The ethical decision
An executive guide to corporate social responsibility
Generating prosperity or “Responsible Prosperity” as I like to call it, has risen up the agenda of the vast majority of organisations in the developed world. It has become more commonly known as Corporate Social Responsibility (CSR) and is important to all organisations for the following reasons:

- Enhancing shareholder value
- Helping to increase revenue
- Ensuring increased knowledge of supply, enabling minimum risks from suppliers

The Chartered Institute of Purchasing & Supply (CIPS) considers this to be the number one issue in its role in helping organisations to responsibly increase prosperity, which creates obvious current and future benefits to the public good.

CIPS is an international organisation, based in the UK, serving the purchasing and supply profession. Awarded its Royal Charter in 1992, CIPS is dedicated to promoting excellent practice and provides a programme of continuous improvement in professional standards, raising awareness of the effective contribution management of supply markets makes to corporate, national and international prosperity.

This book has been designed to provide guidance on how organisations can gain benefits from CSR as described above, as well as increase the value for money from their supply base. This book will enable organisations to identify environmental risks and offer a range of potential solutions to mitigate these risks. It will also help organisations to gain a far greater understanding of the potential impact of sourcing designs on society as a whole. This will enable them to increase their success in the responsible way that all organisations should operate. CIPS can further help organisations to gain the benefits described from a range of practice development and people development services. To do this we are participating in consultations with FTSE4Good, an “ethically approved” Stock Exchange list, and with the current OECD proposed amended guidance on Corporate Governance and other various initiatives at the European level.
Closer to home, CIPS is striking up relationships with other key stakeholders on CSR such as the Ethical Trading Initiative; alongside this there is ongoing meetings with Senior Policy Advisers within Government to aid in the sharing of good practice amongst the supply side of organisations. In addition we continue to transfer knowledge to our membership by routes such as events, guidance documents etc.

**Section 1: Corporate Social Responsibility – What is it?**

Corporate Social Responsibility (CSR) has become the broadly accepted phrase to describe a collection of related disciplines, all of which combine to represent an organisation’s overall ethos – its personality, philosophy and character, as regards its role in the world in the largest sense.

An operational definition, coined by CIPS, is:

“CSR means the commitment to systematic consideration of the environmental, social and cultural aspects of an organisation’s operations. This includes the key issues of sustainability, human rights, labour and community relations, and supplier and customer relations beyond legal obligations; the objective being to create long-term business value and contribute to improving the social conditions of people affected by our operations.”

Among the increasing number of questions raised under the overall banner of CSR, the following are perhaps the most common:

**Sustainability** – what can be perpetuated, ad infinitum? Where might we be jeopardising such future security?

**Environmental Responsibility** – what obligations do we have to our surroundings, from local to global?

**Human Rights** – what fundamental human entitlements ought we always to observe, no matter what?

**Community Impact** – how do we interact with communities upon whom, directly or indirectly, we have an influence?

**Equality and Diversity** – in what ways might we improve our performance as regards fairness to all, in everything we do?

**Biodiversity** – where might we be contributing to a reduction in the number of interdependent species around us?

**Ethical Trading** – are all our purchases transacted with due regard to the needs and challenges of all involved parties?

**Corporate Governance** – does our system of internal reporting and responsibility match our espoused values?
Section 2: CSR – Why engage with it?

2.0 Introduction

Over recent years CSR has steadily moved up the agendas both of public and of private sector organisations. There are many compelling reasons for this: it can enhance – or endanger – relationships with customers, investors, regulators, critics, citizens, the media and suppliers. Procurement professionals are in a unique position to effect change in this area, given the key strategic role they play in many of these relationships.

Deciding where and how an organisation’s spending will be directed can boost profitability while at the same time adding to improvements in areas such as human rights, greenhouse gas emissions, community relations and product recycling. Of course, all these changes, carried out in strategic dialogue with all the leaders of the organisation – from human resources to marketing, from investor relations to risk management – can, in turn, further improve profitability – or, in the case of public sector bodies, Value for Money – as the following section demonstrates.

2.1 Reputation

Organisations’ valuations are increasingly based upon ‘intangibles’. A quick and easy way of demonstrating this fact is by deducting the value of physical assets – or ‘tangibles’ – from the value assigned by the market, as represented, for instance, in the case of a private sector organisation, by its total share value. Reputation is a core element of an organisation’s intangibles, and has a powerful impact on many areas of its operation, from human resources to government relations.

In the case of public sector bodies, the value of intangibles, while not being calculable using the above formula (there being no share-based market valuation), nevertheless plays an essential role, not only in its delivery to clients but also in its very survival. Where, for instance, leaders are elected, an organisation’s reputation for integrity, trustworthiness and professionalism is vital to the continued success of that body of leaders and, therefore, to the continuation of the organisation in its present form.

Payment on Time – do we honour our obligations where timely settlement of invoices is concerned?

Conclusions

CSR is such a complex area, it is worth exploring the overarching themes – the organisational challenges and potential benefits – in the light of the specific purchasing and supply management implications which can ensue. These matters will be explored in the following section.
Reputation is a notoriously difficult phenomenon to measure, yet, using the simple calculation outlined above, intangibles are often shown to represent as much as 70% of an organisation’s total value. Clearly, given this fact, it would be a mistake to focus exclusively on the 30% of an organisation’s value – its tangibles –, which can be measured down to the last penny, using conventional economic, accounting systems.

Being seen consistently to practise clearly articulated CSR principles in its procurement practices sends an unequivocal message to all stakeholders. This sits at the heart of an organisation’s ‘reputational capital’ and can add substantially to its success and longevity.

**Case Study**

Some years ago, a major construction company’s Board was keen to establish a ‘differentiator’ for their organisation when it came to tendering for Private Funding Initiative (PFI) projects in the UK. The team elected to establish a CSR programme, by means of which to improve social and environmental performance in the company’s activities as a whole. In this respect, the company was a front-runner since, at that stage, the construction industry had been slow to adopt CSR practices.

In the year following its introduction of this programme, the organisation’s PFI portfolio increased by several hundreds of millions. “We don’t know for sure quite how much of this success can be attributed to our CSR policies,” commented one of the team’s leaders, “but there haven’t been many other major changes in our approach to business, and we haven’t seen a leap like this in our success rate for years. Of course, we have also seen many other benefits from this initiative: staff members are more highly motivated; planners seem more sympathetically disposed towards us; our PR profile has improved and we’ve won a number of prestigious awards. We know this programme has delivered exceptional returns on our investment. Not knowing quite how big these returns are is not a problem we worry about!”

The company has continued to build its reputation for consistent awareness of CSR matters, particularly in its procurement policies. Its commercial success continues also.

**Procurement Pointer:** it pays to work closely with suppliers in the development and operation of a CSR programme: relationships are enhanced, value may be added for numerous parties and many unforeseen benefits can accrue from the dialogue thus stimulated.

**2.2 Risk**

There has been a succession of spectacular disasters over recent years in which organisations have suffered significant detrimental impacts or even complete annihilation due to a failure to address increasingly significant and visible CSR matters. The effective extinction of Andersen Accounting over the Enron scandal (not to mention the disappearance of Enron itself) is one case in point. This is by no means the only example of CSR-related risk proving critical to an organisation’s success – or failure.

A brief scan of the world’s management press reveals such stories as the agreement, in 2001, by the tobacco giants to pay a multi-billion-dollar sum to the families of those who had suffered health problems as a result of using the industry’s products. The fast food sector was recently faced with a class action suit in similar circumstances. The latter case was eventually dismissed by the courts but this did not entirely reassure the sector’s leaders, whose purchasing professionals are now charged with sourcing a whole new range of healthy ingredients.

CSR-based risk factors can emerge from a wide range of often-unexpected sources. Some organisations have discovered, with little or no warning, that, after changes in legislation, environmental land remediation costs, years after purchasing their premises, are so high as to reduce their real estate asset values by as much as 80%. Caveat emptor!

**Procurement Pointer:** even when procurement is not the immediate source of a CSR-related risk issue, its strategic importance means that there is almost always a procurement implication. The key role of Purchasing and Supply Management leaders in the framing of all risk-based policy cannot be overstated.
2.3 Legislation

In most parts of the world there is increasing legislation to improve organisations’ CSR performance. The Enron collapse, mentioned earlier in this document, was by no means the only stimulus for the recent enactment of the US Sarbanes-Oxley legislation. Not only does this Act require that US corporations’ leaders make personally binding legal commitments as to the accuracy of their organisations’ published accounts, it impacts upon all companies whose operations extend to the USA, whether headquartered there or not.

In France, new laws focus upon comprehensive and transparent CSR reporting. Similar legislation is in process in other parts of the world, most notably South Africa and Australia. The UK has seen several initiatives proposed, including the Corporate Responsibility (or ‘CORE’) Bill. Linda Perham, MP, who has tabled the Bill, said:

“More than 300 MPs have expressed their support for more comprehensive laws promoting better corporate accountability. The weight of opinion in Britain, Europe and around the world suggests governments must act. People are concerned by the growing social and environmental impacts corporate activities have on their lives. The Government must recognise this.”

This Bill, while also supported by many highly respected organisations and a significant proportion of the public (a poll for DEFRA found 71% of the British public agree that the Government should ask all businesses to report on their impact on the environment) is unlikely, for some time, to be translated into law in its current form. Legislation, which takes account of variations between sectors, individual organisations, nations and cultures, may be more likely to succeed. Many informed commentators insist that overly prescriptive laws can be self-defeating, leading to a ‘race for the bottom’ whereby simple legal compliance can create a ‘box-ticking’ culture. “Compulsory corporate responsibility runs the risk, as with many regulatory outputs, of enforcing the lowest common denominator rather than promoting the best possible practice,” suggests Business in the Community on its website.

With this potential problem in mind, the 2000 Amendment to the Pensions Act, 1995, required that Trustees of occupational pension schemes disclose, in their Statement of Investment Principles, whether they have an ethical investment policy. Pension schemes are not required to have an ethical investment policy, merely to state whether they have such a policy or not. CSR Minister Stephen Timms described this as “legislating with a light hand.” It avoids the potential problems mentioned above and has contributed (though, of course, one cannot tell to what degree) to a significant and growing shift in awareness of the ethical dimension to investment policies among UK organisations.

Perhaps the broadly acclaimed success of this approach was borne in mind during the framing of the 2003 Company Law Review and subsequent white paper, which requires of many companies a mandatory operating and financial review (OFR) as part of their annual report. The OFR must include reporting on ‘material non-financial risks’ (see ‘Risk’ above). The definition of what is ‘material’ in this context has been the subject of a government working party’s deliberations and current outcomes can be found at: http://www.dti.gov.uk/cld/financialreview.htm

Another matter which is vital to an understanding of legislation in the CSR sphere is that most of the contentious issues – global warming, ocean pollution, human rights and so on – are, by their very nature, transnational. When factory emissions in one country are shown to contribute to acid rain in several others, legislation which is bound by national borders is in no position to contribute to very meaningful change. Of course, many of the organisations, particularly in the private sector, whose CSR policies and actions can make a significant difference, are themselves also transnational.

With these facts in mind, transnational initiatives take on a greater significance. The EU has, in its deliberations as to whether legislation should be passed on the matter, continued to conclude that CSR should remain a matter for voluntary engagement. There are many commentators who maintain, despite this, that mandatory EU requirements, particularly for reporting, are highly likely in the near future. In the meantime, in October 2002, the European Union CSR Multi-Stakeholder Forum (EMSF) was launched.

The primary aims of the EMSF are to foster CSR, promote innovation and transparency and convergence of CSR practices and instruments. The deliberations of the EMSF will take some
time in reaching firm conclusions. Already, however, it is
becoming clear that there is a strong consensus to support the
dual theme that (for reasons similar to those mentioned above)
over-prescriptive legal measures are unlikely to succeed; yet
business should not be expected to substitute for public policies.
This suggests that a public sector/private sector partnership on
CSR policies and practices is likely to win most support in Europe.

Procurement Pointer: it is increasingly recognised that
national-level legislation is powerless to effect change in social
and environmental areas which are, by definition,
transnational. This has led to a rapid increase in the regulatory
role of transnational bodies such as the European Union in CSR-
related matters. There are, for instance, many emerging EU
Directives relating to Producer Responsibility and Human Rights.
The ‘Resources’ section of this document provides links for those
wishing to assess this issue in greater detail.

2.4 NGOs and Public Demand

Numerous changes have taken place in recent years, which have
led to a significant increase in the ability of NGOs and activist
groups to effect impacts, some of them quite profound, upon
organisations and their operations. Perhaps the best-known
example is the Brent Spar incident, involving Shell and Greenpeace.

Other instances include the public outcry against genetically
modified (GM) foods and the Jubilee 2000 campaign against the
perpetuation of Third World debt. The latter linked in with the
escalation of the anti-globalisation/anti-corporate campaign and
repeated street riots at World Trade Organisation meetings, which
came to international public attention during the late 1990s, only
being eclipsed by the devastating incidents of September 11th, 2001.

The keys to understanding this phenomenon are communication
and perception. Communication technology has evolved
exponentially. Where just a few years ago a small number of
people may have written to their favourite newspaper or formed a
local group to object to an organisation’s policies and practices,
today, millions of people can be mobilised in a matter of hours,
using e-mail, the internet and related, instantaneous, global
communications techniques which are close to being free of charge.

That such facilities enable inexpensive, rapid, mass access to a
common, global body of information, and to each other, is
potentially a significant advantage, when used appropriately. When
abused, however, like most potential benefits, it can prove to be a
double-edged sword. A recent report, for instance, by the
children’s charity NCH revealed that child pornography and the
associated convictions for contravention of the related laws had
increased 1500% since the late 1980s. The single biggest cause
said the report, is the internet.

The second key here is perception. The rapid spread of a message
to a large number of people does not necessarily make it true (the
Salem Witch Hunt in late 17th century New England being a
salutary historical lesson). Something similar took place in the
case of the Brent Spar incident. In fact, despite the fact that Shell
was made to seem wrong in its policy (which involved the sinking
of an obsolete oil rig in the North Sea), the company was later
vindicated and the ecological viability of its approach
demonstrated to be optimal, given the circumstances which
applied at the time. The reason Greenpeace ‘won’ the debate
(they have since confirmed that their science was flawed and that
Shell’s policy was vindicated by in-depth technical studies)
emerged from the public perception that Greenpeace were in the
right and that Shell was the ‘villain of the piece.’ Shell has since
spent many millions on its CSR programme.

The solution to this dilemma is to operate transparently wherever
possible and in dialogue with multiple stakeholder groups; this
will be explored further in Section III.

Procurement Pointer: More and more organisations have
recognised that today’s media and communications
sophistication mean that we all operate under an increasingly
intense public spotlight. The provenance of products and services
– as in the GM debate throughout the food industry – is a clear
example of this. Successful leaders have made a virtue of this
and, instead of erecting barriers to transparency, have invited
critics and commentators to participate visibly in the associated
dialogue. The ‘Tell Shell’ initiative, for example, in which the
company published comments from its most outspoken critics,
was a bold move, which significantly increased its credibility in
the marketplace.
2.5 Human Resources

The importance of CSR in Human Resources departments is demonstrably growing. It came as a surprise to many that Shell’s decision to embark upon its comprehensive and far-reaching CSR programme after the Brent Spar incident (mentioned above) did not rest primarily upon negative share price impacts or media coverage. Important though these factors were, there was another issue at stake: the change came when it was discovered that significant numbers of employees were ashamed to own up, outside the office, to working for the company.

Clearly CSR can play a vital role in motivating, developing and retaining existing staff. A clearly stated – and enacted – CSR ethos in an employer organisation tends to increase factors such as loyalty, morale, motivation, trust and pride. This, of course, produces significant economic benefits in numerous areas, including recruitment and induction training. Since Novo Nordisk, for instance, launched their Values in Action programme, which aligns their business objectives with sustainable development principles, the company has seen a 5% drop in staff turnover. Similarly Sears experienced a 20% reduction in staff turnover upon implementing their CSR policies.

Of course, the attraction of the best talent in the marketplace is another area where organisations often compete quite fiercely. Here CSR can come into its own in that recruits of the highest quality are more likely than almost any other category to make judgements on the basis of non-financial criteria. Knowing they can, to a significant extent, dictate their own remuneration packages tends to push people much more towards making choices based on the other attributes in an organisation. Here ethical values and reputation rank highly. At Shell, again, Head of Sustainable Development, Mark Wade has pointed out that, since the inception of its CSR programme, there has been important growth in attracting ‘key talent’, particularly in mature recruitment.

**Procurement Pointer:** Of course, no organisation can realistically profess to be dedicated to CSR principles in its recruitment and staff relations programmes while procuring products and services from inappropriate sources. An increasingly popular response is to build CSR topics into the education, training and internal communications facilities provided for key people such as executives, senior procurement staff and graduates.

2.6 Investor Relations

CSR matters are climbing rapidly up the investor relation’s agenda, as the following; taken from a January 2004 report in the London Financial Times demonstrates:

“Groups promoting the importance of climate change risk are becoming increasingly vocal. Last year, a report by the Carbon Disclosure Project (CDP) - an initiative representing 35 leading institutional investors that collectively control about $4,500bn in assets - found only 35 to 40 per cent of companies were taking steps to mitigate the financial risk to their businesses from severe weather events and new regulatory environments. Companies in emissions-intensive sectors failing to take action could see their value drop by up to 40 per cent, said the report.”

On a related topic, tables published by Munich Re, the reinsurance group, for 1951-1999, show that global damages due to weather-caused events have approximately doubled each decade, reaching $634 billion in the last decade. This suggests that the annual cost of damages could wipe out the entire world’s total GDP within the next sixty years.

Such shocks as these have stimulated the investment community to start taking very seriously the threats to their future success, which may be posed by failure, on the part of the companies in which they are invested, to address global environmental and social responsibilities.

Out of such concerns as this have emerged numerous initiatives, including the Association of British Insurers (ABI) guidelines on the management and disclosure of social, environmental and ethical (SEE) risk. The guidelines make it clear that SEE risk is seen as a core issue where shareholder value is concerned.

“Investing in Social Responsibility,” a report commissioned by the ABI, suggests that the following advantages may accrue from the adoption of a CSR approach:

- Increased stakeholder loyalty through engagement and dialogue
- Higher sales and more satisfied customers
• Attracting and retaining more talented employees
• Competitive advantage from responding more swiftly to new standards
• Reduced share price volatility
• Reduced regulatory intervention
• Access to and cost of capital

Simultaneously, CSR-based investment indices have emerged and are attracting increasing attention from many quarters. They include the FTSE4Good index, whose leaders state:

“In the future, companies will be measured by more than just financial success. That is why we created the FTSE4Good Index Series, a family of benchmark and tradable financial indices. FTSE4Good indices have been designed to measure the performance of companies that meet globally recognised corporate responsibility standards, and to facilitate investment in those companies.”

The Dow Jones Sustainability Index (DJSI) outlines its role as:

“...A cooperation of Dow Jones Indexes, STOXX Limited and SAM Group. By bringing together the expertise of two leading index providers and the world-renowned pioneer in sustainability investing, the DJSI family rests on a strong foundation to meet the growing market demand for professional, objective and reliable sustainability benchmarks...”

Companies are assessed with regard to general as well as industry-specific sustainability criteria based on sustainability trends. The criteria cover economic, environmental and social issues with a clear focus on long-term shareholder value creation. Examples include criteria on corporate governance, knowledge management, environmental performance, human rights policies etc. In total, the assessment comprises around 50 different criteria in each industry.”

(For access to more detail on the above, see the ‘Resources’ section of this document.)

**Procurement Pointer:** “Purchasing and Supply Management” is increasingly becoming a key component among the criteria for admittance to the CSR indices. Few procurement leaders would wish to be the cause of their organisation being declined access, or removed from the listings, due to non-engagement on CSR supply chain issues.

### 2.7 Conclusion

It can be seen that there are many compelling commercial reasons for engaging with the CSR agenda, and their number continues to increase. It is only too evident that the Head of the Purchasing & Supply Management function plays a central role in this debate. For example, perhaps the most sensitive area, in which a company is most exposed to criticism and adverse publicity, is its relationships with suppliers. No matter how many millions they invested in their CSR initiatives, Nike and Gap suffered intensely when they were accused of employing, directly or indirectly, sweatshop and underage labour in their supply chain. Indeed, matters have become so intense in this area that one organisation has committed a $250 million advertising budget to a new ‘anti-Nike’ footwear brand. Clearly there are business people astute enough to have hundreds of millions to invest, who can see a large market in consumers who would buy such ‘anti-brands’.

However, the overall commercial benefits of adopting a CSR strategy do not provide the whole story. It is vital that the P&SM Director is in strategic dialogue with the leaders of all other disciplines within an organisation. If a considerable number of the benefits of an ethical supply chain initiative are going to accrue to, say, the HR and PR disciplines, then all the relevant leaders must be involved as early as possible in creating a ‘whole greater than the sum of the parts.’ Not only can all the potential beneficiaries then plan to maximise the advantages to their departments, they may well be induced to inject significant resources from their own budgets, adding to the impacts and effectiveness of the CSR programme for all concerned.

As in all areas of Purchasing & Supply Management, it is increasingly important that experience and practice go considerably beyond the technical. Vital though they are, the measurement and analytical disciplines must be used in conjunction with ‘soft skills’
such as interpersonal communications and change management. Only when CSR becomes embedded in an organisation’s culture, informing the thoughts, words and deeds of everyone, does it really deliver its full range of benefits. These matters are not always critical but frequently can prove to be so, sometimes only with the wisdom of hindsight. Managed poorly, CSR issues can be value-destroying; managed actively, they can maintain value; managed well, they can be value enhancing. Optimal performance requires that CSR becomes a ‘business as usual’ matter within Purchasing and Supply Management.

The route to success for P&SM Directors is to take ownership of the issue and embark on an analysis of what attitudes and practices exist within the organisation. Only in this way will the consequent benefits be achieved and risks mitigated.

These matters will be explored in greater depth in the following section.

Section 3: CSR – What are the essential supply chain issues?

3.0 Introduction

We have seen in Section II that, contrary to a quite widespread body of opinion, there are many cogent arguments for the adoption of a CSR programme no matter what part of the organisation one may occupy. It was once, in the opinion of many, a ‘nice to have’ – a luxury one could afford if everything was proceeding nicely in all other ways. This is very much not the case today. Apart from its having become a source of competitive advantage in an increasingly league-tabled world, there are significant opportunities presented by engagement with this agenda, opportunities which would be missed by ignoring it. A good deal of these emerge from suitably well planned Purchasing and Supply Management. This section will address what that involves.

3.1 Policy, Strategy, Governance

No supply chain CSR policy can be developed in isolation or exist in a vacuum. Not only, as we have seen in Section II, does it need to be formulated in collaboration with the leaders of the other key disciplines; it must be aligned with the CSR policy of the organisation as a whole. For this to be possible, the policy must be robust and meaningful: it must stand up to scrutiny from a wide range of interested parties and must take account of their particular needs, viewpoints and contributions. In this way, another vital criterion for success can be met: ownership. Those who have had a hand in – or simply been kept informed during – the formulation of policy will tend to feel a sense that they co-own it. A CSR procurement policy which is imposed as ‘yet another management diktat’ is doomed to fail.

Policy must deliver what the organisation as a whole is aiming for in CSR terms, whether that is sector leadership or ‘followership’ (and both, at any given stage, may be legitimate aims). It is also vital that CSR commitments are entirely practicable within overall existing policies in more general terms, such as VFM or cost down.
Just as the CSR procurement policy needs to fit into the overall policy of the organisation, it must also be integrated with the existing sourcing governance and policy structure. A CSR procurement policy that sits outside the main sourcing governance structure and methodology will, inevitably, create unwanted tensions and contradictions. ‘Joined up thinking’ is fundamentally important here. Once this has been achieved, the CSR supply chain programme has the foundations it needs in order for the next stage to be initiated.

3.2 Product and Service Analysis

The analysis of products and services invariably raises a wide range of CSR issues that were not immediately apparent. As one works through the list of procured items, more and more matters tend to emerge (of course, with a solid policy foundation already developed, this should present few insoluble problems!)

P&SM Heads need first to establish their position on whether they propose to:

a) Analyse every product and service purchased from a Life Cycle Assessment (LCA – see box below) perspective for environmental credentials and, say, to apply human rights criteria for the social standards.

b) Group products & services into broad “Spend Areas” and assess the general environmental and social impacts, for example:

- IT, Electronic Equipment & Telecommunications
  - Desktop Computers
  - Office Equipment
- Marketing & Advertising
  - Printed Materials
  - Promotional Items
- Staff & Professional Services
  - IT Developments & Software
  - Training
- Overhead & Support
  - Fleet Acquisition
  - Office Supplies
- Facilities
  - Electricity
  - Catering
- Raw Materials
  - Plastics
  - Chemicals
- Food & Clothes
  - Catering
  - Protective wear

c) A combination of approaches a) & b)

In assessing the above, individual industry sector plays a central role in each case. For example the pharmaceuticals and retail sectors tend to have high environmental impact; apparel and mining, on the other hand, are more often exposed to risk in human rights and may conduct analysis on a product-by-product basis. Service and information technology sectors tend to adopt approach b), applying CSR decisions by grouping.

This phase of the process can prove to be a complex and highly challenging one, often requiring specialist advice. It is critical, however, as the success of what will arise in successive phases rests, to a very significant degree, upon selection of the most appropriate methodology here.

3.3 Risk Ranking Modelling

No two organisations will have precisely the same requirements here and, by definition, a unique risk-ranking model will need to be developed by each. Some core issues, however, are applicable.
in almost all cases; these include:

**Identification**: Applying the Risk Ranking Modelling (RRM) to the chosen way of defining Products & Services (see 3.2, above)

**Analysis**: Assessing defined Products & Services according to the environmental and social impact across the full life cycle (see 3.2, above) or “life stages”, for example:

**External à Manufacture/Provision and Internal**: Sourcing Decision à Use within Organisation à End of Life Disposal.

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<thead>
<tr>
<th>Environmental Risk Ranking</th>
<th>Action Required</th>
<th>Description of Action</th>
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<tbody>
<tr>
<td>Very High</td>
<td>Refer to appropriate CSR representative</td>
<td>Consider alternative methods/purchasing options.</td>
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| High                        | Special Management Action              | • Priority for active engagement of suppliers.  
|                             |                                        | • Inclusion of question set (see below) within the tender stage. |
| Moderate                    | Management Action as a minimum         | Inclusion of question set (see below) within tender stage. |
| Low                         | General Action.                        | Inclusion of a generic environmental performance questionnaire within the tender stage. |

**Case Study**

Toyota North America performs its analysis using four life cycles: Design, Manufacture, Sales and Recycling. In this case, a true evolutionary development is increasingly achieved, in that, as the organisation becomes more successful, recycling criteria (Life Cycle IV) are built into the design process (Life Cycle I), providing for continual, cyclical improvement. Procurement thus becomes a central issue in both design and disposal and a key to success. In one notable case, a large proportion of the steelwork in a new Toyota building was sourced from the company’s end-of-life vehicle (ELV) programme: recycled Toyota vehicles provided a significant proportion of the structural steelwork in the new building.

Analysis of products & services from an environmental and/or social perspective can be a technically complex undertaking: strong consideration should be given to engaging appropriate external assistance in this matter. Any chosen specialist should work in partnership with the organisation to ensure this crucial stage of the supply chain process incorporates any relevant internal CSR objectives.

**Evaluation**: Once the RRM for environmental & social issues is established, consideration should be given to introducing any additional “filter” criteria: e.g. business criticality or amounts of spend. This will then provide a weighted risk-ranking model, which, in turn, should drive management action.

**Management Action**: This is where decisions are made regarding the robustness of action the organisation wishes to take during direct engagement with suppliers – either through the tender process or with existing suppliers. Management Action should be linked to the risk ranking of the product or service.

For example:

<table>
<thead>
<tr>
<th>Environmental/Social: what are the specific environmental criteria that apply in our case? What are the social criteria?</th>
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<tbody>
<tr>
<td>Environmental criteria typically include:</td>
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<tr>
<td>• Global warming impacts</td>
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<tr>
<td>• Sustainable resources</td>
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<tr>
<td>• Local air quality</td>
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<tr>
<td>• Land/water contamination</td>
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<tr>
<td>• Legal compliance</td>
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<tr>
<td>• Atmospheric ozone depletion</td>
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<tr>
<td>• Resource consumption</td>
</tr>
<tr>
<td>• Solid waste</td>
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<tr>
<td>• Hazardous materials</td>
</tr>
<tr>
<td>• Reputational risk</td>
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</tbody>
</table>
Social criteria typically include:

- Country of origin
- Minimum working ages
- Bonded labour
- Union access
- Political regimes
- Forced labour
- Prison labour
- Wages

### International human rights treaties containing internationally recognised standards that business must respect

<table>
<thead>
<tr>
<th>Regional human rights treaties containing internationally recognised standards that business must respect</th>
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<tr>
<td>International Covenant on Civil and Political Rights (1966)</td>
</tr>
<tr>
<td>(Right to life, freedom from slavery and forced labour, non-discrimination, freedom of expression and assembly, and others.)</td>
</tr>
<tr>
<td>International Convention on the Elimination of All Forms of Racial Discrimination (1966)</td>
</tr>
<tr>
<td>Convention Against Torture and Other Cruel, Degrading Treatment or Punishment (1984)</td>
</tr>
<tr>
<td>International Covenant on Economic, Social and Cultural Rights (1966)</td>
</tr>
<tr>
<td>(Right to work, fair wages, and healthy conditions, freedom of association, and others.)</td>
</tr>
</tbody>
</table>

### Regional human rights treaties containing internationally recognised standards that business must respect

<table>
<thead>
<tr>
<th>Specific international conventions, principles and codes that business must respect</th>
</tr>
</thead>
<tbody>
<tr>
<td>UN Basic Principles on the Use of Force and Firearms by Law Enforcement Officials (1990); UN Code of Conduct for Law Enforcement Officials (1979); Convention on Elimination of All Forms of Racial Discrimination (1966); Convention on the Protection of the Rights of All Migrant Workers and Members of Their Families (1983); International Labour Organization Convention No. 95 on Freedom of Association and Protection of the Right to Organise; UN Declaration of Human Rights (1948); UN Global Compact (2000); OECD Guidelines on Multinational Enterprises (2017); ILO Tripartite Declaration on Fundamental Principles and Rights at Work (1998); UN Convention on the Rights of the Child (1989); and others.</td>
</tr>
</tbody>
</table>

### 3.4 The Sourcing Process

In order to create a sourcing process that is successful, rigorous question sets need to be created for distribution to suppliers. These will be used to rank suppliers of products and services according to their CSR credentials. It is important at this stage (in order both to take full advantage of, and to avoid conflicting with, all the work done up to this point) that the question sets are consistent with overall Group CSR strategy and aligned with the objectives sought by the procurement division. They must also be formulated in a way to which suppliers and potential suppliers can respond promptly and usefully. This requires that they are readily understood by a wide variety of respondents among suppliers’ personnel, most of whom will be non-specialists.

It must also be borne in mind that the question sets will trigger an interpretation function when they are returned. For this reason, their formulation must take account of the need for procurement professionals to ‘compare apples with apples’ when analysing the responses, so as to provide clear and fair supplier ratings.

Numerous other key characteristics apply to the development of an organisation’s question sets in this context. This is the most critical part of the supply chain CSR management process. It is here that the biggest risk and the biggest opportunity lie. A methodology needs to be developed which meets all the criteria in the following checklist. It must be able to:

- Be operated by non-specialist (on environmental and social issues) procurement staff
- Assist procurement personnel in comparing the environmental and social performance of potential suppliers
- Provide opportunities for suppliers to be able to differentiate themselves on the basis of their environmental and/or social performance and facilitate positive selection in relation to differentiated products and services
- Demonstrate commitment and foster a joint approach to continuous improvement in the supply chain
- Identify management information needs and ensure data availability from chosen suppliers
- Identify and facilitate action upon key reputational risks and opportunities
Questions should be:

- Consistent with overall Group CSR objectives
- Intelligent: what do we want to achieve in key areas, such as:
  - Legal compliance
  - Environmental products
  - Recycling
  - Region of origin
  - Human rights issues
  - etc
- Appropriate to the level of risk identified in the Risk Ranking process (see Risk Ranking, above)
- Simple for suppliers to complete
- Uncomplicated for procurement professionals to analyse and provide supplier ratings, providing, where possible for yes/no answers with additional information only where specifically needed (see sample questions panel below)
- Enable sufficient information to be gathered in order to assure:
  - Minimisation of CSR-related risks
  - Maximisation of CSR-related opportunities

Sample question set:

<table>
<thead>
<tr>
<th>Issue</th>
<th>Question Set</th>
</tr>
</thead>
<tbody>
<tr>
<td>Environmental Management</td>
<td>What efforts does your company take to manage its environmental impacts?</td>
</tr>
<tr>
<td></td>
<td>a) Certified Environmental Management System (EMS)</td>
</tr>
<tr>
<td></td>
<td>b) Working towards EMS certification</td>
</tr>
<tr>
<td></td>
<td>c) Operating an uncertified company-wide EMS (with no current plans for certification)</td>
</tr>
<tr>
<td></td>
<td>d) Currently developing and implementing a company-wide EMS</td>
</tr>
<tr>
<td></td>
<td>e) No EMS planned but Environmental Policy in place</td>
</tr>
<tr>
<td></td>
<td>f) None at present</td>
</tr>
<tr>
<td>Social: Human employment</td>
<td>Please state how compliance with your Rights &amp; policy is monitored and enforced</td>
</tr>
<tr>
<td>Employment Practices</td>
<td>a) Site visit or audit by a recognised third party authority? Please attach details of audit body and terms of the agreement</td>
</tr>
<tr>
<td></td>
<td>b) Site visit or audit by an in-house team? Please attach details</td>
</tr>
<tr>
<td></td>
<td>c) Other means? Please give details</td>
</tr>
<tr>
<td></td>
<td>d) No verification</td>
</tr>
</tbody>
</table>

As we have seen, central to the operation of any CSR procurement is the risk and opportunity profile. Whether directly or indirectly related to purchasing and supply, these are increasingly important matters for all the strategic leaders of any organisation. One cannot overstate the importance of these related issues:

To mitigate CSR risks: from reputation to litigation, the risks can be considerable. In just one week in 2003 we saw the Bank of England facing a possible £1 billion in damages over its role in a colossal banking fraud; a report showing that media coverage of CSR issues had increased by no less than 400% in the last three years; the chairman of one of the UK’s largest companies being asked to stand down; a former Fortune 500 Chief Financial Officer pleading guilty to charges that may send him to prison for a decade; several of the world’s largest management consultancies shedding top management and closing down their tax shelter divisions after severe criticism over ethical standards; and an audit suggesting that one of the world’s largest retailers may have been contravening child labour laws. In most or all of these cases, procurement has a key role in some way.

To identify value-adding opportunities: there are few better places than this to make substantial direct economic benefits, in addition, that is, to the indirect ones created in areas such as brand equity, media profile and staff motivation. For instance, there are almost always significant savings to be made in energy use, materials and fuel consumption. Once embarked upon a CSR supply chain programme many organisations have found innovative ways of
collaborating with suppliers, for instance, to create collaborative logistics systems, or recycling initiatives, leading to savings which can benefit the purchaser and make the supplier more competitive. One financial services organisation has – in conjunction with its supplier – identified the environmental benefits of online banking in reducing the need for paper statements, which have always been sent to customers. This initiative has the added advantage, once implemented, of saving several million pounds per annum in postal costs, since so many paper statements will no longer need to be sent to account holders.

The way to optimise both risk mitigation and added value opportunities is to ensure that as many participants as possible are involved on an ongoing basis in the process. If staff and suppliers are continually kept up to date with developments and invited to contribute, not only is the ‘ownership’ issue (see Section 3.1, above) successfully addressed, it can create many unforeseen breakthroughs. This approach to ‘constant mindfulness’ is illustrated well in the following case study:

### Case Study

**a)** In a £150 million construction project, the main contractor invited not only staff, but also suppliers, to attend ongoing CSR workshops. In the early stages, after a series of introductory days covering the essentials of sustainability, participants were encouraged to ‘brainstorm’ for solutions and opportunities. When one of the roofing contractors suggested doubling the roof insulation, her Financial Director objected that this would almost double the cost. The plumbing contractors, however, suggested that, with this extra insulation, there may be a reduction in the cost of the heating systems in the building. This proved to be the case – in fact the reduction in plumbing costs paid for the increased insulation in a ‘contra’ arrangement which benefited all concerned.

**b)** It was also noted in the workshops that plasterboard constituted the single biggest volume of material to be found in the on-site waste disposal facilities. Purchasers and suppliers got together and created a unique recycling operation whereby plasterboard offcuts were used to create new plasterboard. The effectiveness of the system was optimised by adding a logistics element, whereby offcuts were collected by the trucks delivering new plasterboard to the site, returning it to the manufacturers for recycling.

In both the above cases there were important additional advantages also. For instance, in a) there have been considerable heating system energy savings ever since the completion of the building and in b) the contractors made significant savings in skip hire for waste management, as well as in the rapidly rising landfill taxes which would otherwise have been incurred through disposal of the plasterboard. Of course the manufacturers also now had a high-profile and competitive recycled product to add to their portfolio.

The collaboration between purchasers and suppliers in the management of CSR issues produces many additional benefits also. For instance, a balance can be struck, in this way, between specialist supplier knowledge, where it exists, and specification on the part of purchasers.

In the public sector, a somewhat different set of priorities, of course, sometimes applies. For instance, in 2003, the UK Government issued its “Framework for Sustainable Consumption and Production”. This includes a section relating to government procurement, “…we will be rolling out changes to guidance, setting clear environmental standards in areas of our own purchasing and issuing more comprehensive information about product specifications over the coming year.” The Head of P&SM may be faced with the conflict between potential premiums for specifying environmental standards & delivering “best value”. By developing intelligent question sets a balance can be achieved – often delivering both environmental and social benefits in a financially acceptable way.

### 3.5 Internal Delivery

Internal delivery is a critical element in the success of CSR Purchasing and Supply Management. As elsewhere, the key is to make it very clear to procurement personnel that this is not only a discipline but also an opportunity to achieve multiple benefits, including cost reductions.
3.6 Partnership Development

As shown above, working in partnership with key suppliers can deliver very significant benefits for both parties. Many gains, often quite unforeseen, can be achieved by putting a number of suppliers together with procurement professionals in CSR learning and exploratory processes.

The Risk Ranking Model (see 3.3, above) should provide the means to determine where the best opportunities exist to move to products and services – and, therefore, suppliers – that provide significant CSR improvements.

There are many options here and specific outcomes of the above phases will determine the course selected in each case. One approach involves working with key suppliers specifically on CSR issues. This can be expensive and may involve specialist external facilitation but consistently produces the best results.

Another way to engage is to design a process whereby CSR matters are built into an existing Supplier Development programme. This can provide results at lower initial costs and help to bring CSR matters into the mainstream; however, they can become lost within a large scope of general procurement issues. Risks and opportunities, in this approach, may also be missed, or addressed incompletely.

Case Study

A major global financial institution was undertaking analysis in order to award its international corporate clothing contract and had identified one prime contender. This supplier scored very highly on a wide range of important criteria, including price, delivery period, product quality and after-sales service. Its CSR performance, however, was less impressive. Instead of excluding this potentially valuable supplier on the basis of this one low score, the contract was finally awarded to them on condition that it work together with its client to develop and implement a comprehensive CSR programme.

Once completed question sets have been returned by suppliers, internal management and use of the information takes over. For the majority of procurement personnel the body of data provided will be a valuable resource, enabling them to enhance the effectiveness of their purchasing in a wide range of ways, which are advantageous to the organisation.

The vital discipline at this stage is care in the integration into existing procurement methodologies & systems: it is inadvisable, for example, to develop paper-based risk ranking models and question sets if the existing supplier assessment process is e-enabled. The reverse, of course, is also true.

When initially scoping and designing the CSR supply chain programme, final information delivery methods should be an integral part of the process. For some organisations, simple paper-based assessment of completed question sets is sufficient: in-house staff may enter data received in response to questions and then prepare the reports required for the decision-making procedures.

In some cases, in-house staff will enter digital data as part of an e-enabled system managed entirely by the procurement team. Other organisations will want potential suppliers to complete their question sets on-line and the results scored automatically for the purchasing professional.

This will have development cost implications – especially where a fully e-enabled solution is sought. Often existing e-procurement tools do not include CSR related issues and these, therefore, have to be developed on a bespoke basis.

Whatever the chosen delivery method, it is important that training is provided on how to use the CSR Purchasing and Supply Management tool. Furthermore, as we have seen elsewhere, ‘joined-up thinking’ provides optimum benefits in this area also. Where advantages in, for instance, staff motivation and pride throughout the organisation are capable of being created by the CSR supply chain programme, internal communications are essential. The organisation’s intranet, staff publications or events may be the most appropriate vehicles.
3.7 CSR Reporting

It is becoming standard practice – in both the private & public sectors – to produce annual reports on environmental and/or social policies and achievements. Reporting on supply chain performance should be an integral component of this reporting process. Procurement departments can add value to the quality and value of these reports by:

- Demonstrating a robust methodology to assess CSR issues across the supply chain: report data readers, particularly the increasingly important professional verification specialists, will require clear evidence that proven, replicable assessment techniques have been consistently applied in determining the credentials and performance of suppliers
- Ensuring environmental & social data is available from suppliers: the provision by suppliers of reliable information requires that their contracts call for data relating, for instance, to energy consumption, packaging, transport, greenhouse gas emissions and human rights
- Requiring case studies: not only do case studies – both positive and negative – provide examples of the ‘real time’ manifestation of CSR principles, they also ‘bring alive the reporting process, providing readers with opportunities to interpolate and extrapolate to their own circumstances, making the reporting organisations’ discoveries more meaningful and more widely applicable

3.8 Key Suppliers – CSR Auditing

Probably the most important issue in CSR auditing is the identification of the precise areas where risk exists. Here, many organisations have historically addressed their first-tier suppliers and assumed that these organisations, in turn, will deal with risks further down the supply chain.

This has increasingly proven to be an ill-advised approach. Media exposés involving clothing retailers are a clear example: Nike or Gap may have very high standards, but a media exposé of a fourth-tier supplier may still prove to be the cause of a major negative impact on brand equity.

The answer is to use the Risk Ranking Model (see 3.3, above) to identify where real risk applies and to work on mitigation measures with suppliers at all relevant levels. This also provides a means by which to gauge the level at which the pro-active involvement of all suppliers might be assessed, the message being: ‘we will require your organisation to be involved in risk assessment at all times.’

The rotation of auditors on a one-, two-, or three-yearly basis, can add significantly to the effectiveness and credibility of this process. This, of course, adds significantly to the strategic need for purchasing professionals to be involved in the selection and management of auditors.

The outcome was that within one year a robust CSR system was created and rolled out across all tiers of the supply system. The lead supplier won a prestigious award for its CSR work, as did the commissioning client for its own success in driving this initiative forward.

Among other important lessons, this case study reveals the strategic importance of Contract Management, focusing upon ongoing monitoring and continuous improvement. The partnership approach to CSR – working with suppliers to co-create solutions, incremental improvements and breakthrough innovations – frequently leads to important benefits for all parties concerned.
Section 4: CSR – Who’s doing it?

Case Studies

British Telecom

British Telecom has been actively committed to Corporate Social Responsibility for many years. More recently, however, a number of programmes have been initiated within BT’s Purchasing & Supply Management department to ensure key CSR issues are addressed with BT suppliers. These programmes aim to achieve the following goals:

- To demonstrate company values and promote BT business principles with its suppliers
- Proactively to protect and enhance BT’s brand reputation
- To assess and manage ethical and environmental risk in BT’s >£5bn supply chain
- To maintain BT’s ISO14001 registration and meet legislative requirements
- To encourage diversity in BT’s supply base

To ensure BT acts responsibly towards the environment a virtual team of procurement professional and environmental specialists was assembled and it proceeded to create a comprehensive CSR supply chain programme which:

- Provides an online post-contract environmental risk assessment tool. This system allows suppliers to enter key information about their environmental policies and procedures. It then automatically provides the BT team with the data they require to determine if they need to work with the suppliers on a continual improvement basis
- Incorporates a custom-designed pre-contract questionnaire for suppliers of electrical or electronic equipment to complete concerning legislation such as the EU Directives on Waste Electrical and Electronic Equipment (WEEE) and Restriction on use of Hazardous Substances (RoHS)
- Involves a thorough environmental auditing system for waste disposal contractors which results in every supplier being assessed at least once a year

Training programmes for BT staff and external schemes for suppliers are built into the system, as are such features as ongoing research into improving the proportion of recycled product procured. A supplier diversity programme has also improved the organisation’s success in promoting areas such as sourcing from ethnic minority and disability groups.

Working with BT’s Social Policy Unit, the P&SM team became first in its sector in April 2001 when it released its ‘Sourcing with Human Dignity’ standard to address human rights issues. This has proven to be an exceptional success in numerous ways, including the spread of CSR awareness across an industry-wide group of telecommunications organisations.

BT has achieved the goals it set out to reach: the BT brand has been protected and enhanced; the ISO14001 registration has been maintained; ethical and environmental risk has been quantified and thoroughly managed; diversity in the supply chain has been enhanced. In addition, other benefits have accrued, including:

- Numerous awards for environmental, social and ethical excellence
- Listing on the FTSE4Good Index
- Top sector ranking on the Dow Jones Sustainability Indices
- Accolades in several highly-publicised CSR analyses
- Demonstration of risk management to investors
- Improved dialogue and collaboration with suppliers
- Significant savings in areas such as energy use

OGC Buying Solutions

OGC Buying Solutions is an executive agency of the Office of Government Commerce in the Treasury, and hosts the annual Public Sector Expo (PSE), an event aimed at public sector buyers. The latest PSE was organised by Liverpool-based specialists Evensis
and took place at ExCel, London. This was the first show of its kind pro-actively to operate under its own clear sustainability policy, developed on the basis of the government’s sustainable development initiative.

In the words of Clare Poulter, OGC Buying Solutions’ Deputy Chief Executive:

“Sustainable procurement is part of corporate social responsibility. Setting out to be an exemplar within the exhibition industry, PSE strove to follow sustainable best practice to run a successful event that works for a high volume of visitors and exhibitors.”

Evensis are members of the Association of Exhibition Organisers (AEO). AEO recently launched its memorably-named Sustainable Exhibition Industry (SEXI) project. This followed, inter alia, a year-long study of waste within the industry. As Richard Weston, Managing Director of Evensis commented:

“An exhibition is in essence a collection of temporary structures and these invariably end up in the skip as soon as the show closes. I am determined to find a better way.”

Areas covered within the PSE sustainability strategy include:

• Materials substitution
• Waste minimisation
• Recycling
• Energy efficiency
• Transport
• Social and economic development
• Catering

As with all successful CSR-related P&SM ventures, a high priority was placed upon partnership and collaborative approaches to problem-solving and opportunity creation. All exhibitors and contractors were contacted by the organisers and invited to participate in the process by, for instance, providing information on their own internal policies in this area. Preference was given to those who could be seen to be following responsible practices. Encouragement was also provided by this means to those who were less well advanced in their own existing CSR programmes. Considerable learning was achieved also, both through each participant’s own involvement in following the sustainability strategy of PSE and also through interaction with other exhibitors, suppliers and contractors.

A high degree of innovative thinking and research was stimulated by this initiative, particularly among the organisers and hosts. This is not without its challenges, as Richard Weston points out:

“Being the original thinking behind the idea is very exciting but it does have its drawbacks. There isn’t anywhere to turn for advice, or when something goes wrong. Hopefully others can learn from our mistakes.”

Among the many successful outcomes of this pioneering venture were:

• Recycled paper was used for all visitor information
• Eco-friendly, fair-traded re-usable calico bags were sourced from an Indian supplier using ethical trading standards
• Packaging material was recycled as filler material within one company’s dispatch warehouse
• Suppliers were encouraged to exhibit responsible products and delighted to find a ready market for them at the show, thus creating a ‘virtuous circle’
• Exhibitors were encouraged to make greater use of modular, re-usable display systems, thus saving money
• Low energy lighting options became part of the standard exhibitors’ packages
• Attendees’ handouts, floor plans, delegate manuals and registration documents were provided in digital rather than in paper form wherever possible, both during and prior to the show
• Waste was minimised, saving money in many areas, including landfill tax. (This also ensured that participants’ Duty of Care under Section 34 of the Environmental Protection Act was met.)
The council is the largest employer and the largest purchaser in the borough. In an ideal world, much of this expenditure would be local – keeping the circulation of taxpayers’ cash within the borough and assisting local business, job creation and regeneration. However, the council has an obligation to secure Best Value for its citizens when procuring goods and services, and to work within European and national legislation.

Over 90% of workplaces in Haringey are categorised as small and the average workforce comprises just nine employees. Around half are black- and minority-owned. The particular difficulties that small and medium-sized enterprises (SMEs) and black and minority ethnic enterprises (BMEs) have in winning contracts from the public sector are notorious – and documented in detail in reports from the Better Regulation Task Force, Ethnic Minority Business Forum (part of the DTI) and others.

So, how, in the face of such apparently insuperable barriers, might Haringey Council hope to achieve Best Value in P&SM and encourage regeneration through its procurement activities? The Corporate Procurement Unit is developing and implementing a range of innovative and far-reaching policies and getting the entire council to buy into them. There are two distinct planks to this: Haringey’s Supplier Adoption Strategy and its work on Equal Opportunities.

Haringey’s Supplier Adoption Strategy includes four key elements:

- Local Works Project: this scheme assists local SMEs in becoming fit to compete for contracts from both the council and other purchasers
- Trade Local: a multi-stakeholder project that seeks to break down barriers between public sector and local SMEs encouraging Best Value in procurement and local trade and regeneration
- Migration Policy Group: Haringey is the only local authority to sit on this transatlantic working group, along with British Telecom, Hewlett Packard and others, the council leads in the development of international policies in the development of supplier diversity
- E-procurement: Haringey, like every local authority, is working towards the 2005 deadline for e-government. Uniquely, among e-procurement systems, however, Haringey’s approach

Haringey Council

Haringey is a borough of sharp contrasts. To the West are affluent areas such as Muswell Hill and Crouch End. To the East is Tottenham, with high levels of unemployment and low prosperity. Overall, 12.7% of the population are unemployed and a third of residents live in one of the 10% most deprived wards in the entire UK. Unsurprisingly, given these statistics, one of Haringey’s six strategic priorities is to help create jobs.
Barclays CEO has stated that a key goal at the bank is to be an employer of choice, where “the best and the brightest want to work.” Clearly there was room for improvement here. Quite apart from the immediately observable costs of sickness-related absence, courts are awarding increasing damages to victims of work-related stress. At the same time, costs associated with the provision of private medical insurance (PMI) have been spiralling and many organisations have been making reductions in their provision of PMI facilities.

The key CSR question at stake here is: “How to provide for the greatest possible physical and mental wellbeing of staff and other beneficiaries of the programme (Barclays provides PMI not only for staff but also for family members, pensioners and others) and deliver optimal commercial benefits while not incurring impossible costs? In short, this was a major Purchasing and Supply Management challenge.

The answer was provided by an Integrated Healthcare Review Team (IHRT). What was needed was the best combination of Private Medical Insurance, Occupational Health, an Employee Assistance Programme and other services, such as Senior Executive Screening, Counselling etc.

By combining Barclays considerable buying power in this area (the total healthcare provision represents one of the biggest in the UK) with an innovative, integrated approach, which removed much of the fragmentation in the previous system, a solution was identified. It was by drawing members from such diverse areas as Group Sourcing, the Human Resources Change Management Team, ER&R, Group Communications, Barclays Finance and the selected supplier, AXA-PPP, that a holistic, organisational health strategy became possible.

Upon completion of the P&SM process, the Group HR Director proudly proclaimed: “I am delighted to announce a new integrated healthcare service that will give support to Barclays employees in coping with the pressures of modern life.”

The benefits have included:

• Improved health service delivery for staff
• Annualised savings of over £500,000 per year
• Full clarity regarding the complete range of healthcare costs at Barclays, as well as optimal economies of scale (notably, the group has now found itself paying between 65% and 75% below normal rates for Employee Assistance Programmes)

• Significant reductions in ill health early retirement cases, employer liability claims, absenteeism and productivity losses

Section 5: CSR – Resources

The following references provide the means to explore in greater depth many of the issues raised in this document:

Books

The Corporate Responsibility Code Book by Deborah Leipziger
Empires of Profit, Commerce, Conquests and Corporate Responsibility
Harvard Business Review on Corporate Social Responsibility, by Harvard Business School
The Planetary Bargain, Corporate Social Responsibility Matters, by Michael Hopkins
CRE Race Equality & Public Procurement
Natural Capitalism: Amory Lovins, Hunter Lovins and Paul Hawken
The Ecology of Commerce: Paul Hawken
Changing Patterns – UK Government Framework for Sustainable Consumption and Production [2003]
Trading away our rights: Women working in Global Supply Chains, Oxfam [2004]

Websites

www.corporateresponsibilitygroup.com
www.mallenbaker.net/csr/index.html
www.worldbank.org
www.societyandbusiness.gov.org
www.euractive.com
www.cre.gov.uk
www.iblf.org
www.nottingham.ac.uk/business/iccsr
www.ethicaltrade.org
www.ilo.org
www.oecd.org
www.csrwire.com
www.ethicalsupplychain.com
www.globalreporting.org
www.ftse4good.com