

Managing Human Rights Risk in the Supply Chain

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95th ISM Annual International Supply Management Conference, April 2010

Abstract. From apparel to electronics, jewelry to toy production, retailers, brands and manufacturers continue to make headlines for the presence of child labor, forced labor or poor working conditions in supply chains. This workshop will discuss how to identify the risk of human rights abuses in your supply chain and effectively address them through short and long-term actions, including policy creation, verification processes and implementation of supply chain management systems.

The Approach. While there are numerous approaches that can be used to identify and manage human rights risk in the supply chain, this session will focus on six fundamental steps to get started. These are (i) defining the goals of your risk management program, (ii) setting and communicating the standard, (iii) assessment of risk, (iv) use of education to promote long-term goals, (v) monitoring to assess progress and stimulate continued improvement and (vi) strategic long-term inter-actions to address high risk, complex challenges.

Defining the Goal. It is vital to set incremental and long-term goals for your risk management program. Identifying your company's goals will help answer (i) how far you can go to improve labor standards and human rights practices, (ii) the resources that will be allocated for the program, (iii) the vision that can evolve over time and (iv) the overall impact of the program in the supply chain.

Setting the Standard. Companies should commit to a clear standard for human rights practices in their supply chain. This may take the form of a contractual commitment to uphold national laws on labor practices or it may go further and require adherence to a set of universal standards on labor rights and human dignity. In either case, such standards are usually elaborated through a "supplier code of conduct" that clearly states the minimum expected practices related to worker welfare at the production level. These codes usually contain provisions on child labor, forced labor, wages, working hours, freedom to associate and collectively bargain, discrimination, harassment and abuse, and worker safety. The minimum standard set by your code will provide the philosophical guidance for your supply chain program, setting important parameters within which your partners should operate.

Once established, your standard should be clearly communicated to your supply chain partners. At a minimum, this would mean inclusion of the standard into contractual agreements. Partners may also be asked to sign a commitment statement indicating their willingness to adhere to the standard in their business dealings with you.

Beyond contractual arrangements with business partners, your standard should be communicated throughout the supply chain to the workers themselves.

Assessment of Risk. Depending on the size of your supply chain, it can be daunting to determine where to focus your program resources and where to begin your risk management efforts at the production level. You can prioritize your efforts by considering the relative risk of human rights abuses based on several variables. These may include, but are not limited to, the country where the producer is located, the product that is being produced, the percent of branded goods present (if any), and the presence of other reputable brands. This data can be gathered directly from the producers by utilizing self-assessment questionnaires distributed through the vendors or suppliers. By cross-referencing the data provided by your suppliers with the risk values you have chosen to consider, you will be able to identify the highest risk suppliers that should receive the priority engagements.

Use of Education. Communicating the existence of a human rights standard is not itself sufficient to prepare your supply chain partners for participation in a risk management program. In order to understand the implications of the standard and help them identify what changes they may need to make in order to meet the standard, it is important to actively educate your partners on the vision and goals of your program and your plans for implementation. Interactive workshops are an effective format, allowing participants to ask questions, express any concerns and give feedback related to the initial program goals, structure and methodology.

In addition to face-to-face meetings or workshops, many companies choose to prepare a supplier manual, containing information on the human rights standard as well as an outline of the risk management program. This manual may also include examples of acceptable and unacceptable workplace practices to raise producers' awareness of the human rights standard and how it applies to them.

Monitoring to Assess Progress. It is important at the outset to create a baseline set of data to understand the overall human rights practices in your supply chain. This dataset will help you measure your progress in improving labor conditions and human rights practices over time, as well as setting your incremental and long-term targets. Monitoring at regular intervals over time will also allow you to identify whether program goals are being met, identify gaps in specific areas of human rights practices, identify lagging suppliers, as well as opportunities for improving your process or standard to meet on-going challenges.

Monitoring may be conducted by trained internal staff, third party monitoring firms, non-government organizations (NGOs), in conjunction with industry associations and/or by other stakeholder groups. Many companies use diversified combinations of these, such as internal staff and third-party monitors to conduct the monitoring process and NGOs and industry associations to carry out long-term engagements or specially-focused activities.

Long-term Inter-Actions to Address Complex Risks. Human rights is a complex issue and cannot be fully addressed in a silo. In order to have a sustained impact on human rights practices in your sector, it's important to supplement the efforts of your company with involvement in a multi-lateral industry approach. This helps you leverage the knowledge and resources of your peer companies in addressing similar challenges in the supply chain. This is particularly effective in addressing complex challenges that benefit from a consistent and uniform industry approach and sends a strong message to supplier partners of the collective commitment of your industry to improving human rights practices.

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