

CEO Water Mandate Communication of Progress 2009



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The CEO Water Mandate

The CEO Water Mandate was launched in July 2007 as a private-public initiative designed to assist companies in the development, implementation and disclosure of water sustainability policies and practices.

The CEO Water Mandate recognizes that the business sector, through the production of goods and services, impacts water resources – both directly and through supply chains.

In April 2008, the CEO of Sustainable Living Fabrics, Bill Jones, endorsed the CEO Water Mandate recognizing that with more than one billion people lacking access to clean water, every company, large or small, has a role to play in advancing practical water management.

The CEO Water Mandate Mission Statement

The CEO Water Mandate seeks to make a positive impact with respect to the emerging global water crisis by mobilizing a critical mass of business leaders to advance water sustainability solutions – in partnership with the United Nations, civil society organizations, governments, and other stakeholders.

As a special initiative of the UN Secretary-General, The CEO Water Mandate offers a unique action platform to share best and emerging practices and to forge multi-stakeholder partnerships to address the problems of access to water and sanitation.

The CEO Water Mandate covers six areas: Direct Operations; Supply Chain and Watershed Management; Collective Action; Public Policy; Community Engagement; and Transparency.

Endorsers of The CEO Water Mandate recognize that through individual and collective action they can contribute to the vision of the UN Global Compact and the realization of the Millennium Development Goals.

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Statement of Continued Support for the CEO Water Mandate

Sustainable Living Fabrics is a small company producing a range of textiles for commercial upholstery. It is totally committed to producing its fabrics in the most environmentally preferable way. Its fabrics carry third party environmental and carbon neutral certification and its sustainability agenda aims to drive environmental change with particular emphasis on its supply chain where its major environmental impacts occur.



In recognition of its environmental and CSR achievements, Sustainable Living Fabrics won the United Nations Association of Australia World Environment Day Triple Bottom Line Award in 2007 and 2008.

The company is committed to reducing water consumption and ensuring its operations do not adversely impact on any community or individual. It recognizes that clean water is a valuable and scarce resource and its sustainability agenda specifically addresses water quality. Use of chemicals that adversely affect water quality or aquatic life is prohibited and the supply chain is regularly third party audited to ensure that there are no breaches of this policy. Where practical, preference is given to suppliers that recycle water and raw materials are sourced to ensure water consumption is effectively managed.

Sustainable Living Fabrics is committed to setting water targets and monitoring and tracking water usage. In 2005, in acknowledgement that every company has a responsibility to commit to a comprehensive and meaningful water management program, it introduced supply chain and water management changes that led to an immediate reduction in water use of 62%. It recognizes that by taking such a giant step regular and significant reductions beyond this will be difficult to achieve but it is committed to continue to monitor and report on water use.

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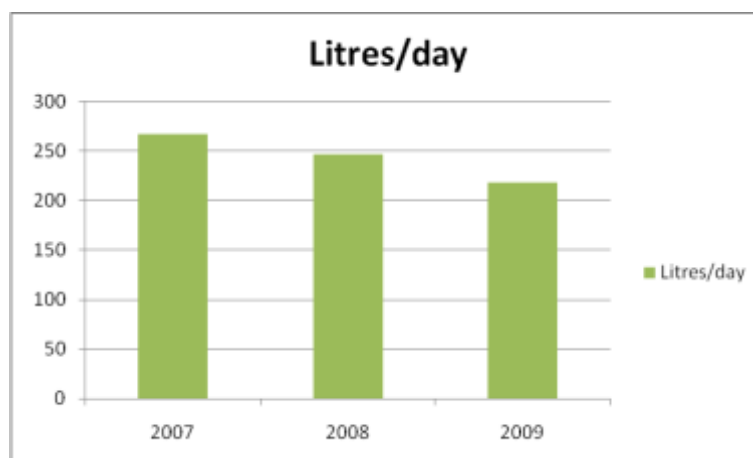
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Actions and Policy

- Identifying areas of water use in the supply chain and its own offices
- Identifying areas where water use can be reduced
- Identifying areas where chemical use can be reduced
- Prohibiting the use of chemicals identified as harmful to humans or to aquatic life
- Independent, transparent certification of the supply chain to ensure waste water is not contaminated by chemicals harmful to human or aquatic life
- Supply chain education to ensure it meets the company's requirements
- Education of employees to ensure responsible water use
- Implementing a transparent reporting system for water usage
- Implementation of an annual Water Saving Competition to take water conservation into the community and employees homes
- Fitting of dual flush toilets in offices.
- Educating clients and the broader community on the benefits of independent environmental certification as a tool to achieve real environmental progress

Direct Operations

Sustainable Living Fabrics is a commission manufacturer and wholesaler of textiles. Its direct operations contribute less than .01% of its water use and it prohibits the use of chemicals harmful to humans or to aquatic life. Its premises are rented and after extensive lobbying of the landlord, dual flush toilets have recently been introduced. The benefit of these in relation to water usage is not reflected in current figures. Employees have engaged with the company environmental agenda and minimise their water use such that water use in the office was reduced by 11.7% over the previous year.

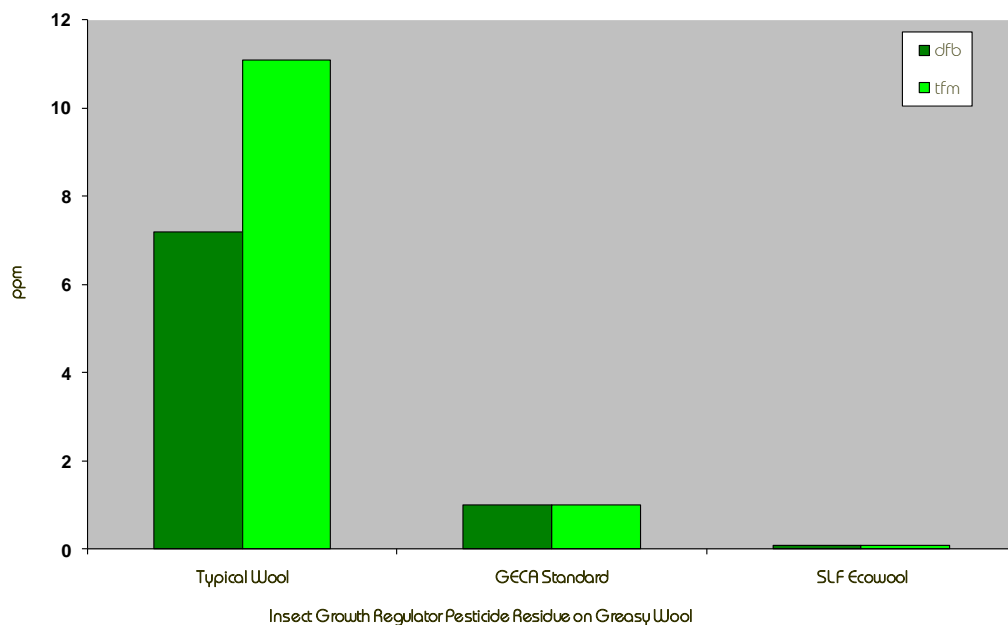


Supply Chain and Watershed Management



Sustainable Living Fabrics stocks over 400 commercial upholstery fabrics and every one carries the Good Environmental Choice Australia (GECA) Ecolabel or equivalent. The GECA Ecolabel Standard for Textiles prohibits the use of chemicals and dyestuffs known to adversely affect humans or aquatic life.

Sustainable Living Fabrics has engaged with its supply chain to ensure it continually adheres to the GECA standard in production of its fabrics. GECA audits the supply chain. For example, all eco wool used in the production of its fabrics is from the company's innovative LEAP[®] Program which requires all eco wool to meet the EU Ecolabel Standard for Textiles for 32 pesticides. The chart below compares pesticide content for two commonly used pesticides detrimental to aquatic life (dfb or diflubenzuron and tfm or triflumuron) in typical wool against the GECA standard and eco wool from the LEAP[®] Program.



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Sustainable Living Fabrics also gives preference to suppliers who recycle water. Its wool scourer recycles 80% of its water and recycles solid waste into fertiliser.



Since introducing major environmental changes to its supply chain in 2005, the company has reduced water use attributed to production of its fabrics by an average of 62%.

Collective Action

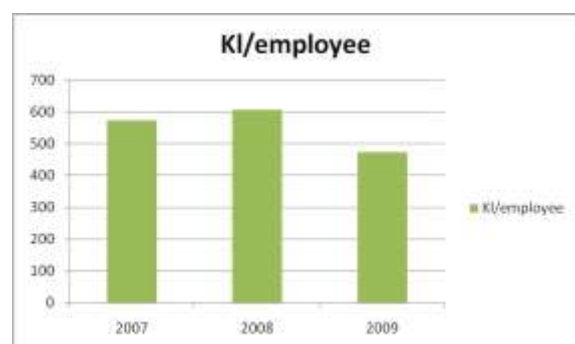
Sustainable Living Fabrics has engaged its supply chain and its employees in implementing meaningful water management practices.

It is an active participant in the United Nations Global Compact and regularly engages locally with organizations such as the Global Compact Network Australia, the United Nations Association Australia, the Green Building Council of Australia, the Voluntary Carbon Market Association and Green Capital.

Public Policy

Sustainable Living Fabrics actively contributes to meaningful water management through its transparent sustainability agenda and its engagement with the supply chain, employees and the community. It regularly lobbies state and federal government members on climate change action and actively participates in public climate change discussions. Although the company is small it believes that every drop counts and the actions it takes can have meaningful results.

The company's Keep it Simple Sustainably (KISS) Water Saving Program engages employees and their families in its environmental agenda by making their own contribution to water saving. Now in its third year, employees have made average water savings at home of 22% over the previous year.



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Community Engagement

Murray Darling Rescue

Sustainable Living Fabrics is a supporter of Greenfleet, and has contributed to the planting of 30,000 trees for the Murray Darling Rescue a joint initiative of Scouts Australia and Greenfleet.



The Murray River is the 7th biggest river system on the planet and Australia's

largest and most developed river system. It covers more than 1 million square kilometers of land, provides drinking water for over 3 million people, encompasses 30,000 wetlands, represents much of Australia's unique flora and fauna and provides over 41% of Australia's gross value of agricultural production. It once boasted

28 billion trees, yet now has only 5 billion. Arable land in the area is under threat from rising salt levels which threaten 500 rural communities.



It is predicted that salinity in the lower Murray will increase by approximately 50% in the next 50 years, water from the Murray will soon be too salty to irrigate crops, Adelaide's water will be unfit to drink and many fish, bird, frog and lizard species are under threat of extinction from rising salt levels.

The Murray Darling Rescue works to re-establish native vegetation to overcome the huge salinity problem of the Murray Darling Basin. When trees are removed, more water is allowed to reach the water table and rise through salty rock layers. The water then seeps into water courses making them saltier than normal or salt concentrates in soil after the water evaporates or is taken up by plants.

Established in 2006, the Murray Darling Rescue has planted over 850,000 trees as part of a long term solution, treating the cause, not just the symptom. The trees also provide much needed habitat, help to stabilise erosion, and contribute to reducing the impacts of climate change by soaking up CO2 from the atmosphere.

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Give Back 40

Sustainable Living Fabrics introduced the KISS Give Back 40 Program where employees are given up to 40 hours paid leave each year to volunteer with charitable or environmental organizations that depend on volunteers. One of the programs chosen is B4C (Bulimba Creek Coordinating Catchment Committee Inc.), a community not-for-profit Landcare and catchment group in Brisbane, Queensland (Australia), working to protect and enhance the urban environment. B4C works voluntarily in the community to foster care for the environment and embracing sustainable living through active programs. It works to protect and enhance the urban environment by protecting and restoring the natural environment in Bulimba Creek which flows into the Brisbane River.

The Bulimba Creek catchment comprises a complex network of creeks and major tributaries, some of which are unnamed, occupying 122 square kilometers, or about 10 per cent of Brisbane's area. This makes it one of the largest creek catchments in the City. The catchment area extends from the southern suburbs of Kuraby and Runcorn to Hemmant and Murarrie in the north. About 120,000 people call this area home.



The catchment is ringed by significant remnant forest and has extensive areas along the creek corridor that can be restored. The catchment area contains 16 bushland remnants, seven freshwater swamplands and 10 significant riparian remnants.

The upper reaches of the catchment contain undulating hills with narrow valley floors, while the central and downstream reaches feature a wide flat floodplain. Land is currently used for residential, rural-residential, commercial, industrial, recreational and open-space purposes. There are also remnant bushland and wetland areas, with about 10 per cent of the catchment containing bushland vegetation and wetlands.

Since the establishment of B4C in 1997 it has planted approximately 60,000 native seedlings per year, created 362 hectares of habitat for wildlife and protected 462 hectares of urban bushland.

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Transparency

Sustainable Living Fabrics is committed to report on its targets, results and activities in accordance with GRI guidelines. This information is published in its Sustainability Report which it aims to produce every two years and is available through its website www.greenliving.com.au

Transparent, independent certification of its supply chain for chemical use, effluent and fair labour and working conditions to ILO guidelines is an integral part of the Sustainable Living Fabrics CSR Programme.

Measurement of Outcomes

Sustainable Living Fabrics is unusual in that in 2005 it took gigantic steps to become environmentally preferable in every facet of its business including its fabric supply chain. The changes ensured that it became a leader in environmentally preferable fabrics and that it significantly reduced its environmental impact in one move. It achieved targets and set industry benchmarks that are well ahead of normal business practice for textiles.

As a commission manufacturer, the greatest environmental impact of Sustainable Living Fabrics is its supply chain, which is complex and international. To ensure its impact is measurable and transparent, since 2005, Sustainable Living Fabrics has every fabric it stocks carrying the GÉCA Ecolabel which is a Type 1 Ecolabel with publicly available and transparent quantifiable criteria. Its supply chain is audited against the Ecolabel Standard every three years in addition to a random interim verification audit during this period.

The changes that were required to ensure that every fabric stocked carried the Ecolabel were significant and further reductions in its environmental impact are limited by technology and available environmentally preferable inputs. These limitations are beyond the control of the company and make it difficult to continue to achieve significant further reductions in its environmental impacts.

However, it has identified that one area where it can continue to make a difference is in water use in its offices and by employees in their homes. The company occupies rented premises and has consistently lobbied its landlord to change its toilets to dual flush and to replace burst water pipes with new pipes. New toilets have been promised and will significantly reduce future water usage but do not reflect in current figures. Pipes have been replaced but two burst water pipes in the current reporting year proportionately distorted water use.

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The KISS Water Saving Competition for employees, family and colleagues took the sustainability agenda into their homes. It has a prize pool of \$1000 and in the year ending 31 March 2009, drove water use in their homes down by 22%.

GRI G3 guidelines currently reported for water management

EN8 Total water withdrawal by source:

As the fabric supply chain has significant environmental impact, the report boundaries extend to the fabric supply chain but not to the supply chain for consumables.

In 2004 the impact of water usage by the supply chain was identified and changes initiated but not fully implemented until 2006. Wool was changed from wool from sheep grown for wool to eco wool from sheep grown for meat such that the ecowool was a byproduct. The eco wool was to come from sheep that had not been mulesed and from farms practicing water management or other environmental improvements. It was to be independently certified low pesticide to EU Ecolabel standards to ensure minimization of any toxic chemicals entering the ground water. This ethical eco wool was named leanwool[®]. To ensure the integrity of the eco wool supply chain, LEAP[®], an ethical eco wool buying program that tightly specifies the environmental and ethical attributes required for the eco wool, was established. The program has expanded to over 160 Australian farms. The water savings are significant and are complemented by savings achieved by using a scourer that recycles 80% of its water and preferring a dyehouse that recycles 40% of its water.

For comparison purposes, 2004 FY is the base year as it is the year prior to the beginning of changes noted above.

	2004 (base)	2005	2006	2007	2008	2009
Water saving/metre of fabric over base year 2004	0%	3%	50.7%	49.2%	45.8%	63.9%

The target was set at 40% by 2006 to be maintained into the future. The target has been exceeded each year.



Bill Jones
Managing Director