



COMMUNICATION OF PROGRESS 2011

SUSTAINABILITY REPORT

Message from the Managing Director

This is our third COP and covers the period from July 2010 to June 2011.

50 years ago I embarked on a career in textiles and over the years have played an active role in the textile industry in Australia and overseas. For most of these years the industry paid little regard to social responsibility but progress is happening and I am proud that my company has been part of this change.

Seven years ago Sustainable Living Fabrics embarked on a sustainability program that saw us achieve significant environmental milestones. These achievements have not only set industry benchmarks but continue to drive real environmental change in the industry and our market. We have been and remain environmental leaders. So much was achieved in those early years that it is increasingly difficult to continue to make significant inroads into our sustainability footprint but we strive to maintain our high standards and to improve where possible.

I fully endorse the ten principles of the Global Compact, which are the lynchpins of our CSR program and have provided an invaluable platform to facilitate change within our company, the supply chain and the market.

I remain firmly of the view that the role of SMEs cannot be underestimated in driving real environmental change and encourage other SMEs to join us in supporting the Global Compact and introducing a proactive and effective CSR Program.

A handwritten signature in black ink, appearing to read 'Bill Jones', with a stylized, cursive script.

Bill Jones
CEO
Sustainable Living Fabrics Pty Ltd

Introduction

The ten principles of the UN Global Compact are an integral part of the CSR agenda for Sustainable Living Fabrics and are soundly embedded in corporate culture. The lynchpin is moral sustainability with transparent, credible and independent verification of credentials.

Sustainable Living Fabrics committed to the UN Global Compact in March 2008 when it produced its first Sustainability Report to GRI Guidelines. In April of that year it endorsed the CEO Water Mandate and the Caring for Climate platform. It has actively participated in these initiatives. The Directors attended the first meeting of signatories to Caring for Climate in Geneva in October 2008 and the CEO attended the UN Climate Change discussions in New York in late 2009 and in June 2010 participated in the Global Compact Leaders Summit in New York.

This report provides quantifiable data and addresses the Company itself, its history, products, market and the corporate philosophies that guide its sustainability agenda, which in turn drives corporate decision-making.

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.

The report is for the financial year ending 30 June 2011. The company is committed to reporting at least every two years. It chose not to seek external assurance for its report but independent environmental auditors have externally audited its environmental credentials.

Company Overview

Sustainable Living Fabrics' corporate strategy is driven by a proactive sustainability agenda that is more than just an environmental agenda.

It is about social responsibility and it is legitimate, transparent and credible, embracing independently audited and certified environmental credentials as key criteria for true sustainability.

The Board of Directors implemented the sustainability agenda in response to climate change considerations.

The Company

During the year covered by this report, the company began transitioning its from a Australian commission manufacturer and wholesaler of upholstery fabrics to just a wholesaler, buying finished fabrics from Australian mills. Sustainable Living Fabrics has supplied the local and overseas commercial interiors markets for over 45 years. The Company is privately owned and proprietary limited. Its Head Office and warehouse are in Oakleigh Victoria with offices in Sydney, Brisbane and Perth. No offices or the warehouse impact on natural habitats.

As a commission manufacturer, the company controlled the product supply chain from raw materials through to finished product enabling it to choose where its processing was done. As it transitions to a wholesaler, it has ensured that its supply chain continues and that its fabric suppliers adopt the same stringent CSR criteria to this supply chain as previously.

Stakeholders are the shareholders, employees, suppliers and customers without whom its business model could not be implemented and with whom regular contact is maintained.

Environmental Excellence

Sustainable Living Fabrics' has maintained its environmental leadership position since first launching its ambitious CSR program in 2005 and its position is unique amongst Australian companies.

Sustainable Living Fabrics' Green Living Collection of over 400 fabrics is exclusively environmental fabrics from ethical eco wool, eco polyester and ethical eco wool blends. The products are designed as upholstery for commercial interiors. Every product sold is independently certified environmentally preferable and/or carbon neutral.

The corporate strategy to achieve a simple guarantee of environmental excellence has driven comprehensive, quantifiable CSR change in the Company and continues to be a catalyst for change in the industry and the wider community.

Commitment to the Global Compact

Sustainable Living Fabrics is committed to the Global Compact principles of building sustainable markets, combating corruption, safeguarding the environment and ensuring social inclusion.

The company recognizes this is increasingly important for the long-term value for the business and a strong focus on CSR issues drives a holistic approach to decision making from selection of suppliers to marketing and sales and end of life.

The CEO has committed to the Caring for Climate Change Platform and reducing and offsetting carbon emissions is a key component of its sustainability agenda.

He has signed the CEO Water Mandate and although the company per se uses little water, preference is given to suppliers who support a clean water environmental policy and/or recycle water.

Sustainable Living Fabrics transparently embraces the United Nations Global Compact philosophy that sustainability is about comprehensive corporate social responsibility to ensure that no activity of the business adversely impacts on any individual or community in terms of the ten international principles embracing not only the environment but human rights, labour standards and anti-corruption.

Corporate Governance

It aims to fully embrace and enact the principles of the UN Global Compact and endeavours to incorporate them in every facet of the business. The company has a strong education program to ensure all employees are aware of the principles and has had no instances of corporate infringements.

Human Rights (Principles 1 & 2)

The company is committed to supporting and respecting the protection of internationally proclaimed human rights and to ensuring that it is not complicit in human rights abuses. Its environmental credentials require regular valid confirmation that the company and supply chain respect the rights of others.

Labour Standards (Principles 3, 4, 5 & 6)

The company upholds the freedom of association and the effective recognition of the right to collective bargaining, the elimination of all forms of forced and compulsory labour, the effective abolition of child labour and the elimination of discrimination in respect of employment and occupation. It regularly requires suppliers to confirm its commitment to ILO fair labour practices and has had no instances of breaches of this commitment.

Environment

(Principles 7, 8 & 9)

The company has embraced a sustainability agenda based on independent certification and is committed to undertaking initiatives to promote greater environmental responsibility and to encourage the development and diffusion of environmentally friendly technologies. During the reporting period it was recertified as 100% carbon neutral and continued to meet the requirements of its environmental labeling program GECA.

Anti- Corruption

(Principle 10)

The company abhors corruption in all its form and is committed to working against corruption including extortion and bribery.

Its policy of transparency in all business transactions is successful and no instances of corruption have been reported during this period.

Responsibility

Good governance demands defining responsibility for the CSR program. Responsibility for governance and compliance and implementation of the program lies with the CEO. The Director of Sustainable Strategy and Marketing develops the overall CSR strategy working closely with the Director of CSR and Sales, and communicates this to stakeholders. The Director of CSR and Sales is responsible for overseeing the program and for the societal issues – human rights, philanthropic programs, anti-corruption, education and training and not only for driving the Sales Team to achieve sales targets but also for ensuring this is achieved without compromising company ethics, integrity or transparency. It is a workable structure that enables the program to be managed without overstressing limited resources.

In practice the company:

- Strives to be ethical in all it does and monitors, assesses, evaluates and reports on its activities and their environmental impact.
- Ensures its environmental credentials are externally and independently monitored, assessed, verified and audited on a regular basis.
- Financial reports are verified externally.
- Offers equal opportunity to all employees regardless of race, religion, sex or marital status.
- Provides a safe and healthy working environment for all employees.
- Pays good wages above the legal minimum wage and respects the rights and family responsibilities of employees.
- Contributes 9% of employees' gross income on a monthly basis to a retirement plan of their choice.
- Works with its suppliers to help them meet its CSR standards and respects their right to be paid fairly and promptly.
- Requires clear evidence that its suppliers pay fair wages and maintain OH&S standards to the ILO guidelines.
- Respects the rights of its customers to be supplied high quality product at a fair price with good service and a high standard of quality control.
- Educates and communicates with its market, ensuring that its achievements are visible and well publicized providing a path for influencing change in the market.
- Educates and involves employees in its corporate agenda to ensure they uphold its ethics and corporate philosophy.
- Reviews and improves its program as an integral and ongoing part of its corporate strategy.
- Develops and maintains an extensive CSR network including participating in the UN Caring for Climate platform, the UN CEO Water Mandate, the UNAA, GECA, the Green Building Council of Australia (GBCA), the Commercial Textile Association (CTA) and the Australian Industry Group and Green Capital.

The Company has never been fined for non-compliance.

Environmental

The heart of the sustainability program is the environment because this is where activities have the most adverse impacts.

To keep it simple, the company has determined to use an internationally recognised environmental standard that breaks down the complexity into clear, transparent and quantifiable criteria.



The GECA Ecolabel Standard for Textiles reflects the EU Ecolabel Textile standard and extends to social issues. Assessment is by independent third party audit at all stages of production to a clear and transparent, environmental, multi criteria standard reflecting best environmental practice.

Environmental standards are complex. However, a transparent standard addressing the main environmental loads based on the whole of product life cycle does make it simpler.

To the best of its knowledge no processing operations impact on protected areas or areas of high biodiversity and the supply chain has been audited to ensure no emissions adversely impact on the environment.

Ongoing, the company seeks suppliers with a commitment to the environment and ensures its suppliers are educated on the requirements of the GECA Ecolabel Standard. It works with them to ensure they continue to comply and requires regular independent proof of environmental claims for every input into producing its fabrics. Energy sources, water usage, recycling programs and a commitment to change are taken into account as suppliers are retained or replaced by others more receptive to the company's objectives. Increasingly some suppliers are adopting environmental processes over and above what Sustainable Living Fabrics initially demanded of them and are implementing these environmental practices into standard production. In a sustainability program where the environmental cost is more important than the financial cost, these are preferred suppliers. Initially the company had less flexibility and the cost was higher to achieve its sustainability targets but as demand for environmental textiles increases, more and more suppliers are willing and able to meet these requirements and costs are becoming more competitive.

Sustainable Living Fabrics has totally committed to a genuine sustainability program by having every product certified to carry the GECA Ecolabel and/or certified to be 100% carbon neutral.

To be sustainable there is no choice but to minimize the environmental and social impact in every facet of the business and its supply chain.

Caring for Climate

Caring for Climate is a voluntary and complementary action platform for UN Global Compact participants who seek to demonstrate leadership on the issue of climate change. Caring for Climate provides a framework for business leaders to advance practical solutions and help shape public policy as well as public attitudes. CEOs supporting the statement are prepared to set goals, develop and expand strategies and practices, and to publicly disclose emissions as part of their existing disclosure commitment within the UN Global Compact framework, that is, the Communication on Progress (COP). Sustainable Living Fabrics signed the Caring for Climate initiative in May 2008.

In 2006 Sustainable Living Fabrics had set about reviewing the greenhouse gas impact of its complete supply chain, from raw materials to final fabric and beyond, to encompass the eventual recycling of the product at end of life, or its disposal to landfill. When it was all added up it came to almost 6000 tons of CO₂ equivalents and planting 22000 trees through Greenfleet for the year ending June 2006 offset this. But this was self-assessing and this is not good governance for sustainability.



In 2007 therefore, it chose to be independently audited by a third party and joined the Australian Government's Greenhouse Challenge, committing to the government to assess, monitor, reduce and report on greenhouse gas emissions. In addition, every product was certified carbon neutral under the Australian Government Greenhouse Friendly Initiative (GHF) which involved assessing, monitoring, reducing, offsetting and reporting on greenhouse gas emissions attributable to its product supply chain from raw materials to end of life. It demanded extensive annual reporting which was third party verified and then audited by agents of the government. Effective from 1 July 2010, the Australian Government abandoned the Greenhouse Challenge Program and GHF carbon neutral program and replaced them with The National Carbon Offset Scheme (NCOS). In September 2010, Sustainable Living Fabrics became the first company to transition to the new scheme, which was managed by Carbon Trust Australia. The program requires Sustainable Living Fabrics to produce an annual externally audited report on carbon emissions and offset these emissions for ongoing certification. The company is required to purchase approved offsets from overseas and procures these from UN CDM projects.

On a more everyday scale the company:

- Has chosen to be powered by green energy and prefers suppliers using green energy.
- Reuses all plastic wrapping from fabric delivered to the warehouse.
- When it has to buy, it buys only recycled plastic.
- Reclaims cardboard tubes from customer for storing and shipping fabric
- Uses recycled cardboard and paper and recycles/reuses these.
- Has installed low ballast lights, turns lights off when not in use and turns off computers and other equipment at the switch.
- Fans are used instead of air-conditioning which is only turned on when the inside temperature goes above 28 degrees and the natural gas heating is used only when the inside temperature drops below 17 degrees.

The cost of the carbon neutral program comes straight off the bottom line and the cost of offsets is a driver to further reduce carbon emissions. However, with such large reductions in emissions already achieved, further reductions are challenging and the company is proud that it continues to maintain reduced emission levels.

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 on 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.

Sustainable Living Fabrics recognizes that clean water is a valuable and scarce resource and its sustainability agenda specifically addresses water quality. Its direct operations contribute less than .01% of its water use but 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. Engaging employees with the company's environmental agenda has encouraged them to minimise their water use.

With such significant reduction in water usage when it first embarked on its award winning sustainability strategy, continuing to reduce water use is difficult but nevertheless, the company continued to:

- Identify areas of water use in the supply chain and its own offices.
- Identify areas where water use can be reduced.
- Identify areas where chemical use can be reduced.
- Prohibit the use of chemicals identified as harmful to humans or to aquatic life.
- Achieve independent, transparent certification of the supply chain to ensure chemicals harmful to human or aquatic life do not contaminate wastewater.
- Educate clients and the broader community on the benefits of independent environmental certification as a tool to achieve real environmental progress.

Supply Chain and Watershed Management

Although Sustainable Living Fabrics is small it believes that every drop counts and the actions it takes can have meaningful results. 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.

The changes that were required to ensure that every fabric stocked carried the GECA Ecolabel were significant and further reductions in its environmental impact relating to water 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.

For comparison purposes, 2004 FY is the base year as it is the year prior to the beginning of changes noted above. The target was set at 40% by 2006 to be maintained into the future. The target has been exceeded each year. The fluctuations post 2006 reflect the ratio of wool to polyester fabrics sold. As more wool fabrics are sold, water use will increase. Sustainable Living Fabrics 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 set water targets and monitor and report on water use.

	2004 (base)	2005	2006	2007	2008	2009	2010	2011
Water saving/metre of fabric over base year 2004	0%	3%	50.7%	49.2%	45.8%	63.9%	49%	53%

Socially Responsible Practices

Human Rights

Sustainable Living Fabrics is opposed at all levels to the use of bribery and corruption to facilitate profit making by companies. This can and does occur at many levels in every industry. Even green washing is a subtle form of fraud. It is unacceptable and removes any chance of a level playing field in the market. The temptation is always there and opportunities invariably present themselves from external sources. However the Sustainable Living Fabrics ethos empowers all staff to do the right thing. It provides its employees with certified facts

relating to its products, remunerates its employees well, listens to their needs and takes appropriate action. All employees in contact with the market are trained to recognise and avoid bribery and corruption and there are no reported incidents of corrupt practices. The company has never had legal action taken against it for breaches of human rights, anti competitive behaviour or monopoly practices nor has it been fined or sanctioned for non-compliance with laws and regulations.

Sustainable Living Fabrics supports and actively participates in the UN Global Compact including the CEO Water Mandate and the Caring for Climate initiative, the Global Compact Australia Network, United Nations Association of Australia, Green Building Council of Australia, Green Capital and others. The company regularly communicates its position in public speaking engagements and presentations to clients and lobbies appropriate groups on environmental and human rights issues. The company does not donate to political parties

Overall

Over the reporting period Sustainable Living Fabrics has consolidated its environmental, social and corporate governance programs reflecting its commitment to the principles of the Global Compact, stakeholders and the wider social community. Its sustainability and CSR strategy has created a level of trust in it as a company and in its products.

Its CSR claims are transparent and its achievements offer a solution that provides security and comfort in the fact that procurement decisions are based on the truth. The Sustainable Living Fabrics' strategy has proved a socially responsible, competitive pathway to success in a very tough market.

Performance Indicators

Economic Performance

This relates only to the Company and not to the supply chain.

As a private Company, for commercial reasons it has chosen not to report absolute levels of revenue but to provide an indicator of its revenue as less than \$10M and report the parameters as percentage values.

Component	2010
Revenues	<\$10M
Operating Costs	84.3% of revenue
Employee Wages and Benefits	12.8% of revenue
Payments to Providers of Capital	11.5% of revenue
Payments to government	6.8% of revenue
Grants from government	3.3% of revenue
Spending on local suppliers	95.3% of revenue
Community Investments	0.2% of revenue
Economic value retained	10.5% of revenue

Materials

This section covers the whole supply chain from creation of raw materials through to disposal at end of life except where it is stated otherwise. This reflects the company's total commitment to a sustainable future. The table below indicates materials used.

Materials Used	
Component	Tonnes
Wool	57.9
Polyester	24.8
Nylon	0.7
Processing oils	1
Dyestuffs	1.2
Packaging	15.7

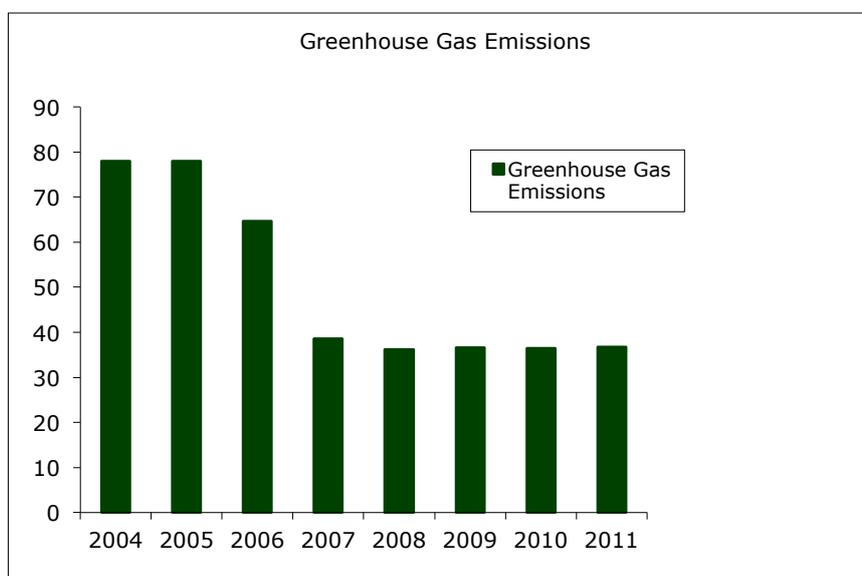
Energy

Sustainable Living Fabrics is a small organisation with its main energy load indirect energy and most relating to the supply chain. To simplify this performance indicator, the Company has chosen to use CO₂^e emissions attributed to the company and the product supply chain.

These figures have been extracted from the annual externally audited report for the Company's carbon neutral program and are expressed as kilograms of CO₂^e per kilogram of product sold.

For the reporting period CO₂^e per kilogram of product sold was 36.69 kilograms.

The company has initiated energy saving measures within the company. Low ballast lighting has been installed in the warehouse, fans are used in preference to air-conditioning, renewable energy is used for heating and lights and appliances including computers are switched off when not in use.



Water

Water is discussed in detail under the Section CEO Water Mandate.

The source of water in the production of the wool is a mixture of surface water, ground water and rainwater varying according to weather conditions. In drought conditions rainwater is scarce and more ground water is used. Water used in processing comes from the municipal water supply. 46% of water used in processing was recycled. All water discharged in the supply chain was treated and discharged into the local sewerage systems. The quality of the discharged water is constantly monitored to ensure it complies with environmental regulations and the GECA criteria.

Greenhouse Gas Emissions

Carbon Trust Australia has independently audited the Company and its supply chain for greenhouse gas emissions under the Australian Government NCOS. Our calculations meet NCOS requirements. The calculations cover creation of the wool and polyester, direct and indirect energy sources, transport of materials between sites and waste and emissions. Emissions included 46.4 tonnes of CO₂^e emissions for the Company's own travel. Total greenhouse gas emissions represent 36.69 kgs per kg of fabric sold compared with 77.5kgs in the base year 2004. The most significant greenhouse gas in the supply chain is the methane from the sheep and this contributed to 42.4% of all CO₂^e emissions in the reporting period.

Waste

Using industry norms for processing, 18.8 tonnes of waste went to composting, 3.1 tonnes were recycled and 2.6 tonnes went to landfill. The Company had no hazardous waste during the reporting period and no significant chemical spills. 7.5% of packaging delivered to customers was reclaimed for reuse. Reclaiming packaging is increasingly challenging as more companies adopt responsible reuse and recycling practices. Waste fabric is used for sampling and sampling recycled where appropriate. The company has an accessible Recycling Program.

Design for the Environment

GECA certification ensures environmental impacts are minimized and the GECA Textile Standard and the GECA licence confirming compliance to the standard are available at www.geca.org.au

Transport

Transport of product within the supply chain and to the customer created 70.9 tonnes of CO₂^e emissions from fossil based fuels.

Social Performance

Labour Practices

This section is restricted to the Company.

Employees have individual written contracts, which comprehensively specify terms and conditions of employment such as period of notice and leave entitlements in line with legal requirements. All employees in the warehouse have the opportunity to meet with management weekly to discuss OH &S issues and during the reporting period the company has had no injury or absenteeism other than for normal background illnesses in the community. The Company has no formal agreements with any Trade Union.

No program exists to equip employees for career ending but it regularly reviews the performance of all employees to ensure they are equipped to develop within the Company.

The Directors communicate with employees on a daily basis.

Equal opportunity is embedded in the Company culture and male and females are given equal opportunities and are paid on an equal basis according to the work they do.

Human Rights

This covers the Company and its supply chain. Human rights are an integral part of company culture. The GECA Ecolabel covers human rights issues and all suppliers have been audited for fair wages, bonded labour, slave labour, child labour, and working conditions to ILO guidelines. Partly due to this screening process for suppliers and partly because of our own insistence that employees are treated fairly, the company has had no known instances of discrimination based on sex, religion or race and no evidence of restrictions on freedom of association.

Society

Only the Company is reported on.

Product Responsibility

The report is confined to the Company and does not cover the supply chain.

Every product is certified fit for purpose and certified low VOC emitting. Fabrics are certified to meet industry fire standards. The company has not been notified of any breaches of health and safety requirements or labeling laws. It has never been fined for non-compliance to laws and regulations concerning the use of its fabrics.

Every piece of fabric dispatched to the customer is clearly labeled with country of origin, fabric name defining fibre content, and after care instructions detailing how to care for the fabric in use.

Sustainable Living Fabrics respects the confidentiality of customer details and has not received any complaints from customers, directly or indirectly, reflecting any breach of this confidentiality.

Contact Details:

Further information regarding this report can be obtained on our website <http://www.greenliving.com.au> or by emailing environment@greenliving.com.au