2013 saw the launch of the global C&A Foundation, bringing renewed vigour, depth and focus to a long history of philanthropy that started when Clemens and August Brenninkmeijer founded the C&A company in 1841. Today, we are inspired by the same values and commitment to entrepreneurial solutions that marked the beginning of C&A.
The apparel industry is one of the world’s largest. It provides millions of men and women with employment in some of the world’s poorest countries and generates EUR 2.2 trillion in annual revenues. Yet it also faces tremendous challenges, which are vast, complex and global.

At C&A Foundation, we realise that we cannot tackle these challenges alone; rather, we aim to use our resources to bring businesses, governments, charities, academia and non-governmental organisations (NGOs) together to collaborate, learn from one another and solve these shared, systemic challenges. To date, we have established strong partnerships with different types of organisations in pursuit of this goal, including multilateral organisations such as The World Bank’s International Finance Corporation (IFC), bilateral agencies such as Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ), NGOs such as terre des hommes and industry platforms such as Textile Exchange and many for-profit actors across the supply chain – from gin to manufacturer.

In doing so, we want to contribute to a fair and sustainable apparel sector based on respect and financial wellbeing; a sector that is also in balance with the environment. We want to help everyone touched by the industry to thrive.

Our efforts focus on three pillars – sustainable product, sustainable supply and sustainable lives – which also form the cornerstone of C&A’s sustainability strategy. Within this framework, we are prioritising three activities: accelerating the production of sustainable cotton, enabling the positive environmental impact of the supply chain, and empowering people to improve their livelihoods through better skills and opportunities. Furthermore, building on the principles and beliefs of our founding family, we are providing humanitarian relief by helping people affected by natural disasters get back on their feet – both in countries where C&A has an active presence and beyond.

2014 is an important milestone for us. We are building a solid foundation that will enable us to achieve the ambitious goals that we have set. How? First and foremost, we are expanding our team of dedicated professionals who work closely with our partners throughout the supply chain to implement our mission. Second, we are refining our methodology, including the development of a robust framework for measuring and communicating our results. Third, we are working closely with the C&A business to pilot ways to better engage and energise its employees – a powerful base of ambassadors for positive change.

In this report, we would like to share some of our initiatives over the past year, as well as our ambitions for the years to come. As one organisation among many that are working hard to improve lives in this sector, we know that our efforts alone are not sufficient. But we do hope, over the years to come, to continue to make a meaningful contribution to improving lives – from farmer to consumer. To do this, we very much welcome your feedback to help us succeed in this mission.

Edward Brenninkmeijer
Chairman

Leslie Johnston
Executive Director
The apparel sector has had a profound impact all over the world. It has created over 60 million jobs – providing livelihoods and security for millions of men, women and families, oftentimes in some of the world’s poorest countries – and it is a major contributor to the gross domestic product (GDP) of many developing economies.

In Bangladesh alone, the industry generates 80 percent of its foreign exchange and directly employs four million people, mostly women. Most of these individuals hail from rural areas and otherwise would have few opportunities for formal and productive employment to support their families, and most support, on average, six family members. As these women are able to earn their first pay-cheques, their families and their communities benefit.

The sector also is a springboard for many countries to grow and evolve into more diversified apparel production and also new service industry sectors. This often goes hand-in-hand with improvements in skills and wages. For example, China has developed from a producer of basic clothing to more complex and higher value outerwear, and in 2012 apparel workers received average monthly wages of US$324, up from US$144 in 2001. Furthermore, Hong Kong and Mauritius are compelling examples of how economies which were previously dependent on the apparel industry were able to further develop and become leading providers of financial services.

Yet, the apparel sector has also generated significant challenges: how to protect the health and safety of workers, how to ensure fair working conditions and how to mitigate environmental impact of this large industry are questions that demand answers, particularly in the case of Bangladesh, which ranks 146 of 187 on the United Nations Development Programme Human Development Index.

But, as the case of Bangladesh shows, (and indeed, China, which, despite its growth, has also had tremendous human rights abuse and environmental damage) such benefits can be deceptive. The industry creates employment for a vast number of people who produce goods for the global economy, yet in many cases it does not protect their basic human rights or provide sufficient income to escape poverty.

Further, incentives across various industry entities are not always aligned. Governments are reluctant to enforce labour standards or guarantee a viable, minimum wage, for fear of losing overseas trade; consumers continue to demand ‘fast’ fashion, often unaware of the high social and environmental costs of their choices, and businesses, driven by market pressures, remain focused on short-term profitability and choose not to invest in more sustainable business practices, which would ultimately benefit workers, business and society as a whole.

Harnessing Potential
Increasingly, consumers are starting to take a stronger interest in sustainability. They want to know that their clothes are produced responsibly, with minimal negative environmental impacts, and in safe and fair working conditions – but this interest has not yet translated into higher demand for sustainable clothing, as recent market studies have revealed significant disconnect between what consumers say they want and what they actually purchase.

But, apparel brands also want to do the right thing. Through platforms such as the Sustainable Apparel Coalition, the Global Social Compliance Programme, the Ethical Trading Initiative, Textile Exchange and Forum for the Future, companies increasingly are collaborating on solutions to pressing industry challenges.

We recognise that larger scale change will not happen overnight and there is still a lot of work to be done. We are pleased that consumer preferences are trending in the right direction and that brands are beginning to embrace meaningful, collective action. We look forward to continuing to witness, and influence, these positive shifts in the months and years to come.
Building on a long history of philanthropy, C&A Foundation aspires to be a force for good. It is our aim to inspire, engage and convene people throughout the apparel industry and help them to deliver lasting, positive change, with a specific focus on the countries in which C&A sources and sells its products.

By working in partnership with the C&A business, we are providing potential for direct impact and change at scale, which we hope will encourage more collaboration in the industry. At the same time, we can engage and energise over 50,000 C&A employees to become ambassadors for positive change.

**A Quiet History in Philanthropy**

Clemens and August Brenninkmeijer made their first contribution to help the less fortunate in 1841 – the same year the company started. It was from these modest beginnings that the culture of responsibility and engagement developed. As natural as it was for the company’s founders to share their good fortune with the needy, it too was natural for them to do so quietly. As the business grew and expanded globally, the generations of family entrepreneurs that followed continued and solidified a strong tradition of private charitable giving.

Private charitable giving was complemented by the creation of a number of public entities, including Instituto C&A in Brazil (1991), the C&A Initiative for Social Development (CISD) (1996), Fundación C&A Mexico (1999) and C&A Foundation (2011). These initiatives shared a common goal: to improve lives in the countries where C&A operates through support for local community initiatives that followed continued and solidified a strong tradition of private charitable giving.

We now are realigning the C&A Foundation as a global entity that aspires to see an apparel industry in which everyone can thrive. We have recruited additional resources to complement our existing foundation teams in Mexico and Brazil, and to provide strategic leadership and expertise in grantmaking, results measurement, and communication. We also are adopting a longer-term view, prioritising larger and more strategic partnerships, using evidence for learning and advocacy, and using non-financial contributions to help strengthen our partnerships worldwide.

**Three Pillars of Sustainability**

In line with C&A’s sustainability priorities, we are anchoring our activities on three pillars: sustainable product, sustainable supply and sustainable lives. Within each, we support a number of activities which ultimately aim to improve the social and environmental impact of the apparel sector.

**The Power of Partnership**

We are a corporate foundation, working in close partnership with a global business. Through this partnership with C&A, we are able to leverage our resources, networks and funds to address opportunities in the apparel sector at scale. This collaboration starts with our shared sustainability strategic framework and expands across:

1. **Governance.**
   Our board includes senior C&A leaders who provide thought leadership and guidance to ensure that our approach is aligned with C&A’s corporate sustainability objectives.

2. **Store engagement.**
   Our community investment initiative engages store managers and country teams across Europe in supporting charities which contribute to more sustainable communities.

3. **Employee engagement.**
   Our employee volunteering programme in Brazil engages over 6,000 colleagues each year who give their time to help further quality education across the country.

4. **Customer engagement.**
   Various in-store initiatives, such as our bio bags, engage customers in choosing more sustainable behaviour, while we, at C&A Foundation, donate to initiatives to further organic farming with each bag that is sold.

Our combined footprint and close connection with all those touched by the apparel industry – from farmer to consumer – help sharpen focus on where our contribution is most needed, is most relevant, and has the strongest potential to generate sustained and positive results.

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**Our Three Pillars of Sustainability**

**Sustainable Product**

- Improving organic cotton farmer livelihoods
- Exploring alternative fibres
- Enabling fibre reuse and recycling

**Sustainable Supply**

- Increasing supply chain transparency
- Improving the environmental impact of the apparel industry
- Securing safe water supplies for communities

**Sustainable Lives**

- Creating fair and dignified working conditions
- Inspiring C&A employees to help their communities
- Assisting communities to recover from disaster
We support initiatives in the following ways: initiation, acceleration, collaboration, and knowledge sharing.

Initiating Activities and Scalable Pilots

We start innovative pilot projects with an aim for scale by identifying and collaborating with like-minded partners from across the apparel industry. As a foundation with activities that are amplified by the strength of C&A, we can take risks, deploying our philanthropic capital to test interventions, show ‘proof of concept’ and invest in initiatives that have not yet attracted traditional funders. At the same time, as a corporate foundation that does not raise money from the public, we also bring a level of flexibility and nimbleness to our approach. We can move fast, when needed. One example of this approach is our Sustainable Supplier Programme, in which we partnered with the Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) and TBM Consulting Group, and tested across five countries whether improved productivity of factories can lead to better working conditions. At the end of 2013, the 12-18 month programme achieved, on average, an 15 percent increase in take-home wages (before overtime) and a 20 percent increase in manufacturing productivity. The lessons from this programme – which is now being expanded to China – are also informing a larger roll-out across C&A sourcing countries.

Acceleration

Results from pilot programmes are only effective if they can be scaled-up. This requires longer-term partnerships, such as our investment in CottonConnect, a social enterprise which C&A co-founded in 2009, and has demonstrated a scalable and market-driven model to transition smallholder farmers, defined as small or single family farmers, to more sustainable cotton farming. Through its Responsible Environment Enhanced Livelihoods programme in India, farmers reported a 12 percent reduction in farming costs by cutting the use of fertilisers and pesticides in 2013. This amounted to over EUR 390,000 in savings across 7,000 farmers participating in the programme.

Collaboration

A corporate foundation has the opportunity to leverage its reputation, resources and reach to powerful effect. We aim to bring together different players and build multistakeholder partnerships to activate change. One example of this approach is our role as a convening sponsor of Bangladesh’s Building and Fire Safety Expo in February 2014. Attended by over 3,000 stakeholders across business, government, NGOs, financial services, multilateral institutions and donors, the event raised the awareness of the need for better equipment, more robust worker training and stricter standards – and, encouragingly, 78 percent of the 454 participants surveyed indicated they were satisfied with its outcome. The event will be followed by a more focused convening in late 2014 to enable stakeholders to engage even more deeply on the subject.

Knowledge Sharing

We measure results and share our lessons because we believe that knowledge sharing is key to building a bank of industry expertise, changing mindsets and helping to win the business case for sustainability. We aspire to offer information and experience, sharing both how and why we achieve success, why we sometimes fail and what we learn that will influence our future actions. Over the course of 2014, we will release several case studies, developed by third parties, which share our lessons learned and provide recommendations on how we – and others – can do better.
In 2013, we supported 792 initiatives in 32 countries across Asia, Europe and the Americas.

Our initiatives have a global reach and range from larger strategic partnerships in key C&A sourcing countries (such as Bangladesh and India) to smaller grants across Mexico, Brazil and Europe, largely focused on building a more sustainable future, particularly in countries with large young populations such as Brazil, in which we invest in a better education for the next generation. As Figure 1 shows, almost half of our funding is dedicated to improving lives across the supply chain in Asia, whereas the other half enables many C&A store initiatives where our colleagues play an important role in serving their local communities.

In 2013, almost three-quarters of our commitments supported our sustainable lives pillar, in which we have funded a number of initiatives, ranging from helping vulnerable communities in sourcing countries to bounce back after a disaster to improving working conditions in the factories. We believe in helping people to help themselves and work toward building their capabilities so that they can live dignified lives (Figure 2).

We have also increased our annual grant budget by 76 percent from a base of EUR 13 million in 2011 to EUR 23 million in 2013 (Figure 3).

Germany

**Building the Confidence of Disabled Youth**

When C&A opened its 1,000th store in Europe, we launched a community giving programme. Our colleagues across C&A stores identify impactful grassroots organisations which are working to improve lives in their communities, and C&A Foundation provides a small grant, typically EUR 2,000, as core support. In Germany, over 500 stores participate every year in this programme.

In 2013, a C&A store manager in Osnabrück identified the Patsy and Michael Hull Foundation to receive a grant in 2013 to support their inclusive dance classes. A three-time world champion in Professional 10-Dance, Patsy Hull-Krogull now teaches healthy and disabled youth together to dance, sing and act to build their self-esteem and confidence. Over the past 10 years, she has inspired 3,800 youths, giving them a voice to express themselves and ultimately changing their outlook on life.

Brazil

**Helping to Build a Better Future**

Since 1991, Instituto C&A has been supporting initiatives that improve the quality of education for Brazil’s youth. The need is vast. In the WEF’s Human Capital Report (2013), Brazil ranked as 88th out of 122 countries in education. A better future for Brazil’s youth depends on a stronger educational system.

Given its tremendous reach across the country, Instituto C&A, in partnership with C&A, has taken a different approach. It designed a robust employee volunteer programme enabling our colleagues to select local initiatives in need of their support. Of C&A’s 21,000 employees, 6,000 answer the call annually and share their experiences via a social media website as well as in-store meetings. In 2013, 107 local organisations – from pre-schools to libraries – benefited from these extra hands. And 44 percent of the volunteers, according to the last survey, have rated their experience as ‘outstanding’.

India

**Rehabilitating Victims of Bonded Labour**

The Sumangali Scheme is a form of (illegal) bonded labour in Tamil Nadu that brings young girls into the textile mills with the false promise of decent working conditions and a lump-sum payment after several years. The girls are kept under surveillance and are rarely permitted to leave the compound. Most work long shifts, six days a week, and are subjected to verbal and physical abuse. Many run away from these slave-like conditions; some commit suicide.

Through our partnership with terre des hommes (and local partner, CARE-Trust), we have been working to rehabilitate victims of this exploitative scheme through providing counselling, offering vocational skills training, enabling further education and finding employment. In 2013, over 700 girls received vocational training and education opportunities, of which, 23% were placed in new jobs and 84 went on to further education.
Our support to the organic cotton sector illustrates how we work, at different levels, within the Sustainable Product pillar.

Cotton represents approximately 55 percent of the fibre used in clothing and textile production. More than 60 percent of the world’s cotton is produced in developing countries, providing a livelihood for over 100 million farmers. Yet intensive farming methods, the use of genetically modified seeds, and overuse of pesticides threatens the ecosystems on which the crop – and its farmers depend. The farmers also remain at the mercy of price fluctuations, climate change, declining fertility and rising input costs. We do not believe that this pattern is sustainable and can continue.

Organic cotton offers a viable alternative, with its ability to renew, with lower input costs (no use of expensive chemical pesticides or fertilizers), it can enhance financial security for smallholder farmers. But it only accounts for 1 percent of total cotton production. While demand for organic cotton is increasing, systemic challenges such as the lack of organic cotton seed, incomplete knowledge of organic farming practices and poor market differentiation vis-à-vis conventional cotton to name a few, have led to a stagnation in organic cotton production.

At C&A Foundation, we feel that more needs to be done across the supply chain to boost the production and availability of sustainable cotton. We also understand that meaningful interventions in this area need to move from the unilateral project-based approach, to working collaboratively with others to address the organic cotton sector’s challenges and unlock market opportunities from the farmer to the retailer.

As a result, we have adopted a comprehensive approach which we hope will accelerate organic cotton production and ultimately create viable and sustainable livelihoods for some of the world’s most vulnerable farming communities. This approach entails testing new approaches (e.g. to seed and farmer finance and farming techniques), scaling up what works (e.g. through our ongoing support to CottonConnect), strengthening industry platforms (e.g. through our support to the Organic Cotton Accelerator), and sharing our evidence and learning more widely to influence other stakeholders.

Engagement

Initiation: Pilots and proof of concept initiatives that aim at identifying opportunities for scale-up.

Acceleration: Longer-term partnerships predicated on proven scalable and market-driven models.

Collaboration: Building cooperative platforms and partnerships to leverage resources for change.

Knowledge sharing: Providing research and evaluative evidence to share with and influence others.

Understand the context

In late 2013, we conducted a four-month study to better understand the challenges and opportunities for organic cotton in India, which supplies 75 percent of the world’s organic cotton. This assessment indicated that we are indeed facing a critical point in the sector’s development: if current trends continue, demand for organic cotton will exceed supply (see graph). In 2013, we also commissioned a study with Water Footprint Network to better understand the grey water footprint of different methods of cotton production. The study showed that organic cotton farming creates five times less pollution than conventional farming. At the same time, we also contributed to Textile Exchange’s life cycle assessment of organic production to strengthen the environmental case for organic. In partnership with PE International, this study builds on the work completed by PUMA and Textile Exchange in India and will assess the environmental impact of cotton across five of the world’s largest producing countries.
In 2009, C&A – along with Textile Exchange and the Shell Foundation – founded a new social enterprise to help smallholder farmers shift to more sustainable cotton production and link them with the market. Since then, CottonConnect has grown to help many retailers to source more sustainable cotton produced by smallholder farmers in Asia. C&A Foundation is now one of the two shareholders in CottonConnect and since 2009, has worked with the enterprise to help over 40,000 farmers across India, China and Pakistan to reduce their chemical pesticide, fertilizer and water use. In 2013, we deepened this partnership by designing a programme to enable an additional 23,000 farmers across four Indian states to move to certified organic production.

At the same time, we have found that issues such as insufficient supply of organic cotton seed, finance for working capital and irrigation, and contamination from genetically modified seeds are making it difficult for farmers to shift to organic production or even to remain organic producers. Over the past year, we have supported a number of initiatives to address this, including:

- Piloting an organic seed development programme with Pratibha Syntex and Mahima Fibres to provide seeds for 2,000 farmers in Madhya Pradesh state.
- Piloting two investment programmes with CottonConnect, local banks, state governments and the IFC in Gujarat state to enable more drip irrigation.
- Supporting composting initiatives in various communities across Gujarat state to address the lack of biomass (such as manure), which is necessary for effective organic farming.

Following the Textile Exchange conference in November 2013, we partnered with Textile Exchange, CottonConnect and a small group of retailers to create a new platform to accelerate organic cotton production. This Organic Cotton Accelerator will work globally to address the key constraints to organic cotton production and better link producers to the market. C&A Foundation is the first funder of the two-year incubation phase and the chair of the initiative’s steering committee.

While we anticipate increased demand for organic cotton, we also understand how important it is to ensure that consumers are aware of the benefits of this more ethical choice. Throughout 2013, we supported a number of initiatives to raise this awareness, including:

- Supporting a video, developed by Textile Exchange, on the importance of choosing organic.
- Implementing an in-store campaign via our bio bags to raise awareness of the organic option (and to contribute funding to the composting programme).
- Promoting the work of Water Footprint via an online survey.

Issues such as insufficient supply of organic cotton seed, finance for working capital and irrigation, and contamination from genetically modified seeds are making it difficult for farmers to shift to organic production.
We measure results and take an ‘open source’ approach – not solely because we want to understand the extent to which our efforts have achieved the desired result, but also because we feel we can and should be held accountable for our involvement.

By ‘open source,’ we endeavour to share our work more broadly, so that our lessons can inspire others to act and thereby accelerate our collective commitments to create positive change in the apparel industry.

Therefore, we are establishing a comprehensive monitoring and evaluation framework to apply to all of our initiatives to help us assess our results (both positive and negative), judge sustainability and make informed funding decisions. We want to be guided by evidence, not by intuition, to ensure we are doing the right thing.

In designing our monitoring and evaluation framework, we have drawn on the experience of other like-minded foundations that also believe results-based learning is critical to their effectiveness and success. We will continue to work closely with our partners in building their monitoring and evaluation capacities, when necessary, to enable access to relevant data on performance that can inform our decision-making and learning.

We also realise that many of our participating factories were not yet able to measure many of our metrics due to insufficient systems. This required significant work on our side to improve their internal processes and, with such a small and heterogeneous base of participating factories, we cannot yet state that correlation is indeed causation. However, it is important to note that we remain optimistic that certain levers, such as improved productivity and improved worker dialogue, can indeed lead to lasting and positive changes in garment factories, and these lessons will inform our future initiatives. Following this initial pilot, we have launched a second phase in China that aims to create a more cost effective and scalable model.

Case study

In late 2011, C&A Foundation initiated a 12-18 month programme to improve worker conditions and productivity in 18 garment factories in Bangladesh, China, Cambodia, India and Indonesia, encompassing more than 22,599 workers. The philosophy of the programme was to create a virtuous circle in each factory by improving productivity, which enables better working conditions. We did this through empowering workers through improved dialogue while introducing better production methods, which decreased rework time and increased incentive-based wages. We developed and tracked 10 metrics throughout the programme in order to assess whether it has materially improved conditions in the factories.

On the positive side, the programme achieved:

- **Material improvement** in both productivity and working conditions across the factories, with sewing efficiency improved by 20 percent, total take home wages excluding overtime increased by 15 percent, and worker turnover reduced by 24 percent.

- **Significant cost savings** based on an external assessment by Solutions Matrix which modelled the business case of SSP in India - estimated savings for each factory was €450,000.

But we also had a number of lessons learned, including:

- **Scalability.** The cost per factory was high, making it challenging to scale this lengthy and tailored programme beyond the pilot.

- **Variability.** Performance across the factories was variable, with, for example, changes in sewing efficiency ranging from -15 to +72 percent. This was largely due to the diversity of factories, where Indian and Bangladeshi factories started from a lower baseline than the more advanced suppliers in Indonesia, China and Cambodia.
To enable C&A Foundation to be both globally strategic and locally relevant, we have established the following governance and advisory bodies.

**Our Board of Directors**
Our Board of Directors includes senior C&A leadership such as the CEO of C&A Global, which helps to align our strategy and activities with C&A’s sustainability objectives. The Board meets at least three times per year and approves all of our grants.

**Advisory Bodies**
We currently are putting in place various committees to serve as sounding boards for our activities and ensure that our investment decisions are transparent, relevant and effective.

The global investment committee, as well as regional grant committees in Brazil and Mexico, will be in place by September 2014. The members will include senior leadership and sustainability leaders across C&A, as well as external experts.
This is an exciting time for both the apparel sector and for C&A Foundation. There are many serious challenges to be tackled but the industry is increasingly focused on improving economic, social and environmental performance to deliver greater positive impacts.

It is also encouraging to see that the scale and systemic nature of the challenges are not deterring action, but spurring deeper levels of collaboration among a wide range of actors.

We are still developing our long-term strategy and learning where and how we can best work with partners to create a better, more sustainable industry; however, it is reassuring to know that the collaborative approach we are taking is welcomed by many in the industry, and that we can see it is already leading to progress and change.

Maintaining our strategic focus will be critical to our success. Over the coming year, we will actively engage others – both internal and external – to build and learn from existing initiatives, and also seek out and forge new strategic partnerships under our three strategic pillars: sustainable product, sustainable supply and sustainable lives. We also will accelerate our support in two specific areas: initiatives working toward a living wage and the fight against modern day slavery in the supply chain.

While we have made a good start, we still have a long way to go. By focusing on getting the right resources in place, maximising our partnership with the C&A business, and beginning to engage meaningfully with others during 2014, we are confident we are creating a strong foundation on which we can build and, ultimately, work toward an apparel industry in which everyone can thrive.