
Going deep:

The Case for Multi Tiered Transparency

Caux Round Table Tokyo January 2014

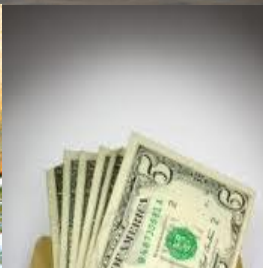


Agenda



1. Why is this important?
2. The Business Case
3. Challenges and Solutions
4. Introduction to Sedex

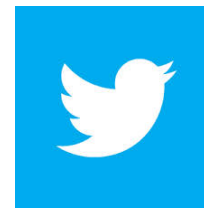
Tom Smith – Director of Insight and Planning, Sedex Global



Why is it important?

Compliance
Regulation/legislation
Consumer pressure
CSR programs
Investor pressure

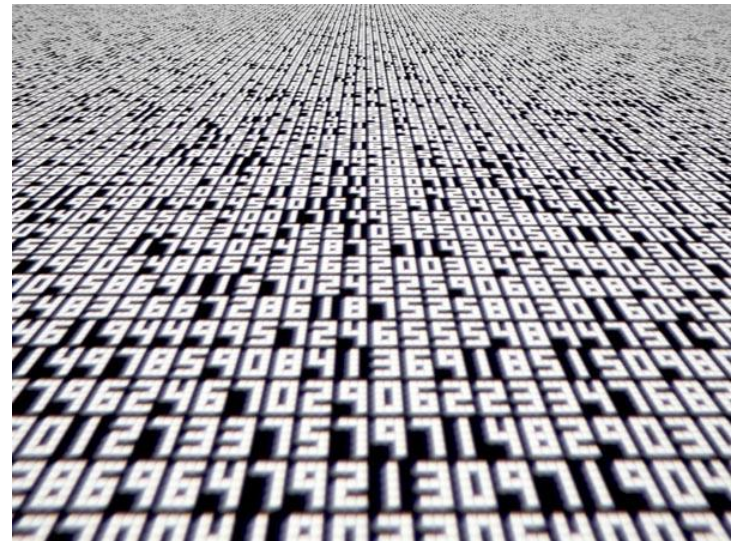
Traceability
Ability to find stories
Power of the media
New technology



The scale of the challenge

“At Diageo we talk about **70,000 suppliers** and third parties, spread across **over 100 countries** of the world. When multiplied by the number of sub-suppliers in the supply chains, you get in to **hundreds of thousands** of people impacted by our global supply chain, so its vital to prioritise the key areas.”

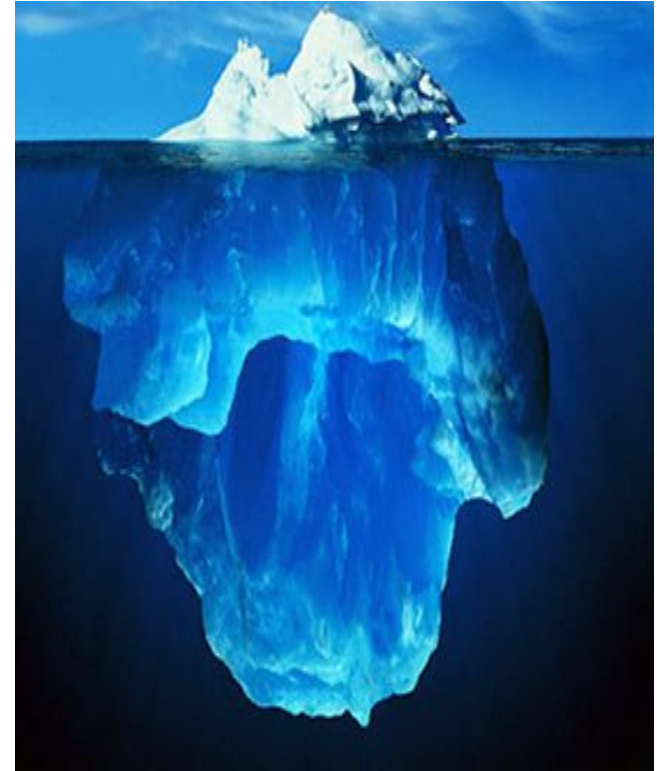
David Lawrence, Global Compliance & Ethics Programme Director, Diageo



The business case

Key findings:

1. Globally, only a third of companies are actively seeking transparency below tier 1 in their supply chain, at scale. (*PwC and MIT study, 2013*)
2. The greatest and most critical risks are found deeper down in the supply chain. (*Sedex briefing, 2013*)



Critical risks

Figure 1: Average number of NCs per audit per tier from the sample of 10 companies
(shows the average # of NCs per audit in each tier.)

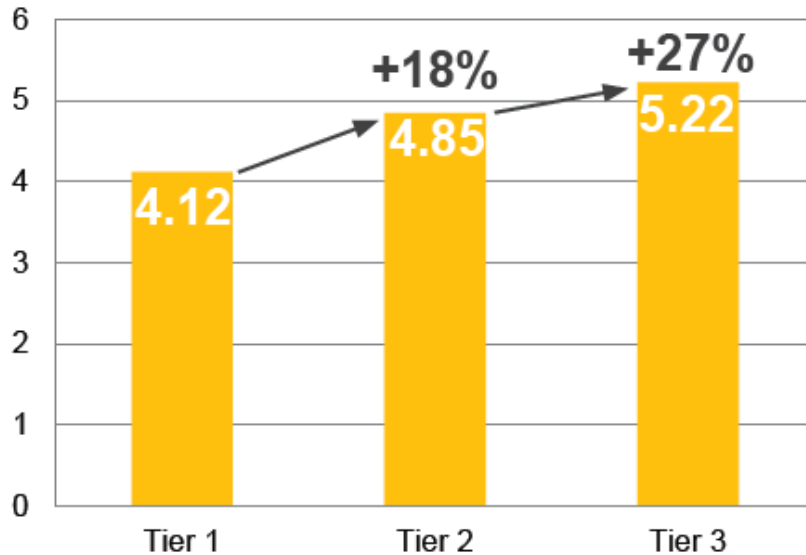
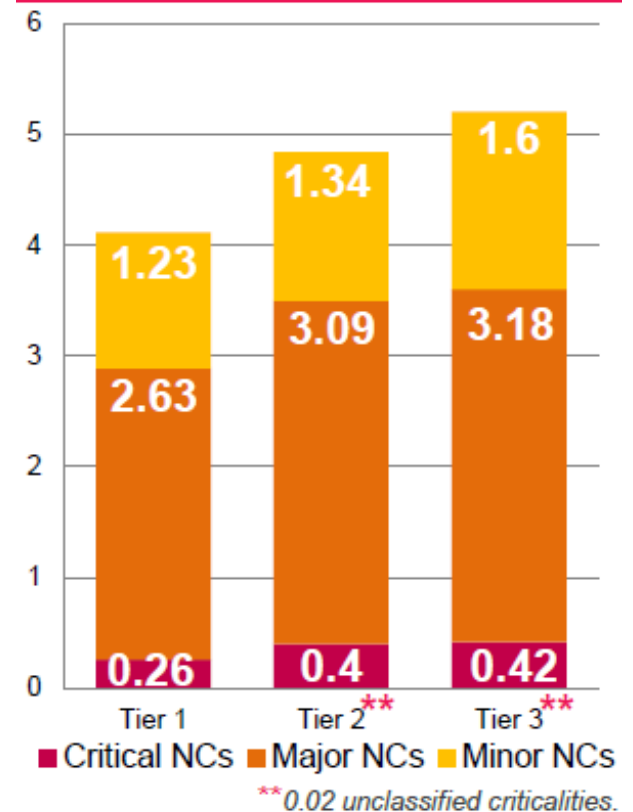


Figure 2: Breakdown of the average level of NC criticality per tier
(shows the average numbers of issues raised by issue criticality by tier)*



Key insights

- Multi-tier transparency is possible.
- Risk is higher beyond tier 1
- More visibility enables better risk management



Challenges

- Rapidly changing topic
- Varied understanding (suppliers and buyers)
- Supply chain complexity
- Many different standards
- Economic downturn



Solutions

- Collaboration
- Cross sector learning
- Flexibility
- Engage suppliers
- Scalability
- Don't reinvent the wheel...



Addressing Global Supply Chain Risk

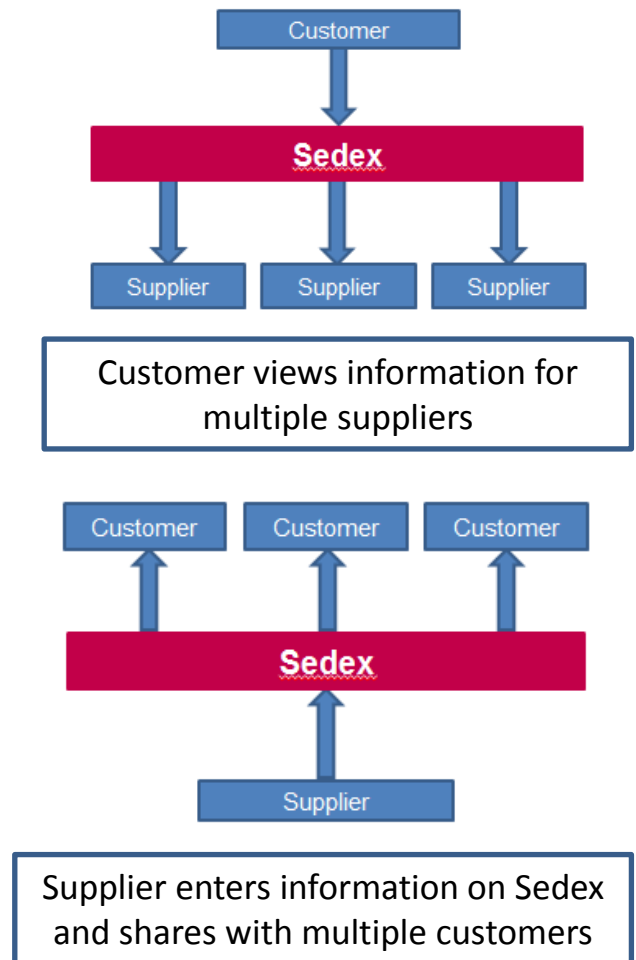
Sedex is an online tool for managing supply chain risk



- ❖ Extensive global expertise in supply chain risk and database management
- ❖ Existing end-to-end process to report and manage on issues in global supply chains
- ❖ Largest collaborative supply chain risk management tool

What is Sedex?

- ❖ A not-for-profit membership organisation dedicated to driving improvements in ethical and responsible business practices in global supply chains
- ❖ A secure web-based platform for sharing and viewing information on four pillars:
 1. Labour standards
 2. Health and safety
 3. Environment
 4. Business ethics
- ❖ The largest collaborative platform for sharing ethical supply chain data
- ❖ Provides range of services that ensure your programmes are effective and efficient

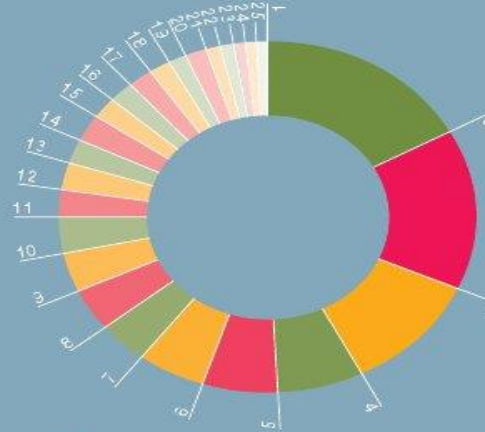


Sedex Facts & Figures

Sedex members represent over 25 industry sectors

▲ = comparison to 2010/2011

1	Clothing	17.1%	▲	14	Homeware	2.3%	▲
2	Produce	14.6%	▼	15	Engineering	2.0%	new
3	Grocery	10.7%	▲	16	Textiles	1.9%	new
4	Chemicals	6.7%	▲	17	Stationery	1.9%	▲
5	Packaging	5.9%	▼	18	Toys, Games & Hobbies	1.7%	▼
6	Processed Foods	5.2%	▲	19	Agriculture	1.6%	new
7	Service providers	3.9%	▲	20	IT, Telecom & Electrical	1.6%	▲
8	Tools & Machinery	3.8%	new	21	Construction	1.3%	new
9	Dairy	3.7%	▲	22	Other	1.0%	▼
10	Drinks	3.2%	same	23	Meat, Fish & Poultry	0.9%	▼
11	Accessories	2.6%	▼	24	Health & Beauty	0.8%	▼
12	Publishing & Printing	2.5%	▼	25	Horticulture	0.7%	▼
13	Logistics	2.4%	new				



N.B. Due to the introduction of the United Nations Products and Services Code® for site classification, there are some variances to the industry sectors referred to in the 2010/11 Annual Report.

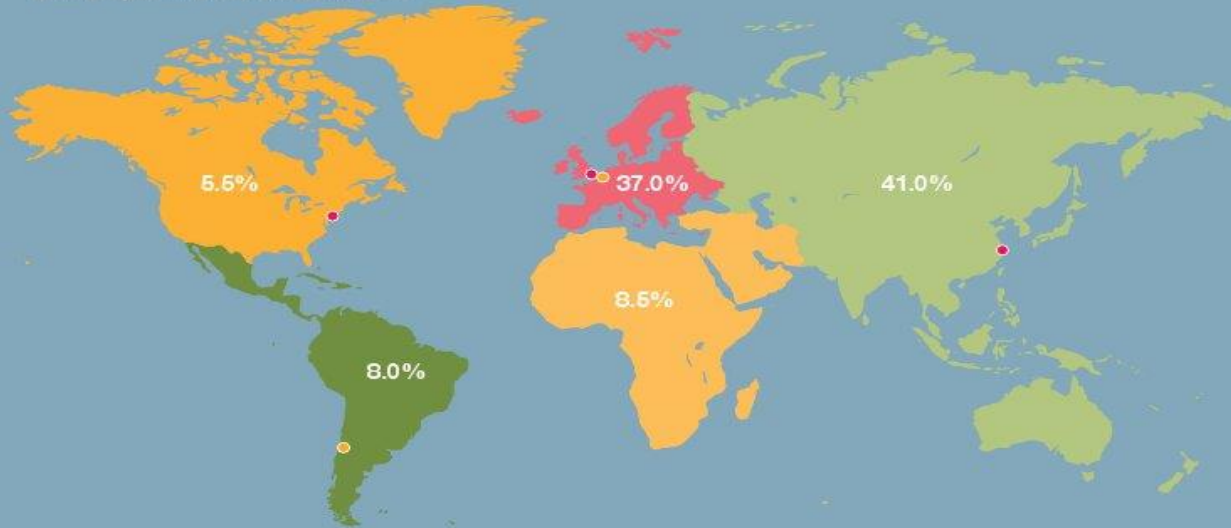
Sedex is the largest platform for ethical data sharing:

Over 550 A & AB Members

Over 30,000 B Members (suppliers)

Over 25 industry sectors

Global spread of Sedex members



Top 5 non-compliances



A & AB Members includes...



John Lewis

Waitrose

Sainsbury's



THE BODY SHOP®

DIAGEO



MARS
incorporated



PACIFIC BRANDS

P&G



falabella.

AB InBev



MARKS & SPENCER



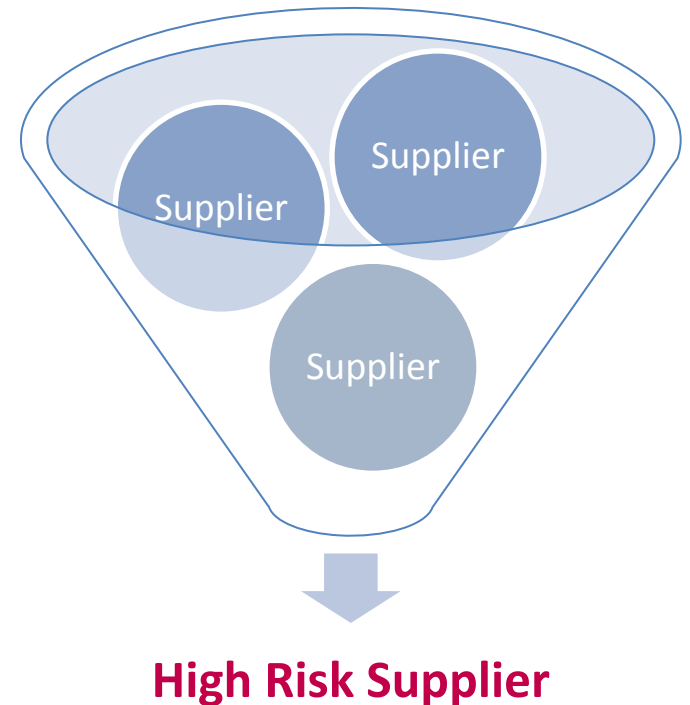
Kellogg's



The Sedex Process

A collaborative Supply Chain Management system that offers the ability to:

- ❖ Filter your supply chain on Inherent Risk & Actual Risk
- ❖ Efficiently target high risk suppliers and effectively address any issues
- ❖ Manage audit issues and track supplier progress



Collaborative Tool Kit



Added Benefits

Multi-lingual helpdesk and support materials

Participate in working groups to help shape future Sedex developments

Sedex Members Ethical Trade Audit (SMETA)

- ✓ Common best practice guidance on ethical trade audits
- ✓ Common audit report format
- ✓ Common corrective action plan format

Attend Member events – UK, China, USA, India, South Africa, Chile and growing

Regular member communications – quarterly newsletter, feature risk reports and analysis

Links with other organisations enabled - AIM Progress, UN Global Compact, BiTC, ETI, GSCP and many more

Support for Suppliers to improve through the Sedex Supplier workbook



Resources



Sustainable Sourcing of Agricultural Raw Materials a Practitioner's Guide

Test Manual for Phase 1
Being piloted in 2013 to collect input from practitioners



Africa briefing June 2013



Executive summary

Drawing on data from leading supply chain risks experts, this briefing identifies top line trends, challenges and opportunities in African supply chains with a focus on risk and performance management.

In this briefing:

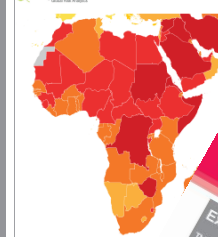
- The key challenges and risks affecting African supply chains include conflict and corruption, an uncertain regulatory environment, human rights violations and climate change.
- Insights from Sedex on the most common supply chain issues in Africa, which include a lack of management systems, health, safety & hygiene, wages and benefits issues.
- Contextual information to help companies working in Africa to understand, monitor and manage their supply chains risks and improve standards.

This report offers a generalised introduction into African contexts, which offers many opportunities, but also poses significant challenges.

view & key statistics

- Most populous continent
- Africa and North Africa 15% of the world's population
- Agiculture, Mining and

maplecroft Global Risk Perspective



Labour Rights and Protection Index 2013

High risk	Low risk
48-60	65-80
42-48	60-65
36-42	55-60
30-36	50-55
24-30	45-50
18-24	40-45
12-18	35-40
6-12	30-35

The case for 'due diligence'

- 45% of Human Rights
- Labour 60%
- Environment 30%

S & SE Asia briefing July 2013

Executive summary

Drawing on data from leading supply chain risks experts, this briefing identifies the trends, challenges and opportunities in South East (S & SE) Asian supply chains with a focus on risk and performance management.

- The key challenges and risks affecting S & SE Asian supply chains include extremely poor adherence to working standards, corruption on the ground, human rights violations, child labour, forced overtime, health, safety & hygiene, wages and benefits issues, and a lack of buying rules, human rights, fire safety and standards.
- Contextual information to help companies working in S & SE Asia to understand, monitor and manage their supply chains risks and improve standards.

This report offers a generalised introduction into the diverse regions of S & SE Asia, which offers many opportunities, but also poses significant challenges.

maplecroft Global Risk Perspective



Supply Chain Controls Index 2013

High risk	Low risk
48-60	65-80
42-48	60-65
36-42	55-60
30-36	50-55
24-30	45-50
18-24	40-45
12-18	35-40
6-12	30-35

Fire Safety briefing August 2013

Executive summary

This briefing identifies fire safety challenges and opportunities in relation to ensuring the safety of workers of workplace fires.

- Insights from Sedex on top fire trends and key concerns related to fire safety in global manufacturing sites of some of the most critical risk categories.
- An update on Bangladesh, specifically on factory safety issues and progress in securing the lives of workers.
- How safety issues can be addressed to reduce the risk of human and financial losses.

A chronic issue

A tragedy before the Tazreen Fashion factory occurred in Dhaka, the Tazreen Fashion factory fire in New York, killing 140 people and burning for a long time, is a reminder for companies that have ready to go as fire continues to threaten and workers worldwide are an alarming rate. In the past year alone, over 600 workers perished in four major factory fires caused by fire safety.

- Designing and constructing buildings according to local building codes and standards.
- Take fire codes seriously. This helps to prevent fires, such as by eliminating sources of combustion and controlling the spread of flames and installing fire sprinklers.
- Providing fire detection and alarm systems to provide early warning for workers.
- Ensuring fire workers are trained to evacuate quickly and safely.
- Implementing a fire response plan and evacuation procedures, including worker training and regular evacuation drills.

Recent industrial fires

- Over 100 workers have died in factory fires in the past year:

 - Texas, 3 June 2012
 - Uganda, 12 August 2012
 - July 2013
 - Up to 10 died after fertilizer plant blast in Texas (The Washington Post, 18 Aug 2013)
 - 17 Chinese factory workers died in 'Texas' (The Guardian, 20 Aug 2013)
 - At least 300 killed in Pakistan factory fires (New York Times, 12 September 2012)



Sedex presents Responsible Sourcing Insight Series

Stakeholders

- **Webinar and events partnership with UN Global Compact-UK**
- **Launch of Sedex Responsible Sourcing Insights:** a series of films, publications, resources, regional briefings, webinars and in-person events by Sedex and partners
 - **Series of six short films**
 - **Monthly insight briefings**
- **Sedex Supplier Workbook**
- **SMETA expansion**
 - included in the ITC Standards Map database
 - SMETA submitted to GSCP Equivalence process

Working group participation:

- Non-Business Signatories of the UNGC - international and UK Local Network.
- Member of the UNGC Supply Chain Sustainability Advisory Group and Human Rights, Traceability and Anti-Corruption Task Forces.
- Business Principles for Countering Bribery (BPCB) Steering Committee.
- Association of Retail Technology Standards (ARTS)
- MAC (Multi-stakeholder Advisory Committee) China
- CSR 360 Global Partner Network member (BiTC)

CAUX ROUND TABLE



Summary

Any questions?

For more information on Sedex go to www.sedexglobal.com

To learn more about Responsible Sourcing please also see our new 'Insights' page with films, webinars and reports

www.sedexglobal.com/films

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