

# Accord Australasia INFORMATION PAPER

**ON:**  
ETHICAL SOURCING

June 2018



# ETHICAL SOURCING INFORMATION PAPER

## About this paper

This paper is intended to provide information on what is meant by ethical sourcing and the issues it encompasses, with a focus on the formulated products industry.

Also described are:

- some potential business practices that promote ethical sourcing;
- existing tools that may assist businesses in advancing their ethical sourcing activities; and
- brief industry-specific case studies demonstrating ethical sourcing in practice.

This information paper was developed by Accord for its Member companies, specifically focusing on assisting smaller/SME companies.



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# 1 INTRODUCTION

## 1.1 What is ethical sourcing?

Ethical sourcing refers to the activities undertaken by an organisation to ensure that all its material and service inputs are supplied in a manner that is ethically responsible. Because no organisation operates in isolation, its relationship to society and the environment, including along the entire supply chain, is a critical factor in performance, both from a profitability and overall impact perspective.

For an industry such as the formulated products industry, sourcing can involve a supply chain spanning raw materials production, product manufacturing, packaging, transport, storage, use and disposal. The supply chain is often global and highly complex.

Ethics are concerned with right and wrong. Therefore, ethical sourcing includes aspects such as criminal conduct – such as bribery, corruption and fraud, and human rights abuses – such as modern slavery, throughout the supply chain.

Ethical issues in the supply chain are more likely to occur in certain situations<sup>1</sup>, including:

- where there are high levels of poverty
- where there are lots of migrant workers
- where workers have fewer protections
- in some specific high-risk industries (typically involving raw materials)
- at labour-intensive stages of supply chains where the end product is cheap
- in complex and dispersed supply chains

Ethical sourcing in its application encompasses social responsibility. Although the distinction from ethical responsibility is subtle, social responsibility is concerned with impacts on the way people live and work. Social responsibility could be considered as ensuring that business operations and products have a positive impact on the people and communities they affect through transparent and ethical behaviour that is integrated throughout the whole business.

Ethical sourcing often also includes considerations concerning environmental responsibility.

There are various terms with similar meaning to ethical sourcing, and which are often used interchangeably.

These include:

- ethical procurement/purchasing
- socially responsible sourcing/procurement/purchasing
- responsible sourcing/procurement/purchasing – which often focuses primarily on environmental impacts
- sustainable sourcing/procurement/purchasing – which is perhaps the most comprehensive definition, including environmental, social and economic impacts of a product, often throughout its lifecycle; the International Standard Organisation (ISO) defines sustainable procurement as ‘procurement that has the most positive environmental, social and economic impacts possible across the entire life cycle and that strives to minimise adverse impacts’<sup>2</sup>

These activities come under corporate social responsibility (CSR), which is an organisation’s strategic approach to considering the impacts of its operations on society and the environment. And beyond CSR is supply chain responsibility, which involves an organisation’s commitment to not only its own procurement decision making, but to also improving the ethical and social performance of other supply chain participants.

The term ‘fair trade’ is also related to ethical sourcing. Fair trade focuses on the promotion of better conditions for producers in developing countries, as well as sustainable farming practices.

This paper will take a broad definition of ethical sourcing, i.e. encompassing ethical, social and environmental considerations throughout the supply chain, but will focus primarily on ethical and social issues. Environmental lifecycle considerations of a product are another substantial topic; covering these in a comprehensive manner is beyond the scope of this paper.

## 1.2 Potential benefits of ethical sourcing

Sourcing – or procurement/purchasing – plays an important role in all organisations. As well providing the necessary inputs for business operations and having obvious economic impacts that affect business profitability, procurement presents an opportunity for businesses to make decisions that have far-reaching impacts. These could include, for example, impacts on geographically distant communities, or on the working conditions of some of the poorest people on the planet. An ethical sourcing decision may mean boycotting a supplier due to concerns over some aspect of their business practices.

Ethical sourcing in partnership with suppliers is a way to work together to help address the interconnected social and environmental issues faced around the world, resulting in greater results than could be achieved by individual organisations.

In addition, the rise of ethical consumerism, that is, consumers making product- or company-based purchasing decisions based upon ethical factors, can provide incentive for consumer-facing businesses particularly to consider their impacts and the image of their business and brands. However, the reality of an ethical consumption “attitude-behaviour ‘gap’” – a failure to ‘walk the talk’ due to a disconnect between the values people express as important to their purchasing and their actual purchasing behaviour – is also well established.<sup>3</sup> Often, ethical consumers are

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## ETHICAL SOURCING IN PARTNERSHIP WITH SUPPLIERS IS A WAY TO HELP ADDRESS THE INTERCONNECTED SOCIAL AND ENVIRONMENTAL ISSUES FACED AROUND THE WORLD

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unwilling to pay a premium for an ethical product.

Regardless, there is evidence to suggest that consumers are more likely to boycott unethical products than to select products based on ethical reasons.<sup>4</sup> Furthermore, ethical consumers may reward a company with brand loyalty, even if unwilling to pay a premium for ethically-sourced products.

Additional business advantages of ethical sourcing could include:

- helping secure supplies and mitigate risk due to volatility in raw material supply chains
- increased ability to explore new business opportunities, including market niches for ethical products and services
- greater innovation opportunities through inclusive, diverse sourcing policy and collaborative approaches with suppliers
- strengthened relationships with suppliers
- improved resource efficiency and lower costs
- the ability to attract and retain great employees who are highly engaged and motivated
- reduced risk of financial penalties e.g. for accessorial liability
- protection and enhancement of reputation

## 1.3 Ethical sourcing challenges

Ethical sourcing is a challenging undertaking in this era of global supply chains. Difficulties can arise due to language barriers, cultural differences and distant locations. However, with increased globalisation also comes increased connectivity and communication channels, which

can provide many benefits and opportunities, if managed well.

In addition, for an industry such as the formulated products industry where companies may have many products with many material inputs from different sources, the task of

monitoring the supply chain can be very daunting. This can be exacerbated for smaller companies, which may find it difficult to get accurate information from suppliers or to influence supply chain practice because of their potentially lower buying power compared with larger companies and multinationals.

## 2. ASPECTS OF ETHICAL SOURCING

Some of the issues that are relevant to ethical sourcing are described below.

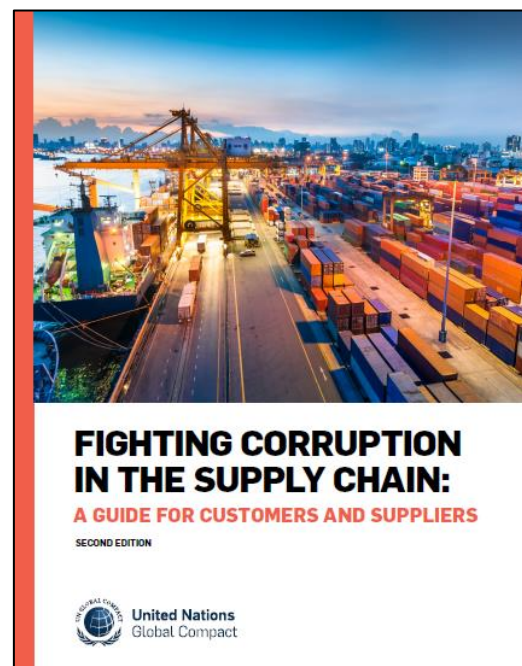
### 2.1 Legal Compliance

Any organisation that is committed to ethical sourcing must firstly ensure that every aspect of its own operations is conducted lawfully with full integrity. Compliance with all applicable laws and regulations must underpin all activities. Relevant legal requirements could relate to tax, contracts, property, employment, intellectual property, privacy, health and safety, labelling and environment.

Key areas relating to integrity are corruption, bribery and extortion. Ethical sourcing requires that no employer or employee engages in such practices; additionally, individuals who suspect any such activity in the supply chain should report it to the appropriate level of management. Corruption and bribery could include giving or receiving anything of value as an incentive or reward, e.g. for preferential treatment or 'turning a blind eye' to non-compliance. The United Nations (UN) Global Compact Office's *Fighting Corruption in the Supply Chain* lays out the business case for fighting corruption and provides guidance on assessing risk during engagement with suppliers, as well as on preventing and responding to corruption in the supply chain.<sup>5</sup>

Another legal compliance issue relates to the legitimacy of claims. Claims, whether they relate to product composition, efficacy or

environmental performance, must be true, not misleading, and able to stand up under scrutiny. But ethical considerations would extend beyond legitimacy to also encompass the relevance of claims, i.e., in the interests of full integrity and not misleading the customer, claims should not be used to trick the customer into thinking that the product provides some benefit when really the product just represents a business-as-usual offering. For example, a product should not be marketed as 'CFC-free' when in fact all products in the category are required to be CFC-free. This practice, when relating to environmental claims, comes under the banner of 'greenwashing'.



The example above is one where ethical obligations may exceed what is stipulated in law, and this may indeed be the case in other areas. Because ethics are subjective, it is essential that businesses develop official codes or rules that set out expectations and guidelines for ethical behaviour within their own organisation. And, in the case of businesses that are committed to promoting ethical sourcing, supplier obligations also need to be clearly articulated and enforced.

## 2.2 Labour

There are many ethical and social issues associated with labour. These include freedoms at work, forced labour/slavery, child labour, and discrimination – which also encompasses many aspects of ‘decent work’, including fair income, health and safety at work, and work hours.

The International Labour Standards promote opportunities for ‘women and men to obtain decent and productive work, in conditions of freedom, equity, security and dignity’.<sup>6</sup> These are developed and maintained by the International Labour Organisation (ILO), a UN Agency that brings together governments, employers and workers. Conventions and Recommendations are the instruments used by the International Labour Conference – the annual meeting of the ILO – to set International Labour Standards. There are 187 ILO Member States<sup>7</sup> from around the world.

The ILO *Declaration on Fundamental Principles and Rights at Work* was adopted in 1998. This Declaration committed Member States to respect and promote universal principles and rights in four categories:

- Freedom of association and the effective recognition of the right to collective bargaining
- Elimination of forced or compulsory labour
- Abolition of child labour
- Elimination of discrimination in respect of employment and occupation

This commitment is supported by a follow-up procedure wherein Member States report

annually on the status of the relevant rights and principles within their borders, identifying barriers and areas requiring assistance.

In Australia, the National Workplace Relations System, established by the *Fair Work Act 2009* and other workplace legislation, reflects some of these principles. For example, the framework sets out collective bargaining obligations and rules, protections of freedoms for workers and employers, minimum terms and conditions of employment, provision for individual flexibility arrangements and protections against unfair or unlawful termination of employment.

Ethical sourcing would aim to ensure that each of these fundamental principles and rights at work are upheld not only in a business, but also throughout the supply chain. How would this look in practice? Workers who have chosen their employment, who can seek to better their position (by legal means), who have reasonable job security, fair wages and reasonable work hours, and who go to work in a safe and healthy environment.

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**LABOUR RIGHTS IN PRACTICE: WORKERS HAVE CHOSEN THEIR EMPLOYMENT, CAN SEEK TO BETTER THEIR POSITION, HAVE FAIR WAGES, REASONABLE JOB SECURITY & WORK HOURS, AND WORK IN A SAFE AND HEALTHY ENVIRONMENT**

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

Ethical sourcing should seek to ensure that employees have freedom of association and collective bargaining rights. This may mean forming or joining a workers’ group or union; but, alternatively, an employee should also be free to refrain from joining a union or workers’ organisation.

Article 20 of the *Universal Declaration of Human Rights*, proclaimed by the UN in 1948, states that ‘everyone has the right to freedom of peaceful assembly and association’, that ‘no one may be compelled to belong to an association’, and according to Article 23, ‘everyone has the right to form and to join trade unions for the protection of his interests’.<sup>8</sup> Because employers have the economic advantage over their employees – that is, employees rely on the employer for a job, wage, other benefits and working conditions – these rights are important. Firstly, advocacy is more effective when there are more voices. Workers who organise may be better able to negotiate better wages, benefits, or conditions. Additionally, workers should be able to seek improvements to their work situation, including through exercising these rights, without fear of repercussions that impact their working conditions or livelihood.

The *Freedom of Association and Protection of the Right to Organise Convention C087*, adopted in 1948, aims to promote this right; it is ratified by 158 countries, including Australia. Similarly, the *Right to Organise and Collective Bargaining Convention C098*, adopted in 1949, aims to protect workers from anti-unionism or the control of workers’ organisations by employers. It is ratified by 165 countries, including Australia. In addition, the *Termination of Employment Convention C158*, adopted in 1982, specifies that union membership, participation in union activities (at appropriate hours) and acting or seeking office as a workers’ representative do not constitute valid justification for termination of employment.

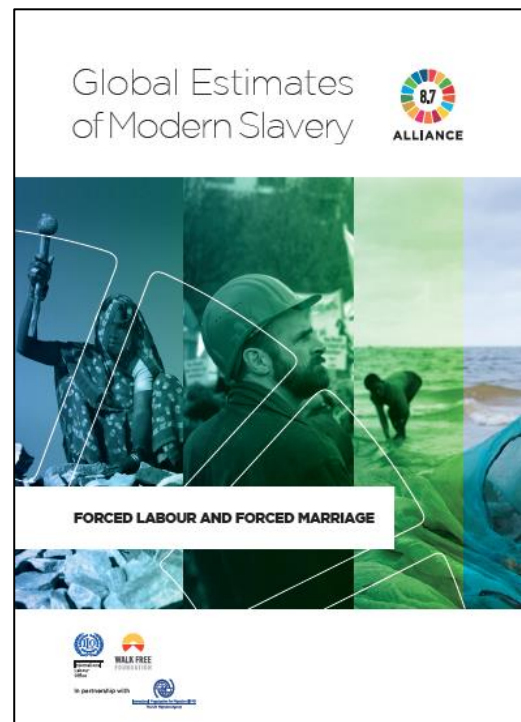
Additional conventions relating to industrial relations are the *Workers’ Representatives Convention C135* and the *Collective Bargaining Convention C154*, adopted in 1971 and 1981, respectively.

## 2.2.2 Elimination of forced or compulsory labour

Ethical sourcing should seek to ensure that employment is freely chosen throughout the supply chain. This means no forced labour, bonded labour, serfdom, or any form of slavery.

Article 4 of the *Universal Declaration of Human Rights* states that, ‘no one shall be held in slavery or servitude; slavery and the slave trade shall be prohibited in all their forms’.<sup>8</sup> Article 1 of *The Slavery Convention 1926* defines slavery as ‘the status or condition of a person over whom any or all of the powers attaching to the right of ownership are exercised’.

Slavery is not just an inhumane practice of the past. According to *Global Estimates of Modern Slavery*,<sup>9</sup> it was estimated that in 2016 more than 40 million people around the world were victims of modern slavery, which includes slavery, forced labour, involuntary servitude, debt bondage, human trafficking, forced marriage and wage exploitation.



Of these:

- 25 million (63%) were in forced labour, including about 4.3 million children;
- 15 million (37%) were in forced marriage;
- women and girls accounted for 71% of the total.<sup>9</sup>

Target 8.7 of the *Sustainable Development Goals* (SDGs) calls on the global community to ‘take immediate and effective measures to eradicate forced labour, end modern slavery and human trafficking...’.<sup>10</sup> The 17 SDGs are part of the *2030 Agenda for Sustainable Development*, which aims to mobilise all countries to action in promoting prosperity and equality whilst protecting the planet. While the SDGs are not legally binding, governments are expected to take ownership and establish national frameworks for their achievement.

According to the *Forced Labour Convention C029*, adopted in 1930, forced labour is ‘all work or service which is exacted from any person under the menace of any penalty and for which the said person has not offered himself voluntarily’.<sup>11</sup> (This excludes compulsory military service, civic obligations, court-imposed orders and emergency situations.) There are 178 ratifying member countries, including Australia, which undertake to ‘suppress the use of forced or compulsory labour in all its forms within the shortest possible period’. The *Abolition of Forced Labour Convention C105*, adopted in 1959, also relates to this goal.

In 2015, the *Modern Slavery Act UK*<sup>12</sup> was passed into law. This Act lists offences of slavery, servitude and forced or compulsory labour, and human trafficking with the goal of exploitation. It also includes a supply chain clause, requiring certain organisations to submit a ‘slavery and human trafficking statement’ each financial year, including information on steps the organisation has taken to ensure that slavery and human trafficking is not taking place in any of its supply chains or own business.

### *Proposed Modern Slavery Act, Australia*

Slavery has been a criminal offence in Australia since the enactment of the *Slave Trade Act* in 1824. The Australian Government updated the *Criminal Code* in 1999 to specify slavery offences (as Division 270) and again in 2005 regarding trafficking offences and debt bondage (as Division 271). Australia has the equal-lowest rate of modern slavery in the world, but there are still an estimated 4,300 people enslaved and forced into prostitution and work by criminal syndicates.<sup>13</sup>

Since February 2017, Australia has been conducting an inquiry into establishing a Modern Slavery Act to strengthen efforts in eradicating slavery in all its forms. The Joint Standing Committee on Foreign Affairs, Defence and Trade is responsible for undertaking the inquiry, which encompasses the nature and extent of modern slavery both in Australia and globally, the prevalence of modern slavery in the domestic and global supply chains of organisations operating in Australia, and potential vulnerabilities via Australia’s visa regime.

Following a consultation period, the Joint Committee published their Report in December 2017 recommending the development of a Modern Slavery Act. One aspect of this Act would be the requirement that large businesses report annually on modern slavery risks in their supply chains; revenue thresholds in the \$50M-\$100M range have been discussed, however there will also be significant impacts on smaller businesses that supply to large companies and further down the supply chain, as they will need to provide information on their own operations up the supply chain.

It is expected that the Act will be finalised mid-late 2018.

### **2.2.3 Abolition of child labour**

Child labour is a form of forced or compulsory labour that requires particular attention. Ethical sourcing should seek to ensure that all workers

throughout the supply chain are of an appropriate age for the tasks they undertake, the duration and hours of work, and the working conditions.

The UN *Convention on the Rights of the Child* was adopted in 1989. Under this convention, a child is defined as ‘a human being below the age of 18 years unless under the law applicable to the child, majority is attained earlier’.<sup>14</sup>

Child labour is often defined as ‘work that deprives children of their childhood, their potential and their dignity’. It can include hazardous work that places the child’s physical, mental or moral well-being at risk, or work that affects their participation in, or access to, education. The worst forms of child labour, including forced labour, are defined by Article 3 of ILO *Convention 182*<sup>15</sup> and are designated for urgent action; 181 countries, including Australia, have ratified this Convention. Child labour is distinct from child employment, which would entail work that has no negative impacts on the child’s health, development or participation in schooling.

It was estimated that there were approximately 152 million children in child labour in 2016, globally – almost one in ten of all children.<sup>16</sup> Of these, nearly half were in hazardous work. Child labour was primarily in agriculture (70.9%), followed by the services sector<sup>a</sup> (17.1%) and industry<sup>b</sup> (11.9%).

Target 8.7 of the UN Development Programme’s Sustainable Development Goals sets 2025 for an end to child labour in all its forms.<sup>10</sup> Articles 31 and 32 of the UN *Convention on the Rights of the Child* particularly relate to children and work, stating that ‘children have the right to relax, play and to join in a wide range of leisure activities’,

and that ‘governments should protect children from work that is dangerous or that might harm their health or education’.<sup>14</sup>

According to the ILO, there has been considerable progress in eradicating child labour in recent years. For example, over 60 countries have adapted their legal frameworks to conform to the ILO’s child labour conventions, and the total number of children in child labour dropped 30% from 246 million in 2000 to 168 million in 2012.<sup>17</sup>

According to the *Minimum Age Convention C138*, adopted in 1973, Member States must specify a minimum age for employment that is ideally at least 15 years for non-hazardous work (or 14 years for states with underdeveloped economies and educational facilities) and 18 years for hazardous work (or 16 years under strict conditions). Children from 13 years may do light work if it does not place their health and safety at risk or hinder their education.<sup>18</sup> 170 countries have ratified this Convention.

The 2013 *Brasilia Declaration on Child Labour*<sup>19</sup> reaffirmed commitment to eliminating child labour through strengthened actions and included measures to facilitate quality education for all children.



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<sup>a</sup> wholesale and retail trade; restaurants and hotels; transport, storage, and communications; finance, insurance, real-estate, and business services; and community as well as social personal services

<sup>b</sup> mining and quarrying, manufacturing, construction, and public utilities

## 2.2.4 Elimination of discrimination in respect of employment and occupation

Ethical sourcing should seek to ensure that employment and occupation is based on an individual's ability to do the job, and without discrimination, throughout the supply chain. Examples of where discriminatory practices could arise include in hiring, wage determination, or how someone is treated in the workplace – all workers must be treated equitably, with respect and dignity, and have equal access to fair procedures and remedies.

According to Article 1 of the UN *Universal Declaration of Human Rights*, 'All human beings are born free and equal in dignity and rights'; and specifically in the context of work, Article 23 states that 'everyone, without any discrimination, has the right to equal pay for equal work'.<sup>8</sup> According to the *Discrimination (Employment and Occupation) Convention C111*, adopted in 1958, discrimination is 'any distinction, exclusion or preference made on the basis of race, colour, sex, religion, political opinion, national extraction or social origin, which has the effect of nullifying or impairing equality of opportunity or treatment in employment or occupation'.<sup>20</sup>

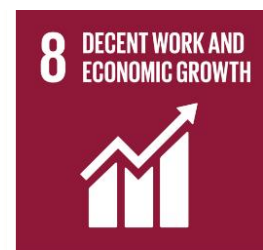
Other specific conventions and declarations relating to elimination of discrimination include:

- The *Migration for Employment Convention (Revised) C097*, adopted in 1949, which aims to ensure adequate protection for migrant workers, including from the effects of discrimination and from exploitation.
- The *Equal Remuneration Convention C11*, adopted in 1951, which aims to promote gender equality through 'equal remuneration for men and women workers for work of equal value'.<sup>21</sup>
- The *Declaration on Equality of Opportunity and Treatment for Women Workers*, adopted in 1975, which calls for the elimination of discrimination based on gender that denies or restricts equality of opportunity and

treatment. The UN *Convention on the Elimination of All Forms of Discrimination against Women*, adopted in 1979, defines and sets an agenda for national action on discrimination against women to ensure elimination of all acts of discrimination against women by persons, organisations or enterprises.

- The *Workers with Family Responsibilities Convention C156*, adopted in 1981, which aims to enable male or female workers with responsibilities of caring for their immediate family to engage in economic activity without discrimination, and where required, to make special provision such that work and family responsibility requirements can both be fulfilled.
- The *Termination of Employment Convention C158*, adopted in 1982, which provides protections relating to the termination of employment by an employer. It requires termination to be conducted only based on the capacity or conduct of the worker as relates to the requirements of their work, and not based on other factors, including their 'race, colour, sex, marital status, family responsibilities, pregnancy, religion, political opinion, national extraction or social origin', or maternity leave.<sup>22</sup>

'Decent work' is an integral element of Goal 8 of the 2030 *Agenda for Sustainable Development*.



It entails productive employment that is characterised by dignity, equality, fair income, safe working conditions, and reasonable work hours, in quality jobs. As such, it relates to and extends the anti-discrimination issues described above. Ethical sourcing should aim to ensure that

decent work is promoted throughout the supply chain.

#### 2.2.4a Fair income

Ethical sourcing should ensure that all workers are paid reasonable wages that consider the needs of workers and their families, the cost of living, and the economic climate for businesses. If adult worker wages are too low to support the basic living needs of a family, parents may send their children to work for additional income, which can perpetuate the cycle of poverty. In addition, wages need to be agreed upfront in writing, be paid regularly, and in such a way that the worker is certain of their minimum income and its timing.

There are a number of International Labour Standards relating to wages. These include the *Protection of Wages Convention C095*, adopted in 1949, which aims to ensure that wages are paid regularly and via methods that do not deprive the worker of the possibility of terminating their employment. The *Minimum Wage Fixing Convention C131*, adopted in 1970, aims to establish a system of minimum wages; however, in practice some employees may not enjoy minimum wage protection, for example in the informal economy or non-standard forms of employment. There is also the *Equal Remuneration Convention C11*, mentioned above, which aims to promote equal remuneration for men and women workers.

In Australia, minimum wages, including penalty rates and allowances, are established by the Fair Work Commission. These apply in the absence of a specific business agreement or award (which cannot be lower than the minimum wage).

#### 2.2.4b Protecting health and safety

Decent work ensures that appropriate measures are in place for the protection of worker health and safety at work, including through safe and hygienic conditions. It is estimated that 2.3 million deaths each year are for reasons attributed to work: 2 million due to work-related

diseases, and 0.3 million linked to occupational injuries.<sup>23</sup>

The ILO's *Occupational Safety and Health Convention C155*, adopted in 1981, sets out the policy principles, national-level and organisational-level responsibilities for worker health and safety, including regarding machinery, equipment, chemical and biological substances.<sup>24</sup> This is supported by the *Promotional Framework for Occupational Safety and Health Convention C187*, adopted in 2006. Other considerations could include worker access to clean toilet facilities, clean and drinkable water and potentially access to suitable facilities for food storage and preparation.

Decent work also requires that all workers are treated humanely, with dignity. Protections against any kind of harsh or inhumane treatment, including physical, verbal or sexual abuse or harassment, need to be in place. According to Article 5 of the *Universal Declaration of Human Rights*, 'No one shall be subjected to...cruel, inhuman or degrading treatment'.<sup>8</sup>

#### 2.2.4c Work hours

Excessive work hours can impair health and detract from family and social life. Fatigue arising from long work hours can also be dangerous in some industries and roles. In contrast, too few hours of employment can prevent workers from earning enough to meet their or their family's basic needs. Additionally, uncertain security of employment, that is, employment that could be terminated at any time, can drive down wages, restrict future planning, and could prevent a worker from exercising their rights at work for fear of termination.

The need for standards regarding maximum work hours was recognised as early as 1919, when the *Hours of Work (Industry) Convention C001* was adopted. This limited the hours of work to eight in the day and forty-eight in the week – with some specific exceptions such as in shift work. In addition, the *Weekly Rest (Industry) Convention C014*, adopted in 1921, specified a rest period of

24 consecutive hours in every week, again with some specific exceptions. According to Article 24 of the *Universal Declaration of Human Rights*, ‘everyone has the right to rest and leisure, including reasonable limitation of working hours and periodic holidays with pay’.<sup>8</sup>

The *Part-Time Work Convention C175*, adopted in 1994, aims to ensure that part-time workers have equivalent rights and protections as do comparable full-time workers. There are also protections and provisions for night workers according to the *Night Work Convention C171*, which was adopted in 1990.

In Australia, ordinary hours of work are often set out in awards, enterprise or other registered agreements. These may cover minimum and maximum ordinary hours in a specified period and the spread of hours in a day, and different employment types including full-time, part-time and casual work. Requirements may be altered by agreement of the employer and worker.

Ethical sourcing should ensure that working hours comply with applicable local laws, with overtime on a voluntary and appropriately compensated basis.

## 2.3 Environmental sustainability

Ethical sourcing should aim to ensure that environmental impacts arising from the operations of a business are minimised throughout the supply chain. This approach extends beyond mere environmental compliance and instead strives for continuous improvement around inputs – use of materials, energy and water; outputs – generation of emissions, effluent and waste; and local impacts – including on biodiversity, local land rights, air quality, and plant, animal and human health.

Target 12 of the Sustainable Development Goals is to ‘ensure sustainable consumption and production patterns’.

Specific targets under this goal include:



- 12.4 – By 2020, achieve the environmentally sound management of chemicals and all wastes throughout their life cycle, in accordance with agreed international frameworks, and significantly reduce their release to air, water and soil in order to minimise their adverse impacts on human health and the environment.
- 12.5 – By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse.
- 12.6 – Encourage companies, especially large and transnational companies, to adopt sustainable practices and to integrate sustainability information into their reporting cycle.<sup>25</sup>

In its most ideal outworking, environmental sustainability aspires to a circular or closed-loop approach, wherein resources are used optimally for as long as possible then recovered and regenerated instead of being disposed. This requires a systems-wide approach by looking for new applications of materials that were formerly considered to be waste.

The most comprehensive way to consider the environmental impacts of a product is by lifecycle analysis. Lifecycle analysis considers all supply chain stages including raw-material production, product manufacture, use and disposal, and all transportation necessitated by the product.

For the formulated products industry, material manufacturing inputs include raw materials, which could comprise agricultural products, botanical extracts, mineral-based ingredients, biochemically-derived ingredients, animal-derived ingredients, synthetic chemical ingredients and formulated ingredients. For each of these categories and depending also on the

concentration and usage profile in a product, different environmental considerations may be important. These could include:

- for agricultural raw materials: crop impacts such as deforestation, and potential resulting impacts on biodiversity, climate change and soil erosion; pesticide usage; local land rights
- for botanical extracts: impacts of the original crop (see above); lifecycle impacts of the extraction solvent; properties of the individual chemical components of the extract (see 'synthetic chemical ingredients', below)
- for mineral-based ingredients: impacts of the mining process such as deforestation and its potential resulting impacts on biodiversity, climate change and soil erosion; contamination of soil and water; energy use and climate change impacts; local land rights
- for animal-derived ingredients: animal welfare; properties of the individual chemical components (see 'synthetic chemical ingredients', below)
- for microbiologically-derived ingredients: properties of the individual chemical components (see 'synthetic chemical ingredients', below)
- synthetic chemical ingredients: dose- and application-related toxicological properties; biodegradability; persistence; bioaccumulation; impacts of specific elements e.g. sodium, phosphorus, VOCs
- formulated ingredients: a combination of the above!

Energy and water are also significant manufacturing inputs. An environmentally-sustainable approach should take a strategic and documented approach to reducing these inputs, as well as potentially considering lifecycle energy and water inputs for each product.

Traditional manufacturing outputs include wastewater, air emissions and other waste. Pollution prevention is one key aspect of environmental sustainability, as well as waste/emissions minimisation.

It should be noted that lifecycle analysis is no inconsiderable undertaking, especially for a business that has multiple products formulated from many different ingredients. For example, fragrance ingredients alone are often combinations of dozens of individual components. One potential approach is to seek suppliers that routinely integrate lifecycle analysis into their business practices. An alternative approach is to apply for third-party certification which includes a lifecycle component.

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### THE MOST COMPREHENSIVE WAY TO CONSIDER THE ENVIRONMENTAL IMPACTS OF A PRODUCT IS BY LIFECYCLE ANALYSIS

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A final point is that businesses involved in research and development activities that involve the use of genetic resources may need to be aware of the requirements of the *Nagoya Protocol*, and whether it applies to their situation. The *Nagoya Protocol on Access to Genetic Resources and the Fair and Equitable Sharing of Benefits Arising from their Utilization (ABS) to the Convention on Biological Diversity*<sup>26</sup> was signed by Australia in 2012, but it is yet to be formally ratified. It aims to provide researchers and providers with certainty and transparency regarding access to genetic resources for biotechnology research, development and other activities, and to ensure that benefits arising from use of the resources are appropriately shared. While Australia is still in the process of implementing the Protocol, businesses may wish to consider whether genetic resources have been sourced according to its requirements.

## 3. ETHICAL SOURCING IN YOUR BUSINESS

The following is a non-exhaustive list of business principles and practices that may assist your business in furthering its ethical sourcing.

### 3.1 Organisational vision and policy

An organisational vision and/or mission statement that encompasses ethical supply principles sends a strong signal that ethical sourcing is a key to your business. This vision should be implemented as a coordinated range of business activities that promote ethical supply, underpinned by policy that integrates ethical sourcing strategy and mandates ethical sourcing objectives at all levels within the organisation.

In addition, a commitment to continuous improvement via formal policy can yield dividends via innovations across products, services or processes, and set a business up for ongoing success. In the area of ethical sourcing, a continual improvement policy in conjunction with suppliers would help facilitate mutual improvement and likely result in synergies arising from combined efforts, whilst allowing your business to start from its current business-as-usual position.

It is important that any vision or policy be endorsed and upheld by senior management.

### 3.2 Values

Ethical sourcing is predicated on various fundamental values, such as respect for human rights, honesty, lawfulness and a desire to do good. As such, ethical sourcing will be promoted if these values are upheld and embodied by all aspects of your business in general. At an individual staff management level, valuing professionalism – equal high respect towards all others, and personal integrity – honest and strong moral character, should help establish a culture that promotes ethical sourcing.

It should go without saying that all the requirements described in Section 2, i.e. relating to labour, working conditions and pay, be met within your own business. This also means ensuring that everyone is treated with fairness and respect, that the working environment is safe, healthy and inclusive, and that progress is made towards minimising environmental impacts.

### 3.3 Supplier requirements/code of conduct

Having documented requirements of suppliers assists in defining the parameters of the relationship and your business' expectations of all suppliers. The requirements should include:

- commitment to all core ILO conventions, i.e. freedom of association, forced-compulsory labour, child labour, and anti-discrimination
- commitment to other ILO conventions and key principles, for example relating to wages, health and safety at work, and work hours
- commitments around environmental practices, for example evidence of efforts to minimise environmental impacts of operational inputs and outputs
- consequences/recourse, should any breach of the supplier requirements be confirmed

Having documented supplier requirements would not only cement the importance of ethical considerations as part of the business relationship but could also promote supplier improvement as they lift performance to meet your business' requirements.

However, a code of conduct alone may not have significant impact on supplier practices, especially if they have limited capacity to implement change,<sup>27</sup> or if your business does not have the buying power to incentivise change. Collaborative approaches may yield better outcomes.

### 3.4 Relationships with suppliers

Long-term relationships with suppliers can be advantageous for ethical sourcing. If this intention is articulated and arrangements are made in the expectation of an ongoing business relationship – in the context of supplier requirements being adhered to, of course – there should be greater potential for collaboration, and it is more straightforward to conduct other helpful activities such as supply chain mapping.

In addition, the involvement of senior management in contact and interactions with suppliers will signal their value to your business and your commitment to ongoing relationship.

### 3.5 Employee training

A formal employee training and capacity-building program – ideally informed by a mechanism to identify and address training needs – would help equip your staff with knowledge and skills that are relevant to their role in promoting ethical sourcing. For example, this could include training on responsible purchasing or sustainable design.

Your business could also extend training to supply chain workers so that they are educated about, for example, their rights at work.

### 3.6 Certification and accreditation

There are various certifications and accreditations available for ethically sourced products, including accreditations that focus on particular product attributes or impacts, as well as whole-of-business accreditations. Your business may wish to consider the value of these in providing external validation of your ethical sourcing activities.

Brief descriptions of some ethical accreditation examples are provided in Section 4.

### 3.7 Knowing your supply chain

Knowing where your products and services are coming from can be a complex matter. In the

formulated products industry, for example, many businesses have complex products made from many ingredients. Knowing where these ingredients originated can require good communication with suppliers, long-term relationships, and meticulous record-keeping.

It may be helpful to map the chain of custody, track product provenance via a record of activities and events, and to work with suppliers on improving supply chain transparency.

Another approach could be to only contract/purchase from suppliers with their own rigorous ethical sourcing policy, providing assurance that they have done the due diligence on their own supply chains.

### 3.8 Transparency

Relating to the above point, if your business is transparent regarding its own supply chain, this can help facilitate ethical sourcing in other downstream organisations, whether they be formulators or retailers/suppliers. Transparency is also essential for providing assurance that your business upholds its espoused values.

### 3.9 Monitoring/auditing and feedback

Some form of monitoring may be required to ensure that your suppliers are meeting their obligations. This would necessitate a procedure for the audit, as well as for subsequent investigation and addressing of any identified issues.

Additionally, your business should encourage honest and respectful feedback, both from internal staff and from other supply chain actors or stakeholders, via a formal procedure. In addition, protections need to be in place to ensure that whistle-blowers are not endangered by reporting on potential violations in the supply chain: the grievance mechanism needs to be effective and trusted.

## 4. TOOLS, STANDARDS and ORGANISATIONS

There are many tools, standards and organisations relating to and involved with the promotion of ethical sourcing. The following non-exhaustive list may be of assistance to businesses that are seeking to improve their ethical sourcing activities.

### 4.1 Accreditations

There are many accreditations that certify different aspects of a business, or product, according to specific aims and requirements. It is beyond the scope of this paper to address them all, however the International Trade Centre's Standards Map (Section 4.9) or the Ecolabel Index (Section 4.4) lists many of these. Some of the most relevant to social issues or wholistic environmental certification are listed below.

#### *B Corporations*

B Corporations are for-profit companies certified by the non-profit B Lab against standards devised by the Standards Advisory Council, a group of independent experts in business and academia.



Companies complete the 'B impact assessment',<sup>28</sup> which comprehensively covers a business':

- impacts on workers, suppliers, community, and the environment
- practices regarding mission, measurement, and governance
- specific, targeted initiatives to have positive impact, whether through products and services or internal practices

Companies need to earn a minimum of 80 (out of 200) points to be certified. Any score higher than 0 points indicates that the company is doing something positive for society and the

environment, with greater points for greater positive impact.

#### *Cradle to Cradle Certified™*

Cradle to Cradle Certified™ products are assessed against the Standard<sup>29</sup> and rated (basic, bronze, silver, gold or platinum) against requirements in five quality areas:

- material health
- material re-utilisation
- renewable energy and carbon management
- water stewardship
- social fairness



The Standard also guides designers and manufacturers through a continual improvement process, and ongoing certification requires that manufacturers demonstrate their efforts to improve their products every two years.

The Cradle to Cradle certification is an initiative of the Cradle to Cradle Products Innovation Institute, a non-profit organization based in the USA and the Netherlands.

#### *Fair Trade*

The Ecocert Fair Trade certification program<sup>30</sup> applies to Fair Trade products, and includes 'organic or natural' cosmetics, detergents and home perfumes.



Key features of this certification are:

- long-term business commitments of buyers to producers
- annual audit of the key operators in the supply chain
- ethical considerations, including decent working conditions and guaranteed minimum prices

- environmental responsibility, including protecting biodiversity, developing organic farming, and encouraging local sourcing
- accountability, i.e. enhancing consumer information and awareness

### *Fairtrade International*

Fairtrade International is a non-profit, multi-stakeholder association; Fairtrade Australia New Zealand is its local arm for the promotion of fair trade and licencing of the FAIRTRADE mark.



Fairtrade sets Fairtrade Standards, prices and premiums, coordinates global fair trade strategy, advocates for fair trade, supports Fairtrade producers via networks, and certifies FAIRTRADE products (via independent certification company FLOCERT, owned by Fairtrade International).

The FAIRTRADE mark can be found on various products, identifying those that have been certified as complying with internationally-agreed FAIRTRADE Standards.<sup>31</sup> This system is primarily for individual commodities, however there is also a Fairtrade Trader Standard<sup>32</sup> that applies to traders who buy and sell FAIRTRADE products.

### *For Life and Fair for Life*

For Life and Fair for Life are complementary, internationally recognised certification standards that identify companies or products that embody respect for human rights, fair working conditions, the ecosystem and promotion of biodiversity, sustainable agriculture practices, and commitment to improving their local impact. They are initiatives of Swiss-based IMOgroup AG, part of the ECOCERT Group.



The For Life Standard<sup>33</sup> is company-based CSR certification. Businesses can use this standard to manage social and environmental risks, demonstrate their commitment to sound CSR practices via third-party certification, and identify

business partners/suppliers with similar CSR values and commitment.

The Fair for Life standard<sup>34</sup> is a product-based fair trade and responsible supply chains certification. It applies to products derived from 'natural raw materials', including cosmetic and beauty products, detergents and home perfumes.

Both standards include requirements relating to policy management, social responsibility, environmental responsibility, local impact, CSR/fair trade in supply-chain management, empowerment, respect for the consumer, certification and performance management.

## 4.2 Australasian Centre for Corporate Responsibility (ACCR)

The ACCR is a not-for-profit organisation that aims to improve corporate practices relating to issues such as environmental damage, product health issues, human rights, worker health and safety, integrity and transparency. It researches company performance relating to these issues, assists shareholder engagement to drive change, and advocates for improved rights of shareholders in having their issues addressed.

The ACCR's 2017 Human Rights Report<sup>35</sup> looked at 23 large Australian listed companies and their approaches to identify and address human rights risks in their value chains. It demonstrated a generally low level of understanding of human rights risk and risk management across these companies, but also that Australian companies performed roughly in line or better than their global counterparts, overall.

### 4.3 Consumer Goods Forum



The Consumer Goods Forum is a global, CEO-led organisation that brings consumer goods retailers and manufacturers together. Its aim is to ensure ‘better lives through better business’, including by facilitating retailer/manufacturer collaboration, securing consumer trust and driving positive change.

Its strategic initiatives include:

- environmental sustainability, with focus on climate change and waste
- social sustainability, with focus on decent working conditions
- value chains, with focus on improving industry collaboration for transparency and traceability

For example, the Consumer Goods Forum has taken a multi-stakeholder, cross-sectional collaborative approach to forced labour. In January 2016, it published its *Industry Resolution against Forced Labour*, based around three priority industry principles (see image, below).<sup>36</sup> The Forum is currently implementing pilot

**EVERY WORKER SHOULD HAVE FREEDOM OF MOVEMENT**

**NO WORKER SHOULD PAY FOR A JOB**

**NO WORKER SHOULD BE INDEBTED OR COERCED TO WORK**

programs based upon these principles, including one on palm oil.

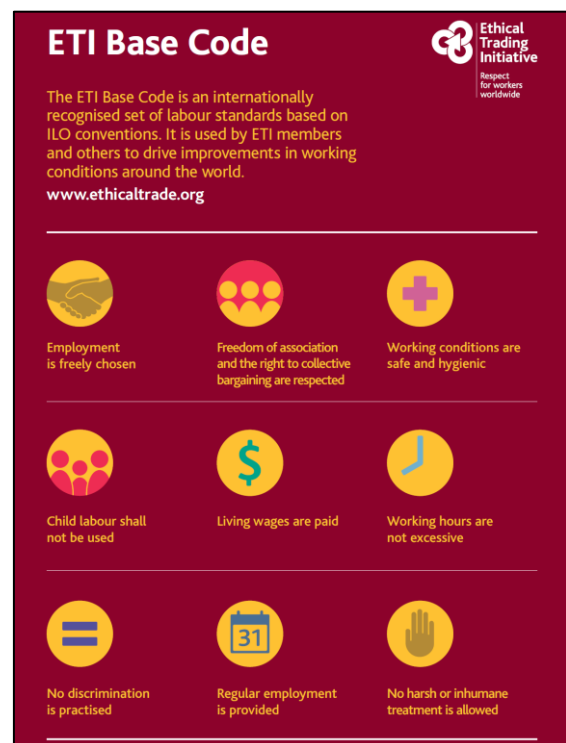
### 4.4 Ecolabel Index

Ecolabel Index<sup>37</sup> is a large global directory of ecolabels, covering 463 ecolabels in 199 countries, and 25 industry sectors. The index can be freely searched for summary information on these ecolabels, or subscribers can access full ecolabel profiles with over 60 data points, as well as filter by region, product category and other criteria, and compare different ecolabels.

### 4.5 ETI Base Code

The ETI Base Code<sup>38</sup> is founded on the ILO conventions (ILO) and is an internationally recognised code of labour practice. It is an initiative of the Ethical Trading Initiative, an alliance of companies, trade unions and NGOs that promotes global workers' rights.

The ETI Base Code consists of nine requirements (see image), supported by access to guidance material and resources.



## 4.6 Fair Traders of Australia

To be endorsed as a Fair Trader of Australia, businesses must demonstrate their commitment to the World Fair Trade Organization’s 10 Principles of Fair Trade (see image on next page).



This involves a detailed self-assessment against the 10 Principles, supported by producer and peer references.



material topics, related impacts, and how these are managed.

- *Universal standards* (applicable to all organisations): Foundation, General Disclosures and Management Approach
- *Economic standards*: Procurement Practices, Anti-corruption, Anti-competitive Behaviour, Economic Performance, Market Presence and Indirect Economic Impacts
- *Environmental standards*: Materials, Energy, Water, Biodiversity, Emissions, Effluents and Waste, Environmental Compliance, and Supplier Environmental Assessment
- *Social standards*: Employment, Labour/Management Relations, Occupational Health and Safety, Training and Education, Diversity and Equal Opportunity, Non-discrimination, Freedom of Association and Collective Bargaining, Child Labour, Forced or Compulsory Labour, Security Practices, Rights of Indigenous Peoples, Human Rights Assessment, Local Communities, Supplier Social Assessment, Marketing and Labelling, Public Policy, Customer Health & Safety, Customer Privacy and Socioeconomic Compliance

The GRI Standards can be used as a set to prepare a sustainability report; alternatively, selected GRI Standards or parts of their content can be used to report specific information, without preparing a full sustainability report.

## 4.7 Global Reporting Initiative (GRI) and Sustainability Reporting Standards

The GRI Reporting Framework is the most trusted



and widely sustainability reporting framework used in the world.<sup>39</sup> It comprises an extensive set of modular Standards, listed below, based upon which an organisation can prepare a report on its

## 4.8 ISEAL Alliance – Credibility Principles



ISEAL’s mission is to strengthen sustainability standards systems for the benefit of people and the environment.

With input from over 400 stakeholders, ISEAL developed a set of Credibility Principles<sup>40</sup> that represent the core values that underpin effective standards. Whilst these principles apply to standards setting, they can also be used to help evaluate the effectiveness of a specific standard. The 10 Credibility Principles are Sustainability, Improvement, Relevance, Rigour, Engagement, Impartiality, Transparency, Accessibility, Truthfulness and Efficiency.

#### 4.9 International Trade Centre (ITC) – Sustainability Map



The ITC is a joint agency of the World Trade Organisation and the United Nations. Its goal is to support the internationalisation of SMEs with a focus on improving conditions for women, young people and poor communities.

The Sustainability Map<sup>41</sup> aims to support sustainability practices in global supply chains by helping businesses throughout the value chain progress to more sustainable trade, both through increased understanding of the sustainability initiatives landscape and by facilitating connections with business partners.

There are three key components of the Sustainability Map:

*Standards Map*<sup>42</sup> – an online tool providing comprehensive, verified and transparent information on over 240 existing standards, codes and audit protocols. It covers criteria in areas relating to environment, social, ethical, quality and economic considerations. The tool can be used to identify relevant standards, compare standards, and self-assess performance against standards' requirements. It is searchable by sector/product, producing or destination region/country, or by standard name. The

product categories focus on raw agricultural commodities but there are also categories of “consumer products” and “industrial products”. There is also a “services” category. (Accord was successful in having our Recognised® commercial cleaning products ecolabel listed as part of the Standards Map.)

*Sustainability Network*<sup>43</sup> – a virtual marketplace to facilitate business connections along sustainable value chains. The Network allows users to share their business and sustainability profiles and to locate producers or suppliers of products or services.

Relating to the hygiene, cosmetic and specialty products industry, there are categories of ‘cleaning products’, ‘cleaning services’, ‘solvents’, ‘consumer products’, ‘chemicals’ – but no suppliers under these categories are currently listed.

*Sustainability Trends*<sup>44</sup> – production-related market trends relating to eight specific agricultural commodities (one of which is oil palm) and forestry, and to 14 voluntary sustainability standards.

#### 4.10 KnowTheChain



KnowTheChain<sup>45</sup> is a resource to help organisations understand and address forced labour risks within their global supply chains.

This initiative benchmarks current corporate practices and provides practical resources to enable companies to operate more transparently and responsibly. While it focuses on the ICT, food & beverage and footwear & apparel sectors, there are links to resources that are generally applicable.

#### 4.11 Standards – Australian



##### *AS 4707-2014 – Chain of custody for forest products and AS 4708-2013 – Sustainable forest management*

AS 4707 and AS 4708 set requirements for forest-derived products (AS 4708 was formerly known as the Australian Forestry Standard). The criteria cover sustainably managed forests, recycled material, controlled sources, health, safety and labour.

##### *AS/NZS 5911:2013 – General guidelines on the verification, validation and assurance of environmental and sustainability reports*

This document provides guidance on how an organisation can verify, validate and provide assurance of its environmental and sustainability-related performance.

##### *CB 023-2001 – A CAPITAL IDEA - Realizing value from environmental and social performance*

CB 023-2001 is a guidance document published by SAI Global and authored by Deni Greene Consulting Services in conjunction with Standards Australia and Ethical Investment Services. It aims to assist companies in capturing value from good environmental and social performance. The document is freely available.

#### 4.12 Standards – International



##### *ISO 14001:2015 – Environmental management systems*

ISO 14001 aims to assist organisations in enhancing their environmental performance through more efficient use of resources and reduction of waste. It specifies the requirements for an environmental management system that is in alignment with an organisation’s strategic direction and includes proactive environmental initiatives from a lifecycle perspective. Organisations can elect to be certified against this Standard, or it can be used as guidance. This Standard has also been adopted as AS 14001:2016.

##### *ISO 20400:2017 – Sustainable procurement – Guidance*

The first International Standard for Sustainable Procurement, ISO 20400, was published in 2017. This is a guidance document rather than a certifiable standard, aiming to assist organisations in effective integration of sustainability (environmental, social and economic) within procurement. It is relevant to any organisations or stakeholders involved in or impacted by procurement decisions and processes.

The standard provides information on what is sustainable procurement, how sustainability impacts the different aspects of procurement – policy, strategy, organisation, process – and how to practically implement sustainable procurement via a practical framework for procurement, CSR and other key functions to work together.

The following benefits of adopting ISO 20400 have been articulated:<sup>46</sup>

- Protection of reputation via efficient management of sustainability risks in supply chains
- Getting ahead of future client and regulatory requirements
- Taking a competitive advantage by seizing opportunities to innovate
- Demonstrating supply chain engagement to globally recognised indices

### *ISO 26000:2010 – Guidance on Social Responsibility*

ISO 26000 provides guidance on how organisations can operate in a socially responsible way, with ethics and transparency. Again, this is a guidance document rather than a certifiable standard, aiming to clarify what social responsibility is and to help organisations translate principles into effective actions and share best practices. It is aimed at all types of organisations.

ISO 26000 covers organisational governance, human rights, labour practices, the environment, fair operating practices, consumer issues, and community involvement and development.

### *ISO 50001:2011 – Energy management systems*

ISO 50001 aims to assist organisations in establishing systems and processes to improve energy efficiency, use and consumption, and thereby lead to reductions in greenhouse gas emissions, other related environmental impacts, and energy cost. The standard specifies energy management system requirements (policy, objectives, targets and action plans) and is based on a continual improvement framework that incorporates energy management into everyday organisational practices.

## 4.13 Sustainable Procurement Task Force – The Flexible Framework

The Flexible Framework<sup>47</sup> is a self-assessment mechanism that helps organisations measure and monitor their sustainable procurement progress. It was developed by the business-led Sustainable Development Taskforce, under the UK Department of Environment, Food and Rural Affairs (DEFRA).

The Flexible Framework is designed for use by organisations at any stage of sustainable procurement, with five levels of incremental goals ranging from foundation to leadership. The Flexible Framework covers five themes and focus areas:

- People: training and capacity-building via mechanisms to identify and address staff training needs
- Policy, Strategy and Communications: setting and communicating policy and strategy to meet overarching sustainable procurement objectives
- Procurement: key ways in which sustainability can be embedded into the procurement process
- Engaging suppliers: communicating and engaging with suppliers with openness and transparency
- Measuring results: measuring the impacts of actions taken to support sustainable procurement and demonstration of results

Companies can evaluate performance against the Framework using the downloadable evaluation tool<sup>48</sup>.

## 4.14 United Nations Global Compact (UNGC)



### United Nations Global Compact

The UN Global Compact (UNGC) encourages companies to align their strategies and operations with ten universal human rights principles around labour, the environment and anti-corruption:

Businesses should...

*Principle 1:* support and respect the protection of internationally proclaimed human rights

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

*Principle 3:* uphold the freedom of association and the effective recognition of the right to collective bargaining

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

*Principle 5:* uphold the effective abolition of child labour

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

*Principle 7:* support a precautionary approach to environmental challenges

*Principle 8:* undertake initiatives to promote greater environmental responsibility

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

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

In addition, the UNCG has developed *Fighting Corruption in the Supply Chain*,<sup>49</sup> which provides anti-corruption guidance and tools for customers and suppliers. It outlines the business case for

fighting corruption and provides a framework for customer-supplier engagement on this issue. It also gives several common supply chain corruption scenarios, identifies the characteristics of an effective anti-corruption compliance programme and some tools for fighting corruption.

The Sustainable Supply Chain website<sup>50</sup> is another initiative of the UNGC. This is designed to assist business practitioners in embedding sustainability in supply chains through links to initiatives, programmes, codes, standards, networks, resources, tools, and case examples of company practices, all searchable by issue, sector (including 'chemicals'), region and practice category.

## 5. CASE STUDIES

### Aloe vera: A S Harrison



A S Harrison & Co has partnered with Concentrated Aloe Corporation (CAC) to supply industry with quality, ethically-produced aloe vera.

Through close collaboration with farmers in Guatemala, CAC not only guarantees fair wage, respect and a healthy work environment, but also invests in the local community through job creation, agricultural improvement plans and accreditation assistance, and community development programs.

### Shea butter: The L'OCCITANE Group



The L'OCCITANE Group has built up a fair-trade shea butter industry in Burkina Faso.

The 100% fair trade supply chain consists of shea nuts being collected and locally processed into shea butter. L'OCCITANE contracts via five local unions of women's cooperatives and multi-year contracts, conducts training, on-site audits, invests in the local community, provides support for the development of additional local income-generating activities, and has collaborated on ecotechnology development to reduce the environmental impacts of shea butter production.

In 2013, the UN Development Programme as part of its 'Growing Inclusive Markets' initiative recognised the L'OCCITANE Group as an exemplary company for its actions in Burkina Faso.

### The Responsible Mica Initiative



The Responsible Mica Initiative<sup>51</sup> was formed in 2016 to eradicate child labour and unacceptable working conditions in the Indian mica supply chain. According to the Initiative, about 25% of world mica production comes from illegal collection in north-east India by over 20,000 children.

The initiative comprises members including mica collectors/producers in India, purchasers of raw or processed mica, and manufacturers using mica or ingredients containing mica. Several cosmetic member companies are part of this initiative, including Chanel, Clarins, Coty, Elizabeth Arden, Estée Lauder, L'Oréal, LVMH and Revlon.

## Sustainable Living Plan: Unilever



Unilever is recognised as a leader in sustainability via its Sustainable Living Plan<sup>52</sup>, the vision behind which is to ‘deliver growth by serving society and the planet’. Sustainable Living encompasses many social and environmental issues and contains clear targets to measure improvement and impact. Unilever publishes annual Sustainable Living Reports which include independently assessed achievements.

Sustainable Living has three big goals:

*Improving health & wellbeing* – including through targeted hygiene programs.

*Reducing environmental impact* – including through sustainable sourcing of agricultural raw materials, with 100% of its agricultural raw materials to be sourced sustainably by 2020 and the environmental footprint of the making and use of its products to be halved by 2030.

*Enhancing livelihoods* – including through:

- Fairness in the workplace, which includes human rights advancement (including throughout Unilever’s supply chain); fair compensation; improving employee health, nutrition and well-being; and building a safer business.
- Opportunities for women, including by challenging harmful gender norms; advancing diversity & inclusion; promoting safety; enhancing access to training & skills; enhancing entrepreneurial & life skills; and expanding opportunities in the retail value chain. By 2020, Unilever’s goal is to help empower 5 million women, improve the livelihoods of 800,000 smallholders
- Inclusive business, which includes connecting with smallholder farmers, empowering small-scale retailers and helping young entrepreneurs.

Unilever works in partnerships with a wide range of public, non-governmental and private stakeholders to increase impact.

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