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## Corporate Social Responsibility - The Esquel Case

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## Sustainable production is

### Myths

- Expensive to implement, something only large companies can afford
- Raises costs and lowers profits
- Customers do not appreciate these efforts



### Realities

- Sustainable development opportunities can be found in daily operations
- Many environmental initiatives do not require large capital outlay or have quick payback
- Sustainable development gaining strength among consumers, and retailers are increasingly asking for “Green manufacturing” and “Green products”
- Sustainable development is another form of value-added services to customers

Do what we are paid to do –  
manage better!



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## Reduce Production Wastage



- Improve material utilization
- Improve production First Pass Yield
- Joint inventory planning with upstream suppliers
- Standardize product and production processes

## Raise Output from Existing Assets



- Install unit production system to improve garment sewer efficiency (workers' output and income increase by 20-30%)
- Apply RFID to track and optimize sub-part production
- Invest in auto-cutting machines
- Increase efficiency of weaving machines

# Improve Air Conditioning System



- Install automatic door-closers
- Achieve temperature control by implementing usage policy and modifying the controllers
- Install frequency inverters to save electricity consumption (up to 40% saving)
- Use water curtain in certain areas not sensitive to humidity (80% saving)

# Green Factory Design



## Woven fabric mill example

- Improve ventilation
- Use natural lighting
- Use steam-powered air-conditioners
- Adopt open space and green belt in site layout



# Collaboration with Technology Partners

## EXAMPLES



### Waste water treatment (Toray)

- Recycle and treat waste water from garment washing, fabric dyeing and finishing by advanced technology (MBR&RO 膜生物反应器与反渗透)



### Factory lighting (Philips)

- Reduce electricity consumption by installing energy efficient light tubes (Philips TLD 36W/865), lighting enhancement reflectors and electronic ballasts





## Example: Factory Lighting



- Measure brightness in different areas and remove unnecessary light tubes
- Replace traditional inductance ballasts with electronic (18% power saving)
- Install high efficiency reflectors
- Use energy efficient light tubes
- Esquel's example: Total investment of US\$490,000 and payback in 1.3 years

# Critical Factors of Success - Leverage the Opportunities across the Full Supply Chain

## EXAMPLES



### **Centralization of heating and steam generation in power plant**

- Transfer the steam from the power plant to factories for different production processes, thereby displacing heavy oil combustion in 14 old boilers

### **Lye recycling**

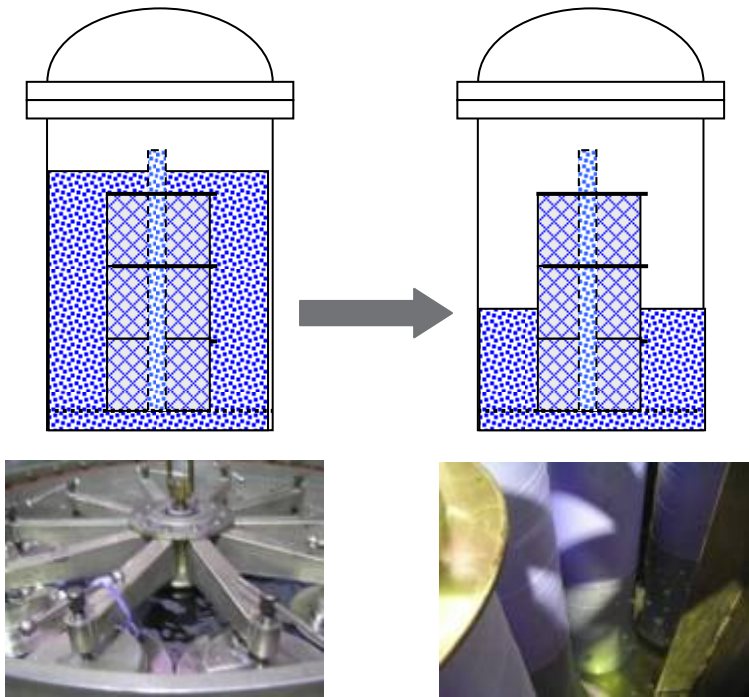
- Reuse lye from weaving mill for desulfurization at power plant
- 600 tons less SO<sub>2</sub> emission each year



### **Hot water sharing**

- Utilize hot water recovered from knitting mill in garment washing
- Save equivalent of 320 tons of coal per year

## Innovation - Sustainable Dyeing



**Original Dyeing**

**Pulse Dyeing**

- Apply patented Pulse Dyeing technology which uses less water to dye yarn
- Reduce water consumption by 23% (~500 standard-sized swimming pools)
- Reduce electricity by 7% (enough for 18,000 Guangdong households per year)
- Save 5% steam and 10% chemicals

# Green Products

## EXAMPLES



- Offer organic cotton products
- Offer biodegradable and recycled trims
- Use air tumbling finishing instead of garment washing



Improve Worker Productivity -> Better Pay

Reduce Wastage -> Reduce Cost and our  
Environmental Footprint

Win Win Situation and Sustainable

## Are Customers Really Helping??

Can you drive change through the supply chain?



# Brands Going Green

## EXAMPLES



NORDSTROM



ZARA

### Green factories

Working with suppliers to share best practices, stimulate innovation and develop more sustainable production methods (M&S)

Rating products for waste reduction, use of healthy chemistry and innovation (Nike)

Rating suppliers based on energy efficiency, water use, chemical inputs, recycling and reuse, social responsibility and packaging (Wal-Mart)

### Green stores

Launching coat hanger amnesty – reusing and recycling coat hangers from own and other retailers (M&S)

Using high energy and water efficient equipments as well as recycled construction materials in new retail stores (JC Penney, M&S)

Installing solar power systems at the roof top of the store (Wal-Mart, Costco, Macy, Kohl's, Target)



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# Allow Customers to Sleep Better at Night



## Selected sustainable awards from NGOs and customers:

- Silver Environmental Award from Pacific Basin Economic Council (2005)
- Silver Award, Hong Kong Eco-product Award from Business Environment Council (2006)
- CSR Award from JCPenney (2006)



It has to be driven internally – start from home and not point at others

Sense of Pride ->  
Sense of Responsibility ->  
Change for Society

## Change Culture, Create Sense of Pride

ethics  
environment  
exploration  
excellence  
education



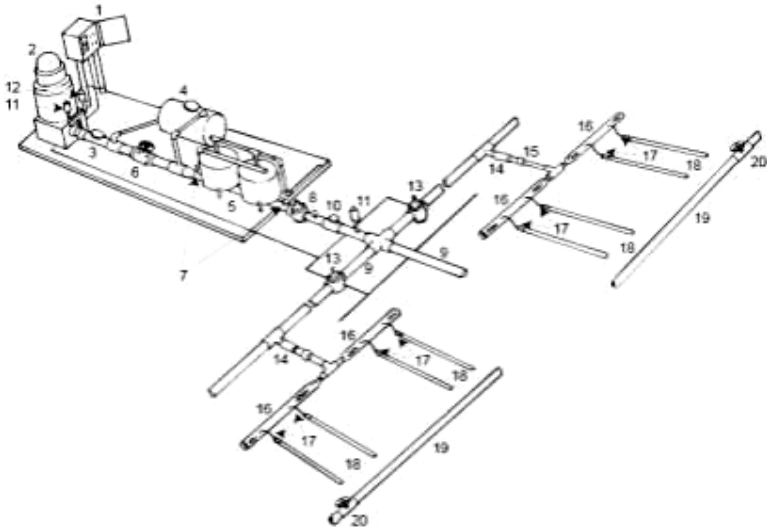
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## Example:

# Drip Irrigation in Cotton Farms



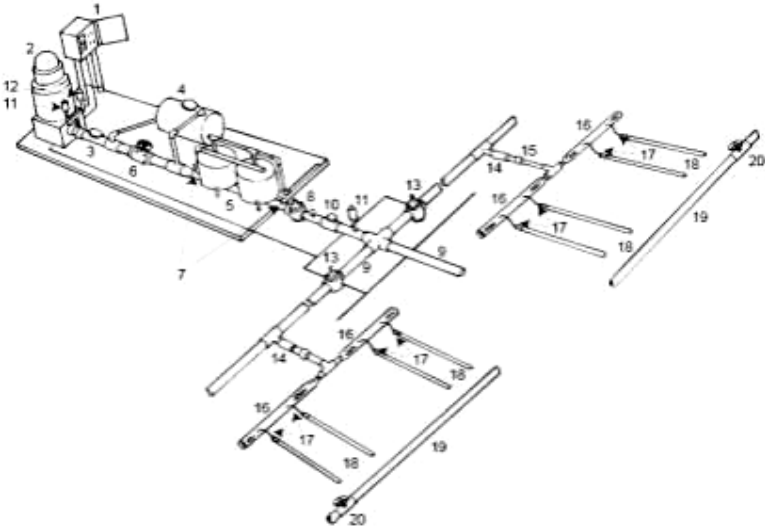
- Replace flood irrigation by drip irrigation on 5,000 acres (30,000 MU) of cotton farmland
- Reduce water usage by 22%
- Total water savings per year – 6 million liters
- Increase cultivable area by 5% after eliminating ditches
- Reduce chemical fertilizers usage by 10%
- Improve cotton yield by 30%
- Increase farmer income by 30%



## Example: Drip Irrigation in Cotton Farms - Benefits

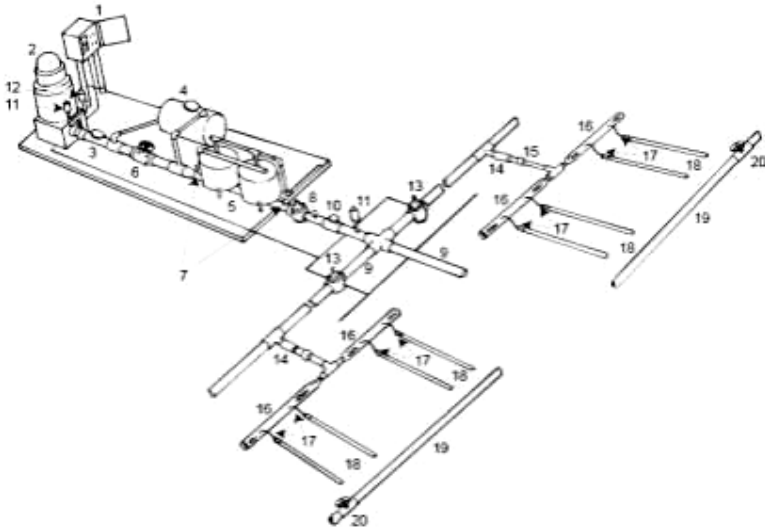


- Yield by flood irrigation – 540 kg/acre;  
Farmers' income – RMB 3,600/acre
- Yield by drip irrigation – 720 kg/acre;  
Farmers' income – RMB 5,400/acre
- On average, each farmer cultivates 5 acres
- Average annual income per farmer –  
RMB 27,000





## **Drip Irrigation in Cotton Farms - Implications**



- Xinjiang produces 30% of China's cotton
- Currently 30% of Xinjiang's cotton grown by drip irrigation
- Drip irrigation proven to reduce water and fertilizer consumption, and increase yield and income
- Further roll-out of drip irrigation can help China's water shortage and improve farmers' livelihood



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## Example: Micro Financing in Xinjiang



- Initiated by Esquel and Standard Chartered Bank
- Aim to assist farmers with production-related funding
- A project that supports China's policy of channeling investments to rural areas



## Example: Micro Financing in Xinjiang - Progress

- Launched in December, 2007
- Visited 260 of 564 households in Baishiairike Village; Loans distributed to 110 households as of end of April
- Loans ranged from RMB 2,000 – RMB 15,000; Average loan size – RMB 8,200 per household
- Will reach 2 more neighboring villages in 2008





# The Role of the Asia Business Council

The background of the slide is a vibrant, abstract design. It features a large, curved, fan-like shape in shades of orange and yellow, set against a dark red background with a grid pattern. The overall aesthetic is modern and professional.

## Corporate Social Responsibility – What Does It Mean?

- Company living up to their role in the Market Economy – nothing more than that.
- In a perfect market, the most competitive company is also the most responsible company and vice versa.
- However, due to imperfections in the market caused by government or players, this does not hold true especially in emerging markets with weak rule of law.

# Common Understanding Today When We Talk about Corporate Social Responsibilities

Labor Compliance  
or  
How we treat People

Sustainable Development  
or  
How we treat the  
Environment

## What Will be the Consequence of Lack of Corporate Social Responsibility?

The end of a good thing ...

If companies do not take on the proper responsibilities in a market economy, then the market economy will fail and be reverting to socialism or other forms of governance.



**Asia Business Council Can Take the Lead  
in Establishing High Standards  
for Ourselves and Letting Asians Feel a Sense of Pride**

We can establish the  
Confidence for Asians to take  
care of our own – our Air, our  
Water and our People.

黃飛鴻

男兒  
當自強



For more information, visit [www.AsiaBusinessCouncil.org](http://www.AsiaBusinessCouncil.org)