

# Sourcing good Corporate Social Responsibility (CSR)

Ensuring your suppliers meet corporate social responsibility criteria is a complicated process. And it starts with an examination of buyers' own actions, as Helen Gilbert finds out

**Pressure from consumers, shareholders and activists has made corporate social responsibility (CSR) a hot topic. Many businesses are proud that they meet specific employment and environmental standards and are keen to embed CSR compliance throughout the supply chain.**

Sourcing ethics has become an increasingly powerful marketing tool, as is the case with Marks & Spencer's 'Look behind the label' campaign. But how easy is it to achieve the desired standard and how can buyers demand their suppliers meet it?

According to Fiona Gooch, private-sector policy adviser at Traidcraft - an organisation that aims to fight poverty through trade - businesses can only insist their suppliers are CSR compliant if they are willing to pay more and work with them to enable improvements.

"It is crucial that buying companies and suppliers work together," she says. "But if buying companies are asking for CSR on the one hand and squeezing on time and price on the other, it will result in suppliers lying to protect their business."

Indeed, stories abound of factory managers faking records and even coaching workers to give 'correct' answers to auditors, to present a CSR-compliant picture when they are inspected (see Features, 26 May 2005). In many instances this happens because suppliers cannot achieve compliance in the timescales available and are worried about losing the work.

If buyers want CSR compliance in the supply chain, Gooch suggests they adopt a different approach to the way they work. This was a point highlighted in *Buying Matters*, draft guidance on responsible purchasing published last month by Traidcraft and three other European fair trade organisations. While many firms have taken steps to stop exploitative practices, using, for example, supplier codes of practice, the guidelines suggest ways in which companies can improve their own buying practices.

"A last-minute race to complete orders can mean excessive supplier overtime," says Hilary Murdoch, project manager at Impactt, a consultancy that works with businesses to improve working conditions in their supply chains. "This time pressure can be due to the purchasing practices of the buyers, including late sample approval or a sudden increase in orders when forecasting has been poor."

The Ethical Trading Initiative (ETI) is an alliance of companies, trade unions, development and campaigning groups, which works to improve the lives of workers in global supply chains. Man Kwun Chan, head of communications and research, agrees with the points made in *Buying Matters*.

"Company buying practices and management of production schedules have a major influence on suppliers' ability to comply with CSR and labour standards. Businesses should review their own buying practices to ensure they do not put undue pressure on suppliers and workers," he says.

The ETI, which counts John Lewis and The Body Shop among its members, believes all companies that produce, supply and sell goods for consumer markets should observe national and international labour laws.

## Committing to a code

When corporate members join the ETI they commit to its Base Code (which reflects internationally agreed labour standards, enshrined in the national labour law of most countries) on a progressive basis through their supply chains. The code stipulates, among other things, that working conditions are safe and hygienic, child labour is not used, working hours are not excessive and workers are paid living wages.

"We believe that businesses can and should insist that their suppliers comply with the ETI Base Code," says Chan. "After all, in most cases, all we are asking for is that suppliers obey national labour laws."

"However, it is important that businesses give reasonable timescales for suppliers to address any areas of non-compliance, provide support to help them improve, and make sure their own buying practices do not hinder compliance."

Murdoch also suggests that companies work with suppliers to make realistic improvements over time, rather than demanding immediate compliance.

"We have found that the first step towards achieving real change is to encourage transparency during factory visits, without threatening suppliers with business repercussions."

# Sourcing good Corporate Social Responsibility (CSR)

Ensuring your suppliers meet corporate social responsibility criteria is a complicated process. And it starts with an examination of buyers' own actions, as Helen Gilbert finds out

"For progress to be made, all parties must not only agree what the issues are but also understand their underlying causes. Companies then need to work with suppliers, over a reasonable period of time, to make incremental improvements.

"This might involve supporting suppliers with training and consultancy on management skills, productivity, health and safety, and so on."

There is also a need for basic education. *Bridging the Gap Between Commercial and Ethical Trade Agendas*, an ETI briefing paper published last December, claims that few buyers are aware their decisions and actions can affect working conditions in their supply chains. But some companies are addressing this issue. Tesco has developed a half-day course for procurement staff, *Buying With Your Eyes Open*, to raise awareness of CSR issues. M&S has an academy that trains all buyers in how to ensure they manage the purchasing process effectively and efficiently.

"We are also part of an ETI working group which is looking at purchasing practices and aims to further integrate ethical standards into the buying process," says Katie Stafford, sustainable development manager at M&S. "As part of this we will train our buyers to further understand the part they play in helping suppliers maintain labour standards in the production of our goods."

M&S also has supplier benchmarking groups in eight countries including China, Sri Lanka and Turkey, where major supply chain partners get together to discuss their ethical trading commitments, share best practice and exchange ideas about how to overcome specific issues in their region or industry.

## A partnership approach

The Co-operative Group operates a sound sourcing code of conduct for suppliers. Our aim is to develop an effective working partnership with our suppliers to secure safe and decent working and living conditions for anybody involved in the production of own-brand products, says Ian Burgess, group quality assurance manager.

"This code sets out minimum acceptable standards for suppliers of Co-op brand products and has been developed with reference to the ETI Base Code."

The Co-op audits suppliers to check CSR compliance. It also equips them with a self-assessment workbook, which enables suppliers to carry out their own site assessment, implement action plans and provide evidence of continuous improvement. This allows the supplier to learn what issues the buyer may have, and is given the chance to raise concerns or ask for clarification.

It's a logical approach and demonstrates that open and honest communication at buyer, supplier and factory-worker level is essential if progress is to be made in building CSR compliance throughout the supply chain. With growing pressure from consumers, who are demanding ethical products at cheaper prices, tackling CSR across the whole supply chain cannot be put off for much longer.

*Helen Gilbert is a freelance business journalist*

*Taken from Supply Management archived article Feature, 30 March 2006*