SA8000 standard as an instrument for a responsible supply-chain management

Massimo Battaglia

massimo.battaglia@uniroma1.it

Agenda

a) The evolution of the concept "sustainability": from environmental protection to social responsibility, and effects on global supply chains

b) The concept of "human rights": what they are and what "human rights management" means in the global supply-chains

c) Instruments for a responsible management of global supply-chains: standard SA8000 – brief description of requirements

d) CASE STUDY – exercise. Preliminary video and assignment. Organization in groups, reading of the exercise, preparation of PowerPoint and presentations/discussion.

Sustainability: meanings, definitions and evolution of the concept

- The word *"sustainability"* is derived from the Latin ***sustinere*** (*tenere*, to hold; *sus*, up).

- The idea of sustainability **is quite recent**, and can be related to the new mandate adopted by IUCN − *International Union for Conservation of Nature* in 1969.

- It was a key theme of the **United Nations Conference on the Human Environment in Stockholm in 1972.**

- The concept was coined explicitly to **suggest that it was possible to achieve economic growth and industrialization without environmental damage.**

Sustainability: a recent concept

It's a recent concept: **Sustainability** as *attention to «protection of natural resources and environment»* ➔ *sustainability as «environmental sustainability»* (**since '70s…**)

➔ Debates (socio-institutional level) regarding «*growth*» and «*scarcity of resources*»: in 1964 «Scarsity and Growth» (by: Resources for the Future); in 1972 «Limits to Growth» report (by Meadows et al.); in 1980 «WCS - World Conservation Strategy» (by IUCN – Int.Union Conservation of Nature, UNWP , WWF)

➔ Catastrophic events in '70s and '80s (Bophal, 1984, leak of metyl isocyanate; Seveso, 1976, dioxins; Times Beach-Missouri, 1983, dioxins; Chernobyl, 1986, nuclear explosion; ….) that involved natural environment and human health

➔ Scientific research about the effects of pollution (long term effects; cross-boundary nature and, sometimes, global; irreversibility …)

(Hall, Gössling, Scott, 2015)

…. evolution in late '80s …:

- **Policy makers**: tight regulation in the field of environmental protection (command & control approach)
- **Citizens**: rising attention to issues related to environmental protection (and birth of associations and NGOs committed to)
- **Business**: more and more attention to their environmental impacts and approach to prevention

In **1987** Report «Our common future» (s.c. Brundtland Report) gave the most famous definition of SUSTAINABLE DEVELOPMENT: *''Development that meets the needs of the present without compromising the ability of future generations to meet their own needs'* (WCED – World Commission on Environment and Development)

In **1992**: **United Nations Conference on Environment and Development** (**UNCED**), also known as the *Rio de Janeiro Earth Summit* , from 3 to 14 June 1992.

Rio 1992: a new role for business

Whereas previous environmental measures tended to be proscriptive in character with an emphasis on the 'thou shalt not' approach, <u>the new strategy leans more towards a 'let's work together' approach.</u> This reflects the growing realization in industry and in the business world <u>that not only is industry a significant part of the (environmental) problem but it must also be part of the solution.</u> <u>The new approach implies, in particular, a reinforcement of the dialogue with industry and the encouragement, in appropriate circumstances, of voluntary agreements and other forms of self-regulation.</u>

TOWARDS
SUSTAINABILITY

A European Community programme of policy and action in relation to the environment and sustainable development

…. and '90s: beyond *environment*

- **Globalization**: a big opportunity … but also **new risks**
- New businesses in **Developing Countries:**
  - localization of **MNCs**
  - new **joint ventures** between West Companies and those operating in Developing Countries
  - international **supply-chains**
- *Attractive elements*: lower wages, lower costs of soil, wide markets (demand), presence of raw materials, etc.

  NOT just Env. …. but also the challenge of *social issues*:
- ➢ **Human rights** (based on 1948 Bill on HRs and ILO conventions): *SEE NEXT SLIDES*
- ➢ Respect of local populations (including women and children)
- ➢ Respect of local cultures

  (Cassel, 2001;   Falk, 2002;   Hillary, 2007;   Maloni & Brown, 2006)

Before HRs …. what's SC?

- The **alignment of firms that brings products or services to market** (Lambert, Stock, and Ellram, 1998)

- **Network of organizations that are involved, through upstream and downstream linkages,** in the different processes and activities that produce value in the form of products and services delivered to the ultimate consumer (Christopher 1992)

- A set of **three or more entities (organizations or individuals) involved in the upstream and downstream flows of products, services, finances, and/or information from a source to a customer** (Mentzer et al. 2001)

Structure of the supply-chain

SUPPLIER ⟷ ORGANIZATION ⟷ CUSTOMER
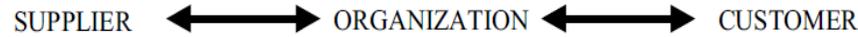
FIGURE 1a - DIRECT SUPPLY CHAIN

SUPPLIER'S
SUPPLIER ⟷ ... ⟷ SUPPLIER ⟷ ORGANIZATION ⟷ CUSTOMER ⟷ ... ⟷ CUSTOMER'S
CUSTOMER

FIGURE 1b - EXTENDED SUPPLY CHAIN

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THIRD PARTY
LOGISTICS SUPPLIER

ULTIMATE
SUPPLIER ⟷ ... ⟷ SUPPLIER ⟷ ORGANIZATION ⟷ CUSTOMER ⟷ ... ⟷ ULTIMATE
CUSTOMER

FINANCIAL   MARKET
PROVIDER   RESEARCH FIRM
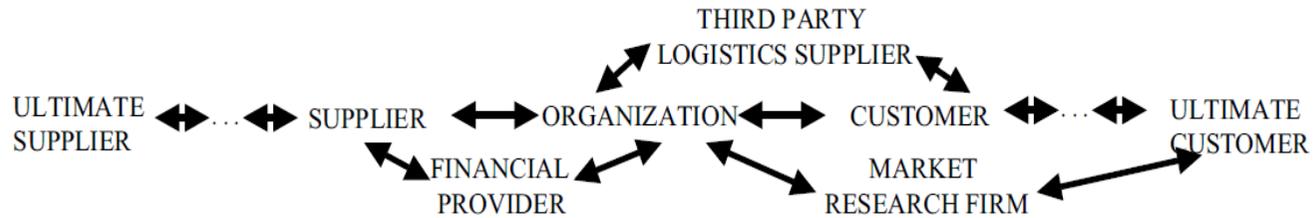
FIGURE 1c - ULTIMATE SUPPLY CHAIN

Level of suppliers in the SC

| 2º Level Suppliers | 1º Level Suppliers | | Company | | 1º Level Customers | 2º Level Customers |
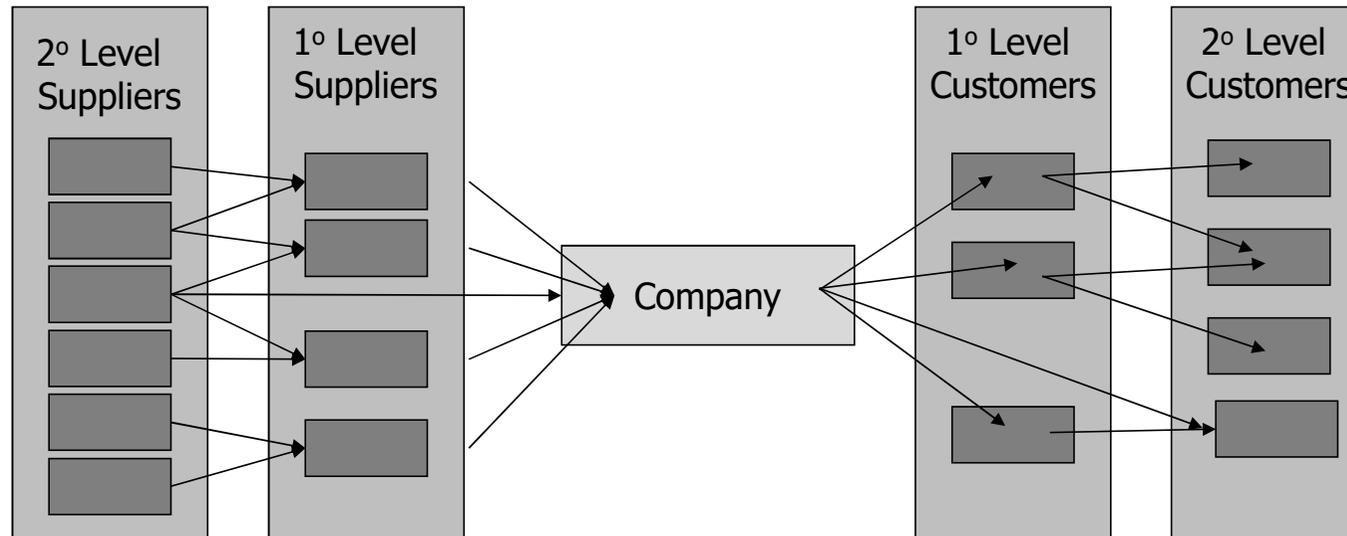
Supply — Operational management — Distribution

Supply Chain Management
(*process of managing relationships, information and material flows across enterprise border to deliver enhanced customer service and economic value, through synchronized management of the flow of physical goods and associated information from sourcing to consumption*) [La Londe, 1994]

Globalization …. Global big SCs

The journey of a single Zara dress

The iPhone supply-chain
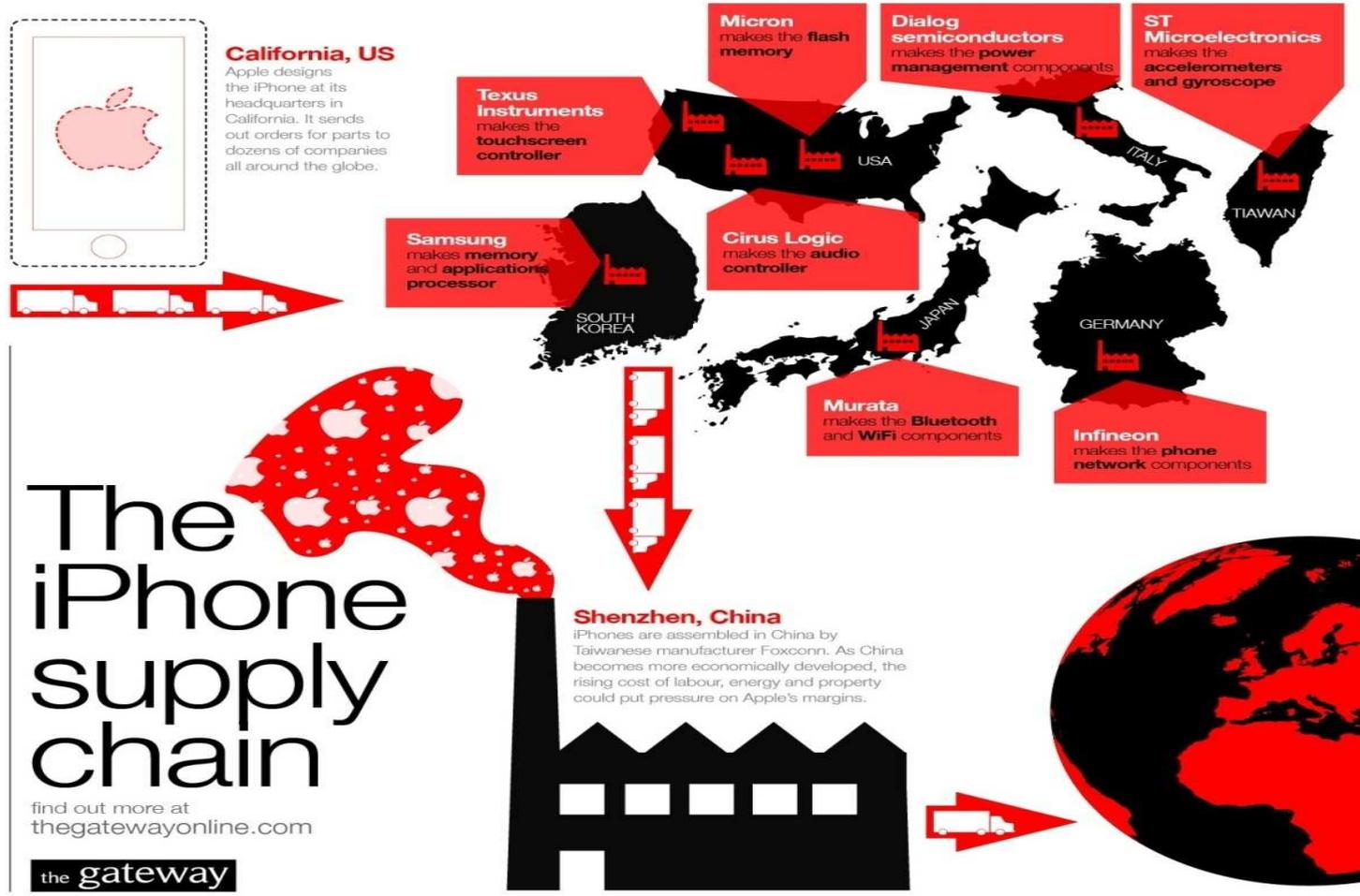
Global SCs :
which characteristics and challenges?

- Result of trade liberalisation and improvements in information and communication technologies.

- Opening of an era of hyper-optimization of supply chains.

- Complex global networks of suppliers, plants and distribution channels (suppliers' suppliers and customers' customers).

- Request for cost reduction and profit maximisation (global competitiveness)

- Governance Gaps: lack of government regulation or weak controls

- Benefits: new markets, new job opportunities, creation of value in developing countries

➔ **New RISKS involving: working conditions, level of salaries, precariat, … and in general: HUMAN RIGHTS violation ➔ <u>Pressure over businesses to construct and manage sustainable SCs</u>.**

What do HUMAN RIGHTS mean?

HRs are rights that humans have by the fact of being human, and that are neither created nor can be abrogated by any government.

HRs are:

- **FUNDAMENTAL**: as responding to vital, spiritual and material needs of humans

- **UNIVERSAL**: as related to each human, ithout distinction of any kind, such as race, colour, sex, language, religion, political or other opinion, national or social origin, property, birth or other status.

- **INVIOLABLE**: as none must be deprived of these rights (although they can be limited)

- **INALIENABILE**: as none can waive these rights

- **INDIVISIBLE:** as all necessary for freedom and dignity of each human beeing

What do HRs cover? *[not exhaustive list]*

Civil and political rights

- Right to life, freedom and safety
- Right to health and access medicine
- Freedom from torture
- Right to a fair trial and equal justice
- Freedom of speech
- Freedom of thought, conscience and religion
- Freedom of movement
- Right to privacy
- Right to participate to political life
- Freedom of sexual orientation and gender orientation

Right to work

- Freedom of association
- Right to a decent minimum salary
- Right to collective bargaining
- Prohibition of discrimination
- Right to equality at workplace (gender, disabled, etc.)
- Prohibition of compulsory labour
- Abolition of child labour
- Right of safety at workplace
- Abolition of slavery
- Right to rest and leisure

### Economic, social and cultural rights

- Right to food
- Right to education
- Right to social security
- Right to marry and to found a family
- Freedom of information, opinions and expression
- Right to an adequate standard of life

> **IMPORTANCE OF BUSINESS BEHAVIOUR**

Defending HRs

1. **States and Governments** should **PROTECT** againgts HRs' abuses, by means of policies and regulation

2. Individuals and **organizations (including businesses)** have the responsibility to **RESPECT** human rights. It means theat they must avoid to violate HRs, and they've a duty of intervention on negative effects they've produced because of their violation

3. Guaranteeing an effective **REMEDY**, at juridical level, for **victims** of HR's violation.

«Protect, Respect and Remedy»
        framework
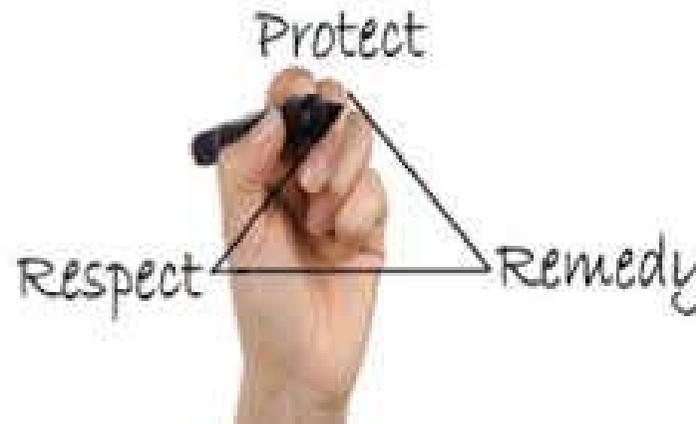
HRs – sources and business responsibilities

SOURCES:

- ✓ **International Bill of Human Rights** (UN, 1948): Universal Declaration on Human Rights; International Convention on economic, social and cultural rights; International convention on civil and political rights

- ✓ **Declaration on Fundamental Principles and Rights at Work** (ILO, 1998), based on:
    1. Freedom of association and Right to collective bargaining
    2. Prohibition of compulsory labour
    3. Abolition of child labour
    4. Prohibition of discrimination at work

- ✓ **Other ILO conventions and international treaties** covering other issues related to HRs at work (such as: health and safety, minimum salary, right to leisure, etc.)

→ **All businesses**, without difference of dimension, industry, organization, property, structure, **should respect HRs.**

→ **All businesses** should **DEMONSTRATE** their committment towards HRs protection, and considering global supply chains**, THEY SHOULD DEMONSTRATE THEIR RESPONSIBILITY ALSO BEYOND THE NATIONAL BOUNDARIES**

SA8000: a standard for HRs

- **SA8000** is a **voluntary norm** providing **requirements of management based on international human rights and national labour laws**

- It encourages **organizations** to develop, maintain and apply **socially acceptable workplace practices** in those areas they can **control OR INFLUENCE**

- This standard regards **rights of all personnel employed by the** company itself, as well as **by its suppliers/subcontractors, sub-suppliers, and home workers** (1 kind of stakeholders ➜ **WORKERS**) *[… landmines factory?]*

- SA8000 is **verifiable through an evidenced-based process**. Its requirements apply universally, <u>regardless of a company's size, geographic location, or industry sector.</u>

- SA8000 is managed by **SAI – Social Accountability International (USA)**

- It's based on the **UN – Universal Declaration of Human Rights, other 5 UN Conventions and Guidelines,** and **17 ILO International Conventions** (they are explicitly cited at the beginning of the norm)

Aims of the SA8000 standard

- Giving support to **HRs – related principles**

- **Integrating issues related to HRs in business strategies** (planning and operational activities)

- Favoring businesses in **mantaining over time the compliance to mandatory regulation** (as: H&S, national labour contracts, etc..)

- Stimulating **transparency and improving reputation** (limiting scandals and crises of image)

- Stimulating a **business differentiation strategy based on ethics of goods and management** (certification!!)

- **<u>Supporting control initiatives of business along suppliers and subsuppliers, stimulating a global attention to HRs</u>**

Topics of the norm:
# each one establishes requirements

SAI
SOCIAL
ACCOUNTABILITY
INTERNATIONAL
SA 8000 ®

Child Labor

Forced Labor

Health & Safety

Freedom of Association

Discrimination

Disciplinary Practices

Work Hours

Compensation

Management System

ACCOUNTABILITY
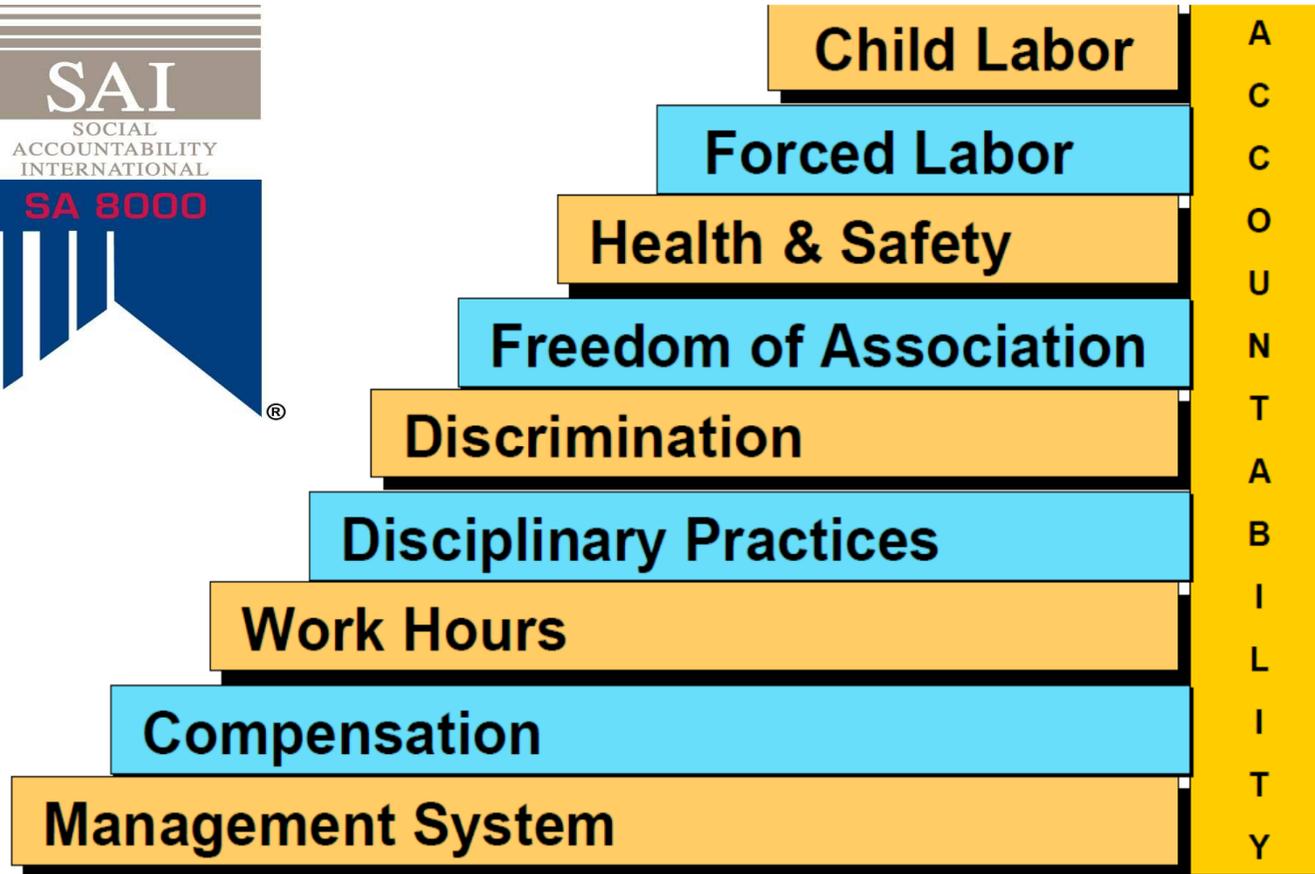
SA8000: requirements …

➢ **Compliance with requirements from 1 to 8**

➢ **Implementation of a <u>Social Responsibility Management System</u> in accordance with requirement 9. This Management System has to manage the first 8 points of the norm (they're the object of the management system)**

It means point 9 establishes requirements of an **effective management system** aimed at managing issues related to points 1-8, **in a perspective of PDCA**

- **Plan**: establishing and planning goals and targets, as well as the processes aimed at improving the performance related to working relations conditions;
- **Do:** acting the process, by identification of internal rules and procedures aimed at operationalizing what planned (in this: also procedures for a Responsible SCM)
- **Check** : definition of an internal monitoring and control system (by means of performance indicators)
- **Act**: Follow up and definition of new plans for continual improvement
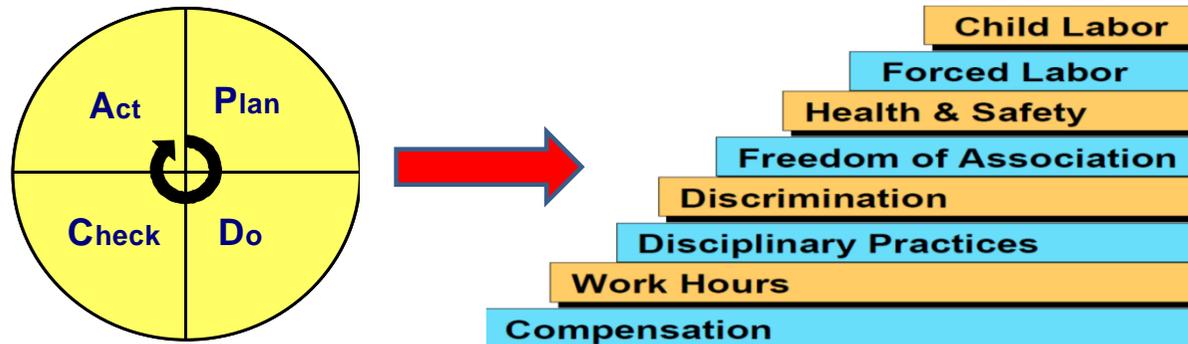
SA8000 – MAIN REQUIREMENTS [8 points]

1. **CHILD LABOUR**: prohibition of child labour (< 15 years old, although local rules can establish higher). Safe and health workplace for young workers (15-18)

2. **FORCED AND COMPULSORY LABOUR**: prohibition (no deposits in money, no identity documents lodge, freedom of leaving the workplace after working, no support to human beeings traffick)

3. **HEALTH AND SAFETY**: providing a safe and healthy workplace environment, with operative procedures for safety of workers, training and exercise for preventing and managing accidents; definition of specific roles and responsibilities in this field

4. **FREEDOM OF ASSOCIATION & RIGHT TO COLLECTIVE BARGAINING**: right to form, join, & organise trade unions and to bargain collectively; no discrimination to reps

5. **DISCRIMINATION**: no discrimination, or support to, in hiring, remuneration, access to training, promotion, termination, or retirement.

6. **DISCIPLINARY PRACTICES**: right of staff to be treated with respect and dignity. No engage nor support to corporal punishments, or mental, physical, verbal abuses

7. **WORKING HOURS**: working hours not exceeding 48 hours per week: overtime admitted, but voluntary, overpaied, and not exceeding 12 hours per week

8. **REMUNARATION**: satisfying the right of personnel to a living wage («basic needs» covered) and ensuring that wages are regularly paied.

Point 9 : MAGANAGEMENT SYSTEM

Procedures, organizational rules, roles and responsibilities for managing over time the compliance to the points 1-8

➢ Requirements establish **WHAT** the organization **SHOULD or MUST** do

➢ This MANAGEMENT SYSTEM involves **different functions/divisions**: Human Resources; H&S management; Communication; Supply-chain management; Management Control and Internal Audit).

9.1 Policies, procedures and records [P]

9.2 Social Perfromance Team [D]

9. 3 Identification and assessment of social risks [P]

9.4 Monitoring [C]

9.5 Internal involvement and Communication [D]

9.6 Complaint management and resolution [A]

9.7 External verification and stakeholder engagement [C]

9.8 Corrective and preventive actions [A]

9.9 Training and capacity building [D]

*9.10 **Management of suppliers and contractors** [D]*

TAKE 5-10 MINUTES TO GIVE A LOOK TO THE NORM

…. and *SA8000 certification*

IF YOUR ORGANIZATION IS COMPLIANT WITH POINTS 1-8 AND MANAGES THEM IN ACCORDANCE WITH REQUIREMENTS OF POINT 9

Certification are proposed by external auditors

➔ *External auditors*: private professional companies that are payed for their work
➔ Risk of conflict of interest!!
➔ Existence of National Authorities of accreditation and monitoring: in SA8000 is SAI: they qualify the auditors
➔ Every 6 months a visit (external audit)
➔ In SA8000: binding at least **1 UNEXPECTED AUDIT every 3 years of the qualifies auditor**

If the audit is OK, the organization has a **CERTIFICATION (label)**: it means that the **ORGANIZATION MANAGES CORRECTLY ITS HRs-reated ISSUES, BUT NOT THAT IT'S EXCELLENT / PERFECT!!!**
(example: driving license)

Information about SA8000, organization, qualified auditors, documents, etc. are available at http://www.sa-intl.org

Certification Statistics

SA8000 Certified Organizations list: download in Excel format.

Note: This list contains SA8000 certified organizations certified through: June 30, 2018, with ongoing updates. Last updated: August 21, 2018. This list shall continue to be updated as new information is submitted to SAAS. SA8000 certification details and summary statistics are updated quarterly. Thank you for your patience as the information is updated.

Total	
Number of Employees	1,998,177
Certified Facilities	3,860
Countries Represented	64
Industries Represented	56

Previous Quarter Only	
New Certifications	225
Recertifications	178
Cancellations/Expirations	115

Certified Facilities (By Size)		
Workers Employed	Number of Facilities	% Total
1 - 25	626	16.2%
26 - 100	1173	30.4%
101 - 250	788	20.4%
251 - 500	494	12.8%
501 - 800	262	6.8%
801 - 1200	174	4.5%
1201 - 2000	129	3.3%
2001 - 3000	92	2.4%
3001 - 6000	76	2.0%
6001 - 10,000	29	0.8%
10,001 - 15,000	7	0.2%
15,001 +	8	0.2%

Full Year, 2018	
New Certifications	508
Recertifications	395
Cancellations/Expirations	254

Additional Information
Certified Organisations, by Industry
Certified Organisations, by Country
Number of Facilities Certified by Year % Annual Growth
Certification Body Certificates, by Country

SA8000: Responsible SCM (9.10)

9.10 Management of Suppliers and Contractors

9.10.1 The organisation *shall* conduct due diligence on its suppliers/subcontractors, private employment agencies and sub-suppliers' compliance with the SA8000 Standard. The same due diligence approach *shall* be applied when selecting new suppliers/subcontractors, private employment agencies and sub-suppliers. The minimum activities for the organisation to fulfil this requirement *shall* be recorded and *shall* include:

Just Communication of your committment and requirements of SA8000

a) effectively communicating the requirements of this Standard to senior leadership of suppliers/subcontractors, private employment agencies and sub-suppliers;

Evaluation of REAL RISKS of LACK of compliance (evaluation)

b) assessing significant risks of non-conformance by suppliers/subcontractors, private employment agencies and sub-suppliers. [Note: an explanation of "significant risk" is found in the guidance document];

Supporting suppliers, subsuppliers, etc… in finding solutions to manage the risks, defining priorities of intervention

c) making reasonable efforts to ensure that these significant risks are adequately addressed by suppliers/subcontractors, private employment agencies and sub-suppliers and by the organisation where and when appropriate, and prioritised according to the organisation's ability and resources to influence these entities; [Note: an explanation of "reasonable effort" is found in the guidance document]; and

Implementing monitoring actions aimed at checking the effectiveness of initiatives implemented by these subjects

d) establishing monitoring activities and tracking performance of suppliers/subcontractors, private employment agencies and sub-suppliers to ensure that these significant risks are effectively addressed.

SA8000: Operationalizing the approach and formalization in procedures

G R O W I N G   C O N T R O L ↓

- **Suppliers and subcontractors mapping** (1° level suppliers) [who; where; which industry; frequency of interaction; relevance for company's business; …]
- **Risk assessment of suppliers and subcontractors** [based on industry of belonging; area of localization; existence of past sanctions in areas of HRs; SA8000 certification; …]
- Request **to 1° level suppliers about their committment to be compliant with SA8000 requirements and request of a self-evaluation of compliance** [questionnaire to be compiled based on SA8000 requirements; additional info: request about sanctions in the last three years; interest in SA8000 certification; ….]
- Request **to 1° level suppliers about their own suppliers** (company's sub-suppliers) and **support about collection of information about HRs management**
- **«Data collection» from suppliers and sub-contractors** about evidences demonstrating their compliance to SA8000 (records of H&S training courses and certificates; copies of paychecks of their employees; organizational structures, with details of staff per age and sex; number and roles of new employees, fired employees - with motivations -, retired …)
- **Planning and carrying out 2° part audits**: direct checks in situ, with the aim to check the compliance with regulation in the field of HRs and the compliance with requirements of SA8000

Benefits of SA8000 for business:

- **SA8000 stimulates the implementation of an overall strategy** of responsible management of the supply-chain (in order to be compliant with the norm)

- Applying **SA8000 reduces the risks of scandals and protects the organization's reputation**

- The control over the SC **protects the organization from sanctions to suppliers and sub-contractors,** which could impact on its business

- SA8000 certified facilities can **differentiate their products and services** with respect to competitors (qualifying in a responsible way their offer) (BRAND)

Case study and discussion

- COMPOSITION OF GROUPS

- READING JUST THE «SUMMARY» (1° PAGE) OF THE EXERCISE PROVIDED ON LINE

- LOOKING AT THE VIDEO (PARTS OF THE INTEGRAL ONE)

- FINAL READING OF THE EXERCISE

- DISCUSS IN EACH GROUP ABOUT THE CASE AND ANSWER TO FINAL QUESTIONS

- PREPARE A POWERPOINT TO PRESENT TO YOUR COLLEAUGES AND DISCUSSION

➢ lenght of presentations: 10 minutes and 5' of discussion