

# **Sustainable supply chain management: tools for building a socially sustainable supply chain**

**Bachelor Project submitted for the Bachelor of Science HES in Business  
Administration with a major in International Management**

**Melanie Vera HURLIMANN**

Bachelor Project Advisor:  
**Paolo BARACCHINI, Professor**

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**Haute école de gestion de Genève (HEG-GE)**  
**Business Administration (International Management)**



## Declaration

This Bachelor Project is submitted as part of the final examination requirements of the Geneva School of Business Administration, for obtaining the Bachelor of Science HES-SO in Business Administration, with major in International Management. The student accepts the terms of the confidentiality agreement if one has been signed. The use of any conclusions or recommendations made in the Bachelor Project, with no prejudice to their value, engages neither the responsibility of the author, nor the adviser to the Bachelor Project, nor the jury members nor the HEG.

“I attest that I have personally completed this work without using any sources other than those quoted in the bibliography.”

Geneva, May 31<sup>st</sup> 2013

Melanie Vera HURLIMANN



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# Executive Summary

The factory fire and the building collapse in Bangladesh have once more put in question the business practices of internationally producing companies. The purpose of this report is to explain the tools that exist to ensure that corporate supplies are socially sustainable and how to build a socially sustainable supply chain. The focus of the research is on companies that sell internationally produced, or procured consumer goods in Switzerland. The results of the research and the recommendations are of interest for companies that plan to implement, or improve, the social sustainability of their supply chain.

Due to the high exposure to the end consumer and the high level of commitment of the two biggest retailers, the Swiss consumer goods market is a forerunner in using Sustainable Supply Chain Management (SSCM) tools. Driven by the incentive of reflecting a good image to the consumer, reducing reputational risk, or out of ethical reasons, Swiss companies have implemented tools to ensure social sustainability along the entire supply chain. Being socially sustainable includes granting safe working conditions, paying living wages and avoiding child, or forced labour. This paper explains the most important tools, such as codes of conducts, labels and others, that companies in the consumer goods sector work with, to ensure that their supplies are socially sustainable. In addition, it presents the tools that international and supranational organizations have established.

Companies that are deciding to implement tools, to make their supply chain more sustainable, need to define a clear strategy, taking into account the number of their suppliers, the spend with them and their purchasing power. They need to know the tools that exist in order to make supply chains more socially sustainable. It is crucial that whenever possible, companies implement tools that are used industry wide, such as becoming member of a programme, or buying from certified suppliers. The choice for the appropriate tools is highly dependent on the sector. In the clothing sector it is usual that the buyer becomes member of a programme. In the food sector the certification mainly happens at the supplier level. In any case, the buyer shall have a code of conduct in place and it shall ensure that external bodies control suppliers. Moreover, buyers shall support the suppliers to continually improve the conditions for their workers and to pass audits. This shall be done by delivering financial support and know-how, making regular visits and on-site trainings. In addition, buyers need to engage with other buyers to improve tools, share knowledge, support suppliers and if necessary boycott them. Furthermore, it is important that the buyer communicates its actions in a precise and transparent manner to its consumers.

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# 1. Introduction: A global supply chain

Problems within the supply chain of multinational corporations (MNC) are not a new phenomenon. Child Labour, unfair trade conditions and exploitation of natural resources have been discussed long before sustainability became popular. The increased level of globalisation has enforced the negative effects of international trade. Governments of offending countries are not interested, or not strong enough to implement and enforce a legal framework. Non-governmental organizations (NGO) and critical customers consider it therefore the responsibility of MNCs to ensure good working conditions and prevention to harm the environment (LOEW, 2006). MNCs that do not fulfil these expectations are confronted with a higher reputational, or operational risk. Appendix 1 indicates some examples from Nike, Mattel and Apple, which have been in public scrutiny in the past (NETWORK FOR BUSINESS SUSTAINABILITY, 2013). *Sustainable supply chain* can be defined as a supply chain in which economic objectives can be achieved without externalising social and ecological costs (DIAZ, ITEN, KETTERER, 2008).

## 1.1. Objective and outline

The objective of this paper is to explain the most important tools for building socially sustainable supply chains. SSCM tools started to be used by Swiss companies in the beginning of the 90's, but have only become widespread in the last 5-8 years. In Switzerland it is much more common to use SSCM tools in business practice than in other countries. The focus of the research is on Swiss companies that sell consumer goods. Due to the high exposure to the end consumer, industries such as garments, food and consumer electronics have been under public scrutiny. As a result they were the first ones to take measures and develop tools to ensure SSCM.

First of all this paper will explain the implications of the Subject such as international trade and globalisation. Secondly, the most important tools on the global level will be presented. Further, the results of the research on the Swiss market will be presented. The first part consists of the incentives of Swiss companies to adopt SSCM. The second part focuses on the most important tools used by Swiss companies that sell different kinds of consumer goods. The last part of the analysis highlights the difficulties related to SSCM tools. Finally, a process that can be used by firms that want to implement SSCM tools in order to make their supply chain more socially responsible is presented.

## 2. Global sustainable supply chain management

The list of companies that have been in the headlines of the media because working-condition related scandals is long. The lead companies are rarely responsible for the scandals, but it is normally one of their third party suppliers. Such scandals are a direct result of the company's poor supply chain management (SCM). With the increase of the level of globalisation companies outsource much of their production or other key services. Hence, suppliers are further away and control has become more difficult. Companies need to take measures to control their supply chain.

In the past ten years corporate sustainability has evolved tremendously. According to Mr Edouardo Gai, Head of sustainability Services for the rating agency RobecoSAM

*“SCM has evolved the most during the past ten years because companies themselves have continually changed their supply chains and raised the bar in terms of policies and procedures used” (KPMG, RobecoSAM, 2012, p 11)*

### 2.1. Globalisation and international trade

In the recent decades the world became increasingly globalised. National markets are more integrated and interdependent. One of the key drivers of this globalisation is international trade, its volume in dollars increased five-fold between 1980 and 2004 (DIAZ, ITEN, KETTERER, 2008). The increase in the level of globalisation was facilitated by the movement of deregulation starting in the eighties under the influence of the politicians Ronald Reagan and Margaret Thatcher, based on Milton Friedman's free-market ideas. In line with the process of deregulation many trade barriers have been removed and open-trade was promoted. It is estimated that tariff rates (custom duties) have been reduced from the 20-30 per cent range in 1947 to 4 per cent in the nineties. In 1995 the World Trade Organization (WTO) emerged from the General Agreement on Tariffs and Trade (GATT). At the Uruguay round in 1994 international trade issues were addressed. The outcome was a reduced tariff for many products but not for agricultural ones, which are mainly exported by developing countries. As a consequence, the Uruguay round of talks was criticised to benefit exclusively developed countries while impeding economic growth in developing ones (ECKES, 2011).

Some economists refer to the theory of the competitive advantage<sup>1</sup> to prove that every country that involves in trade is better off. International trade increases the world production and the standard of living for the countries that trade. According to their theories, trade increases the wage of low-wage workers in developing countries. Some theories imply that trade reduces the wages of workers in advanced countries due to a shift of certain sectors to the newly industrialising economies (NIE). (KRUGMAN, OBSTFELD, 2006). The concentration of developing countries on products for which they a comparative advantage could hinder their development. NIEs often have a comparative advantage in production of manufactured products, so companies in developed countries chose to outsource production to NIEs. This trend of production-sharing has been made popular by Peter Drucker. Products are designed and developed in high income-countries and then produced in low-cost countries. Developing countries risk being trapped in a dependence of certain sectors and have no incentives to invest in education that could lead to long-term growth of the economy. Instead of using the concept of production-sharing many multinationals chose to reduce their risk and costs, so instead of offshoring their assembly they work together with foreign suppliers. Their risk is reduced as they can use several suppliers without having high fixed costs in production plants (ECKES, 2011). Moreover they reduce their risk by not being liable anymore for the operations and the workforce of the foreign supplier. Nevertheless they still have a reputational risk as mentioned earlier if one of their suppliers' bad practices is made public their image is damaged possibly forever.

Producing in developing and emerging countries is a well-known practice in the textile industry, which is labour intensive and the simple working processes do not require high qualifications. In order to foster exports exporting-processing-zones, in which the implementation of companies is facilitated, have been established. In 2005, there have been 2'000 exporting-processing-zones in developing and emerging countries. If we include the special economic zones in China it is estimated that 70 to 100 million workers work in such exporting zones. In some exporting zones national labour law has been nullified, trade unions are prohibited and 60 per cent of the workers are women between 18-25 years old (LOEW, 2006).

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<sup>1</sup> Trade between two countries can benefit both countries if each country exports the good in which it has a comparative advantage (KRUGMAN P, OBSTFELD M., 2006).

## 2.2. Risks for society and workers when sourcing globally

Producing in developing countries bears the risk of exploitation of labour, even if their wages are higher with than without trade, they may still be too low to cover the cost of living. In many low-wages countries employees cannot negotiate wages, due to economic hardship and lack of power or non-existence of trade unions. In China trade associations are forbidden (DIAZ, ITEN, KETTERER, 2008). According to Oxfam the production cost of a brand sports shoe only amounts to 12 per cent of total cost and only 0.4 per cent of the total cost is the salary expenses for the production workers (LOEW, 2006).

A further risk is that in developing and emerging countries labour standards are too low, not enforced or not adhered to. The reason for this is inefficient institutions and corruption. In India for example there are good laws for banning child labour and unsafe working conditions, but enforcing these laws is left to the states (THE NEW YORK TIMES: INTERNATIONAL WEEKLY, 2013). According to the Corruption Perception Index 2012 of Transparency International the majority of developing countries have a high level of corruption that makes legal frameworks inefficient (TRANSPARENCY INTERNATIONAL, 2012). Even some highly industrialized countries indicate a very high corruption index (e.g.: Italy). Despite the complete legal framework and associations, employers infringe the law regularly.

Table 1 indicates the risks for workers and local society, which a global supply chain may cause.

**Table 1 Risks for workers and local society**

<ul style="list-style-type: none"><li>- <b>Payment of low wages</b></li><li>- <b>Excessive working hours</b></li><li>- <b>Unsafe working conditions</b></li><li>- <b>Exploitation of women</b></li><li>- <b>Exploitation of migrant workers</b></li><li>- <b>Child labour</b></li><li>- <b>Forced labour</b></li><li>- <b>Corruption (Bribery)</b></li></ul>
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According to Stieglitz

*“we can make globalisation work, not only just for the rich and powerful but for all people, including some in the poorest countries. The task will be long and arduous. We have already waited far too long. The time to begin is now.”*  
(STIEGLITZ, 2006, p 292)

This paper will give some advice on how to make globalization work.

### 3. Global tools for a SSCM

On the global level, there are already a number of tools in place that strive to make supply chains more socially sustainable. Their level of impact on the sustainability of global supplies differs. Moreover, some tools are fully or partially legally binding while others are on a voluntary basis. Appendix 2 gives more information on the topics covered by the SSCM tools mentioned in this chapter.

#### 3.1. Tools from international organisations and unions

##### Organisation for Economic Corporation and Development (OECD)

The Organisation for Economic Corporation and Development has released a framework that lays down recommendations concerning the responsible conduct of MNCs. The **OECD Guidelines for Multinational Companies** (overview see annex 2.a.) is the only comprehensive code of responsible business conduct that governments committed to promote. It aims at ensuring that MNCs conduct their business in harmony with government policies improving human rights, basic working rights, consumer protection and protection of the environment, and at combating corruption (DIAZ, ITEN, KETTERER, 2008).

The guidelines that are supported by 37 leading industrial nations are not legally binding. Another disadvantage of the guidelines is that many companies in certain geographical areas (e.g. Asia) are excluded (ORGANISATION FOR ECONOMIC COORPORATION AND DEVELOPMENT, 2011).

##### United Nations Organization (UNO)

The United Nations Organizations in not directly concerned with labour matters as such but has released a number of **legally binding conventions** (see annex 2.b.), which do cover labour matters. In addition, it has initiated the **UN Global Compact** programme (principles in annex 2.c.). The idea of the UN Global Compact, which is based other UN declarations (e.g.: UN declaration on human rights) and the International Labour Organization's Declaration on fundamental principles at work, is that MNC conduct their business in a responsible manner and in line with some fundamental principles. In order to participate to the Global Compact companies need to sign up to the programme and then adhere to a set of rules related to human rights, working conditions and environment. The Global Compact counts 5'200 members (UN GLOBAL COMPACT, 2013).

A major problem of the Global Compact is that it is based on voluntary action and that there are no control mechanisms. The companies participating in the Global Compact can easily abuse the UN logo for marketing purpose.

### **International Labour Organization (ILO)**

The ILO is a sub-organisation of the UNO that aims at improving working conditions for men and women all over the world. The ILO works with different instruments with different degrees of legal obligation for its member states.<sup>2</sup> The ILO has established the ***ILO Declaration on Fundamental Principles and Rights at Work*** that covers the principles indicated in appendix 2.d. The core conventions of the ILO concern freedom of association and collective bargaining, forced labour, non-discrimination in employment and child labour, these convention were given prominence in the conclusion of the World Summit for Social Development. Other conventions concern technical standards, which include norms on how to improve working conditions (INTERNATIONAL LABOUR ORGANIZATION, 2013).

A major problem of the ILO conventions is, that they have not been implemented in many low-wage countries (LOEW, 2006).

### **European Union (EU)**

According to the Treaty of the Functioning of the European Union, the union has different legal instruments to exercise its competences.<sup>3</sup> The European Community (EC) has released many directives in order to ensure protection and information of workers. The aim of the EC labour law nowadays is to ensure a “high level of employment and sustained economic growth accompanied by continuous improvement of the living and working conditions thorough the EU” (EUROPEAN COMMISSION, 2013).

The European Union labour legislation is a complete framework that ensures good protection of workers; its key issue is through the geographical limitation (only within EU) and the difference in adherence to it in various member states.

- 
- <sup>2</sup>     Constitution (obligatory)  
       Conventions (obligatory once ratified)  
       Declarations and Recommendations (not obligatory)
- <sup>3</sup>     Regulations (binding, entirely and directly applicable)  
       Directives (binding, but choice of form and methods)  
       Decisions (binding to whom it is addressed)  
       Recommendations (not binding)

### **Trade organisations and trade associations**

Trade organizations (e.g.: WTO, UNCTAD) and trading unions (e.g.: ASEAN, NAFTA) have set up frameworks for their member states to reduce trade barriers in order to continue the liberalisation process. Their aim is to strengthen international trade between their member states. Their main focus on economical topics - their concern for social or sustainability matters is small.

**Table 2 Summary of international tools**

<b>Instruments</b>	<b>Limitations</b>
OECD Guidelines for MNCs	Non-binding
UN Global Compact	Non-binding
ILO Conventions	Not implemented in low-wage countries
EU Directives	Geographically Limited

Table 2 shows the different existing instruments that ensure protection and information of workers on a global level. The instruments go in a good direction but have different issues such as their voluntary body, their non-implementation in certain areas, limited control over adherence and limited area of applicability.

## **3.2. Tools on industry and company level**

There are a large number of standards, codes of conduct and other tools that companies can use to ensure the social sustainability of their supplies. In the previous chapter the most important tools issued by international organisations and unions have been presented. It is important to mention that tools of international organisations are often the base or an integral part of the standards.

### **Management systems and standards**

*SA 8000 Social Accountability System* was created by Social Accountability International (SAI). The main elements of SA 8000 are indicated in appendix 2.e. "SAI believes that management systems are the key to improving the labour standards performance of companies and their supply chains" (SOCIAL ACCOUNTABILITY INTERNATIONAL, 2013a). This standard was one of the world's first auditable social standard. It is based on the ILO and UN conventions as well as national laws.

*ISO 26'000 SA* is a voluntary standard developed by the International Standardisation Organisation (ISO) to support companies to operate in a socially responsible manner;



among its key competencies are human rights, labour practices and community involvement and development. In appendice 2.f. the core subject relating to socially SSCM are listed. This standard is not intended or appropriate for certification (due to difficulties of evaluation) or contractual use (INTERNATIONAL STANARDISATION ORGANISATION, 2013).

*Worldwide Responsible Accredited Production (WRAP)* covers basic standards that are concerned with labour and environmental matters. Its elements are indicated in appendix 2.g. It is the worlds largest certification program for labour-intensive consumer products and is supported by 25 international trade associations (WRAP, 2013).

*Occupational Health and Safety management system standard (OHSAS18001)* ensures that products and services are obtained and utilized in an accident free manner and without any impact on health.

### **Codes of conduct**

Codes of conduct are mostly issued by companies as well as by industry associations and stakeholder partnership. The requirement of codes of conduct regarding sustainability of supply chains varies across industries. The historical roots of codes are the ILO and UN human rights conventions as well as the OECD Guidelines for multinational companies. According to NGOs codices are not a substitute for law but a supplement to it (LOEW, 2006).

### **Internal codes of conduct**

To ensure the sustainability of the SCM companies integrate sustainable supply chain management in the company's internal code of conduct. According to a study of the OECD out of 246 codes most codes of conduct are concerned with labour law, environmental and consumer protection (ORGANISATION FOR ECONOMIC COORPORATION AND DEVELOPMENT, 2001, p 8).

The main themes of the labour contents are reasonable working environment (75.7%), compliance with laws (65.5.%) and no discrimination and harassment (60.8%). 41 per cent of the codes that are concerned with labour issues oblige also their sub-contractors and suppliers. The right for information is only mentioned in 13.5 per cent of the codes (ORGANISATION FOR ECONOMIC COORPORATION AND DEVELOPMENT, 2001, p 10).

## Industry Codes of Conduct

Dependent on the sector different codes of conduct with the goal of promoting social responsibility and improving working condition along the entire supply chain are in place. These are some of the most important ones on a global scope (LOEW, 2006 and SOCIÉTÉ GÉNÉRAL DE SURVEILLANCE SA, 2013a):

- **Ethical Trade Initiative (ETI)** model code for consumer products (principles in annex 2.h.), ETI members include around 60 companies mainly from the UK with thousands of suppliers, international trade union bodies, specialised labour rights organisations and development charities (ETHICAL TRADE INITIATIVE, 2013)
- **Workplace Code of conduct of the Fair Labour Association (FLA)** (code outline in annex 2.i.), FLA members include mainly North American companies and suppliers, collegiate licensees, colleges and universities, civil society organisations (FAIR LABOR ASSOCIATION, 2012)
- **Business Social Compliance Initiative (BSCI)** for garments and other products (code outline in annex 2.j.), with over 1'000 member companies mainly in Europe and their suppliers (BSCI, 2013a)
- **Electronic Industry Citizenship Coalition (EICC)** for the electronics industry (code outline in annex 2.k.), with over 40 member companies and their suppliers (EICC, 2012)
- **Initiative Clause Sociale (ICS)** (key areas in annex 2.l.), to encourage suppliers to comply with universal human rights principles, its participants are 15 brands or retailers mainly based in France (SOCIÉTÉ GÉNÉRAL DE SURVEILLANCE SA, 2013b)
- **International Council of Toy Industries (ICTI)** (key elements in annex 2.m.) code for the toy industry, its members are toy associations all over the world (ICTI INTERNATIONAL COUNCIL OF TOY INDUSTRIES, 2013)
- **Responsible Jewellery Council (RJC)** (principles annex 2.n.) verification for the jewellery industry from mine to retail, with over 420 member companies across the jewellery supply chain (RESPONSIBLE JEWELLERY COUNCIL, 2013)

Research shows that industry codes are more efficient than company codes. Firstly, they put more pressure on companies – firms that don't implement the code are pushed into a bad light. Secondly, costs can be reduced and knowledge be shared, suppliers don't need to be audited by several companies. Further, it reduces supplier power, as suppliers that don't adhere to the code can be boycotted (LOEW, 2006).

The goal of industry code of conducts is not only to ensure legal compliance but go beyond it as the ECCI code states:

*“The Code encourages Participants to go beyond legal compliance, drawing upon internationally recognized standards, in order to advance social and environmental responsibility and business ethics.”* (EICC, 2012, p 1)

A further programme that is increasingly important is the **Global Social Compliance Programme (GSCP)**. GSCP aims at harmonising existing efforts of making supply chains more sustainable. Buying companies that want to work collaboratively to improve working and environmental conditions have created GSCP. Noteworthy, GSCP is not a substitute for other initiatives, a certification body or monitoring system. (GLOBAL SOCIAL COMPLIANCE PROGRAMME, 2013). The GSCP has developed a set of reference tools for buying companies that can be downloaded for free on the GSCP website<sup>4</sup>.

The **Supplier Data Exchange (SEDEX)** is a web-based system that aims at sharing ethical and responsible practices in the supply chain. For buyers it is a platform for collecting and comparing information. For suppliers it is a platform to share ethical information with various customers. **Sedex Member Ethical Trade Audit (SMETA)** not a code of conduct, but an audit procedure that can be used by experienced auditors. It benefits retailers, consumer brands and their suppliers by reducing duplication of audits (SEDEX, 2013).

### **Labels**

Labels are a for the consumer visible indication on the product itself. A product that is labelled has been produced or procured under defined environmental or social criteria. Labels that ensure social sustainability are less common than labels that aim at ensuring environmental sustainability of the supply chain.

The European parliament has taken a resolution to prohibit child labour in 2005. This resolution demands to develop an EU-label that grants that imported products are manufactured without child labour.

There is criticism that the high number of labels, which have different requirements, may confuse end-users instead of helping them with their buying decision (LOEW, 2006).

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<sup>4</sup> <http://www.gscpnet.com/working-plan/reference-tools-purpose-a-use.html>

### **Supplier Guidelines and Supplier Assessment**

Numerous companies issue guidelines, which apply, to all of their suppliers or their most important suppliers. These guidelines may be inserted as a clause in supplier contracts. It is important to mention that once a company sets requirements in their purchase guidelines they become legal binding between buyer and seller and permit to conduct audits (LOEW, 2006).

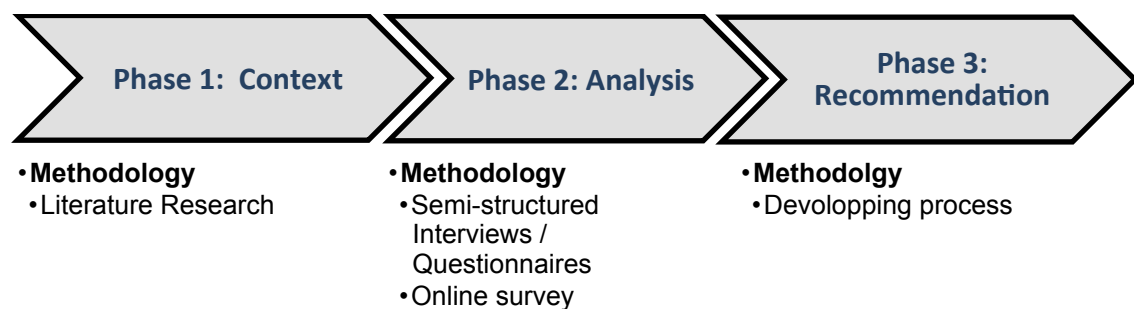
Other companies assess their suppliers by demanding them to complete a questionnaire where they have to answer a number of questions regarding child labour, working conditions, etc. These supplier assessments are often based on the company's code of conduct. The highest rating is given to companies that have certified management systems in place (e.g. SA 8000) (DIAZ, ITEN, KETTERER, 2008).

## 4. The research methodology

As indicated in Figure 1 the research of for this paper included several phases.

- **Phase 1– Context (chapters 1-3):** consists of understanding the global context of the subject: Globalization and trade, legislation and existing tools for SSCM. Results are based on secondary research.
- **Phase 2– Analysis (chapters 5-7):** consists of the study of the incentives and tools that Swiss companies use to ensure SSCM and their feedback to the tools. Unless specified, results are based on primary research (details below).
- **Phase 3 - Recommendation (chapter 8):** based on the analysis several recommendations are developed which are compiled in a process that can be used by companies.

**Figure 1 Research phases and methodology**



### Primary research

The primary research was done between March 4<sup>th</sup> and May 5<sup>th</sup> 2013 by conducting 10 semi-structured interviews and 4 questionnaires including qualitative question (see appendix 3) with different Swiss companies. Most of the companies involved in the research are best practice companies and have highly developed sustainability strategies and tools in place. Companies involved in the research are the following. The companies that agreed to have their name published are mentioned in brackets:

- 3 Retailers of food and non-food incl. clothing (Coop, Migros)
- 4 Retailers of clothing (Schild AG, Transa AG)
- 1 Trader of organic clothing (Remei AG)
- 1 Producer and trader of organic food (Pronatec AG)
- 1 Producer of biscuits
- 2 Companies in the luxury watches industry (Piaget SA)
- 1 Company in the telecommunication industry (Swisscom AG)
- 1 Logistics company

Moreover, semi-structured interviews with a sustainability consultant (March 27<sup>th</sup> 2013), two experts of sustainability assessments (February 13<sup>th</sup> 2013) were conducted and an auditor who performs sustainability audits answered questions per e-mail (February 20<sup>th</sup> 2013). In addition an online survey (see appendix 4) with a sample of 206 customers has been done in April 2013 in order to better understand the consumers view.

A difficulty of the primary research with the Swiss companies was obtaining information. Some companies clearly stated that they couldn't answer due to lack of time while others stated that they couldn't answer out of confidentiality reasons. Especially companies that have been previously ranked badly by NGOs refused to provide information. Big quoted enterprises (H&M, P&G, Coca-Cola, Canon) sent sustainability report instead of answering to questionnaire.

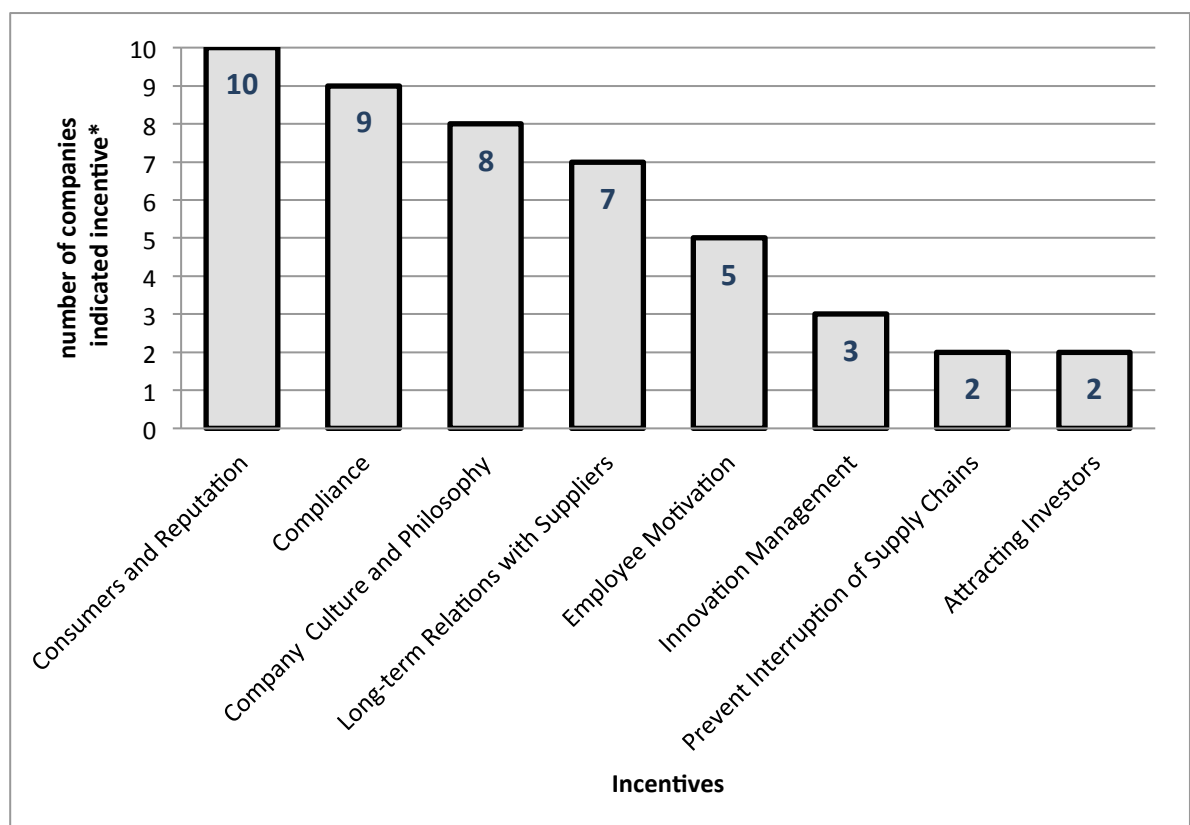
## 5. Incentives to implement sustainable supply chains<sup>5</sup>

A recent empirical research of the Network for Business Sustainability (NBS) shows that motivations for companies to adopt a SSCM are mostly one of the following: Customer, Compliance, Cost, Competitive advantage or Conscience (known as the 5 C's). Consumers, government and general public are the main stakeholders that expect a sustainable management of the supply chains of MNCs (NETWORK FOR BUSINESS SUSTAINABILITY, 2013).

### 5.1. Motivators for Swiss consumer goods selling companies

Primary and secondary research has revealed that the management of companies that sell consumer goods in Switzerland decide out of the reasons indicated in figure 2 to adopt a socially responsible supply chain. The 14 companies asked indicated one or more motivators for having implemented SSCM tools.

**Figure 2 Main motivators for implementing socially SSCM**



\*Companies indicated one or more incentives for adopting tools for socially sustainable supply

<sup>5</sup> Unless the sources are indicated, information in this chapter is based on the information obtained during interviews or by e-mails (see bibliography). Out of confidentiality reasons in general no reference is made to the enterprises.

### **Consumers and reputation: Ensure good image and reduce reputational risk**

Ten of the companies that participated in the research indicated that their image in the eyes of the customer and the threat of reputational risk are the main drivers to have adopted SSCM tools. Many Customers indicate that they prefer to buy products that are produced and procured under fair conditions. An online survey conducted with more than 200 participants (mainly students of the Haute Ecole de Gestion de Genève) shows that about 42 per cent of the customers give importance to the working conditions under which goods that they purchase are produced. About the same percentage of customers indicate that they already have ceased buying a product, as it has come to their attention that the product has been produced under harsh working conditions, forced or child labour. For the full questionnaire and the answers see appendix 4.

Moreover, B2B companies need to be aware of the fact that if their customers have a strict sustainability policy, they will only purchase products from companies that can assure that their products are sustainably produced. Further, many Swiss public organizations, such as the city of Zurich, have defined guidelines to only purchase sustainably produced products from suppliers that are certified by an external certification body.

Moreover, at the world economic forum, sixty CEOs, stated that the Brand accounts for 40% of the market capitalisation of their company. According to the rating Agency RobecoSAM "Companies that outsource production or services also outsource their reputational risks". Dealing with high-risk suppliers can lead to harm of the reputation of the company and consumer backlash, which has a negative impact on sales as a result. (KPMG, RobecoSAM, 2012).

### **Compliance**

Nine of the asked companies have decided to implement measures to source more sustainable as a measure of compliance. Usually, establishing guidelines to ensure that legal requirements in the producing country are met, is the task of the compliance department. In some events companies decide to implement measures as a response to allegation.



### **Company Culture and Philosophy**

Eight companies stated that sustainability is part of the company philosophy, or company culture. Several enterprises explicitly stated that they ensure that their supply chain is sustainable out of ethical conviction. It is part of the company ethics to “make the world a better place”. Buyers re-educate suppliers to contribute to better work conditions for people all over the world. One of the companies, combines sustainability with its 5 business principles: organic, fair, ecological, transparent and innovative.

### **Long-term relation with suppliers**

Seven companies decide to implement tools for a sustainable supply in order to have long-term relations with their suppliers. This decision for long-term relation with suppliers is more an ethical decision than a cost driven one.

### **Employee motivation**

Sustainability leads to a higher employee motivation and retention. According to research in the US, three quarters of workforce entrants regards CSR as an important matter, many people strive to work for a sustainable employer. (NIDUMOLU, PRAHALAD, RANGASWAMI, 2009). Swiss employees are also concerned with the CSR of their employer. Many recent graduates or experienced employees select employers that conduct their business in a sustainable and ethical manner. In the same manner that some customers avoid buying products from companies that have unmoral business practices, some potential employees refuse to work for such companies. Five companies indicated this factor as motivator.

### **Innovation management**

Some authors are convinced that sustainability is a key driver for innovation. Companies that conduct their business in a sustainable way are ahead of others as they research on certain issues before a law regulates them. Moreover, sustainability leads companies to developing new business models (NIDUMOLU, PRAHALAD, RANGASWAMI, 2009). Three companies indicated that they have implemented sustainable supply tools in order to be innovative. One company also mentioned that its pioneering spirit is a key driver. Another one mentioned that it uses its sustainability fund to finance external sustainability projects.

### **Prevent interruption of supply chains**

Corruption can lead to interruption of the supply chain by arbitrary actions of customs officers. Further, the non-adherence to local labour standards can lead to the shutdown of factories and consequently to supply chain interruptions. Two companies have indicated to have a supply chain to have no interruption of supplies.

### **Attracting investors**

Companies that have SSCM tools in place have a reduced risk of the devastating effect on sales that boycotting by consumers, or supply chain disruptions can have (DIAZ, ITEN, KETTERER, 2008). Therefore investors may prefer to invest in companies which source ethically. As human rights, or employment scandals can lead to a severe drop in share value, investors ask for information about non-financial reporting (ACCENTURE 2008). Moreover, the founders of companies, or successors, are investors and they expect SSCM. Two companies indicated the attraction of investors as motivator.

## 6. SSCM: What tools do businesses use?<sup>6</sup>

In order to implement SSCM companies redefine their supply policies and include sustainability, CSR, etc. A result of this is the requirement of ensuring that the suppliers are “good” partners. Therefore, the firm then implements the tools explained in point a) and b). Often companies use a combination of the mentioned tools.

(a) The company implements internal measures that may consist of inserting **contractual clauses** in supplier contracts, utilise **supplier questionnaires**, establish an **internal code of conduct** or develop own standards and monitoring system.

(b) The company as **buyer becomes member of a programme** that has SSCM and monitoring tools, or asks its **suppliers to become member of such a programme**. Such programmes consist of **management standards**, or initiatives with **code of conducts**, or **labels**. Management standards oblige businesses to fulfil a set of standards. In relation with SSCM, these standards can be used by companies to ensure social standards if they produce globally. In addition, management standards can be used to select certified suppliers, which fulfil socially sustainable requirements. The external codes of conduct and labels set requirements for its members regarding the conduct of their business. They include the obligation of ensuring and monitoring good practices of suppliers and subcontractors. As for standards, they also allow companies to select suppliers.

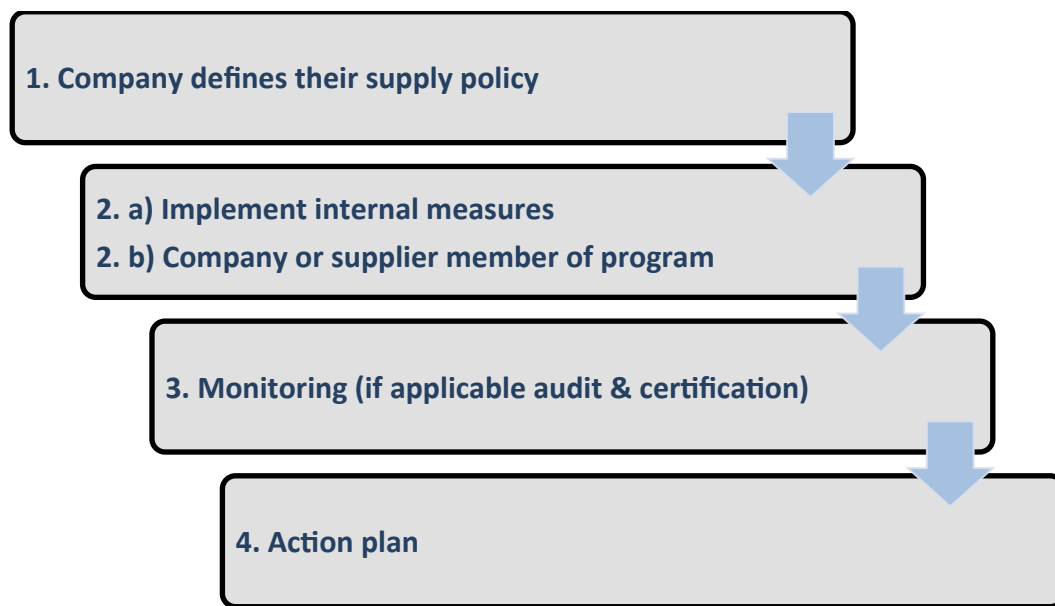
The next step for the company is to monitor and if applicable audit and certify the suppliers. This happens by either making an internal control and / or the external program audits suppliers or a certified audit company is mandated to conduct a supplier audit. It is quite normal that suppliers don't fulfil all the requirements or don't pass the initial audit; therefore usually an action plan is developed. In regular controls (audits) it is verified that the improvements have been made and that the suppliers adheres to their obligations.

Figure 3 summarizes the process to implement a socially sustainable supply chain management.

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<sup>6</sup> Unless the sources are indicated, information in this chapter is based on the information obtained during interviews or by e-mails (see bibliography). Out of confidentiality reasons in general no reference is made to the enterprises.

**Figure 3 Implementing SSCM**



## **6.1.What tools do Swiss companies in the consumer sector work with?**

In this section it will be explained which tools and programs are the most used ones based on the results of the research in the Swiss consumer goods market. They will be presented briefly. The most important ones on the international level have been mentioned in chapter 3.2.

The tools have been grouped according to the product branch that has mentioned to work with the tool (various, food, chocolate, clothing, luxury watches). Moreover, particularities of certain branches are explained.

### **6.1.1. Various consumer goods**

#### **Contractual Clauses**

Three companies work with contractual clauses that are standard clauses addressing social obligations for suppliers. They are an integral part of supplier contracts. By signing the contract the supplier accepts all the stated requirements regarding social sustainability. If specified in the clause the buyer is granted right to conduct audits. Moreover, the clause can specify that sub-contractors of the suppliers are obliged to fulfil the requirements. An example clause is: “We expect from our suppliers to check becoming member in the FairWear Foundation or another comparable Initiative e.g.: FLA.” Another example of a contractual clause can be found in appendix 5.

## **Supplier Questionnaires**

Two companies use supplier questionnaires. They are a tool used by firms to have more information on the sustainability of their suppliers. In some cases suppliers are only required to complete such questionnaires if they are considered to be high risk. Questions included in the questionnaire are the number and origin of the supplier's suppliers, whether the supplier has certificates, or other tools in place and how they are monitored. An example questionnaire can be found in appendix 6. A goal of questionnaires is to make suppliers aware of sustainability issues and to evaluate them. Some companies stated that they follow up by using an excel list, as to how many suppliers have answered it. Using the results of the questionnaire, one company made a supplier register. In the supplier register the suppliers are rated based on their answers to the questionnaire.

## **Internal codes of conduct**

Five companies indicated that they work with company-own codes of conduct. Swiss businesses work with codes of conduct since the early nineties, some exceptionally sustainable companies since the eighties. Code of conducts, are concerned with quality and ethical concerns. A minimal requirement for the social aspect of a code of conduct, is that it is based on the UN convention on human rights and the fundamental principles of the ILO. Another reference document that companies mentioned is the UN global compact. Usually codes of conduct are not available to the public, only few companies publish their code of conduct on their website. A reason for companies to opt for an internal code instead of an industry code of conduct may be cost reasons. Moreover, some may be required to establish an internal code due to the lack of existence of an industry code.

## **SA 8'000**

SA 8'000 is not an initiative that aims at monitoring the supply chain. Neither does it oblige to audit suppliers, but it can be used as a tool to select suppliers, or to control operations if the company produces globally. According to experts in the field, this management standard, which has been presented in chapter 3.2.1, is the most far-reaching standard. Producers (suppliers), or retailers can be SA 8'000 certified. One company has indicated to be SA 8'000 certified.

The membership fee of S.A. 8'000 depends on the membership level and the turnover (T/O) of the company. It amounts to USD 3'000 (supporter level, T/O <100 mio \$) up to

USD 65'000 (signatory level, T/O >10 bn. \$) (SOCIAL ACCOUNTABILITY INTERNATIONAL, 2013b). Independent auditors are responsible for certification.

### **BSCI**

The BSCI programme is a program that delivers its members with standardized code of conduct based on the ILO principles. Retailers as well as suppliers can be member. The members itself as well as two thirds of their suppliers are obliged to adhere to the BSCI code. BSCI verifies adherence by supplier audits. In total BSCI counts 49 members in Switzerland. Members consist of retailers in the textile, or other non-food sector. There are many members that sell promotional items, company clothing and silk products (e.g.: underwear). Four of the analysed companies are member of the BSCI programme. In order to become member of the BSCI a company needs to be member of the foreign trade association (FTA). FTA membership is limited for companies with a minimum turnover of EUR 500'000. The membership fee costs between EUR 3'000 (T/O <20 mio €) up to EUR 30'000 (T/O >5 bn. €) (BSCI, 2013b). Moreover companies have the possibility to be member of the Swiss BSCI contact group, which meets twice a year to exchange knowledge. Audits are conducted by SAI accredited auditors. A business that has successfully passed the BSCI process can work towards becoming SA 8'000 certified.

### **OHSAS 18'001**

One company has indicated that it is certified, or that they ask of their suppliers to be certified by OHSAS presented in the chapter 3.2.1. Third party companies are responsible for certification. One of the companies mentioned that it applies and fulfils companywide the requirements of OHSAS, but not all of its locations could be certified out of cost reasons.

### **Fairtrade / Max Havelaar**

Fairtrade has set social, economical and ecological standards for suppliers of and companies that market various agricultural products, gold, sports balls and cotton (MAX HAVELAAR, 2013). Fairtrade sets purchase prices, which leads to higher salaries for the supplies that are mostly farmers, which are organised in cooperatives. The products show the Fairtrade / Max Havelaar label. Four companies have indicated that they purchase from Fairtrade / Max Havelaar certified suppliers. The independent certification company FLO-CERT GmbH verifies compliance with standards. The certification fee is paid by the producer and depends of the organisational structure.

The producer pays the costs for the certification that is transferred to the consumer by charging a higher purchase price.

### **6.1.2. Food**

In the food sector labels are an important tool. A particularity about the tools in the food sector is that certification is normally done on supplier level and its not the retailers itself that are certified. The most important aspect is the payment of prices that are above the market price to the farmer, or cooperatives (supplier). Fairtrade / Max Havelaar has set the highest prices to be paid to farmers. Ecocert pays the second highest prices. It is followed by Rainforest Alliance and UTZ. A supplier certification serves the retailers to work with suppliers that fulfil certain requirements regarding social sustainability. Buyers commit to social sustainability by working with certified suppliers. In some instances the buyer assist existing suppliers to get certifications by delivering know-how and investments. Usually, the supplier pays the membership fees and the cost of audits. If a company is already Fairtrade / Max Havelaar certified getting a certification with lower standards, such as UTZ is rather simple.

#### **GlobalG.A.P.**

GlobalG.A.P. is an organisation that has set standards for agricultural products. It aims at increasing consumer trust for agricultural products by setting standards that regulate environmental, safety and health impacts and salaries (GLOBALG.A.P. 2013). Two companies have indicated to work with GlobalG.A.P. certified suppliers. External certification bodies that are selected by GlobalG.A.P certify GlobalG.A.P members. An additional module is GlobalGAP Risk Assessment on Social Practice (GRASP), it can be combined with a GlobalG.A.P. audit. Cost of certification depends on the country and production. The cost is estimated at EUR 300-400 for a producer in the south of Spain. Group certifications in Kenya, which include up to 50 small farms, costs around EUR 200. The farmer (supplier) pays the costs. The companies that have indicated to work with GlobalG.A.P. actively help their suppliers with implementation and trainings.

#### **UTZ**

UTZ sets environmental and working conditions regulations as well as purchase prices for coffee, tea and chocolate raw materials producers or distributors by using a code of conduct (UTZ, 2013). Two companies have indicated to work with suppliers that are UTZ certified. The UTZ label appears on the product. The membership fee depends on the size of crops covered and the production. By UTZ accredited certification

companies certify UTZ members. The producer (supplier) pays the costs for the certification.

### **Rainforest Alliance**

The Rainforest Alliance sets environmental and working standard regulations as well as purchase prices for agricultural, forestry products as well as for tourism services (RAINFOREST ALLIANCE, 2013). Two companies have indicated to work with suppliers that are Rainforest Alliance certified. The Rainforest Alliance label is visible on the product. As for GlobalG.A.P. and UTZ the certification bodies are selected by the programme itself. The supplier pays for the costs of the certification, which depends on the volume of production and the country.

### **EcocertFairtrade**

Ecocert issues certificates for buyers, subcontractors and project sponsors of organic farming, cosmetics and textiles (ECOCERT, 2013). It also issues ISO, GlobalG.A.P. and other certificates. Pronatec is sole member of Ecocert in Switzerland. Ecocert is an important certification for consumers in the French market. Ecocert certifies the farmer/cooperative (supplier), which bears the cost. Pronatec encouraged its suppliers to get such a certification. Further, it helps its suppliers in the certification process with know-how, on-site training and investments.

### **Set minimum standards for joint ventures and affiliates**

One of the companies, which has an affiliate and a joint venture, both located in third world countries, from which it purchases raw materials indicated that it assures the following points:

- No child labour
- Wages are above minimum wages
- Each employee has a work contract
- Payment of social security and insurance

Other tools that have been mentioned by the food industry were the **Roundtable on Sustainable Palm Oil (RSPO)** and the project cooperation of the **ILO and CAOISCO** against the worst form of child labour for hazelnut harvesting in Turkey.



### **6.1.3. Chocolate**

In the chocolate sector the most used certificates are UTZ, Rainforest Alliance and Fairtrade / Max Havelaar.

### **6.1.4. Clothing**

A particularity of the clothing sector is that outsourcing production in low-wage countries or procuring products from suppliers based in such countries have become widely used business practices. As clothing companies have been under public scrutiny, many industry-wide measures have been established. For programs such as BSCI, FairWear Foundation and Eco-Standard it is the retailer itself as well as the producers who can be member. For others such as GOTS and bioRe®, which have the main focus on cotton, it is the supplier that is member and the retailer can commit to sustainability by purchasing from such suppliers.

#### **FairWear Foundation**

The FairWear Foundation (FWF) verifies improvements of working condition within company supply chains. It focuses on the part of supply chains in which the garment is assembled, so the actual apparel factories. Cotton supplies are not part of their work. Two of the analysed have a label of the FairWear Foundation. In total FWF counts 26 members in Switzerland. Members consist of Swiss or foreign headquartered textile-selling companies (FWF, 2013a). Many Swiss members are specialized on Sportswear. Three out of the four by the NGO *Erklärung von Bern* best rated companies in the textile sector are working with FWF (ERKLÄRUNG VON BERN, 2010). The membership fee varies according to the T/O of the company and is between EUR 3'280 (T/O <20 mio €) and EUR 85'253 (max. T/O 1 bn. €) (FWF, 2013b). Auditing is done by internal staff trained by FWF, by an auditing firm, or by an FWF audit team.

#### **Eco-Standard**

Currently only the retailer Migros, who is the founder of Eco-Standard, is working with it. Some other retailers already showed interest joining the Eco-Standard. 65% of textiles of Migros clothing and home textiles are produced according to the guidelines of eco-standard. Until 2017 the goal is to produce 100% of clothing and home textiles according to the eco-Standard. The standard consists of ecological, transparency and working conditions guidelines. Migros mandated an external monitoring firm to be responsible for controlling that suppliers adhere to the standard.

### **Global Organic Textile Standard**

Two companies have indicated to use the Global Organic Textile Standard (GOTS), the world leading standard for textiles that contain at least 70% of organic fibres. It contains environmental as well as social criteria that need to be fulfilled along the supply chain (GOTS, 2013). The processors, manufacturers and traders (B2B) can be GOTS certified. The membership fee depends on the country and size of company. Textiles can be labelled with the GOTS label if all criteria are fulfilled. Retailers that buy finished products can use GOTS for supplier selection, but cannot be certified.

### **bioRe® (Naturaline)**

bioRe® has set ecological and social standards for cotton. bioRe® grants cotton farmers regular purchase of their cotton and the payment of an agreed price (which is higher than the market price). bioRe® has been created by the Swiss textile company Remei which is sole member. bioRe® textiles bear a tractability code that once entered on the homepage<sup>7</sup>, allows the consumer to trace back all the steps of supply chain for the good. Independent audit companies control the farmers.

#### **6.1.5. Luxury watches**

Before presenting the measures that are taken in the luxury watches sector, it is important to highlight some particularities of this sector. In comparison to the textile sector, where workers in low-income countries manufacture a big share of clothes, the luxury watches industry manufactures mostly in Switzerland. Therefore, the products purchased internationally are raw materials and some semi-finished products, but no finished products. This implies that the highly labour intensive production is done in a country with high labour standards. Therefore, it is not the production but the purchase of raw materials and semi-finished products, which is concerned with the risks for workers due to global sourcing mentioned in chapter 2.2. Moreover in the diamond industry a major problem is the trade of diamonds that are used to finance armed conflicts.

Both companies that were involved in the research have implemented a code of conduct. Other tools in the industry are the **Kimberly Process Certification Scheme (KPCS)** for diamonds and **CITES** for leather. The KPCS certifies on the bill that the diamonds purchased are not conflict diamonds. CITES is an international treaty that

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<sup>7</sup> Enter under <http://www.biore.ch/>

aims at protecting wildlife, it is an obligation and not a voluntary action for buyers. In addition, one of the two companies, namely Piaget, is member of the **Responsible Jewellery Council (RJC)**. Companies that are involved for commercial reasons in the diamond, gold and platinum group metals jewellery supply chain can apply to become member of the RJC. The membership fee is calculated as a percentage of the annual relevant sales. It amounts to minimum USD 170 and maximum USD 102'000. The RJC demands its member companies to be audited by an accredited auditor. There is no obligation to have a certain number of suppliers certified, but the company needs to know its business partners well.

Piaget requests suppliers to sign the supplier code of conduct before establishing a business relation. The code of conduct is based on the UN Global Compact presented in chapter 3.1.4 and ILO guidelines for MNCs. The signature is binding and authorises Piaget to conduct audits if it believes that the supplier does not adhere to the code of conduct. Piaget conducts CSR audits of high-risk suppliers. Piaget employees and one external auditor conduct these audits. Moreover, buyers regularly visit the suppliers and basic information about suppliers is regularly obtained. Piaget considers banning suppliers that don't adhere to the code or raw materials originating in conflict regions.

The other company has also based its code on the UN Global Compact. The aim of the code of conduct is to "sensibilise" suppliers. It invites suppliers to adopt measures to ensure the environmental and social sustainability in all their business practices and to adhere to international conventions. It invites the suppliers to certify their products with the KPCS, CITES or FSC. It does not oblige suppliers, nor gives it the right of conducting audits. By signing the code of conduct the suppliers confirm to conduct their business in line with the principles set out in the code. The enterprise stated that about 50 per cent of its suppliers have signed the code of conduct, which has been implemented in the end of 2012. Most critical suppliers, that is the ones that work with critical products (jewels, gold, leather, wood), or the ones which represent a big purchase volume, signed the code of conduct.

Moreover, the company mentioned that becoming member of RJC is in discussion. The decisive factors are, if the program of the RJC is in line with the global sustainability strategy of the business, if this is not the case the company opts for internal measures.

## 6.2. Audits

Research showed that three companies don't audit suppliers and eleven audit at least some of their suppliers by external auditing bodies.

This chapter will explain the different methods of audits and the related costs.

In order to ensure that suppliers adhere to the set regulations there are three different options for auditing:

- Internal audit
- An independent auditing body is mandated ("external audit company")
- The external programs have their own auditing bodies

In order to save cost and avoid duplication, some companies accept equivalent audits. This means, that if another programme whose requirements are considered equivalent has already audited a supplier, this audit is accepted and the supplier does not have to be audited again. As mentioned in the previous chapter dependent on the type of programme it is the buyer or the supplier (manufacturer / farmer) that is responsible for the audit and related cost.

Below some of the different audit processes in which the buyers are directly involved in are explained. Audits of certifications used in the agricultural products take place on the farmer level.

### **SA 8000**

An SA 8000 membership does not oblige the company to monitor its supply chain. Only the actual member is audited. The buyer can only motivate its suppliers to become SA 8000 member, which would mean it would be audited (at his own costs). SA 8000 accredited companies can conduct the audits. The cost depends on the fees of the auditing company. The fee of external audit companies varies according to country and length of the audit. In Switzerland one audit day costs approximately CHF 2'000 while it costs approximately CHF 700 in China. For big companies that have more than 1'000 employees an audit can take up to four days.

### **BSCI**

Members of BSCI have to ensure monitoring of two thirds of their suppliers in high-risk countries. SAI accredited firms conduct the audits. According to the research, the estimated cost of an audit is depending on the country between CHF 700-1'500. The

retailer (being the member of BSCI) has to pay for the supplier audits. In some exceptional cases the supplier partially pays for the audits or another buyer covers the costs. Corrective actions have to be taken 6-12 months after the audit. The member of BSCI has to assist its suppliers in the process of taking corrective actions.

### **FWF**

Members of FWF are obliged to stepwise control 90-100% of their suppliers. This implies conducting audits of suppliers, which are based in by FWF high-risk rated countries. A FWF auditor, or an external auditing company can conduct the audit. One company stated that it audits every three years selected manufacturers. Every quarter it demands updates (including photos) from its manufacturers. FWF Member companies mentioned to only collaborate with suppliers that accept and respect FWF document “code of labour standards”.

### **BioRe®**

The independent bodies bio-inspecta and indocert control the farms in India and Tanzania. The producer bear the cost for the certification, but Remei assists them with their know-how to optimally implement and monitor bioRe®. All cotton purchased by Remei is audited bioRe®.

## **6.3. Costs**

The cost a sustainability programme depends on the size of the enterprise, number of suppliers and the level of involvement. Research shows that the cost of sustainability programs is small in comparison with total cost. The costs include the following:

- General administrative cost
- Membership fee
- Costs for control of suppliers
- Cost for training, capacity building and developing programmes

### **General administrative costs**

The administrative cost is the cost that needs to be paid for the administration of the sustainability programmes. This may include establishing and administering codes of conduct, supplier questionnaires, supplier registers and completing reports. The interviewed companies indicated that these costs are small share of the total cost.

### **Membership fee**

If the company is member of an initiative or management standard it has to pay a membership fee. The membership fee depends on the size of enterprise; the fees start at approximately CHF 3'000 upwards.

### **Cost of control**

The cost of control may include the cost for staff that do internal audits or inspections plus the cost of the trip. If the buyer has a constant office in the procuring country control cost are reduced. In case the buyer is obliged to mandate an external auditor, depending on the programme, the buyer might have to cover the costs of the external auditor (see previous chapter). One of the enterprises indicated that control costs amount to 0.27% of T/O.

### **Cost for training, capacity building and developing programmes**

Besides controlling many Swiss based companies are involved in training and capacity building of their suppliers. Moreover, some firms are highly involved, or even founders of industry-wide programmes. The cost depends on the size of project.

A further cost is the higher purchase price that companies may have to pay if they work together with certified suppliers. But as this cost is normally transferred to the customer by charging a higher price it has not been listed as effective cost. The risk that remains for the buyer is that he may have to decrease its margin in order to stay competitive.

## 7. What is the feedback to the tools?<sup>8</sup>

Most of the companies (12 companies) indicated that they are satisfied, or very satisfied with the results of their tools. Nevertheless, they are continually optimizing them by working together with suppliers on action plans, training and long-term partnerships. The most important successes are the better control over the supplier's business practices concerning social matters and salary policy. In addition sales of labelled products are constantly increasing. Consumers that buy certified products are loyal. Furthermore, feedback from the media is highly positive. Another indicator of success is that job positions of suppliers that are allied with buyers with SSCM are in great demand due to the attractive working and salary conditions. Further, many companies could audit their suppliers positively.

Few companies (2 companies) were not, or only partially satisfied. One of the problems is that the high number of suppliers cannot yet be controlled due to the high investment that would be needed. Another issue was the inability of obliging suppliers to sign the code of conduct.

### 7.1. What are the difficulties when implementing the tools?

Despite the general satisfaction of the outcome of SSCM measures, some difficulties when implementing measures to make supplies more socially sustainable may be faced. This chapter highlight some of the possible obstacles.

#### **Definition of strategy**

When defining the strategy to implement measures for a SSCM the first difficulty is to choose the tools that are the best for the company. It needs to be defined how partners and suppliers are informed and trained. On top of that, external influences such as changes of markets, availability of products and prices need to be defined.

#### **Conflict between departments**

There may be a conflict between the sustainability department and the purchase department. The purchase department is interested in buying from suppliers that offer low prices and the required products, while the sustainability department is aiming to buy from suppliers, which fulfil high social and environmental standards.

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<sup>8</sup> Unless the sources are indicated, information in this chapter is based on the information obtained during interviews or by e-mails (see bibliography). Out of confidentiality reasons in general no reference is made to the enterprises.

### **Insufficient resources**

The buyer may have limited financial or human resources to implement SSCM tools, or to be more involved in SSCM. This may especially be the case for small and medium sized companies or for companies with a high number of suppliers (see below).

### **High number of suppliers**

It is sometimes difficult and costly to administer a high number of suppliers. This is especially the case for big companies, or companies with a broad product range. In order to consider sustainable criteria when purchasing product, the buyer need to have a good control over all its suppliers and spend on each one.

### **Convincing suppliers**

Buyers that have developed their own tools, or that are implementing external tools, may have difficulties to convince their suppliers to sign a code of conduct, take measures to adhere to standards or become member of the same programme. Suppliers want to see what the advantage of implementing such tools is. Not all suppliers regard the tools as an opportunity and a measure for long-term survival of the company. Especially long-term suppliers may find it difficult to understand why after many years of cooperation they are asked to adapt their business practices.

### **Limited purchasing power**

The possibility of retailers to influence the business practices of their suppliers may be limited. This is especially the case if the buyer purchases from external suppliers who have many buyers (big brands). Moreover, due to limited purchasing power it is difficult for the buyer do oblige suppliers to adhere to a code of conduct, or to become member of an external program. Research showed that one of the companies couldn't achieve the initial goal of obliging 90% of the suppliers until 2013 to be member of a sustainability program due to the lack of purchasing power. In 2013 only 20% of the suppliers were members of such a program. The only possibility for the retailer would be to cut the relation with the supplier. This would have little impact on the supplier due to the high number of buyers. Even if the company is aware of the fact that some of its products are not produced by best-performing suppliers, due to the lack of substitutes it cannot switch to other suppliers.



### **Limited number of suppliers**

It is very difficult to switch to other suppliers due to the limited number of suppliers in certain industries (e.g.: luxury watches industry). Therefore companies have difficulties obliging their suppliers to sign the code under the threat of changing the supplier if they don't. This forces companies to opt for relatively "soft" measures, which don't oblige suppliers to adhere to a set of rules but only encourages them to do so.

### **Management Capacity of Cooperatives**

For some tools (e.g.: Fairtrade / Max Havelaar) it is a condition that suppliers (farmers) are organized in cooperatives. The head of the cooperatives are farmers which have to be (re)elected every 2 years. These farmers don't have experience of managing projects. They don't have any experience of planning, conclusion of contracts with service providers, mobilization of local employees, quality control and control of expenses. It is not possible to employ professional and permanent heads of the cooperatives because they would dictate the members and take advantage of the farmers.

### **Educational level of suppliers**

Some of the suppliers in third world countries have a low educational level and may be illiterate. They can only be trained orally. This makes communication and training more difficult and costly. Buyers are obliged to go on site for the implementation of programs.

### **Supplier's negative attitude towards audits**

Suppliers that have already been audited by other companies, or programs, often have a negative attitude towards a further audit. Each audit causes the supplier additional workload and costs. A further difficulty is that different audits sometimes have different requirements for the same business operations.

### **Traceability of raw materials**

A further problem is that some raw materials are very difficult, or impossible to be traced. This is the case for diamonds. For all diamonds purchased it is indicated on the bill that they have been procured in line with the principles set out by the Kimberly Process. Nevertheless, it is the intermediaries (traders) responsibility to control the mines. When the diamonds are cut, all the diamonds (i.e. the ones from controlled and non-controlled mines) are mixed. Therefore the buyer cannot guarantee that the diamonds are exclusively conflict free diamonds.

### **Recognition of tools**

A further issue is that different consumers are asking for different labels or certifications. The credibility of different labels / certification varies. Further, while in one market a certain label or certification may be widespread and well known in another one it is not. This especially is a difficult for companies that sell products in different countries or markets.

### **Information of consumers**

The online survey showed that customers are not well enough informed. According to the online survey 75 per cent affirm that they would cease buying a product that has been produced under harsh working-conditions, forced labour or child labour, but only 42 per cent actually confirm that they have already ceased doing so. While companies are not allowed to make bad practices of their competitors, NGOs are allowed to do so.

Furthermore, 77 per cent indicated that they pay attention to labels or/and sustainability policy of companies. Companies shall therefore state their efforts for sustainable supply chain management in their external communication as well as on the products itself. Some brochures with explanations of labels have been published by NGOs. To clearly communicate the social sustainability of products may not only have positive impacts on the image of the company but also justify higher prices for sustainable products in the eyes of the customer. Some companies indicated that they have to charge higher prices in order to ensure social sustainability of the supply chain. According to the online survey 20 per cent of customers would be willing to pay 1-5 per cent more, 46 per cent would be willing to pay 5-10 per cent more and 24 per cent would even be prepared to pay more than 10 per cent more if in turn they are convinced that the purchased product have been produced and procured under fair conditions.

## 7.2. Results of controls

A general result of controls is improved quality and a better control of the supply chain. Nevertheless, simple controls are a snapshot, which do not have a major impact. It is important to step by step improve defaults by supporting the suppliers.

Some suppliers don't pass an audit, especially the initial one, or results of a control are below expectations. The buyers are working together with the suppliers for continuous improvement. Tools used for that are the action plans, KPI analysis, GAP analysis, training and financial help for suppliers. It is crucial to implement processes, which allow suppliers to improve the situation. Long-term suppliers usually pass the audits.

Furthermore, controls of sustainability projects of farmers that are organized in cooperatives show that the projects have been voted democratically and the means are used as intended, but often there are big delays and sometimes a lack of quality. This is due to the fact that responsible persons of the cooperatives don't have enough time to manage the projects, as they are engaged with cultivation of their products. Moreover the national park authority, which should support the projects, is often badly organised and therefore rather inefficient.

## 8. Recommended process

This chapter will present the process that is recommended to follow in order to build a socially sustainable supply chain using SSCM tools. Before presenting the process some points need to be highlighted and some potential misunderstandings need to be clarified.

First of all, the tools presented shall not be a replacement for establishing better national and international legal frameworks. They are simply a temporary solution until such legal frameworks have been established. The difficulties of establishing legal frameworks are often the inefficiency of institutions in third world countries and limited power of international organisations.

Secondly, companies often claim that it is impossible to implement socially sustainable supply chains and at the same time offer interesting prices for the consumers. This is an excuse. The example of the sport shoe in chapter 2.2. stated that only 0.4 of total cost is the salary of the production workers. Inferring similar values for other products, this would imply that by increasing the purchase price by about half a percent of the total cost, twice the wage could be paid to the manufacturing employees. The online survey showed that consumers are willing to pay more for more sustainable products.

On top of that, in future companies will be increasingly pressured to take measures for socially sustainable supply chain due to the fact that assessment companies and NGOs increasingly rate the social sustainability of consumer goods.

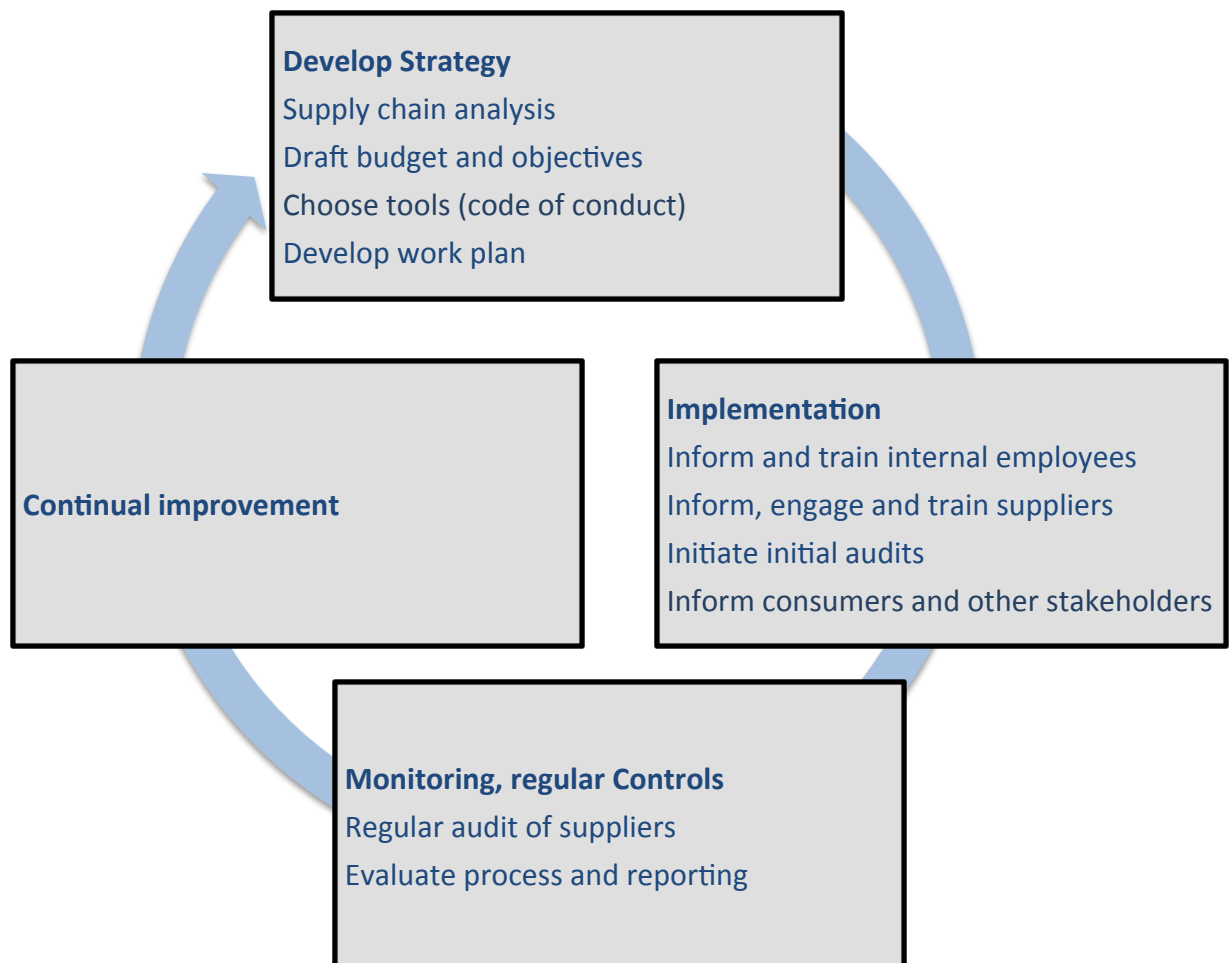
The assessment companies assess the sustainability of companies for investors that regard sustainability as criteria when taking an investment decision. Supply chain management accounts partially to the assessment. It depends on the assessment company how much weight is given to the social sustainability of the supply chain. In addition, the NGO Erklärung von Bern has made several publications where it rates the sustainability of different Swiss firms. There is a publication on chocolate firms, clothing and outdoor. The NGO has also developed handy brochures in A7 format and applications. Due to the fact that information on sustainability of companies is more easily accessible than in the past, it is increasingly used by consumers and influences their buying decisions.

The recommended process is based on the PDCA framework. The recommendation is a rather general guide as the detailed steps highly depend on the type of company, the supply chain, the sector, number of suppliers, etc.

The process has its main focus on the socially component. It is needless to say that a sustainable company also needs to address environmental issues.

For each point included in the process a checklist has been developed. The checklists contain a number of questions, which allows evaluation of each step in the process.

**Figure 4 How to build socially SSCM**



## 8.1. Develop strategy

### Supply Chain Analysis

First of all it is crucial that the buyer has a clear overview over all of its suppliers. It shall make a register of all its suppliers. This register can be made in an excel file or in a more advanced database. It is crucial that the buyer also includes the subcontractors of the suppliers. Following information on suppliers and subcontractors need to be contained in the register:

- a) Name of company
- b) Contact person
- c) Countries they produce in
- d) Number of employees
- e) The level in the supply chain (manufacture, transport)
- f) Certification and audits of suppliers
- g) Spend analysis of each supplier

In general, it is advisable to send out questionnaires to suppliers to obtain information on the contact person, certifications they possess, their subcontractors and other.

The buyer needs to identify suppliers that produce in high-risk countries; the BSCI high-risk country list (see appendix 7) can be used as a reference.

The buyer shall also identify all its critical suppliers. These are suppliers with big purchase volumes, or suppliers of key products, or suppliers of products, which cannot be provided, by another suppliers.

#### CHECKLIST

- Is a supplier register in place?
- Does the supplier register include sub-contractors of suppliers?
- Does register contain all information listed in points a)-g)?
- Have questionnaires been sent to suppliers? How many suppliers answered?
- Are high-risk country suppliers identified?
- Are the critical suppliers been identified?

### **Draft budget and objectives**

The buyer shall draft Key Performance Indicators (KPI). An example can be “80% of critical suppliers need to be audited according to the BSCI standard until 2015”. It is important to ensure that these objectives can be met and are not in conflict with general supply chain objectives. Further they need to be precise and measureable.

The buyer needs to make an estimate of the budget available for making supplies more sustainable. In general, the budget is composed of the cost for control, the cost for training and capacity building of suppliers and the salary cost of the people that are administering the project. The level of involvement is highly dependent on the budget.

The budget and KPIs are revised once the tools have been chosen (see develop work plan). If the buyer chooses to become partner of an initiative, the initiative usually sets objectives that need to be reached by the company.

#### **CHECKLIST**

- Is a budget estimated?
- Are all the relevant factors involved in the budget?
- Are the draft KPIs established?
- Are the KPIs not in conflict with other objectives, precise and measurable?

### **Choose tools (code of conduct)**

The choice of the right tools is a key step in the process and needs careful consideration and involvement of all employees directly concerned in the process.

Whenever possible the buyer shall join an industry wide initiative. Industry standards are better as they allow putting pressure on suppliers and sharing of knowledge. If not given by the industry wide programme, the buyer shall establish a suppliers' code of conduct. The code of conduct shall be based on existing standards (ISO 18'001), principles and conventions (OECD Guidelines for MNEs, UNO conventions and Global Compact, ILO principles see annex 2.a.-d.). Moreover it needs to contain a standard for ensuring the payment of living wages for workers of suppliers instead of only minimum wages. It is recommended to use the GSCP reference code<sup>9</sup>. Further the code of conduct shall not only motivate suppliers to adhere to the standards, but oblige them to do so. They shall confirm adherence to the code by signing it. This will grant

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<sup>9</sup> [http://gscpnet.com/gscpfiles/GSCP\\_Reference\\_Code\\_V2\\_April\\_2010.pdf](http://gscpnet.com/gscpfiles/GSCP_Reference_Code_V2_April_2010.pdf)

the buyer the right to audit suppliers.

#### *Food sector*

For the food sector it is Max Havelaar who pays highest prices to farmers. Whenever possible products shall be procured from Max Havelaar certified farmers.

#### *Clothing sector*

FWF is the most ambitious tool; it demands to stepwise monitor 90 – 100 per cent of suppliers. Moreover, the by the NGO Erklärung von Bern the best-ranked companies are member of FWF (Erklärung von Bern, 2010). Therefore it is highly recommended to use this tool. An additional tool for cotton certification should be used (e.g.: GOTS)

#### *No industry wide code exists*

The buyer shall develop its own programme in collaboration with other buyers of the same industry. This will increase its buyer power and impact on suppliers. It is crucial that the code of conduct sets the standards as high as possible. The buyer shall use the GSCP reference code as benchmark.

#### *Buying from big brands*

Companies that buy from big brands have little purchase power and difficulties of obliging suppliers. These companies need to make an estimate of how many suppliers they can monitor. This will give them an estimate which programme they are able to join.

Sometimes it is not possible for buyers to join a programme, as they cannot achieve to monitor the requested number of suppliers. In this event the buyer needs to develop their own programme, including their own code of conduct, based on the GSCP reference code and a supplier questionnaire. It needs to follow up which suppliers sign the questionnaire and based on the answers they can rank the suppliers. In the shop the company could put tags on the articles of well-ranked suppliers and an explanation of what these tags certify. But this is only a temporary solution; on the long run the buyer shall become member of a programme, even if this implies changing some of the suppliers.



## CHECKLIST

- Are we member of an industry wide initiative?
- Is a supplier code of conduct established?
- Does the code of conduct respect standards, principles and conventions?
- Does the code of conduct contain a standard for ensuring the payment of living wages?
- Is the code of conduct obliging the suppliers?
- Do suppliers sign the code? How many have signed it?
- *Food*: Are we sourcing from Max Havelaar certified farmers?
- *Clothing*: Are we member of FWF? Is the cotton certified?
- *No industry wide code exists*: Is our code benchmarked on other codes?
- *Buying from big brands*: Is our code benchmarked on other codes? Have we rated our suppliers?

### Develop work plan

Once the buyer has chosen the tools it shall establish a detailed work plan that indicates how it will proceed. This work plan consists of the elements that have been established earlier as well as a revised budget and objectives. Moreover it gives information on planned activities such as information and training and monitoring. These are the topics that shall be covered in the report:

- a) Supply chain analysis, incl. supplier register
- b) Strategy and tools for socially SSCM
- c) Objective
- d) Budget
- e) Information and Training (internal and external)
- f) Complaint procedure
- g) Communication to consumers
- h) Monitoring and auditing

## CHECKLIST

- Have KPIs and budget been revised once the tool(s) were chosen?
- Is a work plan in place?
- Does the work plan include the points a)-h)?

## 8.2. Implementation

### Inform and train employees

Once the management and involved employees have decided the strategy it has to inform all employees to ensure that learning precedes investments. The information shall be more than just stating the facts, it should show the conviction about the project and it shall make employees belief in it. Thinking sustainability needs to be fixed in employees' minds by promoting a sustainable corporate culture. In that way employees will not only execute the project as indicated in their guidelines or processes, which risk to be forgotten or misunderstood.

Moreover, all employees whose tasks are related to the project need to be trained. In some cases the sustainability strategy is developed by the sustainability or quality management department and there is a separate purchase department. It is crucial that all buyers clearly understand and belief in the sustainability strategy. In no instance buyers shall regard the sustainability strategy as an obstacle, which hinders them to efficiently execute their work. They need to see the added value, which includes better risk management. Moreover they need to personally belief in it working with sustainable suppliers to make the world a better place.

### CHECKLIST

- Are the employees well informed?
- Have we done a presentation with Q&A session and one to one meetings?
- Are the employees, especially buyers, convinced and enthusiastic about the project?
- Are relevant employees, especially buyers, trained?

### Inform engage and train suppliers

In order to inform the supplier, the buyer needs to ensure that support material in the languages of suppliers is available. If the buyer is member of an external programme or the programme delivers documentation, e.g. code of conducts, in various languages. In addition, a contact point for information and complaints for the suppliers and their employees shall be established. Employees of the supplier need to be encouraged to directly take contact with this contact point if they have any concerns. It is better to have a local, personal contact point, which can communicate with the workers in their

mother tongue. If this is not possible, the contact point can be a telephone number, postal address or e-mail address.

Now the buyers need to engage the suppliers and help them to become in line with the set standards. The buyers shall go on-site to train the suppliers. **If the buyer does not have the financial capacity to visits all suppliers, it shall first focus on the critical suppliers in the high-risk countries.** It is recommended that the buyer does a pre-audit during his on-site visit or that he delegates somebody to do a pre-audit. Following the pre-audit the result shall be compared with the expected standards and any differences shall be analysed. In collaboration with the supplier, the buyer develops an action plan. It is crucial the supplier understands that the buyer is there to assist him to improve its business processes and not to simply control him.

#### *Food sector*

The food sector works together with farmers, which may have a low educational level or even be illiterate. It is important that the companies go on site to visit the suppliers to inform them and assist them to prepare themselves for the audit. If necessary the buyers shall assist them by organizing themselves in cooperatives.

#### *Clothing sector*

Also in the clothing sector on-site visit are important to understand the situation better and to assist supplier by adhering to the standard requested by the programme.

#### *Companies that buy from big brands*

In a first phase of involving suppliers, buyers should inform and motivate the suppliers and show them the advantages of joining a programme. This shall be done by personal visits whenever possible. If this is not possible they shall try to put pressure on suppliers by collaborating with other buyers. Finally, they need to be prepared to stepwise ban suppliers that don't cooperate at all.

#### CHECKLIST

- Is support material for all buyers available? Is it in their language?
- Is a contact point established? Is it local?
- Have employees of suppliers been encouraged to contact us?
- Do we train our suppliers? How many?

- Do we train our critical suppliers? How many
- Do we go on site to train suppliers?
- Do we conduct pre-audits?
- Do we create action plans together with suppliers?
- Do we financially support the suppliers?
- Do we engage in capacity building
- *Food*: Do we have appropriate trainings in place?
- *Clothing*: Do we clearly understand the situation?
- *Buying from big brands*: Do we cooperate with other buyers?

### Initiate initial audits

Now the initial audits are conducted and if applicable suppliers are certified. Independent third parties shall always perform these audits. Again if the buyer does not have the financial capacity **to audit all suppliers, it shall first focus on the critical suppliers in the high-risk countries**. If the buyer wants to reduce the cost of audits and avoid duplicate audits it can accept equivalent audits that have been conducted previously.

If the buyer is member of a programme, the programme has a list of accredited audit bodies. If it's the suppliers that are member of the programme, they are also audited by an external body, but on the cost of the supplier. The buyer shall cover some of the costs of the suppliers. Suppliers are often in developing countries, so the costs for audits are significantly lower than audits in Switzerland.

### CHECKLIST

- Have independent auditors done initial audits of our suppliers? Of how many?
- Have independent auditors done initial audits of our critical suppliers? Of how many?
- Are we supporting our suppliers to pay the costs of audits?

## **Inform consumers and other stakeholders**

As mentioned in chapter 7.1. one of the difficulties when implementing tools to make supplies socially sustainable is informing the consumers. The information shall be easily accessible for the consumers. The buyer shall communicate its measures in a transparent and not misleading manner.

The most effective tool to inform consumers is a label on products. Therefore whenever possible the products shall be labelled. Nevertheless, some tools are not intended for labelling. This concerns the tools, which certify the buying company and not the products, itself (e.g.: BSCI). The company needs to take measures to actively communicate these tools to the consumers. In any case the company shall explain and communicate its tools on its website, newsletters, during negotiations with customers and other stakeholders. Retailers shall also communicate in the store itself. This can be done by putting posters, brochures in the store or during the talk with the sales assistant.

In addition, the company shall publicly disclose the standards for suppliers (code of conduct) as well the audit procedures. Moreover they shall disclose information related to potential risks of their supply chains. Further, the company shall publish best-practice examples and non-compliance examples. It is crucial that the examples don't only show best-practice cases, as this misleads the consumer. In order to be transparent and credible it is recommended to also publish non-compliance examples.

### **CHECKLIST**

- Are our products labelled?
- Do we communicate and explain our tools on our website, in newsletters, in negotiations?
- For retailers: Is the consumer informed when he enters the store?
- Is the information factual?
- Is the code of conduct and audit procedure publicly disclosed?
- Is information related to potential risks available?
- Have we published examples incl. non-compliance examples?

### 8.3. Control

This step of the process is concerned with the continuous control of the suppliers itself and the overall control of the process.

#### **Regular audit of suppliers**

If the buyer is member of a programme it has the obligation to monitor and audit certain suppliers on a regular basis. External auditing bodies do these audits. Even if the company is not part of a programme, independent auditing bodies shall audit suppliers.

Nevertheless, audits are just a snapshot of the moment. Controls itself do not change anything. It is important that the buyer also visits the suppliers on a regular basis. The buyer shall avoid that the supplier perceives these visits as control visits. In addition, the buyer needs to be very critical about the information he receives from the supplier. In some countries (e.g.: China) it is usual to have two financial statements, one for internal purposes and a second one for auditors and government. Moreover, the buyer needs to understand the language, culture and laws of the country where the supplier is located. During these visits the buyer shall make interviews with the employees of the suppliers to hear a feedback from them about the actual conditions.

#### **CHECKLIST:**

- Do independent third parties regularly audit our suppliers?
- How many suppliers are audited?
- Are we regularly visiting our suppliers?
- Does the visiting employee speak the language of the supplier's country?
- Are we verifying the information that we receive during our visits?
- Do we conduct interviews with employees of the supplier during our visits?

#### **Evaluate process and reporting**

The buyer then needs to evaluate the sustainable supply chain process as a whole. In order to do so the buying company shall annually establish and publish a sustainability report, which includes suppliers. The purpose of the report is control and informing multi-stakeholders, such as business, labour, non-governmental organizations, investors, accountancy and others. The report should clearly state the KPIs including the focus of the CSR strategy, the objectives and if the goals have been achieved including a description of the measures taken. Where the company detects significant differences between set objectives and actually achieved ones it needs to investigate.

Moreover, it should include an overview over the percentage of suppliers that are certified and / or audited. It is recommended that the Global Reporting Initiative's (GRI) framework is used for reporting. The performance indicators established by GRI relating to society, labour practices and decent work and human rights are directly or indirectly relevant for evaluating the sustainability of the supply chain (GRI, 2011). For big companies it is recommended to follow training on how to make a GRI report. For small and medium enterprises with fewer resources GRI has developed a template and summary on how to make a GRI level C report<sup>10</sup>.

#### CHECKLIST

- Do we publish a sustainability report?
- Is SSCM included in our sustainability report?
- Does the report state the KPIs?
- Do we investigate if we don't achieve set KPIs?
- Do we use the GRI framework to report? Which level?

### 8.4. Continuous improvement

A further responsibility of buyers is to continually improve the tools and standards. Buyers shall engage in industry-wide and cross-industry focus groups, workshops and round tables. It is crucial that the buyers cooperate with each other, this allows them to have more information on their suppliers, take common action against not adhering suppliers and if necessary boycott them. On the long run continual improvement should aim at consolidating different tools or at least make them comparable.

The company shall also ensure continual improvement of its process. This can be done by obtaining feedbacks from all parties involved, consulting NGOs and other external experts. The process shall then be adjusted according to the recommendations.

#### CHECKLIST:

- Do we participate in focus groups, workshops or and round-tables?
- Do we take common action against non-adhering suppliers?
- Do we financially participate in projects?
- Do we ask for feedbacks from employees, NGOs regarding our SSCM?

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<sup>10</sup> <https://www.globalreporting.org/reporting/reporting-support/reporting-resources/lets-report-template/Pages/default.aspx>

## 9. Conclusion

The use of tools for making supply chains more socially sustainable is still in the development phase. Even in the Swiss consumer goods market, which is advanced in using sustainability tools. Almost all companies in the research have implemented and added new tools during the last ten years. However there is still a significant potential for improvement of these tools. As identified in the report one company alone cannot improve the tools, it is crucial that industry-wide and even cross-industry action is taken.

The research showed that the tools used depend heavily on the industry. The clothing industry has established various initiatives that oblige the buyer to monitor its suppliers while in the food industry it is usually the suppliers that are certified. Buyers use these certifications to select their suppliers.

The analysis of the incentives has clearly shown that the consumers are the main driver to adopt tools to make supplies more sustainable. Therefore informing the consumers is crucial.

Companies need to have a clear overview of their suppliers and assess the suppliers' level of risk. Companies procuring from abroad need to have a supplier code of conduct in place that respects standards and principles set by international organisations. Moreover it shall include a standard that suppliers ensures the payment of a living wage to its staff. Buyers need to do everything possible to source only from suppliers that adhere to these standards. The idea is not to simply boycott all suppliers that don't fulfil the criteria's, but to make them aware that some of their conditions are not acceptable and work together with them in order to improve them. It is crucial that independent auditing bodies control the suppliers. On top of that, buyers shall do regular on-site visit, so they understand the situation better. In addition, the buyer shall make a sustainability report including KPIs and measures taken for supplies. The report shall be done using the GRI framework. Also other documents, such as the code of conduct, audit procedure and examples shall be made available to the public. The buyer needs to be involved in continually improving the tools to ensure a sustainable supply chain.

The research has shown that the main difficulty encountered is limited buying-power; this is especially the case for companies that buy from big brands. A further research on the implications and the possibilities on improving the sustainability of supplies for companies that buy from big brands would be recommended.



## **Personal feedback**

Writing this bachelor thesis was highly interesting experience, which allowed me to learn a lot on the different aspects that need to be considered when implementing SSCM and the numerous difficulties, related to it.

Further, writing this paper also reinforced my belief that it is feasible to make inequalities disappear and that we can all be better off. I agree with Stieglitz who says that “[...] *we can make globalization work* [...]” (STIEGLITZ, 2006, p 292), but we need to take action. It was interesting to detect that in many companies the willingness to make supplies more socially sustainable is there, but often the knowledge, or budget, to execute such projects is limited. It was fantastic to witness that the majority of employees are highly enthusiastic about and involved in projects that concern SSCM because they want to contribute to make the world a better place.

The only frustration of my work was that regarding some points could not go as much in detail as I would have liked to do. Some issues were addressed which I would have like to solved, but to do so would have had to write another thesis on it.

Moreover, the knowledge I acquired in this paper allowed me to make a proposition to a friend who has a start-up company to make the supply chain of his enterprise more sustainable. The project is still in process and I am very happy to see how I can actually use my acquired knowledge on a “real-life” project.

I really hope to continually learn more about this subject in future and also to apply the knowledge acquired in my thesis in my professional life.

## Abbreviations

ASEAN	ASSOCIATION OF SOUTHEAST ASIAN NATIONS
BSCI	BUSINESS SOCIAL COMPLIANCE INITIATIVE
CARICOM	CARIBBEAN COMMUNITY
CCC	CLEAN CLOTHES CAMPAIGN
COMESA	COMMON MARKET FOR EASTERN AND SOUTHERN AFRICA
EC	EUROPEAN COMMUNITY
EICC	ELECTRONIC INDUSTRY CITIZENSHIP COALITION
ETI	ETHICAL TRADE INITIATIVE
EU	EUROPEAN UNION
FLA	FAIR LABOUR ASSOCIATION
FTA	FOREIGN TRADE ASSOCIATION
FWF	FAIRWEAR FOUNDATION
GATT	GENERAL AGREEMENT ON TARIFFS AND TRADE
GRI	GLOBAL REPORTING INITIATIVE
GSCP	GLOBAL SOCIAL COMPLIANCE PROGRAMME
ICS	INITIATIVE CLAUSE SOCIALE
ICTI	INTERNATIONAL COUNCIL OF TOY INDUSTRIES
ILO	INTERNATIONAL LABOUR ORGANIZATION
ISO	INTERNATIONAL STANDARDISATION ORGANISATION
KPI	KEY PERFORMANCE INDICATORS
KPCS	KIMBERLY PROCESS CERTIFICATION SCHEME
MNC	MULTINATIONAL CORPORATIONS
NAFTA	NORTH AMERICAN FREE TRADE AGREEMENT
NBS	NETWORK FOR BUSINESS SUSTAINABILITY
NIE	NEWLY INDUSTRIALISING ECONOMIES
NGO	NON-GOVERNMENTAL ORGANISATIONS
OAS	ORGANIZATION OF AMERICAN STATES
OECD	ORGANISATION FOR ECONOMIC CORPORATION AND DEVELOPMENT
OHSAS	OCCUPATIONAL HEALTH AND SAFETY MANAGEMENT SYSTEM STANDARD
RJC	RESPONSIBLE JEWELLERY COUNCIL
SADC	SOUTH AFRICAN DEVELOPMENT COMMUNITY
SAI	SOCIAL ACCOUNTABILITY INTERNATIONAL
SCM	SUPPLY CHAIN MANAGEMENT
SEDEX	SUPPLIERS ETHICAL DATA EXCHANGE
SMETA	SEDEX MEMBERS ETHICAL TRADE AUDIT
SSCM	SUSTAINABLE SUPPLY CHAIN MANAGEMENT
T/O	TURNOVER
UN	UNITED NATIONS
UNO	UNITED NATIONS ORGANIZATION
UNCTAD	UNITED NATIONS CONFERENCE ON TRADE AND DEVELOPMENT
WRAP	WORLDWIDE RESPONSIBLE ACCREDITED PRODUCTION
WTO	WORLD TRADE ORGANIZATION

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## Appendices

### Appendix 1 Companies that have failed to SSCM in the past

- Nike was publicly accused of using child labour in offshore factories in 1996. This criticism endured until 1998 when Nike's CEO announced significant, long-term measures to improve working conditions at supplier factories.
- Mattel was forced to recall US\$100 million worth of product when one supplier used lead-contaminated paint on the company's toys in 2007. The company watched its stock price fall 18% in the months that followed and has since been the target of litigation.
- Apple faced renewed criticism in 2011 for both possible environmental indiscretions and a lack of transparency in its supply chain. Apple had previously admitted that in 2008 half of its suppliers' factories for key products including iPhones and iPads weren't paying valid overtime, one quarter weren't paying workers minimum wage, and one quarter failed to meet environmental standards. Time will tell if such issues will permanently tarnish Apple's 'clean' image.

Source: <http://nbs.net/wp-content/uploads/NBS-Executive-Report-Supply-Chains.pdf>



## **Appendix 2**

### **Content of instruments on international or company level**

#### **a) OECD Guidelines for Multinational Enterprises: Recommendations for Responsible Business Conduct in a Global Context (Part 1)**

Concepts and Principles
General Policies
Disclosure
Human Rights
Employment and Industrial Relations
Environment
Combating Bribery, Bribe Solicitation and Extortion
Consumer Interests
Science and Technology
Competition
Taxation

Source: <http://www.oecd.org/daf/inv/mne/>

#### **b) UN Covenants / Conventions concerning labour matters**

International Covenant on Civil and Political Rights (1966)
International Covenant on Economic, Social and Cultural Rights (1966)
Convention on the Elimination of All Racial Discrimination (1969)
Convention on the Elimination of All Forms of Discrimination against Women (1979)
Convention on the Rights of the Child (1989)
Convention on Protection of the Rights of All Migrant Workers and their Families (1990)

Source: Labour law class, <http://treaties.un.org/>

### c) Principles of the UN Global Compact

#### **Human Rights**

Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights; and

Principle 2: make sure that they are not complicit in human rights abuses.

#### **Labour**

Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;

Principle 4: the elimination of all forms of forced and compulsory labour;

Principle 5: the effective abolition of child labour; and

Principle 6: the elimination of discrimination in respect of employment and occupation.

#### **Environment**

Principle 7: Businesses should support a precautionary approach to environmental challenges;

Principle 8: undertake initiatives to promote greater environmental responsibility; and

Principle 9: encourage the development and diffusion of environmentally friendly technologies.

#### **Anti-Corruption**

Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery.

Source: <http://www.unglobalcompact.org/AboutTheGC/TheTenPrinciples/index.html>

### d) ILO Declaration on Fundamental Principles and Rights at Work covers the following principles

Freedom of association and the effective recognition of the right to collective bargaining

Elimination of all forms of forced or compulsory labour

Effective abolition of child labour

Elimination of discrimination in respect of employment and occupation

Source: <http://www.ilo.org/declaration/lang--en/index.htm>

### e) SA 8000 Elements

1. Child Labor

2. Forced & Compulsory Labor

3. Health & Safety

4. Freedom of Association & Right to Collective Bargaining

5. Discrimination

6. Disciplinary Practices

7. Working Hours

8. Remuneration

9. Management Systems

Source: [http://www.sa-intl.org/\\_data/n\\_0001/resources/live/2008StdEnglishFinal.pdf](http://www.sa-intl.org/_data/n_0001/resources/live/2008StdEnglishFinal.pdf)

## f) Relevant Core subjects and issues of ISO 26000

### **Core subject : Human rights 6.3**

- Issue 1 : Due diligence 6.3.3
- Issue 2 : Human rights risk situations 6.3.4
- Issue 3 : Avoidance of complicity 6.3.5
- Issue 4 : Resolving grievances 6.3.6
- Issue 5 : Discrimination and vulnerable groups 6.3.7
- Issue 6 : Civil and political rights 6.3.8
- Issue 7 : Economic, social and cultural rights 6.3.9
- Issue 8 : Fundamental principles and rights at work 6.3.10

### **Core subject : Labour practices 6.4**

- Issue 1 : Employment and employment relationships 6.4.3
- Issue 2 : Conditions of work and social protection 6.4.4
- Issue 3 : Social dialogue 6.4.5
- Issue 4 : Health and safety at work 6.4.6
- Issue 5 : Human development and training in the workplace 6.4.7

### **Core subject : Fair operating practices 6.6**

- Issue 1 : Anti-corruption 6.6.3
- Issue 2 : Responsible political involvement 6.6.4
- Issue 3 : Fair competition 6.6.5
- Issue 4 : Promoting social responsibility in the value chain 6.6.6
- Issue 5 : Respect for property rights 6.6.7

### **Core subject : Community involvement and development 6.8**

- Issue 1 : Community involvement 6.8.3
- Issue 2 : Education and culture 6.8.4
- Issue 3 : Employment creation and skills development 6.8.5
- Issue 4 : Technology development and access 6.8.6
- Issue 5 : Wealth and income creation 6.8.7
- Issue 6 : Health 6.8.8
- Issue 7 : Social investment 6.8.9

Source: [http://www.iso.org/iso/discovering\\_iso\\_26000.pdf](http://www.iso.org/iso/discovering_iso_26000.pdf)

#### g) WRAP Elements

1. Compliance with laws and workplace regulations
2. Prohibition of forced labor
3. Prohibition of child labor
4. Prohibition of harassment or abuse
5. Compensation and benefits
6. Hours of work
7. Freedom of association and collective bargaining
8. Health and safety
9. Prohibition of discrimination
10. Environment
11. Customs compliance
12. Security

Source: <http://www.sgs.ch/en/Sustainability/Social-Sustainability/Social-Responsibility-SR/WRAP-Audits.aspx>

#### h) ETI Base Code Principles

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

Source: <http://www.ethicaltrade.org/resources/key-eti-resources/eti-base-code>

#### i) FLA Code of Conduct Outline

1. Employment Relationship
2. Non-discrimination
3. Harassment or Abuse
4. Forced Labor
5. Child Labor
6. Freedom of Association and Collective Bargaining
7. Health, Safety and Environment
8. Hours of Work
9. Compensation

Source: <http://www.fairlabor.org/our-work/labor-standards>

## j) BSCI Code of Conduct Outline

1. Legal Compliance
2. Freedom of Association and the Right to Collective Bargaining
3. Prohibition of Discrimination
4. Compensation
5. Working Hours
6. Workplace Health and Safety
7. Prohibition of Child Labour
8. Prohibition of Forced and compulsory Labour and Disciplinary Measures
9. Environment and Safety Issues
10. Management Systems

Source: <http://www.bsci-intl.org/resources/code-of-conduct>

## k) EICC Code of Conduct Outline

<b>A. Labor</b> <ol style="list-style-type: none"> <li>1. Freely Chosen employment</li> <li>2. Child Labour</li> <li>3. Working Hours</li> <li>4. Wages and Benefits</li> <li>5. Human Treatment</li> <li>6. Non-Discrimination</li> <li>7. Freedom of Association</li> </ol> <b>B. Healths and Safety</b> <ol style="list-style-type: none"> <li>1. Occupational Safety</li> <li>2. Emergency Preparedness</li> <li>3. Occupational Injury and Illness</li> <li>4. Industrial Hygiene</li> <li>5. Physical Demanding Work</li> <li>6. Safeguarding Machines</li> <li>7. Sanitation Food and Housing</li> </ol> <b>C. Environmental</b> <ol style="list-style-type: none"> <li>1. Environmental Permits and Reporting</li> <li>2. Pollution Prevention and Resources Reduction</li> <li>3. Hazardous Substances</li> <li>4. Waste Water and Solid Waste</li> <li>5. Air Emissions</li> <li>6. Product Content Restrictions</li> </ol>	<b>D. Ethics</b> <ol style="list-style-type: none"> <li>1. Business Integrity</li> <li>2. No improper Advantage</li> <li>3. Disclosure of Information</li> <li>4. Intellectual Property</li> <li>5. Fair Business, Advertising and Competition</li> <li>6. Responsible Sourcing of Minerals</li> <li>7. Privacy</li> <li>8. Non-Retaliation</li> </ol> <b>E. Management System</b> <ol style="list-style-type: none"> <li>1. Company Commitment</li> <li>2. Management Accountability and Responsibility</li> <li>3. Legal and Customer Requirements</li> <li>4. Risk Assessment and Risk Management</li> <li>5. Improvements of Objectives</li> <li>6. Training</li> <li>7. Communication</li> <li>8. Worker Feedback and Participation</li> <li>9. Audit and Assessment</li> <li>10. Corrective Action Process</li> <li>11. Documents and Records</li> <li>12. Supplier Responsibility</li> </ol>
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Source: EICC (2012). Code of Conduct. Version 4.0. April 2012. Pages 12

## I) ICS Key Areas

1. Child labor
2. Forced labor
3. Discrimination
4. Disciplinary practices, harassment and abuse
5. Freedom of association
6. Working hours and overtime
7. Remuneration and benefits
8. Health and safety

Source: <http://www.sgs.ch/en/Sustainability/Social-Sustainability/Social-Responsibility-SR/ICS-Audits.aspx>

## m) ICTI Key Elements

1. Compliance with laws and workplace regulations
2. Working hours
3. Wages and compensation
4. Underage labor
5. Forced labor
6. Prison labor
7. Disciplinary practice
8. Discrimination
9. Employee Representation
10. Facilities
11. Fire Prevention
12. General environmental health and safety (EHS)/ Health and safety/ Environment
13. Welfare-dormitories canteen/cafeteria services/medical

Source: <http://www.sgs.ch/en/Sustainability/Social-Sustainability/Social-Responsibility-SR/ICTI-Audits.aspx>

## n) RJC Principles

1. Business ethics
2. Human rights and social performance
3. Environmental performance
4. Management practices

Source: [http://www.responsiblejewellery.com/files/RJC\\_Prin\\_COP091.pdf#page=9](http://www.responsiblejewellery.com/files/RJC_Prin_COP091.pdf#page=9)

## Appendix 3

### Company Questionnaires

#### Questionnaire (English)

To: **Company**

Author: Melanie Hurlimann, Student at Haute Ecole de Gestion de Geneve

Date: XX.XX.2013

#### Tools

QU1: What are the sustainability tools (labels, code of conduct, standards) that **your Company** uses to ensure the **social sustainability**\* along the entire supply chain?

\* e.g.: adherence of working standards along the whole supply chain

QU2: When were these sustainability tools (labels, code of conducts, standards) implemented?

QU3: Do your suppliers need to adhere to these sustainability tools (labels, code of conduct, standards)? Until which level are they involved?

#### Incentives

QU4: What were the main incentives for your enterprise to implement tools that ensure the sustainability of the supply chain?

- Reduce reputational risk and consumer-backlash
- Compliance and prevention from allegations
- Innovation management
- Employee motivation
- Long-term relation with suppliers
- Reduction of operating costs
- Prevent interruption of supply chains
- Attracting Investors
- Other:.....

#### Control

QU5: How do you control that suppliers comply with the standards? Do you conduct regular controls / audits?

QU6: To how much amount the implementation costs / yearly maintenance costs (e.g.: in % of total cost)? What do they consist of?

#### Results

QU7: Are you satisfied with the results since the implementation of the sustainability programs (e.g.: sales)?

QU8: Did you encounter any problems at implementation, If yes, which ones?

QU9: Do you encounter issue when conducting controls / audits? Which ones?

#### Further Information

Would you like to receive a copy of my bachelor paper?

Would you like that I publish the name of your company in my thesis?

Would you like to receive a confidentiality agreement?

### **Fragebogen (German)**

An: **Company**

Autor: Melanie Hurlimann, Studentin an der Fachhochschule Genf

Datum: XX.XX. 2013

### **Instrumente**

*QU1: Mit welchen Nachhaltigkeits-Instrumenten (Kodizes / Programme / Labels) arbeitet Ihr Unternehmen um die **soziale Nachhaltigkeit\*** seiner Lieferkette zu gewährleisten?*

*\*z.B. Gute Arbeitsbedingungen der Arbeiter*

*QU2: Seit wann arbeiten Sie mit diesen Instrumenten (Programme / Labels)?*

*QU3: Sind Ihre Lieferanten dazu verpflichtet diese Nachhaltigkeitsprogramme zu respektieren? Bis zu welchem Niveau sind sie darin involviert?*

### **Anreize**

*QU4: Was waren Ihre Hauptanreize Massnahmen zu ergreifen, welche die Nachhaltigkeit der Lieferkette sicherstellen?*

- ☐ Verminderung des Reputationsrisikos / gutes Image Kunden gegenüber
- ☐ Compliance und Schutz vor Anschuldigungen
- ☐ Innovationsmanagement
- ☐ Mitarbeitermotivation
- ☐ Beständige Beziehungen mit Lieferanten zu pflegen
- ☐ Minderung von operationellen Kosten
- ☐ Prävention von Lieferunterbrüchen
- ☐ Attraktivität des Unternehmens für Investoren zu erhöhen
- ☐ Andere:.....

### **Kontrolle**

*QU5: Wie kontrollieren Sie, dass Ihre Lieferanten Ihre Standards einhalten? Führen Sie Audits durch?*

*QU6: Wie hoch schätzen Sie die Kosten für diese Nachhaltigkeitsprogramme (z.B. in % von Gesamtkosten)? Was beinhalten diese?*

### **Resultate**

*QU7: Sind Sie generell zufrieden mit den Resultaten dieser Nachhaltigkeitsprogramme?*

*QU8: Sind Sie bei der Implementierung der Nachhaltigkeitsprogramme auf Schwierigkeiten gestossen? Welche?*

*QU9: Welche sind die Resultate Ihrer Kontrollen / Audits?*

### **Weitere Informationen**

Möchten Sie, dass ich Ihnen eine Kopie meiner fertigen Arbeit zusende?

Möchten Sie, dass der Name Ihres Unternehmens in meiner Arbeit erwähnt wird?

Möchten Sie, dass ich Ihnen ein Geheimhaltungsabkommen zusende?



**Questionnaire (français)**

Pour: Company

Auteur: Melanie Hurlimann, Haute Ecole de Gestion de Genève

Date: XX XX2013

**Outils**

*QU1: Quels sont les outils ou programmes de durabilité (label, code de conduite, normes, etc.) que votre entreprise utilise pour assurer que sa chaîne d'achats/approvisionnement est socialement durable (conditions de travail, impact social dans la région de production)?*

*QU2: Quand ces outils/programmes de durabilité ont-ils été implémentés ?*

*QU3 : Vos fournisseurs sont-ils obligés de respecter entièrement ces programmes de durabilité? Jusqu'à quel niveau sont-ils impliqués ?*

**Motivations**

*QU4: Quelles ont été les motivations principales pour l'implémentation des mesures visant à assurer la durabilité de vos achats?*

- Réduire le risque de réputation / Bonne image envers le clients
- Conformité légale et prévention des allégations
- Motiver les employés
- Relations de long-terme avec nos fournisseurs
- Réduction des coûts opérationnels
- Innovation
- Prévention des interruptions de la chaîne d'achats
- Attirer les investisseurs
- Autre:.....

**Contrôle**

*QU5: Faites vous des contrôles/audit afin de faire respecter les normes de durabilité de vos fournisseurs ? Si oui, comment le contrôlez-vous ?*

*QU6 À combien s'estime les coûts de ce type de programme (par exemple, en % de coût totaux)? Que comprennent-ils ?*

**Résultats**

*QU7: Êtes-vous satisfait des résultats que vous avez obtenu après l'implémentation du programme de durabilité (achat/approvisionnement)?*

*QU8 : Quelles ont été les difficultés rencontrées lors de l'implémentation du programme de durabilité ?*

*QU9: Quels sont les résultats de vos audit/contrôles ?*

**Informations additionnelles**

Voudriez-vous recevoir une copie de mon travail ?

Voudriez-vous que je publie le nom de votre entreprise dans mon travail ?

Voudriez-vous recevoir un accord de confidentialité ?

## Appendix 4

### Online survey (results in %)

1.

F: Lors de l'achat d'un bien tels que les vêtements, téléphones portables ou denrées alimentaire, attaches-tu de l'importance aux conditions de travail dans lesquels ces bien sont été produits? D: Wenn du ein Produkt wie Kleider, Mobiltelefon oder Nahrungsmittel, kaufst, interessierst du dich dafür unter welchen Arbeitsbedingungen das Produkt hergestellt worden ist? E: When buying new cloths, phone or food, would you give any importance to the working conditions in which these have been produced?

Oui / Ja / Yes	42%
Non / Nein / No	58%

2.

F: Arrêtera-tu d'acheter un bien si tu apprenais qu'il a été fabriqué dans l'une des conditions suivantes: conditions de travail très rude, travail forcé ou travail d'enfants? D: Würdest du darauf verzichten, ein Produkt zu kaufen, wenn du erfahren würdest, dass es unter sehr harten Arbeitsbedingen, Zwangs- oder Kinderarbeit hergestellt worden ist? E: Would you avoid buying a product if you found out that it has been produced under harsh working-conditions, forced labour or child labour?

Oui / Ja / Yes	75%
Non / Nein / No	25%

3.

F: As-tu déjà cessé d'acheter un bien qui a été fabriqué dans l'une des conditions suivantes : conditions de travail très rude, travail forcé ou travail d'enfants? D: Hast du bereits aufgehört, ein Produkt von einem bestimmten Hersteller / Geschäft zu kaufen, da du erfahren hast, dass dessen Produkte unter unfairen Arbeitsbedingen, Zwangs- oder Kinderarbeit hergestellt werden? E: Have you already ceased purchasing a product of a certain manufacturer / retailer because it has come to your attention that they produce their products under harsh working-conditions, forced labour or child labour?

Oui / Ja / Yes	42%
Non / Nein / No	58%

4.

F: Serais-tu prêt(e) à payer plus cher pour un bien, dans le cas ou tu serais convaincu(e) qu'il a été produit et fourni dans des conditions équitables? D: Bist du bereit mehr für ein Produkt zu bezahlen, bei welchem du überzeugt bist, dass es unter fairen Bedingungen produziert und beschafft wurde? E: Are you willing to pay more for a product if you are convinced that it has been produced and procured under fair conditions?

Oui / Ja / Yes	76%
Non / Nein / No	24%

5.

F: Combien serais-tu prêt(e) à payer en plus pour (par exemple une chaussure d'une valeur Fr 100.00)? D: Wie viel wärst du bereit zusätzlich zu bezahlen (z.B. Ein paar Schuhe für Fr 100.00)? E: How much more would you be willing to pay? (E.g.: A pair of shoes cost CHF 100.00.)

<1%	(< CHF 1.00)	10%
1-5%	(CHF 1.00 – 4.95)	20%
5-10%	(CHF 5.00 – 9.95)	46%

>10% (> CHF 10.00) 24%

6.

F: Les labels (tels que Max Havelaar) ou les politiques de développement durable appliqués par les distributeurs, attirent-ils ton attention lors de l'achat? D: Achtest du dich bei einem Kaufentscheid auf Produkt-Labels (z.B. Max Havelaar) oder die Nachhaltigkeits-Politik des vertreibenden Unternehmens? E: Do you pay attention to Product Labels or the Sustainability Policy of a company?

Oui, labels / Ja, Labels / Yes, Labels	32%
Oui, politique DD / Ja, Produktpolitik / Yes, Sustainability Policy	4%
Oui, les deux / Ja, beides / Yes, both	41%
Non / Nein / No	23%

7.

Information on the persons surveyed:

Femme / Frau / Woman	61%
Homme / Mann / Man	39%

<15 Ans / Jahre / Years	0%
15-25 Ans / Jahre / Years	61%
25-35 Ans / Jahre / Years	34%
35-45 Ans / Jahre / Years	2%
45-55 Ans / Jahre / Years	1%
55-65 Ans / Jahre / Years	2%
65-75 Ans / Jahre / Years	
75-85 Ans / Jahre / Years	
>85 Ans / Jahre / Years	

étudiant(e) / Schüler(in) – Student(in) / student	44%
travailleur(euse) / erwerbstätig / working	3%
Les deux / beides / both	53%
Je ne travaille et n'étudie pas / Ich arbeite und studiere nicht / I'm not working or studying	0%

Suisse et régions frontalières (par exemple France voisine) / Schweiz und in der Nähe von der Schweizer Grenze / Switzerland and neighbouring regions (e.g.: France voisine)  
99%

Autres / Anderes Land / Another country	1%
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## **Appendix 5**

### **Swisscom supplier contract appendix CR, clause 4**

#### ***4 Social responsibility:***

The supplier shall demonstrate the following social commitments:

Legal compliance in the social field shall be checked on a regular basis

The working conditions in accordance with the SA8000 standard, elements 1-8 (child labour, forced labour, health and safety, freedom of association and right to collective bargaining, discrimination, discipline, working hours, compensation) shall be complied with

Young people with no specialist knowledge shall also be integrated into the workplace or receive initial on-the-job training

Employees shall be offered various working-time options (e.g. part-time, teleworking, working from home)

Employees shall have a say in decisions relating to their working conditions

In the case of dismissals/large-scale dismissals, an industry-standard social plan shall be put in place

Swisscom's "Guidelines concerning bribery" from the "Swisscom Procurement Policy" shall also be adhered to by the supplier

Source:

[http://www.swisscom.ch/dam/swisscom/en/purchasing/documents/pdf/Annex\\_to\\_contract\\_Corporate\\_Responsibility\\_4\\_0.pdf](http://www.swisscom.ch/dam/swisscom/en/purchasing/documents/pdf/Annex_to_contract_Corporate_Responsibility_4_0.pdf)

# Appendix 6

## Transa AG questionnaire

### Supplier Questionnaire

Social and ecological criteria in the supply chain and with products



→ Please mark the relevant answers and fill in additional information below (multiple answers possible)

Your company:

Add company name here.

Your brand(s):

Add brand name(s) here.

Location of your headquarter:

Add location here.

Your contact person with regard to sustainability (incl. e-mail address):

Add contact details here.

#### A. Social Criteria

##### 1. PRODUCTION

1.a In which countries do you produce which percentages of your overall goods?

--

##### 2. SUPPLIERS

2.a How many suppliers does your company have?

Number	Number
direct suppliers (producers)	indirect suppliers (i.e. subcontractors)

More detailed information:

--

##### 3. CODE OF CONDUCT FOR SUPPLIERS

3.a Do you commit your suppliers to a code of conduct?

Choose.	Choose.	Choose.
yes	planned	no
(please attach or supply link)		(directly proceed to question 4)

More detailed information:

--

3.b Who is covered by the commitment to the code of conduct?

i) suppliers:	Choose.	Choose.	ii) working staff:	Choose.	Choose.
	all	some		all	some
	(i.e. sub-contractors)	(only direct suppliers, ...)		(home worker, ...)	(only formal employees)

**Supplier Questionnaire**  
**Social and ecological criteria in the supply chain and with products**



→ Please mark the relevant answers and fill in additional information below (multiple answers possible)

More detailed information:

3.c How does your company verify the implementation of the code of conduct by suppliers?

verification by:	Choose.	Choose.	Choose.	Choose.
	Independent organisation	external audit company	own employees	no verification

More detailed information:

**4. SOURCING**

4.a Does your company consider social criteria in the sourcing process?

Choose.	Choose.	Choose.
yes (please provide details below)	planned	no

More detailed information:

**5. MEMBERSHIP / CERTIFICATION**

5.a Which memberships or certifications can your company account for?

I) multi-stakeholder initiatives:

Choose.	Choose.	Choose.	Choose.	Choose.	Choose.
Fair Wear Foundation	Fair Labor Association	Ethical Trade Initiative	other	planned	none

II) monitoring initiatives:

Choose.	Choose.	Choose.	Choose.
BSCI	other	planned	none

III) certificates:

Choose.	Choose.	Choose.	Choose.
SA8000	other	planned	none

More detailed information:

**Supplier Questionnaire**  
**Social and ecological criteria in the supply chain and with products**



→ Please mark the relevant answers and fill in additional information below (multiple answers possible)

**B. Ecological Criteria**

**6. ORGANISATION & ENVIRONMENT**

6.a Does your company have environmental certification?

Choose. Choose.

yes no

More detailed information:

**7. PRODUCTS & ECOLOGY**

7.a Which ecological aspects are covered in your products?

i) labels / certifications (percentage of the relevant overall production):

Click here.	Click here.	Click	Click here.	Click here.	Click here.	Click here.
Ökotex100	Ökotex100plus	GOTS	bluesign	other	planned	none
(please fill in below)	(please fill in below)	(please fill in below)	(please fill in below)	(please fill in below)	(please fill in below)	

ii) substances / materials / processing (percentage of the relevant overall production):

Click here.	Click here.	Click here.	Click here.	Click here.	Click here.	Click here.
REACH	chrome free tanned leather	recycled synthetic fiber	organic cotton	other	planned	none
				(please fill in below)	(please fill in below)	

Which products comply with the criteria mentioned under i)?

Which products comply with the criteria mentioned under ii)?

More detailed information:

**Supplier Questionnaire**  
**Social and ecological criteria in the supply chain and with products**

**TRANSA**  
Raus. Aber richtig.

→ Please mark the relevant answers and fill in additional information below (multiple answers possible)

**8. DISTRIBUTION & ENVIRONMENT**

**8.a** Which environmental aspects are considered in your distribution process?

I) following aspects relating to the transportation of goods:

II) following aspects relating to transport packaging:

III) following aspects relating to product packaging:

**D. Further Social & Ecological Efforts**

e.g. traceability of products, special projects, sustainability reporting, etc.:

TRANSA INTERNAL

Date:

Add date here.

Business relationship since:

Add date/year here.

Source: e-mail from Tansa AG, April 16<sup>th</sup> 2013



## Appendix 7

### Risk countries according to BSCI

<b>AFRICA</b>	Tunisia	Kazakhstan
Algeria	Uganda	North Korea
Angola	Zimbabwe	Kuwait
Benin	Zambia	Kyrgyzstan
Botswana	<b>THE AMERICAS</b>	Laos
Burkina Faso	<i><b>The Caribbean</b></i>	Lebanon
Burundi	Cuba	Malaysia
Cameroon	Dominica	Maldives
Cape Verde	Dominican Republic	Mongolia
Central African Republic	Grenada	Myanmar
Chad	Haiti	Nepal
Comoros	Jamaica	Oman
Congo, Republic of	St. Kitts and Nevis	Pakistan
Congo, Democratic	Saint Lucia	Palestine (Occupied
Republic of The	Saint Vincent and the	Palestinian Territories)
Cote d'Ivoire (Ivory Coast)	Grenadines	Philippines
Djibouti	Trinidad and Tobago	Qatar
Egypt	<i><b>Central America</b></i>	Saudi Arabia
Equatorial Guinea	Belize	South Korea
Eritrea	Costa Rica	Sri Lanka
Ethiopia	El Salvador	Syria
Gabon	Guatemala	Tajikistan
The Gambia	Honduras	Taiwan
Ghana	Mexico	Thailand
Guinea	Nicaragua	Timor-Leste
Guinea-Bissau	Panama	Turkey
Ivory Coast (Cote d'Ivoire)	<i><b>South America</b></i>	Turkmenistan
Kenya	Argentina	United Arab Emirates
Lesotho	Bolivia	Uzbekistan
Liberia	Brazil	Vietnam
Libya	Chile	Yemen
Madagascar	Colombia	<b>EUROPE</b>
Malawi	Ecuador	Albania
Mali	Guyana	Armenia
Mauritania	Paraguay	Azerbaijan
Mauritius	Peru	Belarus
Morocco	Suriname	Bosnia and Herzegovina
Mozambique	Uruguay	Bulgaria
Namibia	Venezuela	Georgia
Niger	<b>ASIA</b>	Macedonia
Nigeria	Afghanistan	Moldova
Rwanda	Bahrain	Montenegro
Sao Tome and Principe	Bangladesh	Romania
Senegal	Bhutan	Russia
Seychelles	Cambodia	Serbia (incl. Kosovo)
Sierra Leone	China (incl. Hong Kong	Ukraine
Somalia	and Macao)	<b>OCEANIA</b>
South Africa	India	Fiji
Sudan	Indonesia	Papua New Guinea
Swaziland	Iran	Samoa
Tanzania	Iraq	Solomon Islands
Togo	Jordan	Tonga / Vanuatu

