

Business for Social Responsibility

OUTLINE DRAFT

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This draft is provided for discussion purposes.
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Buyer Impacts on Labor Rights in the Supply Chain:

A Good Practice Note from BSR on How Companies Can Improve Relationships with Suppliers and Ensure Respect for Human Rights

Background

The compliance monitoring approach to responsible supply chain management has had limited success in addressing persistent challenges to labor rights. Leading companies are testing new approaches in order to improve the impacts of their own behavior on working conditions.

In April 2008, the Global Compact Human Rights Working Group (HRWG) agreed that it would function as a forum for consideration and possible endorsement of good management practices on human rights. One of the areas the HRWG plans to consider is approaches to ensuring respect for human rights in the supply chain

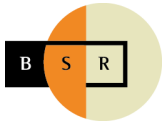
Beginning in 2006, Business for Social Responsibility's Beyond Monitoring Working Group, a cross-industry collaboration to define best practice in sustainable supply chain management, has been defining a holistic approach and methodology for collaboration in the supply chain to advance sustainability and improve working conditions, including labor rights, health and safety, ethics and the environment.

At the United Nations Global Compact HRWG meeting on June 10, 2009, BSR will present its findings and will facilitate an interactive session to review and solicit input on practical steps that companies can take to address their impact on persistent labor rights violations in their supply chains. Participants will learn about and provide input on innovative practices that buyers can implement today.

The following outline for a good practice note will be circulated in advance and small groups will discuss how specific practices can be advanced within companies. The adoption of the good practice note will be considered at a future meeting of the HRWG.

Good Practice Note Outline

Buyers can advance respect for human rights in their supply chains by collaborating more closely with strategic suppliers and by changing purchasing practices that contribute to poor working conditions.



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CONTEXT

The prevalence of human rights abuses in supply chains is well documented. Although root causes are complex and multifaceted, these are increasingly better understood now than they were several years ago and include:

- downward pressure on cost of goods
- buyer demands for faster delivery times and design changes
- lack of coordination and emphasis on respect for human rights across supply chain actors, and lack of integration into key aspects of business relationships
- inadequate management capabilities to understand, assess and improve working conditions in manufacturing settings, particularly in emerging economies
- underdeveloped worker organizations, and hostile behavior toward worker organizations
- weak enforcement of local laws and international standards
- unproven return on investment and unclear success metrics

Buyers that put programs in place in the 1990s in the midst of scandals, activist campaigns and public scrutiny adopted a compliance monitoring approach. This approach emphasizes uncovering problems and enforcing targeted corrective actions to address these problems, without focusing on root causes and effective interventions to address root causes.

There has been increasing uptake of the compliance monitoring approach in other sectors, such as electronics. Companies across a number of industries are experiencing the limitations of this approach in achieving lasting improvements and are looking for more effective approaches and interventions.

There has been some experimentation with alternative approaches including management and worker training, partnerships with civil society, and an increasing focus on technical and management capabilities. However, there remains a significant gap in the knowledge of and communication of effective practices.

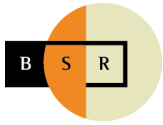
In order to craft a lasting solution, a holistic response is required. Many of the needed solutions appear daunting, for examples increased government and worker engagement. However, in this good practice note, we identify practical steps that buyers can take to ensure respect for human rights, beginning today and building over the long term.

SOLUTIONS

1. Roadmap for Buyer and Supplier Collaboration

A common barrier to buyer and supplier collaboration is the lack of a clear roadmap, i.e. an articulation of how buyers and suppliers can work together, over what timeframe they can expect results, and the measurements they should track to gauge success. There are three main elements to define in a roadmap:

- a. Strategic supplier determination – determining which suppliers participate based on business priorities with human rights considerations incorporated into the determination



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- b. Clear parameters for an evolving relationship – setting guidelines for how buyers and supplier work together, what their respective roles and responsibilities are, and when and how the relationship will be evaluated for success
- c. Cascading responsibilities – detailing what specific capabilities, activities and measurements are required and over what timeframe to cascade requirements to sub-tiers of suppliers

2. Buyer Internal Alignment and Integration

To achieve alignment and integration, buyers must commit to placing sustainability on an equal footing to furthering commercial objectives, and this commitment must be backed by day-to-day business practices that drive better performance of supply chain partners. The following priorities are the building blocks of internal alignment and integration:

- a. Commitment – Establish and communicate commitment internally and externally; continuously reinforce at every level
- b. Expectations/Requirements – Incorporate requirements into legal contracts, requests for proposals, etc. and communicate these as early in the development of a business relationship as possible
- c. Awareness and training – Train internal business partners (in procurement, design, product/brand leads, legal, marketing and any other group that interacts with or affects supplier relationships) on program goals, processes, measurements and promote broad awareness through communications
- d. Impact assessment and realign approach – Identify impacts of decisions across key product categories and address these impacts by realigning training, budgets, processes and metrics
- e. Accountability – Hold executives and managers accountable for outcomes by establishing goals and performance metrics and integrating these into performance reviews

3. Supplier Ownership and Continuous Improvement

To encourage supplier ownership, i.e. suppliers integrate respect for human rights into their mission, strategy and decision making, buyers should take the following approach in working with suppliers, in addition to those steps mentioned above:

- a. Diagnostic – Assess, or assist in assessing, strategic suppliers' current scope and level of commitment, governance mechanism, and management capabilities
- b. Improvement – Co-create continuous improvement plans with realistic timeframes and clear success measures
- c. Integration – Incorporate progress updates into supplier business reviews and continuously reinforce the importance of improvement to the business relationship