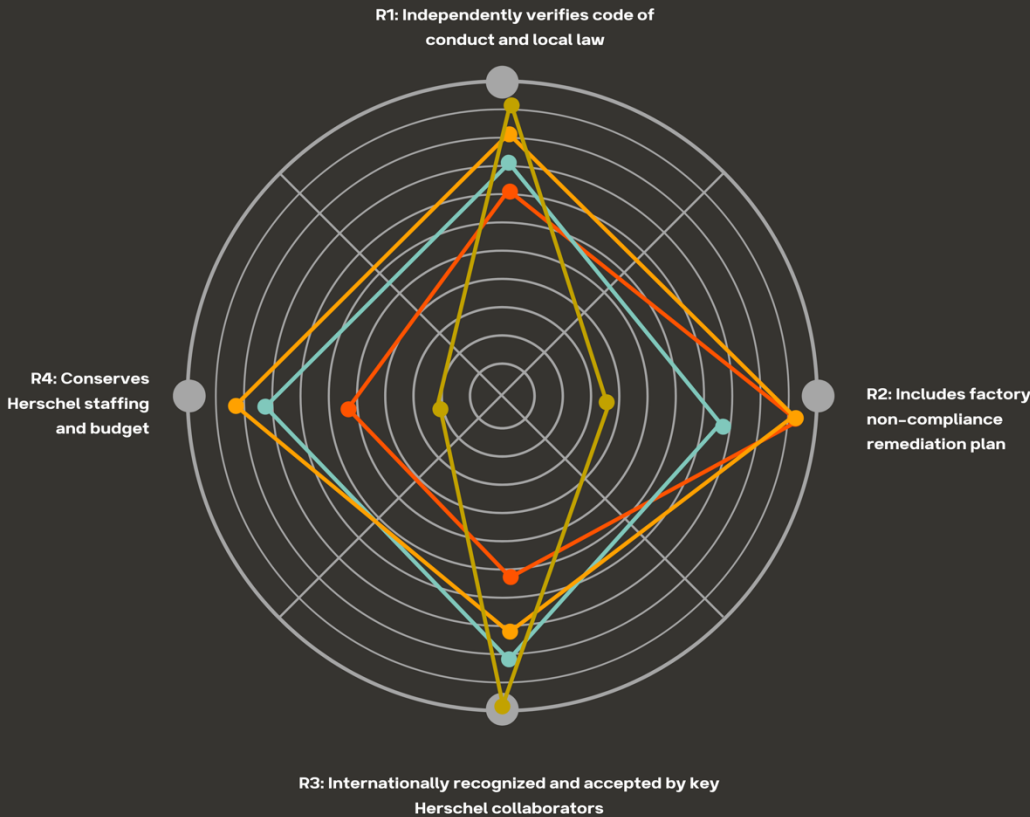
The process of certification to the SA8000 standard is relatively costly upfront and time-consuming for supplier. However, since the process only needs to be repeated on a three-yearly cycle, the cost can be recuperated over time. The preliminary certification audit can take place over 5-15 days, much longer than other audits which could be completed in 2 days for a mid-size factory. Once all non-compliance points have been addressed, then certification is valid for three years.

Prioritizing vendors with SA8000 certification and requiring vendors to move towards obtaining the certification fits all the requirements given by Herschel Suppl Co. for this project: It is a stringent, internationally recognized third party certification that conserves Herschel staff time and upholds high social standards in participating factories. The main challenge for implementation of this system is in finding new vendors and encouraging existing ones to work towards certification.

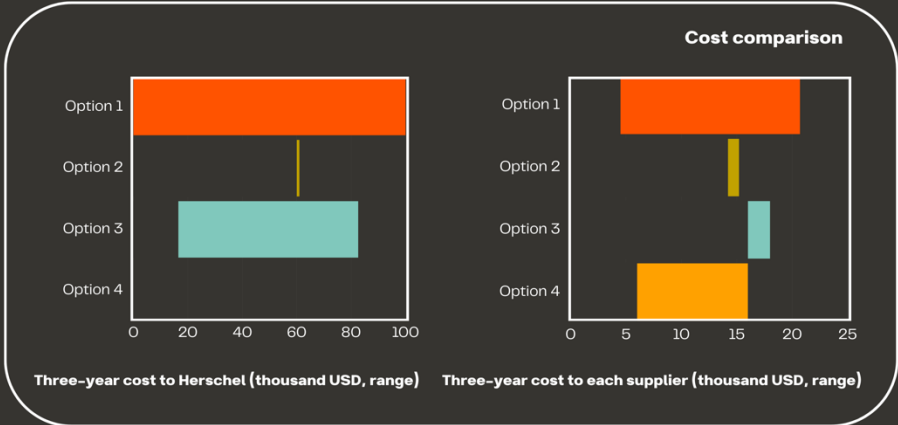


Figure 13: SWOT analysis for Option 4

# Comparison of four shortlisted options



- 1 Option 1: 3rd Party Audits/Factory Improvement through Agency**  
Total score: 26
- 2 Option 2: SLCP/Worldly**  
Total score: 25
- 3 Option 3: Better Work membership**  
Total score: 30
- 4 Option 4: Pathways to SA8000 certification**  
Total score: 34



|  | Option 1   | Option 2   | Option 3   | Option 4   |
|--|--|--|--|--|
| Yearly cost to vendor                    | Yearly cost of agency to support vendors through continual improvement – one quote was for 850 USD per visit, 3–4 visits usually required. Yearly cost of audits, usually USD1500–3500                   | USD 700/day for verification, over 5 days. USD 1249 for Worldly membership including both social and environmental modules | USD 5500 (501–1000 employees), 5,750 (1001–2000 employees), 6000 (2001–3000 employees) | USD 300 for factory self-assessment; Cost of audit cycle paid to assessor: eg USD 750 per day, 5–15 day visit; Yearly short update to ensure corrective action plan is followed: depends on severity of non-compliance, but often around 700–1500 per year |
| Yearly cost to client                    | Depending on the mandate, potentially several thousands of dollars/month to completely outsource all services to a third party. Other services could be free to the client and cost borne by the vendor. | Around USD 20k   | USD 21560 (Buyer Partner) OR USD 1650 per factory cycle (Buyer Participant)            | Free   |
| Total 3-year cost to Herschel Supply Co. | USD 0–100000   | USD 60000  | USD 16500–82680  | Free   |
| Total 3-year cost to vendor              | USD 4500–20700   | USD 14247  | USD 16500–18000  | USD 5900–15750   |

## Results of SWOT analysis

The certification that most closely fits the requirements of this project is the SA8000 standard. Using vendors that are members of Better Work also aligns well with Herschel Supply Co.'s requirements. Other pass/fail certification standards, like WRAP, Fair Trade Certified™, or ESCP are alternatives, although they are less desirable than the other two due to higher standards. Eventually, Herschel should recommit to the Worldly platform and to collecting both environmental and social data using the SLCP audit methodology and use this data to audit to Code of Conduct. Due to the complex nature of the social compliance landscape and Herschel's mixed D2C/D2B business model, with different needs and requirements for each vendor, partnership and product order, a multi-pronged approach may be more appropriate for Herschel Supply Co.'s current needs.

Sourcing decisions cannot be made based on social or environmental issues alone but having a decision framework and priority decision hierarchy in place could help to strengthen the role that social compliance plays in company strategy. This priority list only deals with social compliance, not with environmental impact. This could be adapted and used to make decisions on social compliance whilst considering the results of this research and the complicated landscape.



Figure 15: Sunset in Vancouver, British Columbia.

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## Appendix 1: Summaries and risk analysis for current and upcoming supply chain legislation

Table 3: Relevant current and upcoming environmental legislation and risk level to Herschel Supply Co.

| Legislation   | Country | Date                 | Summary   | Maximum penalty  | Example lawsuit  | Result   | Fine                                      |
|---|---------|----------------------|---|--|--|--|---|
| US consumer protection law  | US      | 1980's               | Burden on the complainant to offer proof that a claim is misleading or false.   | Not explicitly stated  | Kohl's/Walmart, 2022: Misleading labelling of bamboo-derived rayon as "bamboo fabric", making claims about the products' overall environmental benefit despite it not being environmentally friendly <b>over the whole lifecycle</b> | Upheld   | \$5.5 million                             |
|   |         |                      |   |  | Nike, 2024: <10% products in "Sustainability" collection are made from recycled materials, and > 90% of the collection is made from plastic-based materials. Uses a "move to zero" sustainability logo.                              | Dismissed (no evidence that any of Nike's claim is false)  |   |
|   |         |                      |   |  | H&M, 2023: Labels recycled polyester as " <b>The Conscious Collection</b> " made using "more environmentally friendly manufacturing processes"   | Dismissed (only claims of relative sustainability were made)   |   |
| California Voluntary Carbon Market Disclosures Statute/ Assembly Bill 1305                                      |         | 2025                 | Requires entities operating within California that sell or use carbon offsets or make claims about carbon reduction or goalsetting on "carbon neutral" or reducing overall carbon, to disclose information on their websites (Ropes & Gray, 2024). Claims about being net-zero or carbon neutral must also document the accuracy of these claims. | Up to \$2,500 per day, maximum penalty of \$500,000  | Not yet enforced (currently paused)  |  |   |
| UK Green Claims Code  |         | 2021                 | Claims made about products & their effect on the environment should be truthful, accurate, transparent, fair, & consider the entire lifecycle of the product.   | Fines not usually metered; instead, a company is asked to comply with changes and remove non-compliant messaging (Competition and Marketing Authority, 2021).  | ASDA, Boohoo and ASOS: Broad, vague statements on "sustainable" clothing ranges, "eco/conscious" clothing labels, and "recycled" claims on clothing  | Case still open (no fines issued yet) companies submitted detailed corrective action plan, published online. |   |
| Canada's Competition Act (old legislation)  | Canada  | 1985                 | Prohibits deceptive, misleading, or false marketing. The burden is on the complainant.  | Maximum fine of \$25 million   | Keurig 2022: Unclear instructions on <b>recyclability claims</b> of products   | Upheld   | USD 2.2 million + donation of USD 600,000 |
| 2024 Amendments to the Competition Act (new legislation)  |         | 2024                 | Specifically prohibit marketing or other representations on the part of brands that promote the environmentally conscious nature of a product without providing proper proof using an internationally recognized methodology(Competition Bureau Canada, 2024).  | The greater of: CAD \$10 million (first order); CAD \$15 million (subsequent orders); 3% of annual worldwide gross revenues; or 3x the value of the benefit derived from the deceptive conduct. (Blakes, 2024) | Lululemon 2024: Setting emissions reduction goals with no intention of achieving them; vague and generic claims of products being good for the planet  | No resolution yet  |   |
| EU Unfair Commercial Practices Directive (2005//EC) (UPCD) (old legislation)                                    | EU      | 2005/2021 amendments | Regulates unfair business practices   | Depending on each member state   | HelloFresh Deutschland 2023: claims that a food delivery is "carbon-neutral" because the company offsets its emissions.  | Upheld   | No fine, penalty if claims are repeated   |
| H&M/Decathlon, 2022: "Conscious" Collection on apparel, green hangtags on clothes made from recycled polyester. |         |                      |   |  | Upheld   | Donated EUR400k and EUR500k to environmental causes and removed the offending labels                         |   |
| EU Green Claims Directive (new legislation)   |         | 2026                 | Provides specific rules for environmental claims and bans generic claims like "natural" or "environmentally friendly" without "proper substantiation" (European Parliament, 2024b). It also introduces rules around labelling recycled, recyclable, durable, and repairable products. Non-legally recognized sustainability labels are banned.    | At least at 4% of their annual turnover, or other penalties like exclusion from procurement (European Parliament, 2024a).  | Directive not yet enforced   |  |   |

Table 4: Relevant supply chain transparency, traceability and social accountability legislation and analysis of risk to Herschel Supply Co.

| Legislation   | Country              | Date | Summary  | Maximum penalty   | Real penalties or fines assigned  |
|---|----------------------|------|--|---|---|
| <b>Fighting Against Forced Labour and Child Labour in Supply Chains Act</b> | Canada               | 2024 | Requires entities doing business in Canada to publicly report on measures taken to prevent forced labor and child labor in their supply chains (Fighting Against Forced Labour and Child Labour in Supply Chains Act, 2024). Reports are published on the company website and available on a repository on the government website.   | up to \$250,000. Greater risk of reputational damage from third parties like Know the Chain noting lack of effort to reduce forced labour in supply chains.                             | No companies yet fined for non-disclosure   |
| <b>Uyghur Forced Labor Prevention Act (UFLPA):</b>                          | US                   | 2022 | Prohibits goods made with forced labor in China's Xinjiang region from entering the US market (U.S. Customs and Border Prevention, 2021). Brands must ensure their supply chain is free from Uyghur forced labor to avoid import restrictions. Brands sourcing from Xinjiang should be cautious and transparent about their supply chain practices complying with UFLPA requirements.        | Goods can be detained and prevented from entering US territory. Monetary penalties can also apply.  | In 2023, \$22.53 million worth of apparel, footwear and textiles were denied entry to the US under this law, according to the US Customs and Border Prevention office statistics. |
| <b>California Transparency in Supply Chains Act (CTSCA)</b>                 | US (California only) | 2024 | Signed in 2019 and enforced by law since 2012, the CTSCA requires companies with presences in California to disclose their efforts to eradicate slavery and human trafficking from their supply chains (State of California Department of Justice, 2012). Companies must publish annual reports online detailing their actions to combat forced labor and ensure transparency for consumers. | \$2,500 per violation. Greater risk of reputational damage from third parties like Know the Chain noting lack of effort to reduce forced labour in supply chains(Know the Chain, 2024). | No companies yet fined for non-disclosure.  |
| <b>UK Modern Slavery Act</b>  | UK                   | 2015 | Mandates businesses to disclose anti-slavery efforts in their supply chains (Modern Slavery Act 2015, 2015). Brands operating in the UK market must publish statements outlining the steps they have taken to prevent modern slavery.  | unknown   | unknown   |
| <b>EU Forced Labour Act</b>   | EU                   | 2026 | Prohibits the use of products made with forced labour and lays out a framework for enforcement. Companies will have to prove through traceability and transparency that no forced labour is present in the supply chain.   | Products can be withheld from EU market and maximum fines not less than 5% of the company's net worldwide turnover.   | Directive not yet enforceable   |

## Appendix 2: Longlist of third party social and environmental compliance options

Table 5: Organizations or internationally recognized standards that Herschel's competitors and collaborators use to support them through environmental and social compliance and improvement. Highest performing options are highlighted in black.

| Category   | Name  | Summary   | R1 | R2 | R3 | R4 | Met? | Shortlisted?  |
|--|---|---|----|----|----|----|------|---|
| Brand/retailer-centric membership or guidance organization | Ethical Trading Initiative  | UK-based consortium of retailers, NGOs and other stakeholders working to collaborate and advocate for worker rights.  | x  | ✓  | x  | x  | ✓    | x   |
|  | Cascale   | Uses the Worldly platform to collect data on SLCP audits via the Facility Social and Labor Module (FSLM), and environmental data using the Higg Index via the Higg facility Environmental Module. Brands manage remediation and compliance themselves through the platform.         | ✓  | x  | ✓  | x  | x    | ✓   |
|  | Sedex   | Platform managing SMETA audits. Provides extra services to members such as data analytics   | ✓  | x  | ✓  | x  | ✓    | x   |
|  | Better Work   | Supporting factories through a continual improvement process over time which includes both audits and advisory visits but doesn't operate in China. Buyers can join at two levels incorporating different price points and commitments. Factories also pay to sign up.              | ✓  | ✓  | ✓  | ✓  | ✓    | ✓   |
|  | Responsible Business Alliance   | Supply chain sustainability organization focussing on minerals supply chains  | x  | x  | ✓  | x  | x    | x   |
|  | Sustainable Packaging Coalition   | Member-based advocacy organization focussing on packaging.  | x  | x  | x  | x  | x    | x   |
|  | Watershed   | Data collection platform for companies allowing emissions and social data to be collected and analyzed.   | x  | x  | x  | x  | x    | x   |
|  | Global Reporting Institute (GRI)  | Organization advocating for transparent and standardized reporting by brands, governments, companies etc.   | ✓  | x  | ✓  | x  | x    | x   |
|  | Better Buying™ Institute  | Better Buying™ is a subscription service for both buyers and suppliers allows suppliers to anonymously rate the purchasing practices of the companies that buy their products so that the buyer knows which practices can be improved.  | x  | x  | x  | x  | x    | x   |
|  | Science-based targets initiative (SBTI)   | Sets detailed guidance for, and approves, climate action targets in a variety of sectors including apparel and footwear, which includes textiles.   | x  | x  | ✓  | x  | x    | Herschel Supply had science-based targets approved in 2022. |
| 1% for the planet  | Members contribute at least 1% of their annual revenue to environmental causes. | x   | x  | ✓  | x  | x  |      |   |
| Brand/retailer-centric certification or standard           | Global reporting standards  | Standards for brands to meet on reporting climate, environment, governance and other performance affecting broad environmental and social impact  | ✓  | x  | ✓  | x  | x    | x   |
|  | Fair Labor Association (FLA) accreditation                                      | Membership association with strict requirements for accreditation along a 5-year pathway including FLA-specific yearly audits of 5% of suppliers  | x  | x  | ✓  | x  | ✓    | x   |
|  | Certified B Corporation (B-Corp)  | Certification for business that meet a high standard of environmental and social sustainability   | x  | x  | x  | x  | x    | x   |
|  | "Climate neutral" certification   | Certifies companies as "carbon neutral" with offsets or similar programs. Managed by the Change Climate Project.  | x  | x  | x  | x  | x    | x   |
|  | Sustainability accounting standards   | Standards for brands to meet on reporting climate, environment, governance and other performance that affect investor decision making.  | x  | x  | ✓  | x  | x    | x   |
|  | Fair Wear   | Membership organization that ranks member brands from "leader" to "needs improvement".  | ✓  | x  | ✓  | x  | x    | x   |
| Supplier-centric standard or certification program         | Worldwide Responsible Accredited Production (WRAP)                              | Factories work towards a certification and apply yearly with little input from client. However, WRAP does not work directly with suppliers to enforce remediation or follow through with compliance points, only providing online and pre-assessment resources through the website. | ✓  | x  | ✓  | ✓  | ✓    | ✓   |
|  | SA8000  | Valid for three years; a factory pre-assessment tool supports the factory in understanding how to remediate for a low fee (USD 300).  | ✓  | ✓  | ✓  | ✓  | ✓    | ✓   |
|  | ILS minimum compliance standard (MCS)   | Comparatively lower standard compatible with ILS (Disney) audits. Factories are still expected to work towards continual improvement  | ✓  | x  | ✓  | ✓  | x    | x   |
|  | Ethical Supply Chain Program (ESCP)   | Started as a toy factory certification program but is now available to other factories. Has an in-depth remediation program   | ✓  | ✓  | x  | ✓  | ✓    | x   |
|  | Fair Trade Certified  | USA-based certification system with 100 factories certified across the globe. Participating factories go on a 6+ year progress journey with the organization, paying a fee for each year  | ✓  | ✓  | ✓  | x  | x    | ✓   |
| Audit methodology  | amfori BSCI   | Another commonly used audit methodology   | ✓  | x  | ✓  | x  | ✓    | x   |
|  | SMETA   | Most common 3 <sup>rd</sup> party audit, managed by the Sedex platform, giving a score instead of a pass/fail.  | ✓  | x  | ✓  | x  | ✓    | ✓   |
|  | International Labour Standards Program (ILS)                                    | Disney's in-house audit methodology that has also become a commonly accepted audit across many industries.  | ✓  | x  | ✓  | x  | x    | x   |
|  | Social and Labor Convergence Program (SLCP)                                     | Audit methodology used for the Higg FSLM in the Worldly platform, which also hosts the Higg FEM, the most common way of monitoring supply chain environmental impact  | ✓  | x  | ✓  | x  | x    | ✓   |
| Product-centric certification                              | Fairtrade International™  | Certification happens on the level of the products themselves, and every step in the supply chain until the product is manufactured must be certified. Companies pay a % of every product sold to use the trademark.  | ✓  | x  | ✓  | x  | ✓    | ☒   |
|  | Global recycled standard (GRS)  | Comparable certification for recycled products  | ✓  | x  | ✓  | x  | x    | Herschel is already certified to T2                         |
|  | Global organic textile standard   | Certifies organic materials including cotton  | ✓  | x  | ✓  | x  | x    | x   |
|  | Forestry Stewardship Council (FSC) certification                                | Certification programme for forests and paper products that certifies sustainably sourced or recycled products  | ✓  | x  | ✓  | x  | x    | Herschel hangtags are 100% FSC certified recycled paper     |
|  | Bluesign®   | Bluesign® certified products meet strict environmental and safety requirements  | ✓  | ✓  | x  | x  | x    | x   |