Ethical purchasing practices

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Ethical purchasing

The purpose of this booklet is to provide advice and guidance to buying organisations on how to develop ethical purchasing practices in their supply chains. Although intended primarily for buyers, this guidance applies equally to anyone who has responsibility for managing the supply of goods or services from an external source.

Every organisation requires an ethical policy or code of conduct. Ethical supply chain management is becoming a mainstream business issue as questions about business practice arise (for example Maxwell and BCCI) and media and charity campaigns highlight poor working conditions in developing countries. The Maxwell scandal led to changes in UK legislation and pension practice. Increased public awareness of issues such as child labour has increased pressure on companies to take responsibility for the welfare of workers in their supply chains around the world.

The Chartered Institute of Purchasing and Supply (CIPS) believes that buyers should universally apply the practice set out in this booklet and should encourage their own organisations to include good ethical business practices in all areas of their work. Buyers should also involve all stakeholders in this process. It is vital that an organisation's chief executive officer visibly endorses the organisation's ethical policy. The following guidance provides a basis which buyers may find of use in initiating a change of culture within their organisation.

CIPS' Personal Ethical Code

CIPS has a Personal Ethical Code for use by its members. This code sets out principles of integrity, professionalism, high standards, optimal use of resources and compliance with legal and other obligations and offers guidance in relation to declarations of interest, confidentiality and accuracy of information, fair competition, business gifts and hospitality.

The code is the basis of best conduct in the purchasing and supply profession. The CIPS Policy on Ethical Business Practices in Purchasing and Supply Management expands on the principles in the code and addresses business-to-business ethical and social responsibility issues within supply chains.

Background

As ethical supply chain issues become more widely known, stakeholders are starting to question companies about their record. There has been rapid growth in ethical investment funds that encourage companies to look at issues of corporate social responsibility. However, although some companies started work on these issues in the 1980s, ethical sourcing is still a comparatively new concept for most companies.

Campaigning by pressure groups and the media has focussed on poor working conditions of suppliers to the clothing, footwear and sporting goods industries. These campaigns and the resulting pressure from customers and shareholders have been the main drivers for the introduction of codes of practice on ethical purchasing among some manufacturers and retailers.

Governments are increasingly taking an interest in the ethical trading agenda. The Department for International Development (DFID) provides financial support for the Ethical Trading Initiative and has produced a report reviewing the codes of conduct of UK companies concerning ethical purchasing. The Organisation for Economic Co-operation and Development (OECD) has agreed guidelines for multinational enterprises which cover a wide range of ethical and social issues.
Relevant legislation, codes and guidelines
The CIPS Policy on Ethical Business Practices in Purchasing and Supply Management distills aspects of current developments in the area, including

- the Ethical Trading Initiative (ETI) Base Code (see Appendix 2)
- the Core Conventions of the International Labour Organisation (ILO)
- the UN Declaration on Human Rights
- SA8000 (a standard relating to social accountability developed by the Council on Economic Priorities Accreditation Agency in New York, now known as Social Accountability International (SAI) (see: www.cepaa.org)
- the Guidelines for Multinational Enterprises developed by the Organisation for Economic Co-operation and Development (OECD) (see: www.oecd.org//daf/investment/guidelines/index.htm)

Buyers should not assume, however, that compliance with the CIPS policy implies compliance with any of the above codes or standards, as there are some differences between them.

Business-to-business ethics
There are complex problems to be resolved when addressing ethical and social responsibility issues and many of these issues are extremely sensitive. Recommended best practice includes developing and understanding suppliers' operations and offering guidance and support when improvement is necessary or appropriate.

Buyers should seek appropriate guidance, be open about concerns, and engage positively with suppliers and internal customers or peers, however difficult that may be. The resource implications of addressing these issues must be balanced against the potential risk to the reputation of the organisation and, in the public sector, the organisation's requirement to comply with the EC procurement rules (where the permitted primary criteria are solely economic).

Buyers have a responsibility for the supply chains from which goods and services come into their organisation or directly to their customers. CIPS believes this should include ethical as well as commercial and technical guidance and support.

The CIPS Personal Ethical Code is the starting point for developing a code of practice for business-to-business ethics. The issues include the following:

**Transparency, confidentiality and fairness**
- All suppliers should be treated fairly and even-handedly at all stages of the procurement process.

This means being open with all those involved, so that everyone, especially suppliers, understands the elements of the process, that is, the procedures, time-scales, expectations, requirements, criteria for selection and so on. Supplier confidentiality should be safeguarded, and unsuccessful suppliers should be debriefed with as much transparency about the procurement process as can be provided, for example, on the weaker aspects of their tender.

**Use of power**
- Buyers should discourage the arbitrary or unfair use of purchasing power or influence

Power is a key element in supply relationships. The exertion of undue influence or the abuses of power, as well as being unprofessional, may contravene relevant legislation and are unlikely to achieve long-term best value for money.

It is important to ensure compliance with all applicable legislation, such as restraint of trade and anti-trust legislation, the Competition Act 1998, in particular Chapter II, Abuse of Dominant Position, and the Treaty of Amsterdam, Articles 81 and 82, which address anti-competitive practices and abuse of dominant position.
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Business-to-business ethics

Corruption

• Buyers must not tolerate corruption in any form.

Buyers are aware of any corrupt activity have a duty to the profession and to their employing organisations to alert their senior management. Bribery is a criminal offence in the UK (and in most other countries) and the law is being strengthened to include offshore bribery. CIPS fully supports the Organisation for Economic Cooperation and Development (OECD) convention on combating bribery of foreign public officials in international business transactions.

Declaring an interest

• All personal interests should be declared

Buyers should encourage colleagues to declare any material personal interest which may effect, or be seen to effect, their impartiality, or judgement, in respect of their duties. Examples include owning a significant shareholding in a supplier or close family members being employed by a key supplier.

Business gifts and hospitality

• There's no such thing as a free lunch

The offer and receipt of business gifts and entertainment are sensitive areas for buyers, despite being recognised as standard business practice. Organisations should have a clear policy on accepting business gifts and buyers should encourage colleagues to comply with any such policy.

Payments from suppliers

• Suppliers should not have to pay to be included on an approved or preferred supplier list.

Suppliers should be selected on the basis of meeting appropriate and fair criteria and should only be invited to contribute towards the costs of joint projects or initiatives where there are clear and tangible business benefits to the supplier.

Payment terms

• Late payments undermine an organisation's credibility

Buyers should ensure that their suppliers understand and agree to the buying organisation's payment terms. Buying organisations should try to ensure that valid invoices are paid in accordance with the agreed terms. Buyers should work with colleagues to ensure that their employer's business processes enable payments to be made promptly.

Barter and reciprocal trading

• Where appropriate, barter is acceptable business practice, but reciprocal trading may not be

Barter is trade by exchange of goods or services for other goods or services. There is no exchange of money and, as barter is not usually a condition of contract between two parties, coercion is not an issue, provided both parties have a current business need for the goods/services of the other party.

However, reciprocal trading which is conditional on suppliers also being customers of an organisation, is unacceptable business practice. Reciprocal trading is acceptable only when there is no coercion, both parties are in agreement and there is mutual benefit and transparency.

Supplier relationships and competition

• Relationships with suppliers, regardless of duration, should be managed professionally

Buyers should manage suppliers, and supply networks comprising multiple tiers of suppliers, in a professional manner. Both short- and long-term contracts have their place, but from time to time longer-term contracts especially should be subject to open and transparent competition. Where there is only one supplier capable of meeting the requirements, established internal business controls should be respected in the quest for the best value for money solution.
Encouraging small businesses

- Buyers should, wherever possible, be aware of opportunities to support the local community and SMEs, whilst maximising opportunities for global sourcing.

It is good practice to balance the risk of awarding contracts to new or small suppliers with the opportunity of encouraging new business to flourish. It is not good practice to exclude suppliers simply because they are small or new to the market. Capability and experience are examples of relevant supplier selection criteria. However, buyers should also consider the magnitude of business they award to a supplier, the impact on that supplier, and the level of dependence that may be created. Serious consequences for the supplier can result if business is removed at a later date.

Social responsibility

Some of the worker welfare issues which a socially responsible buying organisation should address when reviewing its supply chains include forced labour, freedom of association, health and safety, child labour, wages, working hours and discrimination. The CIPS Policy on Ethical Business Practices in Purchasing and Supply Management distills aspects of current developments in this area and the main recommendations are summarised as follows.

Forced labour

- Suppliers should not use forced, bonded or involuntary prison labour.

Forced labour is described by the ILO as work carried out under the threat of penalty, the most common types being bonded labour and use of prisoners. Buyers should ensure that suppliers’ employees are free to choose to work for the supplier and free to leave the supplier after reasonable notice is served.

Employment relationship

- Employees should have legal contracts

Suppliers should establish recognised employment relationships with their employees that are in accordance with their national law and good practice. Employees should be provided with an easy to read contract of employment, with particular clarity in relation to wages. In the event that employees are unable to read, the contract of employment should be read out and explained to them by a union representative or another appropriate third party.

Suppliers should not do anything to avoid providing employees with their legal or contractual rights.

Freedom of association

- Right to collective bargaining

Workers’ rights may be compromised by constraints on unionisation. To guard against this, buyers should check that suppliers do not prevent or discourage employees from joining trade unions, nor discriminate against employees carrying out representative functions.

Where the law restricts freedom of association and collective bargaining, suppliers should positively facilitate alternative means of representation.

Wages and working hours

- Living wages are paid

Low wages raise ethical, economic and social problems in all countries. This is of particular concern in countries that produce low-value goods, where low rates of pay make these products competitive in the global market. Governments are not always able to enforce the local minimum wage, and in some countries the minimum is not enough to support workers and their families. Some aid agencies recommend that workers should instead be paid a living wage.
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Social responsibility

Wages and benefits should at least meet industry benchmarks or national legal standards. As a minimum, the wages paid to suppliers' employees should meet their basic needs. Working hours should also comply with national laws or industry standards. Suppliers' employees should not be expected to work more than 48 hours per week on a regular basis and overtime should be voluntary and not be demanded on a regular basis.

Treatment of employees
• No harsh or inhumane treatment is allowed

Under no circumstances should suppliers abuse or intimidate employees, in any fashion. Suppliers should have a grievance/appeal procedure that is clear and understandable and this should be given to the employee in writing. In the event that suppliers' employees are unable to read, the grievance/appeal procedure should be read out and explained to them by a union representative or another appropriate third party.

Law
• Suppliers should always work within the laws of their country.

Health and safety
• Working conditions are safe and hygienic

Occupational health and safety is covered in most countries by laws and regulations, which require employers to provide a safe working environment and employees to abide by safety procedures. However, in countries where the laws are not adequately enforced standards of health and safety are low in many factories and work sites.

Buyers should work with suppliers to introduce appropriate health and safety policies and procedures, which should be demonstrable in the workplace. Suppliers should assign responsibility for health and safety to a senior management representative.

Working conditions should be comfortable and hygienic and employees should be provided (at the supplier's expense) with any necessary health and safety equipment, such as gloves, masks and helmets. Specific hazards should be identified and risks minimised. Suppliers' employees should have access to clean toilets, be allowed regular breaks and have access to clean water as a minimum.

Child labour
• Child labour shall not be used

Child labour is a very emotive issue. In principle, CIPS is against the use of child labour and believes its long-term elimination is ultimately in the best interests of children. However, the elimination of child labour must always be undertaken in a manner consistent with the best interests of the children concerned.

Buyers should seek to ensure that their organisation's suppliers comply with the following:
• Suppliers shall develop or participate in and contribute to policies and programmes which provide for the transition of any child found to be performing child labour to enable her or him to attend and remain in quality education until no longer a child.
• Suppliers shall not employ children and young persons under 18 at night or in hazardous conditions.
• In any event the course of action taken shall be in the best interest of the child, conform to the provisions of ILO Convention 138 and be consistent with the United Nation's Convention on the Rights of the Child.

Discrimination
• No discrimination is practised

Suppliers should have a policy of equality for all in the workplace, with no discrimination on the basis of race, caste, religion, nationality, age, gender, marital status, sexual orientation, disability, union membership or political affiliation.
Implementing ethical purchasing practices

Strategies
When first addressing ethical issues in the supply chain the sheer scale of the problems to be solved can be off-putting. It is important to devise a strategy to prioritize issues and put them in a manageable perspective. The flowchart at Appendix 1 outlines the process as follows:

i. Review supply chains
The first step towards drawing up an ethical purchasing code is to review your supply chains. Sending questionnaires directly to suppliers asking for details of manufacturing units and subcontractors is the normal method. Information can also be gathered from existing quality or technical audits. It may take some time to track long supply chains down to sub-sub contract or primary source levels, but this is essential if you are to build up an accurate picture of your suppliers and their subcontractors. Focus first upon your strategic suppliers, but remember it can sometimes be a non-strategic supplier that has the greatest potential to damage a company's reputation. Promotional goods, for example, are not usually classed as strategic, but their suppliers may be exploiting child labour.

You may also already be contacting your suppliers on health and safety and environmental issues, so widening your enquiry to cover ethical issues may not in practice be as large a step as it first appears.

ii. Identify problem areas
The next stage is to analyse the returns and identify potential problem supply routes, such as areas of risk associated with specific countries, human rights abuses or production processes. By identifying high-risk countries and commodities in your supply chains you can concentrate efforts in these areas. Focus first on suppliers in areas which are known to have a record of abuses and your major strategic suppliers. Individual risk assessments can be carried out on other suppliers by scrutinising responses to specific questions from the supplier review questionnaire.

iii. Consult others
It may be useful to consult others buying in the same area, with a view to pooling information. Consultation with local and international experts may also be helpful at this stage, as well as with other organisations that have helped companies to implement solutions. Countries that adhere to the OECD guidelines for multinational enterprises have set up National Contact Points (NCPs) to help and advise businesses operating in their area. (See where to get more help at para 6 below).

iv. Construct policy
Once potential problems have been identified, you can then construct your ethical sourcing policy by identifying which issues your company can take responsibility for and which issues you want to prioritise.

Senior management buy-in
As stated previously, public concerns about the increasing power of business mean that there is increasing pressure on businesses, especially large ones, to demonstrate good ethical business practice and many organisations are actively seeking to address these concerns. This is part of what is sometimes now called reputation management. Further pressure is coming from the quality side, since implementing the environmental quality standard ISO 14001 also requires a knowledge of subcontractors’ sources. Developments in ideas on corporate governance, such as the Turnbull Committee’s guidance that companies identify and carry out risk audits, are also relevant. There is no doubt that suddenly being identified in the media as an organisation that exploits for example child labour, is a risk CEOs would wish to avoid.

However, if senior management is not already convinced, the buyer may need to present a business case for the introduction of an ethical purchasing...
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policy. As indicated at the start of this booklet, the scale of the full implications of introducing successful business-to-business ethical purchasing are such that it is vital that CEOs visibly endorse the policy. If you have already drawn up a picture of your supply chains gathered from your supplier reviews as above, areas for concern can be highlighted to senior managers, together with recommendations for action.

Such a case could include the following points:

- Government and EU interest in the ethical trading agenda
- Customer perceptions
- Media campaigns
- Shareholder interest
- The desire by employees to ensure company activities are socially responsible
- Increasing awareness of factory conditions
- A need to combine social responsibility with competitive operations
- Safeguarding the company's reputation
- How improvements in conditions will be funded

Increasingly organisations need to be aware of ethical trading issues in their supply chains. In the US, if not yet in the UK, the high cost of legal action if a company is seen to have been negligent in this area is spurring organisations to act. Acting voluntarily, ahead of any legislation, puts the organisation in a strong position and guards against unforeseen costs. If your organisation does not wish to be directly involved in funding improvements (and a little Western seed money can go a long way), then maybe an NGO or charity would be interested in taking a lead.

Culture, awareness training

Everyone responsible for purchasing and supply management in an organisation should be aware of the organisation's policy on ethical purchasing and should be actively encouraged to support its principles. The same applies to suppliers.

All staff should be given training to make them aware of ethical issues and how the organisation plans to address them. Practical examples of the policy in action should be introduced into all internal (and external) training programmes as well as induction courses. Staff should be given a copy of the ethical code of practice and made aware of their responsibilities under the code.

Managers should sign-off on the code regularly and a review mechanism should be established. Ensure a suitably senior manager is appointed as the ‘owner’ of the code.

Having a code of ethics with an implementation programme is the minimum requirement for reputation management. It is a kind of prevention medicine: without such a programme an organisation is vulnerable simply because it has neglected to take business ethics seriously.

It is important also that suppliers and their staff are fully informed of the policy as it relates to them. Suppliers should distribute the code of practice to their staff, translated into the appropriate language.

Buyers have a responsibility to determine what is acceptable behaviour between suppliers and colleagues, irrespective of their role or status in the organisation and to influence policy makers to define standards. Suppliers often liaise directly with end users and other internal customers. The buyer should not necessarily discourage such liaison; indeed, maintaining product development awareness amongst users may well make it essential, but should develop organisation-wide policies and educate colleagues about unacceptable or unethical relationships with suppliers.
Corporate codes of practice

Codes of practice set out an organisation’s policy with reference to ethical issues. Many companies, mainly retailers and their suppliers, have introduced specific codes for supply chain issues. (See examples at Appendix 2). These codes indicate that the companies are aware of the issues and want to ensure that poor conditions do not exist in their supply chains. A code helps organisations to be clear about their priorities and identify those issues for which they are prepared to take responsibility. It also acts as a guide for buyers and other staff as well as suppliers.

However, not all organisations endorse the use of a blanket code of conduct. Some have chosen instead to focus on specific issues on a country-by-country basis. There is a growing consensus that the standards outlined in codes represent aspirations for working conditions, rather than reflecting the current reality. For instance B&Q have chosen to work with suppliers in selected supply chains.

Ten years ago B&Q decided to take full responsibility for the environmental and social aspects of their own and their suppliers’ operations, launching a programme for continuous improvements.

Taking a country-by-country approach, B&Q first focused on India. There they worked with factory owners to make brassware casting safer for the workers, helped set up a health clinic for 800 weaving families and became the first retailer to stock Rugmark rugs, made without the use of exploited child labour.

Other practical actions for practitioners

Encouraging suppliers to comply with an organisation’s ethical policy can take place in parallel with the development of monitoring procedures, and may need to take place over a period of time, or be introduced in phases. As this may be a long process, it is important to keep focused on what you are trying to achieve.

You should consider the effect on suppliers of compliance costs, which in many cases can make small suppliers unviable. A further consideration is the potentially debilitating effect on suppliers, especially SMEs and those in the developing world, of having to work to a number of apparently conflicting codes. This is an area where it can be counter-productive to insist upon precise compliance with the minutiae of particular interpretations of documentation.

Rather than creating new codes, it can be more practicable to revise existing codes that already apply to their business. This may well require helping the organisation confront long-standing custom and practice in developing countries, often of dubious ethical standing.

Don’t try to do too much too soon; keep it simple and prioritise. Permanent change to long-standing poor working standards is more likely to come from a policy of coordinated incremental continuous improvement than from major one-off actions, which are not followed up.
Monitoring what has been done

A code of practice is a statement of intent. Like any business strategy, it needs adequate policies and procedures to ensure implementation. This process includes effective monitoring of compliance with the existing codes and remedial or corrective action when conditions fall short of the stated standard.

This can be done in a variety of ways:

- Internally by company staff (such as buyers or QA staff when visiting factories)
- Independently by an outside organisation (for example specialist monitoring staff)
- Externally by NGOs, unions and others involved in implementation, both nationally and internationally
- Through a combination of the above, but it is often better to have on the ground local involvement wherever possible.

Verifying

External verification and public reporting of findings is seen as an integral part of the ethical trading process by NGOs and trade unions. However, there is no general consensus amongst firms on whether this is necessary at present. When choosing an external verifier there are various options such as:

- International accountancy, consultancy and certification firms – the most widely used at present
- NGOs based in the developing world, such as Oxfam
- Combination of local resources from NGO, academic and trade union backgrounds

Many organisations see verification as potentially problematic. Some of the issues to resolve in this area include:

- Who pays for verification – buyers or suppliers?
- Some companies fear that public perception would demand a good report on all issues, without taking into account the difficulty of dealing with complex issues and progress made towards resolving poor working conditions
- Possibility that unannounced visits by external verifiers may disrupt the relationship of trust between the supplier and the purchasing company.

Partnerships

The pressure on companies to consider ethical issues in their supply chains initially focused on large organisations, but as their clients, customers and stakeholders demand improvements, SMEs now also have to consider these issues. There are several areas of business where organisations now work in partnership to solve difficult ethical problems; and SMEs find this partnership approach the most practical way of working towards improving conditions in their supply chains.

One example of this partnership approach is the Ethical Trading Initiative (ETI), an organisation comprising companies, trade unions and non-governmental organisations (NGOs), which was set up to encourage companies to adopt codes of conduct and have these codes monitored and independently verified. The ETI's base-code on ethical trading is at Appendix 2.
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Useful websites

There are drawbacks to the partnership approach. For instance, it can take longer to reach a consensus between all parties. Companies in the same sector may also find it difficult to establish a working relationship with their competitors. Some companies have chosen not to take on all the conditions of the ETI base-code, as they believe that they will not be able to effect change in all areas.

Pitfalls

Some of the problems involved in introducing a policy of ethical purchasing have already been highlighted. Many organisations have found that introducing codes of practice across the board is impractical and can be counter-productive in some business areas. Although some companies aim to make SA8000 a condition of contract for suppliers, few factories in the developing world currently meet this standard. The commercial realities of global businesses, where competition creates price pressure, and production can be quickly shifted to new locations, make such standards difficult to achieve.

Rather than boycotting suppliers that fall short of the proposed standard, NGOs and other interested parties recommend that organisations work with suppliers to improve conditions and work together towards an acceptable standard.

As the experience of B&Q and others has shown, the introduction of a pragmatic continuous improvement policy, working with suppliers to gradually raise standards in specific areas of the supply chain, and find solutions that fit the wider environment in which the supplier works, may be the best approach.

Useful websites

Other relevant organisations with useful websites are listed below:

- The Chartered Institute of Purchasing & Supply
  www.cips.org

For more information on how to implement supply chain ethics in your organisation ring CIPS on:
01780 756777
- Institute of Business Ethics
  www.ibe.org.uk
  Tel: 020 7796 6040
- The Small Business Service
  www.businessadviceonline.org/ibs
- International Labour Organisation (ILO)www.ilo.org
  and www.ilo.org/childlabour
- Oxfam, World Development Movement
  www.oneworld.org
- TUC
  www.tuc.org.uk
- Save the Children
  www.savethechildren.org
- The Ethical Trading Initiative
  www.ethicaltrade.org
- Worldaware www.business-worldaware.org.uk
- UN Global Compact
  www.unglobalcompact.org

Further reading

Many of the following publications also contain contact and website details for those wishing to explore the issues in greater depth:

- Institute of Business Ethics report "Where does that come from" (ISBN 0 9524020 9 2) a study of ethical issues in the supply chain.
- The FCO booklet "Global Citizenship" is a source of useful links.
- FTSEiGood ethical index
- "Visions of Ethical Business" issues 1, 2 and 3. A series of free vision papers from Financial Times Prentices Hall
- "Corporate Citizenship – successful strategies for responsible companies” by McIntosh, Leipziger, Jones and Coleman (ISBN 0-207-63106-3)
- "Terms for endearment – business, NGOs and sustainable development” by Jem Bendell (ISBN 1-874719-29-2)
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Further reading

- "Human rights guidelines for companies" Amnesty International UK Business Group, a free booklet
- "Big business, small hands – responsible approaches to child labour" Save the Children. Outlines a "genuinely ethical approach to child labour – where children’s best interests are the key to business decisions”.
- "Ethical Performance – the independent newsletter for socially responsible business" published by Alistair Townley, Dunstans Publishing
- Being a Better Trading Neighbour: DIY guide to improving working conditions in developing countries, B&Q September 1999
- A review of UK company codes of conduct, DFID Social Development Division, 1998
- SA8000: Setting the Standard for Corporate Accountability, CEPAA (www.cepaa.org)
- Taking Stock – How the supermarkets stack up on ethical trading, Christian Aid, 1999
- "Learning from Doing" Review: a report on company progress in implementing ethical sourcing policies and practices, ETI – prepared by IDS and PriceWaterhouseCooper, April 1999
Ethical purchasing practices

Appendix 1

How to get started

**GET TO KNOW YOUR SUPPLY CHAIN**
Map your suppliers as far as possible
Check where suppliers might be using subcontractors
Identify strategic suppliers

**IDENTIFY SPECIFIC HIGH RISKS TO YOUR SUPPLY CHAIN**
These can be risks associated with specific countries, human rights abuses or production processes

**CONDUCT INITIAL ANALYSIS OF WORKING CONDITIONS IN YOUR SUPPLY CHAIN**
This can be done through supplier visits, questionnaires, investigation by local non-governmental organisations (NGOs) who are seen to be independent

**RESEARCH OTHER COMPANIES IN YOUR SECTOR**
Are there any lessons to be learnt?
Are there any possibilities of working together?

**CONSULT WITH LOCAL AND INTERNATIONAL EXPERTS**
Include NGOs and National Contact Points (NCPs) to find out what solutions they would suggest. Talk to other organisations that have helped companies to implement solutions

**CONSTRUCT YOUR COMPANY’S ETHICAL SOURCING POLICY**
Identify which issues your company can take responsibility for and which issues you want to prioritise

**ISSUE A PUBLIC STATEMENT OF INTENT / CODE OF CONDUCT**
This will help suppliers and the general public to understand your position

**BEGIN IMPLEMENTING YOUR POLICY**
Key issues will have been identified in the steps taken so far. Your company will have a platform from which it can begin to raise awareness with suppliers and to participate in the debate on how to move ethical purchasing forward

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1 Extracted from “Where did that come from? A study of ethical issues in the supply chain published by the Institute of Business Ethics”
Sample codes of conduct

ETI Basecode

The following is the base-code recommended by the Ethical Trading Initiative (ETI) and outlines the key points to consider when drafting a code of conduct for ethical purchasing:

1. Employment is freely chosen
2. Freedom of association and the right to collective bargaining are respected
3. Working conditions are safe and hygienic
4. Child labour shall not be used
5. Living wages are paid
6. Working hours are not excessive
7. No discrimination is practised
8. Regular employment is provided
9. No harsh or inhumane treatment is allowed

These are minimum and not maximum standards and this code should not be used to prevent companies from exceeding these standards. Companies applying this code are expected to comply with national and other applicable law and, where the provisions of law address the above issues, to apply whichever offers the greater protection.

C&A: Code of Conduct for the supply of merchandise

The key aspects of C&A's code of conduct for the supply of merchandise are:

Supplier relationships

We seek to develop long-term business relationships with our suppliers who should have a natural respect for our ethical standards in the context of their own particular culture. Our relationships with suppliers are based on the principle of fair and honest dealings at all times and in all ways. We specifically require our suppliers to extend the same principle of fair and honest dealings to all others with whom they do business – including employees, sub-contractors and other third parties. For example, this principle also means that gifts or favours cannot be offered or accepted at any time.

Legal aspects and intellectual property rights

We will always comply fully with the legal requirements of the countries in which we do business and our suppliers are required to do likewise at all times. The intellectual property rights of third parties will be respected by all concerned.

Employment conditions

In addition to the general requirements that all suppliers will extend the principle of fair and honest dealings to all others with whom they do business, we also have specific requirements relating to employment conditions based on respect for fundamental human rights. These requirements apply not only to production for C&A but also to production for any other third party.

- The use of child labour is totally unacceptable. Workers must not be younger than the legal minimum age for working in any specific country and not less than 14 years, whichever is the greater
- We will not tolerate forced labour or labour which involves physical or mental abuse or any form of corporal punishment
- Under no circumstances will the exploitation of any vulnerable individual or group be tolerated
- Wages and benefits must be fully comparable with local norms, must comply with all local laws and must conform with the general principle of fair and honest dealings
- Suppliers must ensure that all manufacturing processes are carried out under conditions which have proper and adequate regard for the health and safety of those involved
Environmental aspects
The realisation of environmental standards is a complex issue – especially in developing countries. It therefore needs to be continuously reviewed within the limits of what is achievable per country. We will work with our suppliers to help them meet our joint obligations towards the environment.

Freedom of association
C&A recognises and respects the freedom of employees to choose whether or not to associate with any group of their own choosing, as long as such groups are legal in their own country. Suppliers must not prevent or obstruct such legitimate activities.

Disclosure and inspection
We require suppliers to make full disclosure to us of all facts and circumstances concerning production and use of sub-contractors. All C&A suppliers are obliged to make their sub-contractors aware of, and comply with, the C&A Code of Conduct.

Additionally our suppliers are required to authorise SOCAM, the auditing company appointed by C&A, to make unannounced inspections of any manufacturing facility at any time.

BT: Ethical trading and principles
BT has split their ethical purchasing code in two parts: generic Purchasing Principles on ethical business practices and a separate Sourcing with Human Dignity (SWHD) standard covering working conditions in their supply chains. More information on BT's Sourcing with Human Dignity standard (working conditions in the supply chain) can be found at www.selling2bt.com/html/working/humandignity/default.asp

BT have set targets and principles for implementing their ethical trading initiative as follows:

Ethical trading
Society expects the products bought from and by BT to be manufactured under working conditions consistent with international guidelines. Chief among these are the UN's Universal Declaration of Human Rights and the International Labour Organisation conventions.

To ensure that we meet this expectation, in April 2001 we launched Sourcing with Human Dignity, a supply chain initiative which seeks to ensure that the working conditions in our supply chain really do meet accepted standards.

Although the promotion of these standards is common practice in the retail sector, it is a relatively new development for the communications industry.

Of course, BT alone cannot commit to Sourcing with Human Dignity - it is a collaborative undertaking that requires the active support of all our suppliers.

We will try to win this support through a phased approach. In 2001/2002, we will focus on gaining the support of our key network and IT suppliers.

We will do this through supplier forums dedicated to this issue and by seeking their written support.

We will also prioritise industry sectors where we believe that the risk of falling short of our Sourcing with Human Dignity standards is at its highest.

Principles of implementation
The following Principles will guide BT in the implementation of Sourcing with Human Dignity. They will govern the manner in which we aspire to achieve the core international ethical standards set out in our Sourcing with Human Dignity Standards.
Principle 1: Working Together
BT will:
- work collaboratively with suppliers in pursuit of these standards.
- guide relationships by the principle of continuous improvement.
- welcome rather than penalise suppliers identifying activities that fall below these standards (undertaken by themselves or sub-contractors) and who agree to pursue our aspirations.
- review and, where appropriate, revise these principles in the light of experience.
- consider a similar ethical trading standard as a reasonable alternative where suppliers are already working towards this alternative.
- not hold a supplier to a higher standard than BT's own policy on these issues.

Principle 2: Making a Difference
BT and its suppliers should:
- use a risk-based approach to the implementation of these standards.
- focus attention on those parts of the supply chain where the risk of not meeting these standards is highest and where the maximum difference can be made with resources available.

BT's suppliers should:
- be prepared to share with BT the basis of their approach with regard to the above.

Principle 3: Public Reporting
BT will:
- report publicly our performance and practices with regard to the implementation of Sourcing with Human Dignity.

Principle 4: Awareness Raising and Training
BT and its suppliers should:
- ensure that all relevant people are provided with appropriate training and guidelines to implement the standards.

BT's suppliers should:
- ensure that employees whose work is covered by the standards are made aware of this document, utilising appropriate and effective communications mechanisms.
- translate these standards into the local language and display them prominently at the place of work.

Principle 5: Monitoring and Independent Verification
BT will:
- recognise that the implementation of these standards may be assessed through monitoring and independent verification, and that these methods will be developed as our understanding grows.

BT's suppliers should:
- recognise that the implementation of these standards may be assessed through monitoring and independent verification, and that these methods will be developed as our understanding grows.
- provide BT, or its representatives, with reasonable access to all relevant information and premises and cooperate in any Sourcing with Human Dignity assessment - using reasonable endeavours to ensure that sub-contractors do the same.
- use reasonable endeavours to provide workers covered by the standards with a confidential means to report to the supplier failure to observe the standards.

Principle 6: Continuous Improvement
BT and its suppliers should:
- apply a continuous improvement approach in agreeing schedules for improvement plans with suppliers not meeting these standards.
- base improvement plans on individual case circumstances.
- not use this project to prevent suppliers from exceeding these standards.
Ethical purchasing practices

Appendix 2

BT will:

• following an escalation to BT’s Chief Procurement Officer, consider terminating any business relationship with the supplier concerned where serious shortfalls of these standards persist.