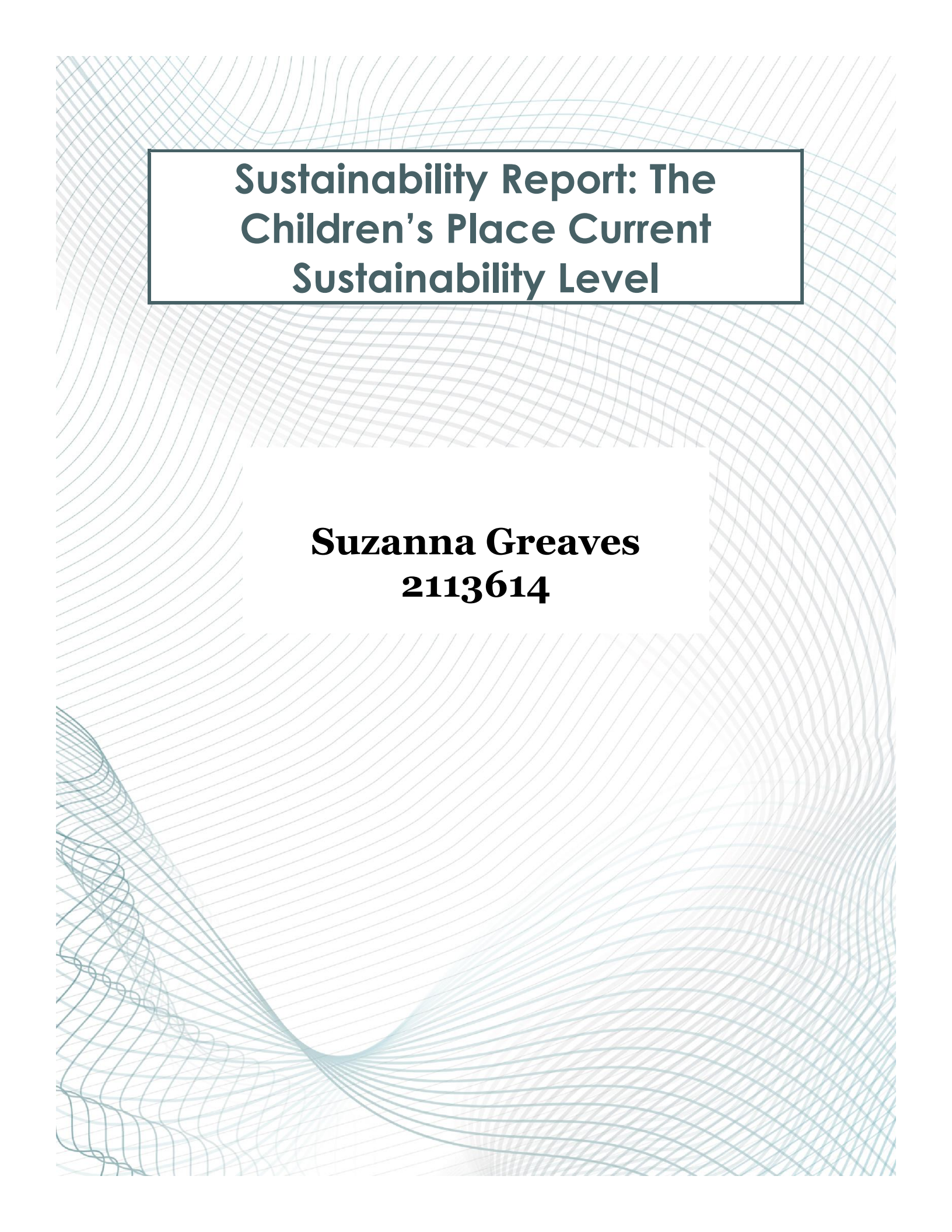




Sustainability Report: The Children's Place Current Sustainability Level

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BMSP7003D- Embedding Sustainability within Organizations

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INSTRUCTIONS

As a recent graduate in Sustainability and Leadership, I have been tasked with preparing this management report to assess the current level of sustainability within this organisation, The Children's Place.

The report aims to achieve the following:

- ✚ to identify current sustainability initiatives, practices, and processes across the organisation and from various functions.
- ✚ to highlight any interrelated issues and / or conflicts of interests within the organisation or between relevant stakeholders.
- ✚ to provide a comparative understanding of the current sustainability level of the organisation within the specific industry.



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The Children's Place Profile Overview

Corporate Overview

The Children's Place, referred to as TCP from here onwards, is the largest U.S. and Canadian children's clothing retailer. The company's primary brand names are "The Children's Place," "Place," "Baby Place," "Gymboree," and "Sugar & Jade." It designs, contracts to produce, distributes at retail and wholesale, and licenses high-quality clothes at mostly reasonable prices.

The below data is from the company's 2022 Environment, Social, and Governance report:

Our company services an average of over 400,000 customers each week online and in our stores.



OVER
11,000
ASSOCIATES GLOBALLY



672 STORES
IN THE U.S. & CANADA



HEADQUARTERED IN
SECAUCUS, NJ



\$15M
IN PRODUCT AND CASH
DONATIONS TO FAMILIES AND
CHILDREN IN NEED IN 2021



DIVERSE
COMPANY
CEO is a woman
Over **50%** of the Board and
Senior Leadership team are women;
87% of associates are women, and
67% of associates identify as racially/ethnically diverse
20% of the Board identify as racially/ethnically diverse



211
INTERNATIONAL POINTS
OF DISTRIBUTION IN
16 COUNTRIES

Sustainability at The Children's Place

Environmental Sustainability:

TCP has recently adopted a management framework and policies based on sustainability. Accordingly, the purpose of this assessment is to determine to what extent the organisation expands its commitments to such sustainability-driven management practises across all its organisational functions. And, when it comes to sustainability-driven management practises, is TCP recognized as an "embracer" or a "cautious adopter"? Haanaes, et al., 2011.

Internationally recognised frameworks and standards guide the company's environmental objectives and initiatives. These include, but are not limited to, the 2015 United Nations Framework Convention on Climate Change Paris Agreement, the core conventions of the International Labour Organization (ILO), the Sustainable Development Goals (SDGs), the United Nations Guiding Principles on Business and Human Rights, and the Organization for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises.

Consequently, in 2021 the Distribution Centre and Real Estate teams of the organisation assumed responsibility for energy efficiency projects across operations. The Global Sourcing and Information and Technology, Logistics and Stores teams partnered with

suppliers and partners to promote environmental goals with regards to materials, waste, and circularity, TCP ESG report 2021.

According to Kiron et al. (2012), companies in all industries are prioritising sustainability. TCP is no exception due to the enormity of our society's situation and corporations realizing that to be profitable over time, they must consider sustainability and, ideally, deal with the world's challenges, Khan, et al., 2016.

According to the findings presented in The Children's Place Environment, Social and Governance (ESG) Report, 2022, it was made abundantly clear that this was the situation in which TCP found themselves as stated below:

This need is not only driven by natural disasters that cause damage to economies and lead to humanitarian concerns such as food scarcity, but also by the recognition that climate change has the potential to impact our business operations and profitability.

(The Children's Place Environment, Social and Governance Report, 2022)

This is the reality of the world's current climate catastrophe: organisations are not merely motivated by a desire to help humanity; they must also consider their own interests. In my opinion, this degree of candour can be detrimental to the business' reputation, as the company disregards societal issues other than those impacting profits.

In recent years, responsible management has emerged as an issue of paramount importance because of the gravity of societal grand challenges that pose a threat to our planet, as outlined, and discussed by George et al. 2016. Nevertheless, under what circumstances would it be appropriate to summarise the following sentiment, which is contained in the company's 2022 ESG report and reads:

Heat waves and drought can destroy the raw materials that go into our product and extreme weather can delay the transportation of our product to our customers. Governments are looking to enact more stringent corporate climate regulations and younger generations are using their purchasing power to drive support to companies taking action.

(The Children's Place Environment, Social and Governance Report, 2022)

As a passionate leader for both sustainability and integrity standards, I consider the company's stance on social and environmental issues to be ethically questionable, arrogant, and self-serving. The company makes no effort to conceal the fact that its sole motivation for acting sustainably is to minimise any interference with its business profitability.

The following are examples of the types of societal grand challenges that the company is attempting to address, and some of these will be examined in greater detail going forward in this report:

 **Greenhouse Gas Emissions**

 **Water Usage and Waste**

 **Energy Consumption**

 **Toxic Chemicals Management**

 **Constrained Raw Materials**

 **Product Waste in Landfills**

Environmental Performance and Product Responsibility:

This section presents data from The Children's Place's ESG 2022 report regarding the extent to which TCP has met its environmental goals in relation to environmental indicators across all organisational functions. Four environmental performance indicators will be considered for the purpose of this report: greenhouse gas emissions and energy consumption, raw materials, water consumption, and waste reduction.

1. *Reducing Greenhouse Gas Emissions and Energy Consumption for Efficient Operations-*

For fiscal year 2021, 97.3% of the company's greenhouse gas emissions were attributed to its supply chain, which is typical for the apparel and footwear industries. This is largely attributable to the carbon intensity levels associated with the farming, processing, and manufacturing of raw materials and fabrics. Thus, only a small proportion of its greenhouse gas emissions, 0.4%, are directly attributable to its own or leased sources from the generation of purchased energy, such as electricity, 2.3%. The company was able to achieve a 30% reduction in greenhouse gas emissions across its global operations (excluding supply chains), according to the report. This was because of the Covid-19 pandemic and the company's fleet optimization strategy, which involved the closure of more than 250 stores. Unfortunately, the company did not take advantage of the opportunity to transition to the use of renewable energy sources, such as solar, for electricity generation. Such an opportunity would have exemplified the company's reputation for being an environmentally responsible and a social enterprise, Pomerantz,

2003. Instead, the company converted more than 2,700 light bulbs at its Alabama distribution centre to light-emitting diode (LED) lighting.

2. Using Sustainable Raw Materials for Product Design and Manufacturing-

The company has partnered with the Better Cottons enterprise or BCI to increase their efforts to better farming practises around the world, as cotton is their primary source for fibre. 67% of the cotton fibre in the company's apparel was responsibly sourced through BCI in the fiscal year 2021. This is because when it comes to cotton sustainability, no other programme compares to BCI, 2022 as featured by their website. Partners like TCP believes in BCI's techniques of enlightening farming communities to expand the benefits to all parties involved in the production of cotton.

Moreover, for the fiscal year of 2021 the use of responsibly sourced cotton from BCI is estimated to have saved over 2 billion gallons of water, prevented the use of over 12,000 pounds of pesticides, and resulted in an additional \$4.2 million in profit for farmers. This information was supplied by BCI and included in The Children's Place ESG report for 2022.

TCP has gone a step further in their initiative to source sustainable raw materials. For instance, the company is currently converting its woven labels to recycled polyester. Likewise, the method of reprocessing materials from recycled plastic bottles for use in zipper tape has been measured for the fiscal year 2021 and is equivalent to roughly

116,000 plastic bottles. Environmental and sustainable measures taken by the TCP product design team are commendable overall.

3. *Reducing Water Consumption in Manufacturing Processes-*

TCP has implemented a water stewardship goal for jeans and woven pants' suppliers since 2019 to lessen water consumption in the production process, with a particular emphasis on products with high water usage. This policy aims to cut water consumption by 25% in their production and washing practices, which is measured yearly using litres of water per production unit via the company's Sustainable Apparel Coalition's Higg Facility Environmental Module (FEM). As a result, TCP exceeded its target by two years, with a 28% reduction in water usage between fiscal years 2018 and 2021.

However, this is due to the efforts of the suppliers, which include machinery improvements, increased productivity, and water recycling, rather than TCP's own endeavours. TCP needs to play a bigger part in evaluating and helping to mitigate water risk in its supply areas. Countries like Ethiopia, Cambodia, Indonesia, Bangladesh, China, and Hong Kong are among those from which TCP obtains low-cost global sourcing, as highlighted by the United States Securities and Exchange Commission in Washington, D.C., 2020.

4. *Reducing Waste in Landfills and Supporting a Circular Economy-*

The practice of circularity by TCP supports the idea of the Circular Economy, which is described by the Ellen MacArthur Foundation as "an industrial system that is restorative

or regenerative by intention and design." That is, a shift toward cleaner energy sources, safer alternatives to toxic substances, and less wasteful practises through the development of novel materials, commodities, processes, and value chains.

TCP's total waste footprint is dominated by product waste, emphasising the importance of developing and implementing circular flow goals to assist customers in extending product life. Thus, during fiscal year 2021, TCP investigated the work done in its garment industry in terms of the circular business model. As a result, the emphasis was on product design that uses renewable raw material and is more durable and easily recyclable at the end of the product's lifecycle. The company decided to take advantage of opportunities to recycle and donate, and TCP chose GiveBackBox as its first circular initiative partner. This initiative was launched in 2022 to help reduce the company's waste footprint. With the GiveBackBox model, customers can recycle their delivery packaging of boxes and plastic bags by placing their gently used clothing and shoes to be sent to underprivileged families.

Comments:

In conclusion, TCP's current sustainability initiatives, practises, and processes across the organisation and from various departments are not necessarily on hold. Nonetheless, the company should increase its investment in and management of sustainability across the apparel and retail industries. Considering the company's environmental performance in relation to the four environmental indicators listed above, the company should consider

energy-reduction projects across its organisational functions and in collaboration with its partners. Its best environmental performance was the reduction of greenhouse gas emissions and energy consumption, but this was only possible owing to the coronavirus and the corporation's fleet optimization policy, which required the closure of over 250 stores. TCP would be considered an "embracer" of sustainability-management practises only when sustainability is deeply and permanently integrated into the company's agenda and not primarily for competitive reasons and brand reputation, Haanaes, et al., 2011.

Stakeholders Engagement

Employees

‘Achieving gender equality and empowering all women and girls’ is the 5th Sustainable Development Goal (SDG) proposed by the United Nations Development Programme, 2015 and the company aspires to realise its vision by employing at least 80% women. As a result, 87% of its employees, from store associates to its Board of Directors, are women and this sets the company apart in the market. The following information is taken from TCP's ESG report, 2021, and shows the percentage of women in the organisation.



87% OF OUR ASSOCIATES ARE WOMEN

- **Our CEO** is a woman
- **60%** of our Board of Directors are women*
- **50%** of our Senior Leaders are women
- **57%** of our corporate leadership team are women
- **91%** of our store management are women
- **Over 60%** of workers in our supply chain are women
- **93%** of all promotions in FY21 were women
- **89%** of new hires in FY21 were women

Additionally, *‘promoting sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all’* is highlighted by SDG 8 proposed by United Nations Development Programme, 2015. This Agenda emphasises in various sections the value of generating jobs for susceptible groups, specifically females, inner-

city poor, unemployed rural labour, and low-income inner-city residents. Currently, about 67% of workers at TCP identify as racially/ethnically diverse and thus, to help achieve this goal, TCP launched its first Diversity, Equity, and Inclusion objective in 2021 to assist in expanding the number of African American employees at its U.S. head office by 2025. The following information is taken from TCP's ESG report, 2021, and shows the proportion of employees who are ethnically diverse.



67% OF OUR ASSOCIATES IDENTIFY AS RACIALLY/ETHNICALLY DIVERSE

- **39%** of our corporate leadership team identifies as racially/ethnically diverse
- **48%** of our store management team identifies as racially/ethnically diverse
- **67%** of all promotions in FY21 were racially/ethnically diverse
- **72%** of new hires in FY21 identify as racially/ethnically diverse

Moreover, the company provides all its top executives with facilitated conversations about institutional racism, inherent bias and microaggressions. In addition, there are online training modules available to all staff members on matters such as racial identity, racial discrimination, diversity and inclusion, sensitivity, unconscious bias, and prejudice in the workplace. Thus, such programmes are highly commendable for assisting in the attainment of goal 8 of the SDGs.

The following are a few statements made by associates from a variety of backgrounds working at TCP published in its ESG 2021 report.



TRICIA BARNES

Years at TCP: 6 years

Role: Regional Human Resources Manager

"I am so proud and greatly honored to say that I work for The Children's Place as the Regional Human Resources Manager for Canada. I wake up every morning eager to begin my day at The Children's Place. A company that provides the opportunity to grow and develop. A company that you cannot help but to feel a sense of belonging, feel appreciated and a part of a successful team made up of diverse and intelligent members."



AMRITA GUPTA

Years at TCP: 16 years

Role: Vice President, Global Sourcing

Previous Role(s): Global Sourcing Director, Sourcing Manager, Senior Technical Designer, and Technical Designer

"I enjoy the fast-paced environment and complexities with the various work streams that continue to keep me challenged. The talent in this organization amazes me and pushes me to strive for better! It is absolutely gratifying to see the tangible results - the impact I make on the lives of the people who make our products & the kids who wear our products. My role puts me in the unique position of being able to use my own experiences and insight as a mom to deliver a better product for our customer. My experience at The Children's Place is proof that being a working parent is an asset, rather than an obstacle to a successful career."

However, managers and leaders must also acquire knowledge regarding corporate sustainability in terms of overcoming sustainability challenges. According to Dyllick & Hockerts, 2002 corporate responsibility and sustainability are built on the tenets of "eco-

efficiency, socio-efficiency, eco-effectiveness, sufficiency, and ecological equity." Therefore, managers should be trained via experimental learning programmes (ELPs), Baden & Parkes, 2013 as these allow them to make meaningful connections with global sustainability issues such as climate change, resource depletion, ethical concerns, and the broadening gap between wealthy and underprivileged nations.

Supply Chains

The company adheres to environmental sustainability regulations and hopes to foster long-term partnerships. Some of their important relationships include the following organizations: Betton Cottons, Textile Exchange, Science Based Targets, Sustainable Apparel Coalition, Sustainable Packaging Coalition, Better Work, and Plan International USA.

It is important to note that TCP is not the owner of any of the production facilities that they use in the garment industry, nor do they run or govern any of those facilities. The TCP global sourcing team oversees the organization's merchandise procurement operations for the following:



As previously stated, many of these factories are located in low-cost sourcing nations such as Ethiopia, Cambodia, Indonesia, Bangladesh, China, and Hong Kong. The

purpose here is to investigate the working conditions of the labourers who produce TCP's apparel. Moreover, how were they treated during the Covid-19 Pandemic? This review will provide information regarding the working conditions of TCP's supply chain.

Research conducted to identify the risks and impact strategies of the "ready-made garment" supply chain was highlighted by Taqi et al., 2020. In the event of a pandemic like the one caused by the Covid-19 virus, it was suggested that supply chains create plans for "digital readiness and data sharing." The effects of order cancellation and product unavailability were discussed by Son et al. 2019. During the Covid-19 pandemic, it was reported that brands were the first to postpone or cancel orders, putting millions of individuals at risk of losing their livelihoods.

The Guardian, 2020 reported that TCP cancelled millions of dollars' worth of apparel orders from Ethiopian suppliers due to the coronavirus. After cancelling orders from Ethiopia in March, the company delayed payments for completed orders from January and February 2020 by 6 months. Ethiopian garment workers who earned \$26 a month were forced to take home roughly \$10 a month as a result of such cancellations and refusal to pay for completed orders by TCP.

ReMake, 2021 reported, because of adjusting to the new realities of COVID, The Children's Place had not fulfilled its commitment to support garment workers, much less had a positive impact on the lives of those who make their product. Such a management decision regarding the refusal to pay for completed orders would negatively impact the

brand's reputation. In addition, this goes against the "Decent work and economic growth" goal number 8 that was established by the United Nations Development Programme in 2015.

The Children's Place Sustainability Comparative Advantage

In conclusion, TCP's sustainability goals outlined in its ESG report are being met. The company may be considered a "cautious adopter" of sustainable management practises due to the absence of sustainability in its core principles. As it progresses, the company is gradually adjusting to global challenges. Due to the coronavirus pandemic, most the company's environmental goals were met. For instance, the company was only able to meet its water consumption goal ahead by two years because of its supply chain's efforts which include machinery improvements, increased productivity, and water recycling. This was also true for many of TCP's rivals, who faced the same global obstacles.

TCP's focus now shifts to expanding its international supply chains to meet future cost, quality, and delivery needs as the global pandemic fades. This foresight gives the company a competitive advantage in the market. In its ESG 2021 report, the company stated that it intends to increase its involvement in existing sourcing countries such as Kenya, Tanzania, and Egypt. While it intends to expand operations in new countries such as Madagascar and move into West Africa to source cotton. Because of its proximity to

the United States' East Coast, expanding in this region will help develop new textile manufacturing while also reducing shipping times.

Considering that much of Africa's clothing and footwear industry is still in its infancy, this supply chain expansion provides TCP with a greater opportunity to influence vendors through Environment, Social and Governance focused discussion.

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