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Re: Independent Assessment of Canadaland's Allegations regarding the WE Movement

PART I. BACKGROUND

On October 15, 2018, Canadaland (a Canadian news site and podcast network) published a blog post titled “Craig Kielburger Founded WE To Fight Child Labour. Now The WE Brand Promotes Products Made By Children” (the “**Blog Post**”). Also on October 15, 2018, Canadaland released a podcast titled “The CANADALAND Investigation Of The Kielburger’s WE Movement” (the “**Podcast**”). The Podcast and Blog Post focused on Canadaland’s investigation of WE Charity, ME to WE Social Enterprises Inc., the ME to WE Foundation, and Craig and Marc Kielburger (collectively, “**WE**”).

Prior to the Blog Post and the Podcast, WE had provided extensive information to Canadaland responding to the issues it understood were being investigated by Canadaland.

PART II. MY MANDATE

I have been provided by WE with a list of allegations arising from the Podcast and the Blog Post and have been asked to conduct an independent review of the merits of these allegations in light of the responses provided by WE to Canadaland (the “**WE Response Documents**”). In several instances, I have also considered additional information provided to me by WE. I have indicated where I have done so. Apart from this limited additional information, the WE responses I consider and describe here were all provided to Canadaland. As I required from the time I was retained, I have conducted my review on a completely independent basis. WE and its people have not sought in any way to influence my review. The conclusions I have drawn are entirely my own.

PART III. DISCUSSION

A. WE’s Partnership with Unilever

In its Podcast and Blog Post, Canadaland alleged that ME to WE, WE Charity, and/or the Kielburgers tolerate and secretly consent to the use of child labour by their corporate partner, Unilever. In support of this allegation, Canadaland cited a study from Amnesty International which found that Unilever purchased palm oil from sources that use child labour.

WE has a number of partnerships with Unilever. In its exchanges with Canadaland, WE never denied the existence of its partnerships with Unilever. WE told Canadaland its

entities did have partnerships with Unilever, because WE believes Unilever takes seriously its social responsibilities. WE conducted its standard vetting process prior to entering into a partnership with Unilever. This vetting process is detailed later in this review. WE determined that Unilever is committed to ensuring that its supply chain is sustainable. Specifically, Unilever has committed to being able to fully trace its supply chain for crude palm oil by 2019 to ensure that the sources are sustainable and any child labour is eradicated. Unilever has committed to traceability and child labour eradication in its sugar and cocoa supply chain by 2020. This information was reported to Canadaland in the WE Response Documents.

WE has advised me that it is proud of its partnerships with Unilever. WE has also advised me that it has been working with Unilever and its chief executive officer, on a formal and informal basis, to achieve these goals.

The WE Response Documents outline the considerations WE took into account prior to entering into the partnership, which provide a reasonable basis for concluding that WE believed Unilever was committed to eradicating child labour from its supply chain. Further, additional documentation that WE has provided to me details WE's work to help eradicate child labour from Unilever's supply chain.

Given WE's vetting process before entering into the partnership with Unilever, as well as WE's work with Unilever to eliminate child labour in Unilever's supply chain, I conclude that it is not fair or accurate to say that WE tolerates or secretly consents to child labour by its partner Unilever.

B. WE's Alleged Partnership with Kellogg's

In its Podcast and Blog Post, Canadaland alleged that WE tolerates and secretly consents to the use of child labour by WE's corporate partner, Kellogg's. Canadaland noted an Amnesty International study which found that Kellogg's also uses palm oil produced by child labour.

As WE informed Canadaland in its responses, none of WE Charity, ME to WE Social Enterprises Inc., or the ME to WE Foundation have a partnership with Kellogg's. WE reviewed its books and records to confirm that none of the WE entities have entered into partnerships with Kellogg's, nor have any of the WE entities received a transfer of funds from Kellogg's.

In light of WE's response that none of its entities have any partnerships with Kellogg's, I conclude there is no merit to the allegation that WE tolerates or secretly consents to child labour practices by its corporate partner, Kellogg's.

C. WE's Partnership with Hershey's

In its Podcast and Blog Post, Canadaland alleged that WE tolerates and secretly consents to the use of child labour by WE's corporate partner, Hershey's. Canadaland said that WE Charity has a partnership with the Hershey Company, which is reported to use cocoa produced with child labour. Canadaland stated that WE denied any partnership between the ME to WE entities and Hershey's, but that such a partnership

exists. In its Blog Post, Canadaland reproduced a photo of “end-cap” signage from a Walgreens store in which Hershey’s products were displayed under signage which read, “Together with Hershey’s, Walgreens helps children here and everywhere.” The ME to WE logo is printed on this “end-cap” signage.

WE responded that WE Charity does have a partnership with Hershey’s. Prior to entering into this partnership, WE conducted due diligence through its standard vetting process for corporate partners. Through this vetting process, WE concluded that Hershey’s was committed to eradicating slave and child labour from its cocoa supply chain. Specifically, WE noted that Hershey’s is on track to achieve sustainable sourcing for its products by 2020 (eradicating all child labour from its supply chain). WE has been working actively to help Hershey’s on this initiative.

WE also responded that neither ME to WE Social Enterprises Inc. nor the ME to WE Foundation have partnerships with Hershey’s or its affiliates. The “end-cap” signage discussed by Canadaland was the product of a partnership between the ME to WE Foundation and Walgreens. The partnership between the ME to WE Foundation and Walgreens is discussed below, but does not establish any partnerships between the ME to WE Foundation and the individual suppliers whose products were featured in the promotion.

As with Unilever, WE Charity conducted extensive vetting prior to entering into the partnership with Hershey’s. Based on its vetting process, WE Charity was satisfied that Hershey’s was working seriously to eradicate child labour in its supply chain. WE is also working with Hershey’s to further this initiative.

As a result, I conclude that it is not fair or accurate to say that WE Charity tolerates or secretly consents to the use of child labour by its corporate partner, Hershey’s.

D. The ME to WE Foundation’s Corporate Status

In its Podcast and Blog Post, Canadaland alleged that the ME to WE Foundation—one of WE’s United States entities—is not a charity, but a for-profit business.

In its response to Canadaland, WE provided a brief on the legal structure of the WE entities in the United States. Specifically, WE noted that the ME to WE Foundation is incorporated as a “501(c)(3)” foundation in the United States. 501(c)(3) foundations are non-profit organizations which are exempt from federal taxes because the entities are organized and operated for a social purpose. In the case of the ME to WE Foundation, the social purpose is supporting the work of WE Charity in the United States.

In light of WE’s response that the ME to WE Foundation is a 501(c)(3) foundation (a non-profit designation), I conclude that it is wrong to assert that the ME to WE Foundation is a private, for-profit business.

E. Proof of ME to WE’s Partnership with Kellogg’s

Canadaland alleged that there is “extensive proof” of a partnership between ME to WE and Kellogg’s. Specifically, Canadaland cited images of Kellogg’s cereal boxes with ME

to WE logos on the boxes; a financial ledger showing \$215,000 attributable to “Walgreen – Kellogg’s”; an entry on the ME to WE Track Your Impact page listing “Walgreens – Brand Cause campaign 2018 – Kelloggs” under a category titled “Partners”; and, a Walgreens coupon book describing the ME to WE promotion and listing Kellogg’s, along with numerous other brands, as “Proud Supporters” of the campaign. Canadaland also reported that through ME to WE’s partnership with Walgreens, Walgreens had the discretion “to select ‘supplier partners,’ with which ME to WE would then enter into contracts.”

As discussed above, WE responded that none of its entities have partnerships with Kellogg’s. The cereal boxes reproduced by Canadaland were created by a third-party agency as part of a “pitch document” discussing a potential partnership with Kellogg’s. ME to WE did not ultimately enter into such a partnership. As a result, the cereal boxes were mock-ups only—no such cereal boxes were ever available on the market.

The financial ledger, Track Your Impact entry, and coupon book were all generated in connection with ME to WE’s partnership with Walgreens. The ME to WE Foundation has a partnership with Walgreens, the United States-based drug store and retailer. Under this partnership, Walgreens ran a retail promotion encouraging its customers to buy products in Walgreens stores. Independent of whether products were purchased or the quantity of these products that were purchased, Walgreens agreed to donate a pre-established amount of money to the ME to WE Foundation.

In additional information provided to me, WE advised that Walgreens independently selected and reached out to the suppliers participating in this promotion. The ME to WE Foundation entered into a contract with Walgreens governing the terms of the promotion. The products that would be featured in this promotion were listed in a schedule to the agreement between Walgreens and the ME to WE Foundation. The ME to WE Foundation did not enter into separate contracts with the suppliers producing these products. WE did conduct its own due diligence regarding the participating suppliers, including screening for child labour in the suppliers’ supply chains. The agreement between the ME to WE Foundation and Walgreens contains a provision that none of the products featured on the promotion would be made with child labour. The ME to WE Foundation allowed the Hershey’s products to be included in the promotion because of Hershey’s commitment to eradicate child labour from its supply chain.

The key evidence relied on to support the allegation, the cereal boxes, were never marketed and were mocked up by a third-party agency. The remaining evidence of a partnership was in fact derived from a separate partnership between the ME to WE Foundation and Walgreens. Although Kellogg’s products were featured in the promotion resulting from that partnership, the partnership was between the ME to WE Foundation and Walgreens, not Kellogg’s. As discussed above, WE consulted its books and records and advised Canadaland that none of its entities had partnerships with Kellogg’s, nor had they received a transfer of funds from Kellogg’s.

Given WE’s response, I conclude it is not accurate or fair to say that there is “extensive proof” of a partnership between ME to WE and Kellogg’s.

F. WE Charity's Revenue from Corporate Partnerships

Canadaland alleged that WE Charity's revenue from Unilever in 2016-17 was \$3.7 million. Canadaland also alleged that WE Charity forecasted \$47 million in revenue from corporate partners alone that same year. In support of this allegation, Canadaland reproduced a slide which had been provided by a WE employee titled "Key Findings: Top 20 Partners". The slide lists ten partners and their forecasted revenue. The slide forecasted a revenue of \$3.7 million from Unilever.

WE advised Canadaland that in that year, WE Charity did not forecast or receive revenue of \$47 million from corporate partners alone. WE responded that any revenue of this magnitude would necessarily be comprised of a diversity of donations, including donations from foundations, government, and individuals. WE told me that the slide discussed above was created in connection with a Powerpoint presentation from June, 2017. Canadaland reproduced half the slide, showing partners one through ten, but did not produce the full slide showing all twenty key partners. WE has provided to me the full slide which was in the June, 2017 Powerpoint presentation. WE advised me that of the partners listed at eleven through twenty, four are foundations, not corporations. Moreover, WE informed me that in the ten partners reproduced by Canadaland, one is a foundation (not a corporation). In publicly available documents accessible through WE's website, WE Charity's financials (consolidated from the U.S. and Canadian entities) disclose an actual income for 2017 of \$66,398,183. Of this income, \$20.9 million comes from corporations. The remaining income comes from government, foundations, and individuals.

WE advised me that the revenue per partner on the June, 2017 Powerpoint slide was a forecast only, and in many cases it was inaccurate. Unilever is an example. Although the slide projected revenue of \$3.7 million from Unilever, this figure was derived from outstanding accounts receivable. WE advised me that the actual revenue from WE Charity's partnership with Unilever U.S. is \$1,912,500 per year, for 4 years. WE advised Canadaland that reporting a revenue of \$3.7 million from Unilever in 2017 was factually inaccurate, as that number was actually Unilever's outstanding accounts receivable over the span of several years.

Based on the above information, I conclude that the financials reported by Canadaland are inaccurate and that the allegation is neither accurate nor fair.

G. WE's Vetting Process for Corporate Partners

Canadaland reported that WE has "no screening process or criteria that they go through to vet partnerships before they're made" (as quoted by Canadaland, attributed to a WE employee).

WE provided Canadaland with a document outlining WE Charity's screening process in detail. WE has advised me that each of the WE entities, including ME to WE Social Enterprises Inc. and the ME to WE Foundation use the same screening process as was sent to Canadaland. WE describes an extensive vetting process in which prospective partners are assessed through five "lenses". These include (i) assessing whether the

company adheres to a “shared values” approach to business; (ii) assessing whether the fundamental purpose of the company’s engagement with WE is social good; (iii) assessing whether the company is suited for a particular type of partnership or promotion (with varying considerations depending on the nature of the partnership); and (iv) assessing whether the company’s practices align with “best practices” in the charitable sector. Finally, the board of directors of the applicable WE entity has a veto on all potential partnerships.

Based on the above process that WE describes for vetting its corporate partnerships, I conclude that it is neither accurate nor fair to say that WE has no process for vetting its corporate partnerships.

H. WE Charity and ME to WE Social Enterprises Inc.

Canadaland alleged that there is a blurring of the lines between WE Charity and ME to WE Social Enterprises Inc. Canadaland alleged that the entities share employees, resources, and that the distinction between the charity and corporation is blurred.

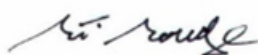
WE responded that WE Charity and ME to WE Social Enterprises Inc. are separate and distinct legal entities. In most cases, staff are employed by one or the other entity, but not both. Where the entities do share resources, such as information technology staff or human resources staff, there is a formal reconciliation process for allocating the cost of these services between the entities. More generally, WE has taken significant steps to ensure that WE Charity and ME to WE Social Enterprises Inc. have the appropriate governance structures to guarantee that they are legally distinct. Specifically, WE has engaged the services of Miller Thomson LLP and Torys LLP to design a corporate structure, governance model, and reporting requirements which ensured that the entities are distinct from one another. This structure was reviewed and formally approved by the Office of the Provincial Guardian and Trustee. The Honourable Justice Cory, formerly of the Supreme Court of Canada, also reviewed and approved the governance structure for ME to WE Social Enterprises Inc.

Given this response, I conclude that it is not fair or accurate to say that ME to WE Social Enterprises Inc. and WE Charity are blurred together or indistinct from one another.

I. Conclusion

In summary, based on the information provided to me by WE, I conclude that these allegations by Canadaland are without merit.

Yours very truly,



Hon. Stephen Goudge, Q.C.
SG/sb