

STEP-BY-STEP PLAN

**SUSTAINABLE
PROCUREMENT**

THE STEP-BY-STEP PLAN

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For any queries regarding the content of this document please contact:

MVO Nederland Help Desk: contact@mvonederland.nl / +31 30 2305 620
NEVI Help Desk: info@nevi.nl

Do you know what your suppliers are up to? Where do your raw materials come from? And who manufactures products? This step-by-step plan helps you on the way towards a sustainable supply chain. Reference is also made to existing international directives (such as the OECD directives) and useful websites and tools.

WHY PURCHASE IN A SOCIALLY RESPONSIBLE WAY?

Companies have various reasons for purchasing in a socially responsible way:

- Reducing business risks: sustainable suppliers prevent damage to their reputation, liability claims and problems with deliveries.
- Increasing business opportunities: a CSR company that has its supply chain in order often has loyal suppliers, access to new markets (including government subsidies or contracts) and capital, competition advantage, fewer costs and more satisfied customers.
- Increasing pressure and demand from clients and stakeholders for sustainable products and transparent processes.
- Moral/ethical considerations.

WHAT SHOULD YOU BE AWARE OF?

The issues that play a role in sustainable procurement, international or otherwise, are dependent on the product, the country of origin and the type of suppliers. Below is a summary of the economic, social and environmental issues that may play a role. These are points you should be aware of during a dialogue with your suppliers.

-
- Economic**
- Vulnerability of suppliers (whether or not customers will purchase)
 - Independence of suppliers (who provide a critical product, for instance)
 - Reliability of suppliers
 - Unreasonable or dishonest payment conditions for business partners
 - Supplier diversity & purchasing locally
 - Bribery & corruption
 - Market disturbance

-
- Social**
- Freedom to associate & collective bargaining
 - Forced labour & bonded labour
 - Child labour
 - Discrimination
 - Fair employment contracts
 - Living wage
 - Working hours
 - Working conditions, such as health and safety
 - Influence on the local community/human rights
 - Consumer rights

-
- Environment**
- CO₂ discharge and emissions of other greenhouse gasses
 - Consistent or incidental pollution/discharges
 - Biodiversity loss & deforestation
 - Use of water and other natural resources
 - Energy efficiency
 - Scarcity of raw materials
 - Waste and waste processing
 - Animal welfare
-

1 DEVELOP A SUSTAINABLE PROCUREMENT POLICY

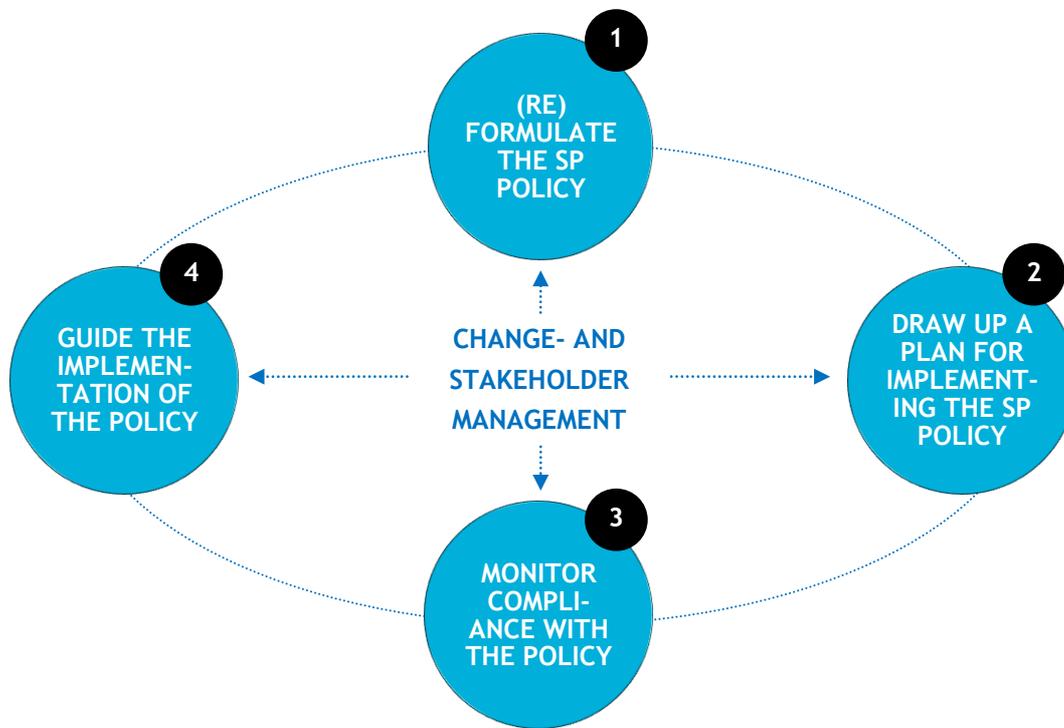
In many companies, procurement has a major influence on business results. That applies to financial results, but certainly also to results in the field of sustainability. Sustainable Procurement (or Sustainable Purchasing, SP) is therefore not separate from the rest of your business activities. The procurement policy should support the organisational policy and thereby also the SP policy.

WHAT IS A SP POLICY?

What steps can an organisation take in order to further develop and implement an SP policy? The following phases should be followed:

- **Phase 1:** (re)formulate the SP policy in line with the organisation's CSR objectives.
- **Phase 2:** draw up a plan for implementing the SP policy.
- **Phase 3:** guide the implementation.
- **Phase 4:** monitor compliance.

Once these four phases have been completed for the first time or times, an organisation reaches the point where SP is fully part of the business operations. A number of front runners in the Netherlands have already (almost) reached the stage at which SP is part of everyday procurement practice. For these organisations, SP will ultimately pass through the same stages of optimisation as the other parts of the business operations, and no longer be approached as a separate project.



PHASE 1: FORMULATE THE SP POLICY

The first phase is developing a SP policy in line with the CSR policy. This forms the foundation for all of the subsequent activities.

The policy has the following components:

- A support base within the organisation – also at upper levels – for sustainable procurement by the organisation. Where a connection is being sought after between the broader CSP policy and other CSP activities.
- An elaboration with regards to clear qualitative and quantitative objectives and policy choices (commitments).

STAKEHOLDER DIALOGUE

Pursuing a dialogue with relevant stakeholders (such as management, internal clients, suppliers, government and NGOs) provides significant input when developing a SRP policy. It is useful when aiming to build stable relationships and creating a support base. Moreover, it offers insight into the issues at hand in your supply chain; it may provide important input for your risk analysis.

When developing the policy it can be worthwhile to organise workshops for buyers and suppliers together, in order to explain how the policy is being applied. Properly coordinated communication at the relevant knowledge level of the target group is important.

INTERNATIONAL DIRECTIVES

There are different international directives, treaties, conventions, norms and standards that focus on international business. When formulating your SP policy, it is useful to use international standards and directives as a base, such as:

- Ten directives for multinational companies from [OECD](#)
- Labour standards from the [International Labour Organisation \(ILO\)](#)
- Ten principles from [UN Global Compact](#)
- Directives for sustainability reporting from the [Global Reporting Initiative \(GRI\)](#)
- CSR directive [ISO 26000](#)

Of these five standards, [ISO 26000](#) provides the most practical interpretation; this is thus viewed as the most suitable directive when developing an SP policy. ISO and other international organisations are developing a new [Sustainable Procurement Standard](#) (ISO/PC 277). This standard will probably be available in 2017.

PHASE 2: DRAW UP A PLAN FOR IMPLEMENTING THE SP POLICY

The implementation plan contains practical details on introducing the CRP policy: how the objectives are attained and which instruments are used.

The plan ideally contains the following:

- A description of the actions to be implemented, including:
 - Activities in the direct procurement processes
 - Potentially a different approach for primary/production-related procurement versus facility/secondary procurement.
- Information and (internal and external) communication with, for example, suppliers and employees
- Marketing
- Training
- Progress monitoring and evaluation activities (monitoring & auditing) of results, dealing with problems (such as supplier misconduct) and possible solutions on a continual basis
- Reporting
- Description of responsibilities
- Time frame

SUPPLIER CODE

An important part of your SRP policy is a code of conduct for suppliers. By establishing a code of conduct and having this signed, you can explain to suppliers why you believe CSR/sustainability to be important, and what you expect of them in this area.

A supplier code is a document that reflects which standards and requirements (in the field of ethics and SRP) suppliers must comply with, whereby international agreements on SSR (OECD, ILO, ISO 26000, etc.) are endorsed as much as possible.

A supplier code can also be used for other objectives. For instance, for your subcontractors, if you are a main contractor; or for companies with whom you form a joint venture. Reference can be made to a supplier code in the supply or procurement terms and conditions. This creates a legal means of redress that can be employed if the code is violated.

Sending a code of conduct to a supplier should always be in conjunction with informing or notifying suppliers. For instance, in the form of an accompanying letter or a personal conversation.

The effect of a code of conduct is greater if you have a good relationship with your suppliers, since they are more likely to follow your wishes and to listen to your arguments. After all, a code of conduct is not a compulsory instrument, but is intended to help the supplier. This is because the suppliers themselves can benefit from it if they make their business practices sustainable (see the benefits of sustainable enterprise, such as better motivated staff, less sickness leave, no environmental fines, etc.).

A supplier code usually contains the following elements:

- local legislation and regulations
- environmental management
- working conditions: health and safety of employees, freedom of association with others, no child and forced labour
- working conditions: working hours, wage, contracts
- dealing with own suppliers
- fair business practices (no corruption, fair competition)

For inspiration, here are the codes of conduct of a number of Dutch companies, both large and small:

- [Accell Group](#) (bicycles)
- [PWC](#) (accountants & consultancy)
- [Akzo Nobel](#) (chemicals)

PHASE 3: GUIDE THE IMPLEMENTATION OF THE POLICY

This phase is further defined in chapters 2, 3, and 4.

PHASE 4: MONITOR COMPLIANCE WITH THE POLICY

This phase is further defined in chapter 6.

TIPS

- The majority of supply chain initiatives (see chapter 5) have codes of conduct for suppliers/manufacturers that you can use as a participant. A good example of this is the code of conduct for the electronics industry, which the members of the EICC supply chain initiative can use.
- In certain cases (low-skilled supplier, different culture), it may be necessary to train the suppliers to comply with your sustainability requirements. Supply chain initiative BSCI organises this sort of training for suppliers of associated companies.

2 ADJUST YOUR PROCUREMENT ORGANISATION

It is important that the sustainable procurement policy and the activities resulting from this (such as supply chain analysis, risk assessment, communication with suppliers and monitoring suppliers) are integrated into the various parts of your company's procurement process.

TIPS

- Make one person responsible for implementing the responsible procurement policy, preferably the head of procurement (within smaller organisations, this can also be the director).
- It is easier to implement responsible procurement if procurement is organised centrally.
- Responsible procurement takes less effort (and money) the smaller the total number of suppliers.
- Start implementing sustainable procurement when you select new suppliers. There is then no need to take existing contract provisions and agreements made previously into account. Also allow the supplier to actively think about the sustainability issue in relation to its products and services.
- Provide a clear explanation of the SP policy for those (buyers) who communicate in this regard with suppliers (and internal clients).
- Integrate sustainability into all procurement processes and legal documents, such as delivery conditions, contracts, etc. In these documents, refer to the CSR stipulations in the supplier code.

TRAIN YOUR PROCUREMENT STAFF

Your procurement staff will be implementing the SP policy. This means that they are required to have knowledge of CSR themes related to the products and services that your company purchases, and that they must understand the relevance and methodology of sustainable procurement (support base) and be prepared to apply this in their daily work (motivation).

Various companies provide training that both increases the sustainability knowledge of procurement staff and helps them put sustainable procurement into practice:

- [NEVI](#) (the Dutch Platform for Procurement Professionals) offers training on sustainable procurement (in Dutch). For international organisations, Purspective (a NEVI subsidiary) offers customized procurement training in any language.
- SA International provides training in conducting [social audits](#), based on the SA8000 management system.

- If you are a member of the [BSCI](#) supply chain initiative, you can take Social Compliance training as a buyer.
- The [Royal Institute for the Tropics](#) (KIT) provides training on international business, local culture and CSR.

3 MAP OUT YOUR SUPPLY CHAIN & ASK QUESTIONS TO SUPPLIERS

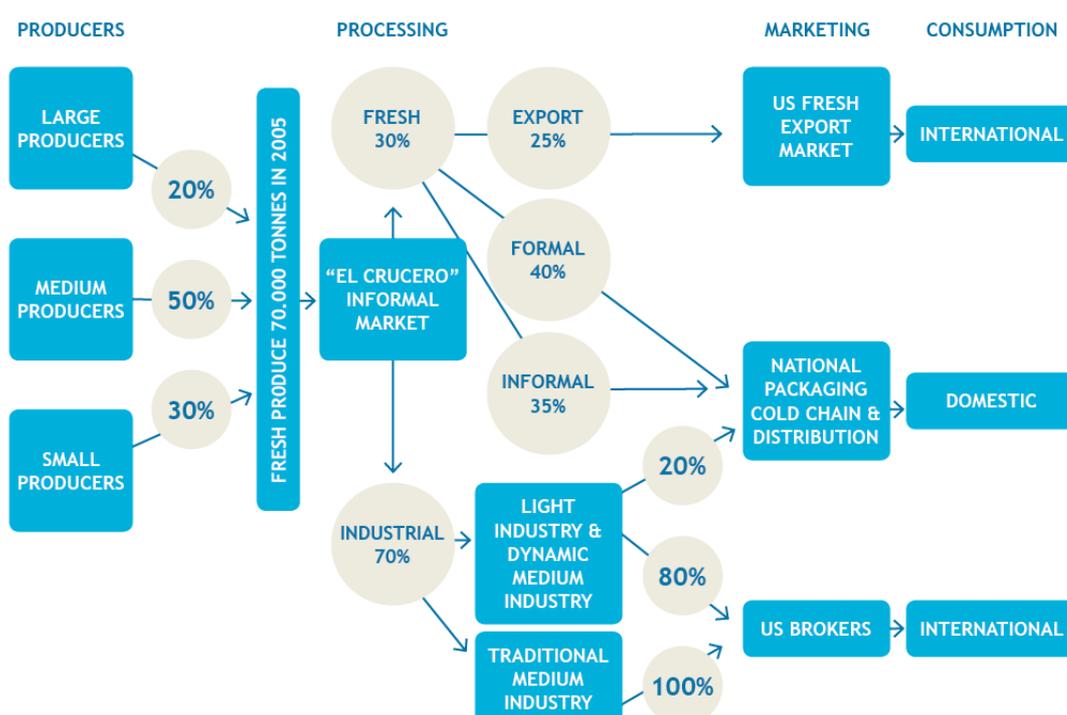
In order to make a good start with responsible procurement, is it important to have insight into the nature (type of products, complexity, etc.) and size of your supply chain.

A useful recourse for performing a supply chain analysis is the [Value Chain Map](#). This tool offers a practical approach (with useful exercises and examples) for answering the following questions:

- What are the core processes in your supply chain?
- How is the supply chain organised?
- Who are the important actors and partners in the supply chain?
- How do products, services, payments and information flow through the supply chain?
- What are the external influences that influence performance in the supply chain?

A graphic depiction of your supply chain gives more insight, as the example below shows:

Strawberry chain, Mexico



You can map your supply chain by going through the following steps:

1. Perform a 'spend analysis' (see figure below). This is a list of all products and services that you procure. For each product and each service that you procure, establish which supplier(s) you procure this from and in which country it is manufactured.
2. For composite products, attempt to ascertain the most significant raw materials and/or semi-finished products and ascertain where these come from.
3. If possible, verify how and by whom products are transported.
4. For each product and each service that you deliver yourself, establish what the supply chain looks like after your company (users, waste, etc.).

You now know which steps (where possible, filled in specifically with names of suppliers) there are before and after you in the supply chain, including the transportations.

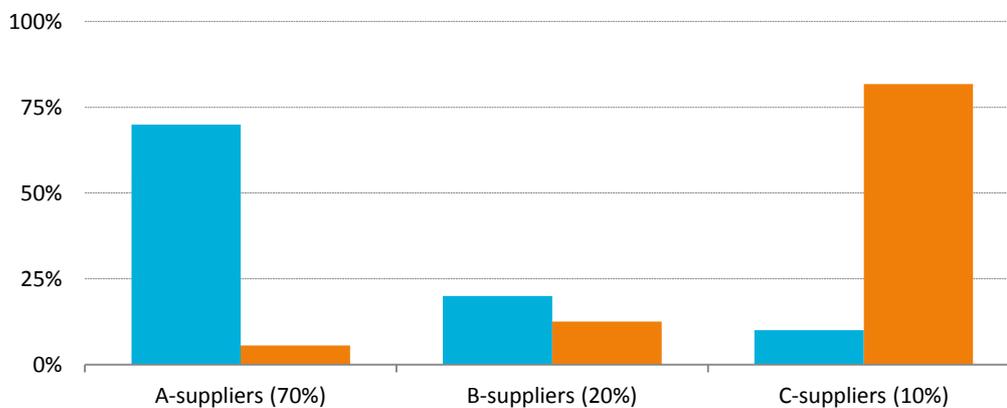
Annual review ABC-analysis

Firm x Total 4 kw 2011

Percentage sourcing volume

■ sourcing volume

■ volume suppliers



	A-suppliers (70%)	B-suppliers (20%)	C-suppliers (10%)	Total
Sourcing volume percentage	€131.040.160,00 69,90 %	€ 37.459.097,00 20,01 %	€ 19.725.475,00 10,00 %	197.234.732 100,00 %
Volume suppliers percentages	249 5,55%	559 12,55%	3559 81,79%	4.495 100,00%

TIPS

- Use any supply chain analysis that your suppliers or customers have already performed, which can save a lot of difficulty. Otherwise, collaborate with suppliers and customers who also wish to create a supply chain analysis.
- It is sensible initially to restrict your supply chain analysis to those suppliers to whom you pay the largest share (such as 80%) of your procurement budget, supplemented by the suppliers with whom you expect the biggest sustainability issues (see also step 4 Risk Analysis). In this way, you employ your resources (time and money) as effectively as possible.
- Performing a supply chain analysis and integrating sustainability into is easier if you have centralised your procurement.
- The longer the supply chain is (e.g. because you work with intermediaries/dealers), the more difficult it is to gain insight into the supply chain and the risk of misconduct increases.
- You can perform a supply chain analysis yourself, but you can also engage an external consultant.

4 PERFORM A RISK ANALYSIS & SET PRIORITIES

In a risk analysis, you examine whether risks might arise in your company and supply chain. You can perform the risk analysis based on information that is already available in your organisation (or that you have already acquired in the previous step), or that can easily be obtained through the internet. (International) CSR risks in the supply chain correspond with the nature of the product, the country of origin and the nature of the suppliers.

COUNTRIES AND PRODUCTS

In certain countries CSR is better regulated and relevant legislation is properly upheld. In other regions, such as in South-East Asia or in the African countries, that is often rarely the case. For the risk analysis, you look at the country of location, at the production/service provision and at the countries where the raw materials and resources come from. You first focus on your direct supplier, and then go further into the supply chain. In the case of a service, this involves the issue of whether there is outsourcing, for instance to low-wage countries. It can become very complex with regard to the origin of raw materials and components (just consider all of the components of a car). In that case it is wise to mainly look at where the major volume of raw materials comes from (e.g. steel, rubber, plastic).

Sometimes there is a relatively insignificant component that has a major CSR impact, such as the mineral coltan (in electronics) that may originate from regions of conflict (e.g. Congo). If you suspect a "sensitive" raw material such as this in your supply chain, you must also include this in your risk analysis.

Certain products entail more international CSR risks than others and physical products are usually more associated with sustainability issues. Among other things this involves the type of activities (such as hazardous or untrained work) and the nature of the supply chain (such as a great deal of buyer power).

Risk information on countries and products (and country-product combinations) can be found in the [CSR Risk Check](#). This useful tool is based on a large database that includes many CSR sources and websites. The outcome is a PDF report for the countries and/or products selected in which the information found is summarised. You can subsequently use this as a basis for your own risk analysis.

NATURE OF THE SUPPLIER

The CSR management system of your suppliers.

If a supplier is a member of a supply chain initiative (e.g. Fair Wear, Max Havelaar and UTZ Certified, EICC, or BSCI) or possesses a social management system (such as SA8000, OHSAS18001, ISO14001), there is a greater chance that it complies with international directives in that field. If it possesses a social or environmental system the chance is also greater that it complies with the international directives in this field. There are databases available for [SA8000 certified companies](#), as well as for [ISO14001 certified companies](#) (environmental management).

In addition, you may have made agreements with your suppliers. Affiliation with a supply chain initiative or international CSR directives reduces the risk of misconduct that might arise with your supplier.

The CSR reputation of your suppliers.

The reputation of a supplier goes beyond payment and delivery performance. If it is difficult to find information on a supplier's reputation in the area of environment and social performance, an embassy or matchmaker might be able to assist with this. You can also involve social organisations ([Amnesty](#) or [SOMO](#)) or specialised investigation agencies (see also suggestions under step 6). It is also useful to check: does the supplier have other – major – customers who monitor sustainability?

The relationship with the supplier/manufacturer.

The viability/credibility of your suppliers plays a significant role here. If there is direct, frequent and intensive contact with the manufacturers/suppliers, the risks of violation are lower than if there is little or no direct contact, such as a long supply chain with several intermediaries.

The relationship with the supplier can come under pressure due to delivery periods being (too) short, (a lot of) pressure on cost prices, or certain raw materials not moving along with the (global) market. In order to comply with your requirements, the supplier may feel impelled not to adhere so closely to labour laws or environmental rules.

RISK MATRIX

It is useful to summarise the information cited above on countries, products and suppliers in a risk table (see below, for example). You can fill in this table based on your own research (for instance through the [CSR Risk Check](#)), research that you have had performed by external parties and based on your experiences with the suppliers concerned.

You perform this risk analysis with your direct suppliers and, if possible, also further back in the supply chain (when you possess this information).

	Low risk	Medium risk	High risk
Country of origin	Western Europe, North America, Australia List of low risk countries from Made-By	Turkey, Russia, South Africa, Eastern Europe	China, India, Bangladesh, Mexico, etc. List of high risk countries from AON
Sector	business and facility service provision	retail, wholesale, construction, industry, transport	agriculture, forestry and fisheries, electronics, textiles, mining, paper or sectors that use this, production of various articles such as office items
Type of activities	service provision, specialist work	low-skilled work	unskilled work
Nature of the supply chain	short production chain	production chain with several links	long production chain with many intermediate links
Relationship and influence on suppliers	direct and frequent contact with suppliers, long-lasting relationship with mutual trust	irregular contact with suppliers, limited influence on their actions	many indirect suppliers, little contact, no or hardly any influence on their actions
Supply chain initiatives, quality labels & management systems	certified (multi-stakeholder) initiatives for both social and environmental aspects	certified (multi-stakeholder) initiatives for social OR environmental aspects	no initiatives, or only initiatives with self-assessment by suppliers

NB: The information stated in the table above under "country of origin" and "sector" provides an example of a risk analysis for a specific company. This may appear differently for your own company, and other countries or products may lead to higher CSR risks.

PRIORITIES

It is not possible to tackle all issues in your supply chain at the same time. You thus have to set priorities. To do this, you can use a risk matrix.

Using the qualitative "score" on the abovementioned subjects, and the division of your suppliers according to the so-called Kraljic classification, suppliers can be arranged in a risk matrix as presented below. Suppliers in the green category have a low risk; suppliers in the red category a high risk. (The Kraljic classification is a common arrangement of suppliers where the importance of the supplier for the company is examined.)

Based on the arrangement of all suppliers into three colour categories, it can be determined which subsequent actions are required, such as:

- informing suppliers and sending out the supplier code (all categories);
- sending a questionnaire (categories orange and red);
- conducting audits (category red);
- training suppliers;
- etc.

Suppliers in the red category of course receive priority when conducting the Sustainable procurement policy.

		Sustainability risk			
		Negligible	Minor	Moderate	Major
Procurement classification (according to Kraljic)	Routine				
	Leverage				
	Issue				
	Critical/ strategic				

5 COLLABORATE WITH SUPPLY CHAIN PARTNERS

Every company is a link in a chain of suppliers and customers, in which each link provides its own contribution. Supply chains can only be made sustainable through cooperation. You should thus attempt to seek out solutions for supply chain issues by consulting with suppliers and other partners, such as fellow SMEs, buyers, intermediaries and matchmakers. Collaboration can also result in interesting initiatives, such as jointly developing innovative products.

JOIN A SUPPLY CHAIN INITIATIVE

In order to make your supply chain more sustainable, you can join an existing supply chain initiative. You will find recommendations in the [CSR Risk Check](#) on relevant quality labels and supply chain initiatives by product. You can also consult the [database](#) of the International Trade Centre or the [Ecolabel Index](#). Example initiatives:

- [BSCI](#) (Business Social Compliance Initiative) is a non-profit business initiative for promoting social sustainability in the supply chain. Participants are primarily clothing brands and large retailers, but membership is open to any retail company or importer.
- Within the [Sustainable Trade Initiative](#) (IDH), various stakeholders collaborate on improving the situation within their supply chains. There are now improvement programmes for cacao, wood, stone, tea, soya, tourism, cotton and farmed fish.
- [Fair Wear Foundation](#) (FWF) has a code of conduct for the clothing sector. FWF also performs monitoring. [Made-By](#) is a comparable initiative (also a quality label) and is strongly committed to improvement programmes. A sector organisation for clothing & textile, [Modint](#), collaborates closely with Fair Wear.
- [Forest Stewardship Council](#) (FSC) is the quality label for responsible forestry. Suppliers of wood and paper products can become members. A comparable quality label is PEFC.
- [Marine Stewardship Council](#) (MSC) has a certified standard for the fishing industry. There is a standard available for fish farming, from the [Aquaculture Stewardship Council](#) (ASC).
- The [Electronic Industry Citizenship Coalition](#) (EICC) has formulated a code of conduct for supply chain responsibility within the electronics sector, which companies can sign voluntarily. EICC also provides resources for audits and reports.

GET IN CONTACT WITH OTHER COMPANIES

By collaborating with fellow companies, you can increase your influence on common suppliers in terms of sustainability. If there is not yet any collaboration in your sector, take the initiative yourself and talk to colleagues, sector organisations, suppliers and the government.

If there are several interested parties within your sector, the [Sustainable Trade Initiative](#) (IDH) might start up a separate improvement programme. Dutch companies for example may join existing [MVO Nederland networks](#).

CIRCULAR PROCUREMENT

Circular procurement means that the products that you procure or purchase have been produced according to principles of the [circular economy](#), and that they are also processed again following use. Circular procurement can be part of sustainable (or socially responsible) procurement.

If you are considering circular procurement, express this at every procurement phase. It is important to determine the exact procurement requirements within your company. Discuss with the supplier how it can respond properly to your wishes, both during the lifetime of the products and at the end.

6 MONITOR YOUR SUPPLY CHAIN

A one-off inventory of your supply chain only has a limited duration. It is therefore important to remain up to date on developments. You can ask the companies in your supply chain to report on sustainability, for instance by means of a sustainability report or by completing a questionnaire. You can also make agreements on conducting inspections at the locations where production takes place or where the raw materials are acquired, for instance.

MONITORING

To be able to assess how your suppliers are performing, it is necessary to obtain information directly from them on policy, processes and performance:

- Policy documents on environment, health, safety, diversity, etc.
- Process descriptions of, for example, an environmental management system, recruitment & selection methods, consultation procedures, etc.
- Specific performance, such as CO₂ footprint, accident statistics, diversity of staff, salary levels.

By requesting this information from suppliers, you can determine what improvements are needed in order to correct poor performance. You can use good examples to motivate other suppliers that are performing less well. Suppliers will initially hesitate in sharing this information, which is why it is important that you explain properly why you are doing this and what you are using the information for. Also emphasise the supplier's own interests: it can itself save on costs through the improvements you propose (such as by working more efficiently, energy saving, less staff turnover, etc.).

The information on policy, processes and performance can be obtained by means of personal conversations, sending out questionnaires or audits. Which method is most suitable depends on various factors. Consider identified risks, the quality of the relationship with your supplier and the distance from the supplier. The most direct and personal approach often works best.

Below, what you could look out for when creating questionnaires and performing audits and how you could deal with suppliers who do not (or do not want to) comply with your wishes is described in greater detail.

TIPS

- For examples of a self-assessment questionnaire, look at the websites of [Philips](#) or [AkzoNobel](#).
- If possible, purchase products with a quality label. You can ask suppliers of products (facilitatory or otherwise) only to deliver products with a certain quality label, such as coffee with the Fairtrade label, paper with the FSC label and catering with the EKO label (see step 5 for overviews of relevant quality labels).
- If there is no CSR label or supply chain initiative available for your sector, a management system can provide insight into the degree to which a supplier has implemented CSR in its business practices. Management systems usually apply at site level, which means that you must check each production site for whether it possesses its own certificate. Well-known CSR management systems are: [SA 8000](#) (working conditions), [ISO 14001](#) (environmental management), [OHSAS 18001](#) (health & safety) and [ISO 26000](#) (all CSR subjects). (ISO 26000 is a directive for introducing CSR. This directive is *not* a management system. You can demonstrate with the [ISO 26000 Self Declaration](#) how you have implemented CSR in your company using ISO 26000.)

QUESTIONNAIRE FOR SUPPLIERS

If you want to know more about the production method of items and services procured, you can put questions to your suppliers. This can be done in an open conversation and in an informal manner or you can have suppliers complete a questionnaire (which they have to substantiate with evidence, such as certificates and measurement results). In this way, you can compare the methodology of different suppliers.

When drawing up a questionnaire, it is important that you determine beforehand what information is genuinely valuable to you, that it mainly contains open questions and that you allow the answers to be substantiated with evidence (documentation), where possible. Then enter into discussion with the supplier on these subjects and explain as well as possible why you want to have this information, what you are going to do with it and what the benefit is for the supplier.

When procuring a physical product, assess the sustainability of the product during the entire life cycle (production, use, end processing). Ask your suppliers to think about innovative solutions for sustainability dilemmas you encounter. Consider alternative (environmentally friendly) packaging and combined orders (reduces transport).

For the majority of risky suppliers (to be determined in the next step), it is sensible to base yourself not just on information you have received from your supplier, but also to investigate yourself/have an investigation performed. That could, for instance, be in the form of monitoring & auditing (see next section).

Questions you can ask suppliers:

- Where does the product come from (country, supplier)?
- How do you guarantee that child labour and poor working conditions do not occur?
- How many working hours are there in a normal working week?
- How much salary are your employees paid net per week?
- Is it possible to visit your production locations?
- Do you sometimes contract out work, and if so to whom?
- Do you monitor your suppliers for environmental issues and working conditions?
- Do you employ a code of conduct in the field of sustainability?
- Are you affiliated with a sector initiative in the field of sustainability, and if so which one?
- Are your products provided with an – internationally recognised – certificate or quality label?
- Are you monitored by other major clients on working conditions and environmental issues, and if so by whom and how frequently?

MONITORING & AUDITING

Your own observations in the factory of your partner/suppliers say more than you think. You can also have audits on environmental and/or working conditions performed by organisations specialised in this. Certainly if activities take place in countries where you yourself are not located (and where you assume there is less inclination toward sustainability), it is recommended that you have audits and inspections performed by an independent organisation:

- There are various NGOs as well as commercial institutions that can do this for you. Well-known agencies that perform social and environmental audits worldwide are: [SGS](#), [TÜV](#), [Intertek](#), and [Bureau Veritas](#).
- There are furthermore various investigation agencies you can involve to assess your suppliers on sustainability. For instance, the agency [Fira](#), which conducts research into suppliers and can also perform audits; the French/Belgian [Ecovadis](#) or the British [Achilles](#), which can all be commissioned to identify, evaluate and monitor suppliers.
- Other organisations such as [SEDEX](#), [Ecovadis](#), [BSCI](#) and [SA International](#) offer databases in which they have collected and arranged information on supplier audits.

You may of course also collaborate abroad with your suppliers, customers and other parties, inside or outside your supply chain, who require inspections and/or audits of these companies. It is recommended you involve local stakeholders (such as trade unions or social organisations) in your audit activities. They may provide relevant background information on local work-related issues that are common in the country and/or sector in question.

Make sure you do not go to work too aggressively. The resources that you employ should be in relation to the intensity of your relationship with the suppliers. For instance, if you

purchase a product once you cannot require a manufacturer to open up its production location for inspection and to collaborate with an extensive audit.

However, also remain alert when monitoring a supplier. Certain suppliers are very inclined to make matters appear better than they actually are, particularly when the delivery contract depends on the check. Shows are sometimes even set up for a monitoring visit, or additional administration is embellished. For instance, always check: is this the genuine production location and is production outsourced to another manufacturer. Employ (local!) experts to verify what you yourself have little understanding of, such as working conditions, environmental permits, etc.

YOUR INFLUENCE IN THE SUPPLY CHAIN

What should you do if there are sustainability risks in your supply chain? The [CSR Risk Check](#) provides you with advice on how you can tackle risks. It is furthermore presumed that you have sufficient influence (in your role) in order to bring about changes. If you want to know what you can do in order to limit risks with your direct/indirect suppliers, use the [Supply Chain Influence Checklist](#). This chart indicates whether you have any influence and if not, how you can increase your influence or how – if it is really not possible otherwise – the risky product can be replaced with a less risk-bearing product.

NON-COMPLIANCE

What happens if a suppliers fails to comply with the buyer's standards, as established in the code of conduct or delivery conditions? Make agreements beforehand with suppliers on the possible consequences of your policy. Give your suppliers the opportunity to improve themselves and help them where it appears necessary. Immediately terminating the contract is usually not a solution and is not desirable. Not only are the issues shifted to another buyer, but the continuity of delivery is also endangered, particularly in the case of critical strategic suppliers. The sustainability issue of the original supplier also continues to exist. The likelihood that suppliers adhere to your demands is greater if you apply fair trade conditions and reasonable prices, and if you attempt to build up a good collaborative relationship.

In the event of poor performance of your supplier, the approach briefly summarised is as follows:

1. Collaborate with the supplier on improvement.
2. Exert pressure, possibly together with competitors.
3. Terminate the relationship if there is no improvement, or in the case of serious misconduct.

7 REPORT ON POLICY AND PROGRESS

Transparency and communication to external parties is an important part of supply chain responsibility.

REPORTING & TRANSPARENCY

There are several initiatives for supporting supply chain transparency. As a buyer, you use this to gain insight into your suppliers' degree of supply chain responsibility, and you can in turn report this theme to your own interested parties (such as customers).

A common way to be transparent about CSR activities and to communicate about this is to publish a sustainability report or corporate report. Using the internationally recognised directives of the [Global Reporting Initiative](#), create a corporate report that adheres to the internationally recognised standards and directives. You can read about which parts of the GRI directive are relevant for reporting on supply chain responsibility in part 6.3 of the [GRI Reporting Guidelines](#).

PRICES/AWARDS

In the Netherlands, major research is conducted annually (based on reporting) on supply chain responsibility:

- The VBDO Responsible Supply Chain Management Benchmark and the corresponding Award. [VBDO](#) awards a prize every year to the listed company with the best reports on corporate social responsibility with suppliers in the chain.
- In the [Transparency Benchmark](#) (annual research commissioned by the Ministry of Economic Affairs, Agriculture and Innovation), supply chain responsibility is an important subject. The annual reports and sustainability reports of these companies are assessed. Companies that have performed best are eligible for receiving the [Crystal Prize](#).

For queries concerning the content of this document please contact:

MVO Nederland Help Desk: contact@mvonederland.nl / +31 30 2305 620

NEVI Help Desk: info@nevi.nl

