



Corporate Social Responsibility

Introduction to CSR/Sustainable Procurement Promoting CSR on the Supply Chain

Global Compact Network Japan
Supply Chain Working Group (FY 2019)

Note: Pictures and images in these slides that do not have the source listed are stock images not associated with the content

December 2019 Edition



Package Contents

- Lecture: "Introduction to CSR/Sustainable Procurement"
- CSR/Sustainable Procurement Experience Game
<Game of Choice>



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1. About "Introduction to CSR/Sustainable Procurement"



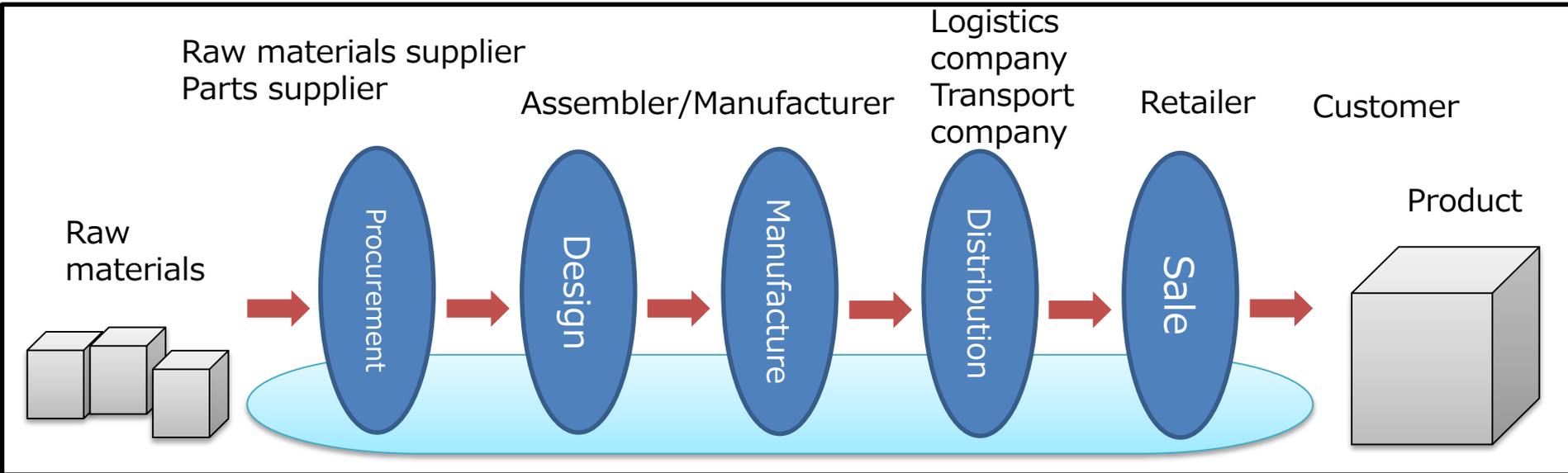
- Background and why it was created
- Vision for how the Introduction will be used
 - 1) To promote understanding of CSR/Sustainable procurement among **those learning about the subject for the first time**
 - 2) To promote understanding of and cooperation in **CSR/Sustainable** procurement **within individual companies**
 - 3) To promote understanding of and cooperation in CSR/Sustainable procurement **from business partners**



2. About CSR/Sustainable Procurement

2. 1 What is CSR/Sustainable Procurement?

[Conceptual diagram of supply chain]



CSR/Sustainable procurement is defined as "Activities that attempt to fulfill corporate social responsibility through the entire supply chain by adding, when a buyer (company) is procuring products, materials or raw materials, etc., items required from the perspective of the status of response to factors including the environment, labor conditions, and human rights, to the conventional items of quality, performance, price and delivery time."

2.2 What are the Issues involved in CSR/Sustainable Procurement?

[Table organizing representative problems based on the four categories of human rights, labor, environment and anti-corruption defined by the UN Global Compact]

Human rights/Labor	Environment	Anti-corruption
<ul style="list-style-type: none"> • Elimination of forced labor • Elimination of child labor • Elimination of long working hours • Elimination of illegal low wages • Elimination of inhumane treatment • Prohibition of discrimination • Guarantee of right to form employee organizations (Freedom of association) • Realization of workplace safety and a healthy environment 	<ul style="list-style-type: none"> • Prevention of pollution • Management of harmful substances • Management of waste products (wastewater, etc.) • Management of substances causing air pollution • Management of substances included in products • Consideration of biodiversity 	<ul style="list-style-type: none"> • Elimination of unethical business practices • Prohibition of bribery and corruption • Prohibition of abuse of dominant position • Prohibition of granting or receiving inappropriate profits • Prohibition of competition restrictive acts • Provision of accurate information regarding products and services

Particularly difficult for Japanese companies and Japanese to imagine

3. Merits of CSR/Sustainable Procurement Initiatives

3. 1 Social and Environmental Risk in Supply Chains

What does it mean to be exposed to
condemnation from society?



<<Representative examples of companies having lost trust
as a result of being exposed to condemnation from society>>

[Human rights/labor-related]

Disney, Walmart, Nike, Ikea, Apple, Suzuki, etc.

[Environment-related]

Adidas, Nike, Ralph Lauren, PVH, Puma, Lacoste, H&M, Uniqlo, etc.

[Prevention of corruption-related]

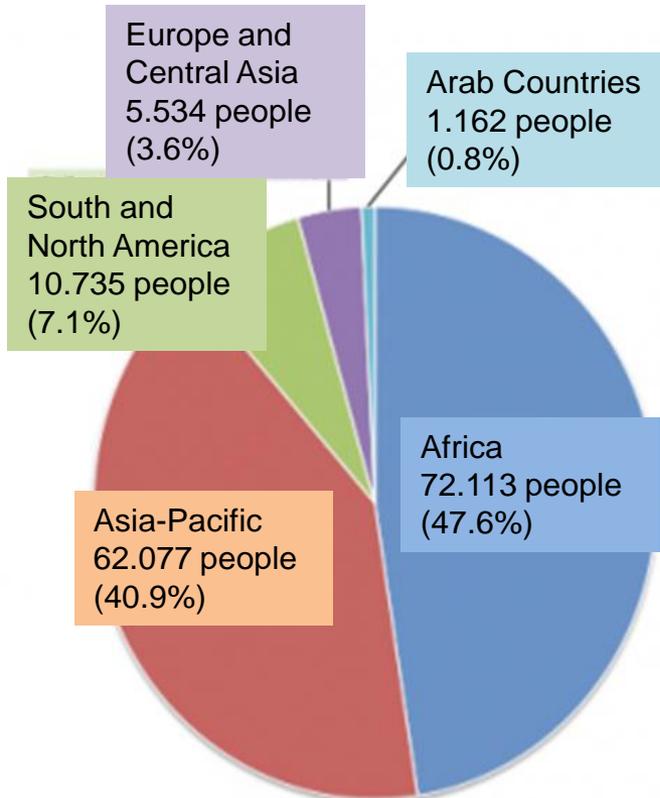
GlaxoSmithKline, FIFA, etc.

Appendix: **Actual** Status of Child Labor and its Effects

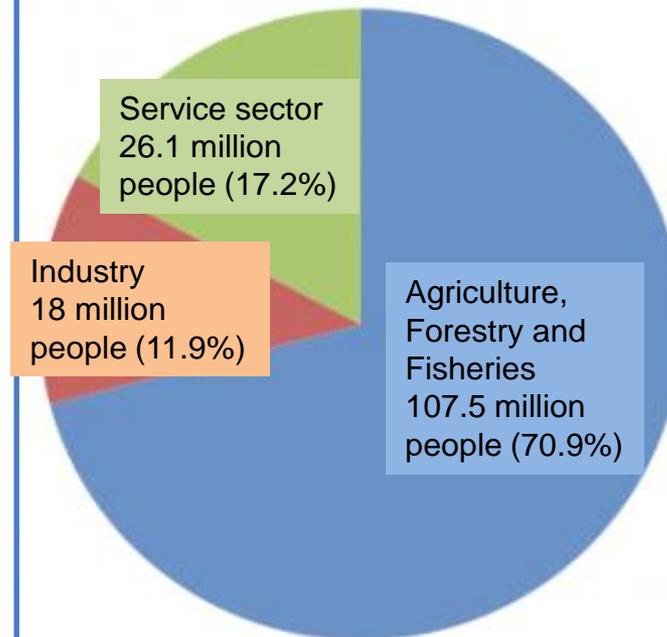
◇ What is child labor?

Source: Global Estimates of Child Labor: Results and trends, 2012-2016

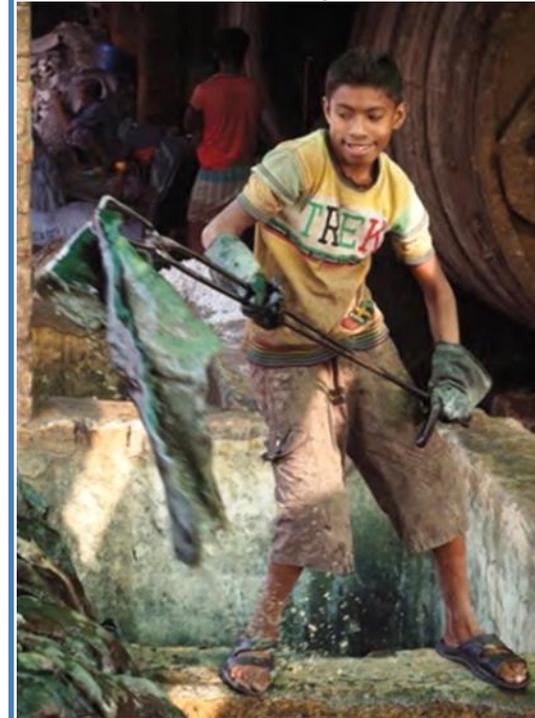
Q. In what regions **are** child labor most prevalent?
(Regional distribution of child labor)



Q. In which industries **are** child labor most prevalent?
(Number of child laborers by industry and main types of labor)



A child working in a dyeing process at a leather factory



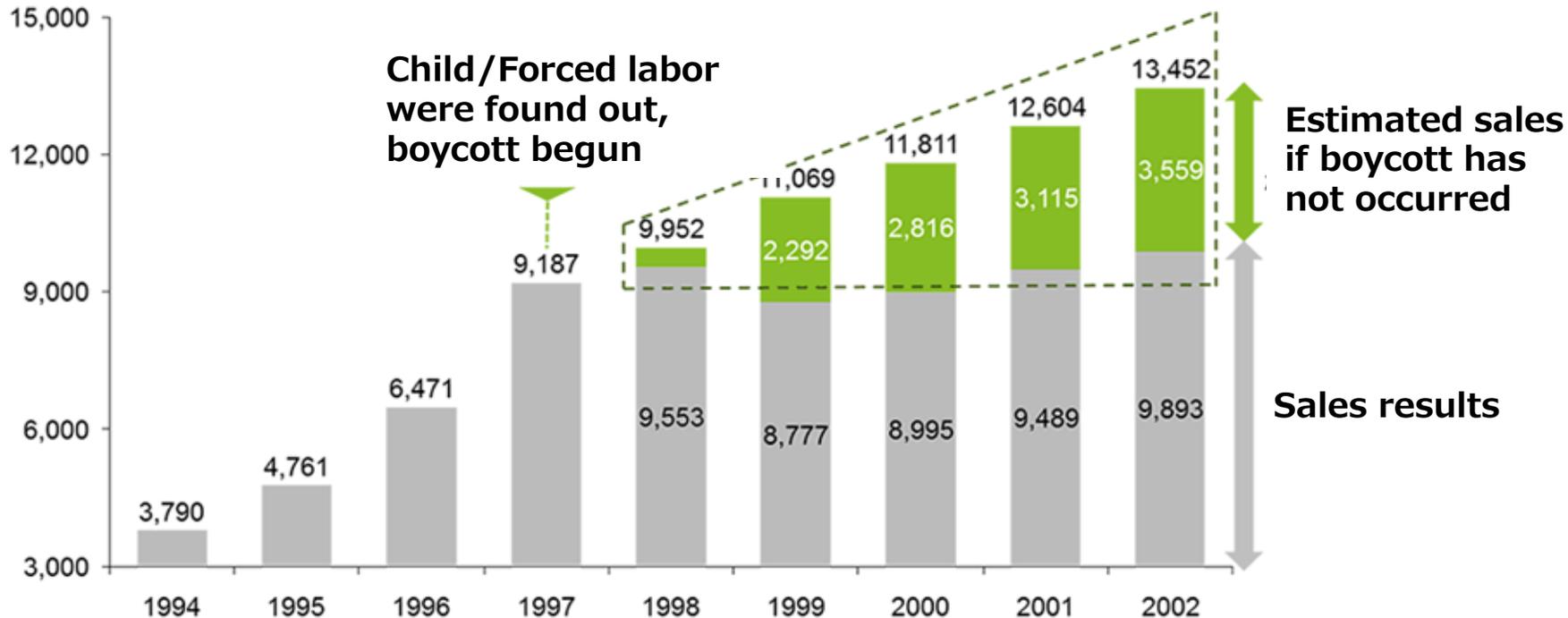
Photograph by Larry C. Price / Pulitzer Center on Crisis Reporting

◇ What is the impact of human rights violations such as child labor on corporate performance?

Business Impact Estimation of Human Rights Abuse
In the case of American apparel companies

(million USD)

Business Impact Estimation(1998-2002)
About 12,180 million USD
≡ About 26.1% of consolidated sales



1. Overview of the case

1) In 2013, Rana Plaza, a commercial building housing a sewing factory near Dhaka, the capital of Bangladesh, collapsed, killing more than 1,000 people and injuring more than 2,500.



2. Response

1) Government

- Factories with safety issues were shut down and inspections were ordered of all factories in the country.

2) Companies

Western apparel companies who outsource production set up support organizations.

- **Accord** on Fire and Building Safety by 220 European companies
⇒ Manages approximately 1,600 factories after inspecting building structures, fire protection, electrical systems, etc., and provides continuous safety inspection and guidance
- Alliance for Bangladesh Worker Safety by 29 US companies
⇒ Works to improve worker safety and employee education in the sewing industry



3. Problem background

- 1) **The employees** discovered cracks in the building and reported them to their manager.
- 2) The building owner ignored recommendations of local police to evacuate building for inspection.
- 3) The factory denied the right to express concerns about safety and working conditions (union activities, etc.), and the government lacked controls to protect workers' rights

4. Lessons for companies that place orders

- 1) They need to resolve issues involving public and private stakeholders, including local governments, NPOs and NGOs, and consumers.
- 2) There is an increasing awareness of CSR/Sustainable procurement, including in the apparel industry, and they need to increase the transparency of the production backstory through the supply chain.

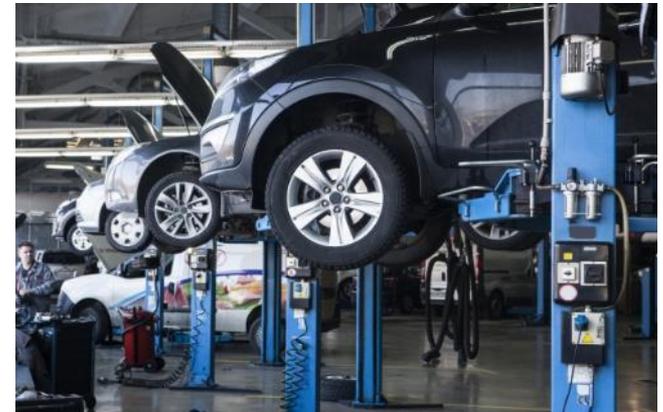


1. Overview of the case

- 1) In July 2015, Reuters investigated the working conditions of foreign workers at supplier plants for automaker S in Ota City, Gunma Prefecture, Japan.
- 2) It reported that the foreign workers, mainly refugees and foreign skilled interns, account for 30% of workers in Ota city, and that many were in bonded or forced labor.
- 3) **Automaker S** initially took the position that "We will not be directly involved, and the management of the labor environment is basically the responsibility of the local **supplier**"

2. Response

- 1) **Automaker S** and its U.S. subsidiaries **required** each supplier to **respect** the human rights of its employees and **to comply with** international standards of conduct.
(Statement issued on July 31, 2015)



3. Problem background

- 1) Legal barriers against migrant workers are inconsistent with Japan's need for foreigner labor due to its declining birthrate and shrinking population. (entry laws severely restrict residency)
- 2) Questions are being asked about the spread of illegal **worker dispatch agencies** and the attitude of manufacturers who have tolerated them.



4. Lessons for companies that place orders

- 1) The companies that place orders with the suppliers are being held accountable for the suppliers' working environment.
- 2) **The companies need to require their suppliers to** respect the human rights of workers and **to** prevent human rights abuses in an effective manner.
- 3) The New Immigration Act is expected to expand the acceptance of foreign workers in Japan, so closer attention must be paid to what's happening in the supply chain.



1. Overview of the case

- 1) Starting around 2010, there were many suicides due to harsh working conditions at the Chinese plant of Company F, which is a supplier to U.S. Company A.
- 2) It was revealed that the work paid a monthly income of just under 5,000 yuan (about 65,000 yen at the time) with over 80 hours of overtime per month.
- 3) Thousands of employees went on strike and consumers boycotted the products of Company A.

2. Response

[Response of **Plant of** Company F]

- 1) Raise wages and introduce labor robots
- 2) Hire counselors and install suicide prevention nets

[Response of Company A]

- 1) Conduct an audit of Company F
- 2) Provide guidance on improvement measures such as **better** working conditions and **setting of** overtime limits



3. Problem background

- 1) In addition to long working hours, illegally low wages and health and safety issues are discovered at Company F's factory.
- 2) Company A has released Supplier Responsibility reports since 2006, but does not have specific information on individual suppliers.
- 3) In 2004, the EICC: Electrics Industry Code of Conduct (now RBA: Responsible Business Alliance) was established for the entire supply chain in the electronics industry, but it was ineffective.



4. Lessons for companies that place orders

- 1) Work hard to understand the supplier's working environment (through audits and the SAQ: Self-Assessment Questionnaire), and work with the supplier to resolve the issues that arise.
- 2) For issues that are difficult for individual companies to deal with, consider cross-industry measures through industry groups and participation in international initiatives

1. Overview of the case

- 1) Company A, a leading U.S. e-commerce site, built an AI-based recruitment system using computers to find talented people.
- 2) Based on machine learning, a computer extracted and analyzed approximately 50,000 keywords from applicants' resumes to select suitable candidates for the company.
- 3) The AI system preferred male candidates and gave lower ratings to female candidates.

2. Response

- 1) Company A implemented modifications to the recruitment system software, but was unable to identify the ultimate cause or reason.
- 2) The AI-based recruitment project was eventually dissolved.



3. Problem background

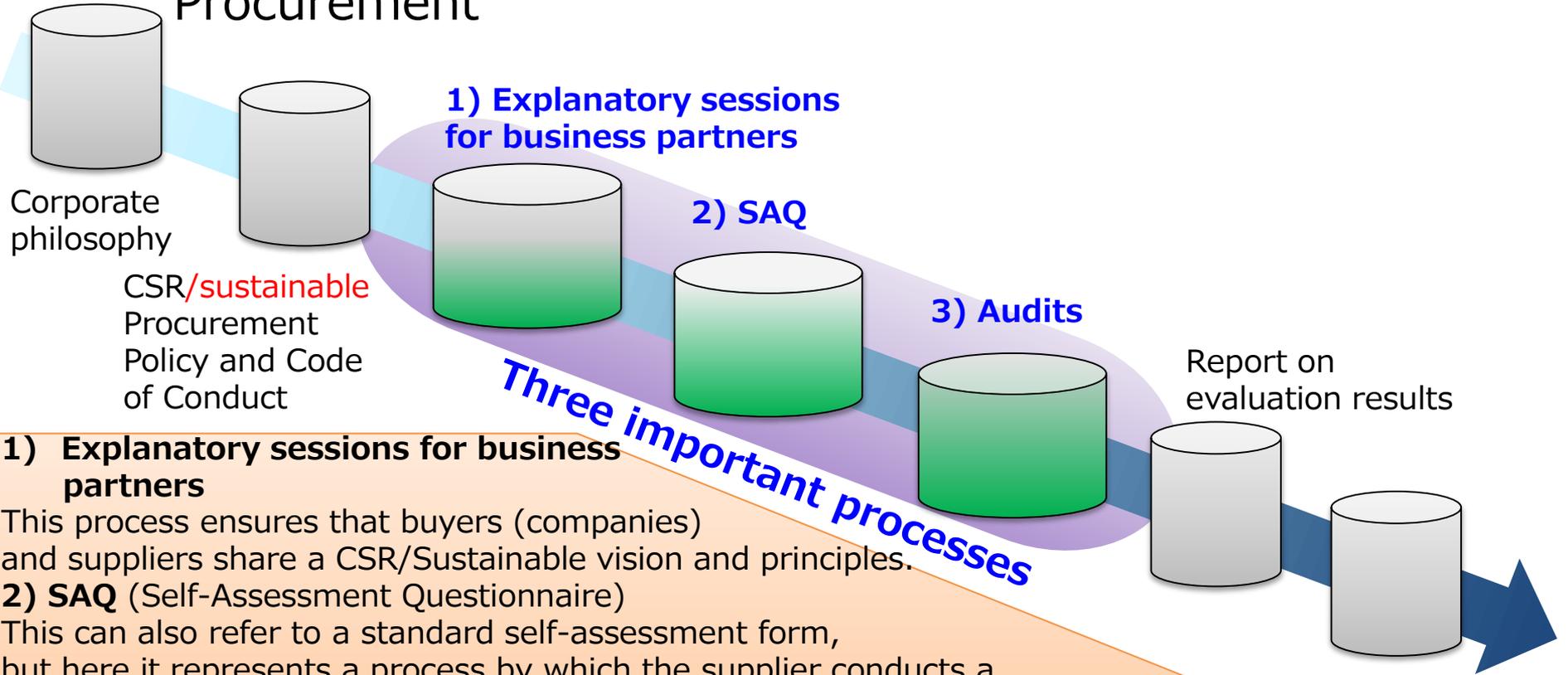
- 1) The AI analyzed the resumes of applicants for the past 10 years, but since most of the applicants for technical jobs were men, the system came to prefer hiring men.
- 2) The system developers may not have been able to understand and assess in advance the possibility of human rights risks such as bias and discrimination caused by AI.

4. Lessons for companies that place orders

- 1) New human rights risks may arise at businesses or production sites that try new technologies such as AI and IoT.
- 2) Seek to understand global trends on new issues such as "Technology and Human Rights"



4. Future Efforts towards the Development of CSR/Sustainable Procurement



1) Explanatory sessions for business partners

This process ensures that buyers (companies) and suppliers share a CSR/Sustainable vision and principles.

2) SAQ (Self-Assessment Questionnaire)

This can also refer to a standard self-assessment form, but here it represents a process by which the supplier conducts a self-assessment of its understanding of CSR/Sustainable requirements, and the buyer (company) is able to grasp the level of understanding of the supplier.

3) Audits

This is a process by which the buyer (company) and the supplier directly and indirectly cooperate in evaluating their current status, and employ the results in activities aimed at making improvements.



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Experience game: <Game of Choice>

When a human rights issue suddenly arises, leading to social condemnation of a company, this game lets you work through the experience realistically by playing the role of the company or one of a variety of other stakeholders.

If you were the president of the company, what would you do?

If you were a stakeholder, what would you do?

This game helps you understand the importance of CSR/Sustainable procurement through getting into each role and intense interactions between the company and stakeholders.