Sharing audits

Improving CSR standards

Improving working conditions

Building supplier capability

AIM-PROGRESS

PROGRAM FOR RESPONSIBLE SOURCING

AIM-PROGRESS Responsible Sourcing Forum

Milan Hotel, Moscow, Russia
4 June, 2013

MARS incorporated

Unilever

AIM-PROGRESS

PROGRAM FOR RESPONSIBLE SOURCING

AGENDA

Welcome & Introductions	09:00-09:15
Keynote Addresses: Brice Russell, Commercial Staff Officer, Mars **Traci Hampton, Procurement Operations Director, Compliance, Unilever**	09:15-09:45
Welcome messages from Leadership in attendance : **Paul Pickard, Head of Procurement for Europe, Nestlé**	09:45-09:55
AIM Progress - Session I – Understanding the Context: **Pascal Becker, Givaudan & Francesca New, Mars**	09:55-10:55
Tea Break	10:55-11:25
Supplier testimonial	11:25-11:35
Session II – Understanding the Pillars of Responsible Sourcing* • **Labour Standards** • **Business Integrity** • **Health and Safety** • **Introduction to Environmental Management**	11:35-12:50
Lunch	12:50-14:00
Overview of Sedex	14:00-14:30
Dilemma interactive session	14:30-15:50
Questions and wrap up	15:50-16:05
Drinks Reception	16:05

SAFETY AND LOGISTICS NOTICE

ANTI-TRUST NOTICE

Participants at the forum shall not enter into any discussion or raise questions that may infringe any applicable competition law. By way of example, participants shall not discuss, communicate or exchange any commercially sensitive information, such as non-public information relating to prices, marketing and advertising strategy, costs and revenues, trading terms and conditions. They shall not disclose any trading relationships in terms of identifying a particular manufacturer or supplier or other.

Sharing audits

Improving CSR standards

Improving working conditions

Building supplier capability

AIM-PROGRESS

PROGRAM FOR RESPONSIBLE SOURCING

Key Note Address & Importance of Responsible Sourcing

Brice Russell
Commercial Staff Officer, Mars

MARS incorporated

Unilever

AIM-PROGRESS
PROGRAM FOR RESPONSIBLE SOURCING

Sharing audits

Improving CSR standards

Improving working conditions

Building supplier capability

AIM-PROGRESS

PROGRAM FOR RESPONSIBLE SOURCING

Key Note Address & Importance of Responsible Sourcing

Traci Hampton
Procurement Operations Director, Compliance, Unilever

MARS incorporated

Unilever

AIM-PROGRESS
PROGRAM FOR RESPONSIBLE SOURCING

Sharing audits

Improving CSR standards

Improving working conditions

Building supplier capability

AIM-PROGRESS

PROGRAM FOR RESPONSIBLE SOURCING

Welcome Messages from Leadership

Paul Pickard
Head of Procurement for Europe
Nestlé

MARS incorporated

Unilever

AIM-PROGRESS
PROGRAM FOR RESPONSIBLE SOURCING

Sharing audits

Improving CSR standards

Improving working conditions

Building supplier capability

AIM-PROGRESS

PROGRAM FOR RESPONSIBLE SOURCING

Overview of AIM-PROGRESS and Responsible Sourcing

Pascal Becker, Givaudan

Francesca New, Mars

MARS incorporated

Unilever

AIM-PROGRESS

PROGRAM FOR RESPONSIBLE SOURCING

AIM-PROGRESS

PROGRAM FOR RESPONSIBLE SOURCING

Sharing audits

Improving CSR standards

Improving working conditions

Building supplier capability

AIM-PROGRESS

PROGRAM FOR RESPONSIBLE SOURCING

Sharing audits

Improving CSR standards

Improving working conditions

Building supplier capability

AIM-PROGRESS

PROGRAM FOR RESPONSIBLE SOURCING

Sharing audits

Improving CSR standards

Improving working conditions

Building supplier capability

AIM-PROGRESS

PROGRAM FOR RESPONSIBLE SOURCING

Sharing audits

Improving CSR standards

Improving working conditions

Building supplier capability

WHAT IS AIM-PROGRESS?

- **Global forum of consumer goods companies assembled to enable & promote responsible sourcing practices**
- **Sponsored by the Grocery Manufacturers Association (GMA) and the European Brands Association (AIM)**
- **30+ Companies**
- **Representing > USD$ 618 billion annual revenue**

www.aim-progress.com

AIM-PROGRESS OBJECTIVES

- **To promote responsible sourcing through common, or mutually accepted Supply Chain Standards:**

- **To increase efficiency by sharing data – “*an audit for one is an audit for all*”**
- **To seek convergence with other similar initiatives**

AIM-PROGRESS UNDERLYING VALUE/CONCEPT/IDEA

Responsible Sourcing is the process of purchasing goods and services **without** causing **harm** to, or **exploiting, humans** or the **natural** environment.

Core Responsible Sourcing Principles

1. Legal Compliance
2. Forced Labor
3. Wages & Benefits
4. Hours of Work
5. Freedom of Association
6. Child Labor
7. Discrimination
8. Abuse of Labor
9. Health & Security
10. Environment
11. Bribery & Corruption

VALUE PROPOSITION

- **Meets multiple customer requirements**

- **Builds & protects reputation with:**
  - Consumers
  - Regulators
  - Wider society
  - Investors

- **Increases employee morale and productivity:**
  - Improves retention rates
  - Lower overtime
  - Reduces health and safety incidents
  - Reduces quality incidents

- **Is a sustainable foundation for growth**

- **Is “the right thing to do!”**

AIM-PROGRESS

PROGRAM FOR RESPONSIBLE SOURCING

Sharing audits

Improving CSR standards

Improving working conditions

Building supplier capability

REPUTATIONS: HARD TO BUILD…. EASY TO LOSE!

Retailers Split on Contrition After Collapse of Factories

By STEVEN GREENHOUSE
Published: April 30, 2013

The building collapse in Bangladesh that caused at least 386 deaths has produced some jarringly different responses from Western apparel retailers and brands that obtained goods from factories inside the building.

Apple, Foxconn Scandal Highlights Exploitation Of Chinese Workers By Foreign Firms

NEWS: SM 100 | Daily news by email

'You can't hide factory scandals', warns Adidas CSR chief

Want the latest procurement and supply chain news delivered straight to your inbox? Sign up for the Supply Management Daily

10 February 2012 | Paul Snell

LEADERSHIP | 4/26/2012 @ 5:28PM | 49,399 views

WalMart's Mexican Bribery Scandal Will Sink It Like an Iceberg Sank the Titanic

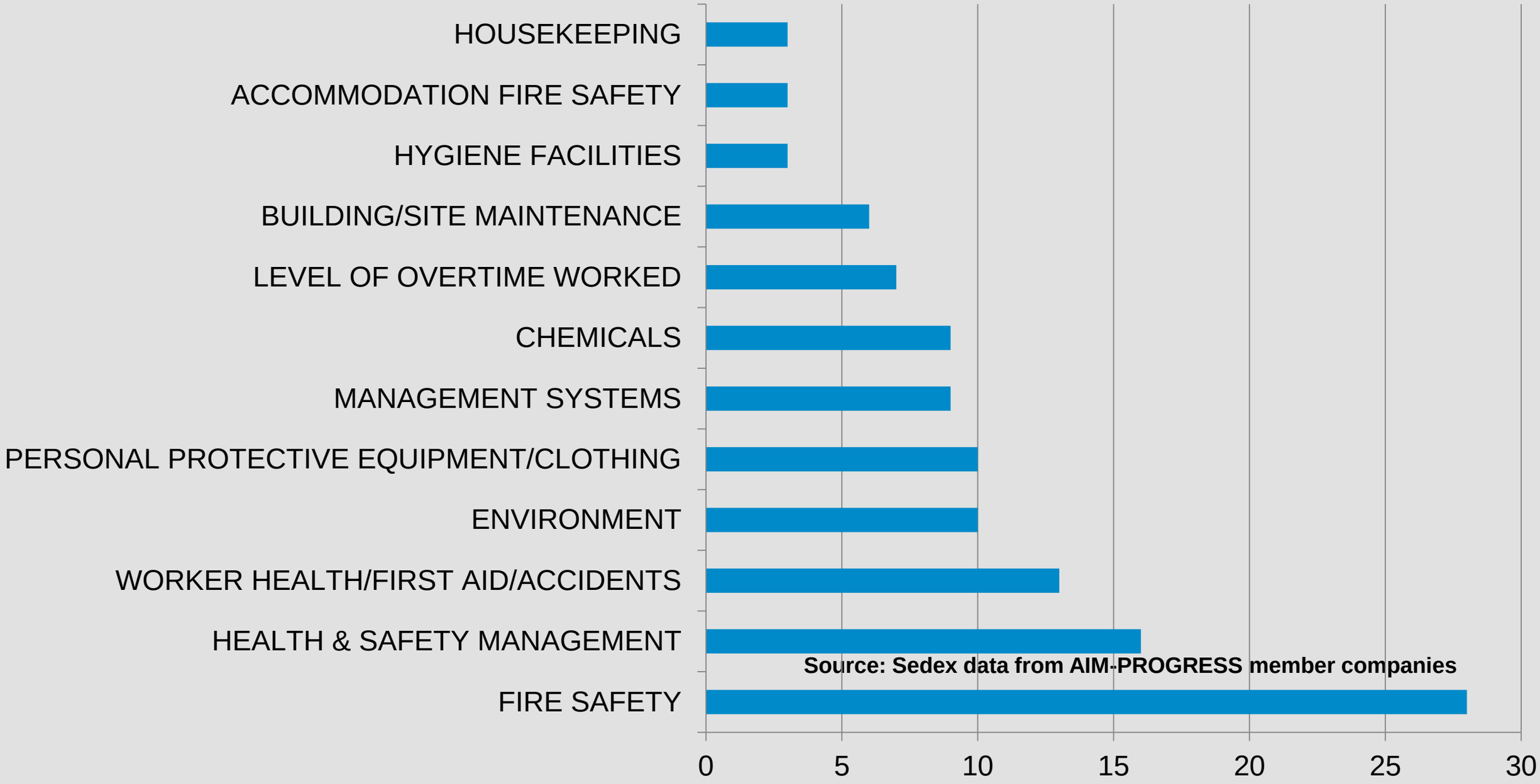
Mars, Mondelez, Nestle are leaving women farmers behind

Published: 8 March 2013

Oxfam campaigns at chocolate company headquarters on International Women's Day

NECESSITY FOR RESPONSIBLE SOURCING

Most Common audit non-compliances found in Russia



AIM-PROGRESS ACTIVITIES

- **To maximize synergies**

Mutual Recognition

- Benchmark company assessment protocols
- Sharing best practice
- Audit data exchange

Data Exchange

- Common assessment methods
- Maximize synergies
- Use of the Sedex system

Engaging others

- Promoting supplier awareness
- Helping suppliers build capabilities
- Going beyond Compliance

- ***<u>NOT</u>: Create a new set of codes or create new audit standards***

MUTUAL RECOGNITION – REDUCE AUDIT FATIGUE

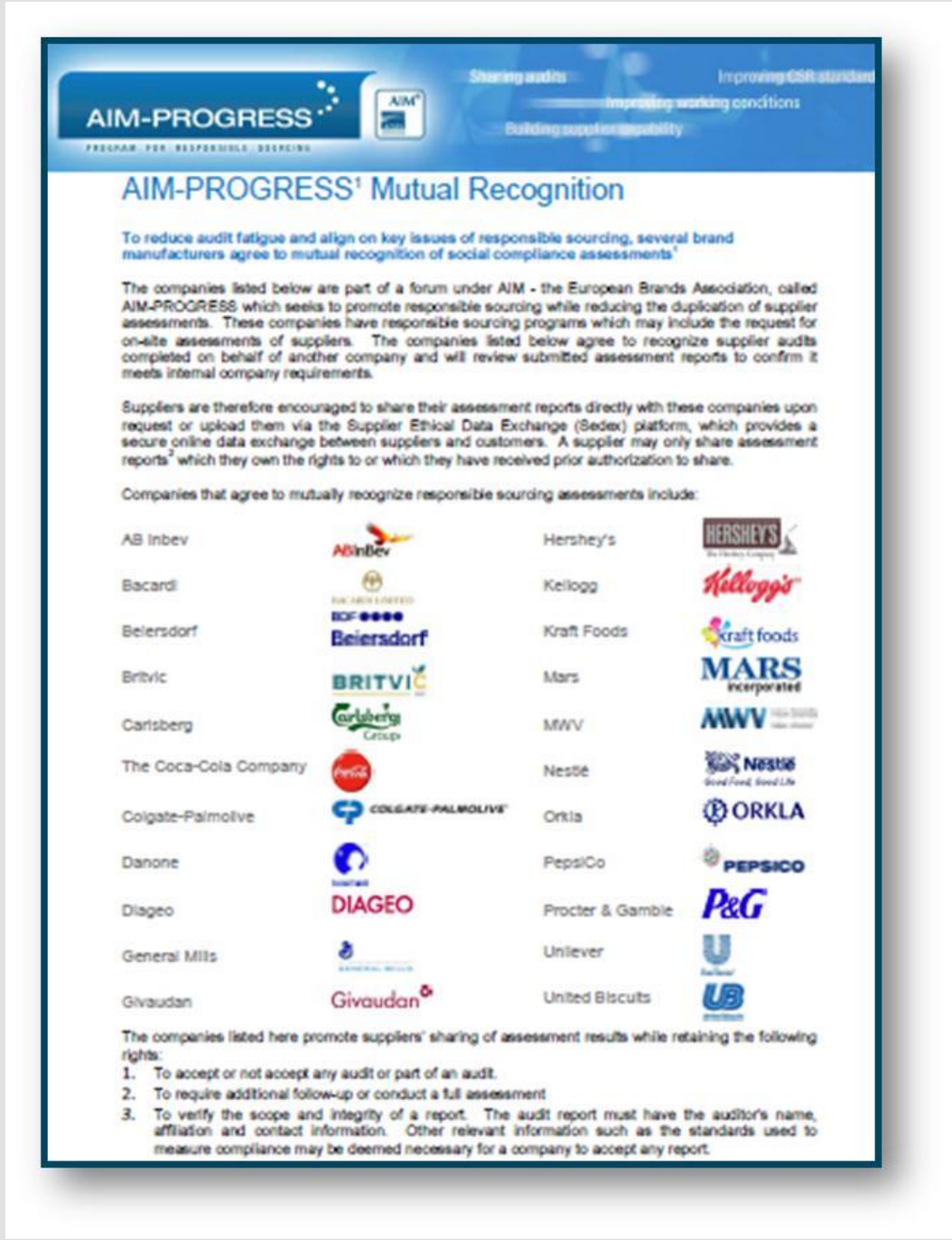
Purpose:

- **Reduce Audit Fatigue through mutual recognition of assessments**
- **Reduce duplicative costs throughout supply chain**
- **Align standards and share best practices**

Results to date:

- **86% of AIM-PROGRESS members have signed up to MR**
- **Companies have met up to 40% of audit needs through MR**
- **Audit avoidance resulting in an estimated savings of over $750,000 for suppliers**

MUTUAL RECOGNITION COMMUNICATION…..



AIM-PROGRESS[1] Mutual Recognition

To reduce audit fatigue and align on key issues of responsible sourcing, several brand manufacturers agree to mutual recognition of social compliance assessments[1]

The companies listed below are part of a forum under AIM - the European Brands Association, called AIM-PROGRESS which seeks to promote responsible sourcing while reducing the duplication of supplier assessments. These companies have responsible sourcing programs which may include the request for on-site assessments of suppliers. The companies listed below agree to recognize supplier audits completed on behalf of another company and will review submitted assessment reports to confirm it meets internal company requirements.

Suppliers are therefore encouraged to share their assessment reports directly with these companies upon request or upload them via the Supplier Ethical Data Exchange (Sedex) platform, which provides a secure online data exchange between suppliers and customers. A supplier may only share assessment reports[2] which they own the rights to or which they have received prior authorization to share.

Companies that agree to mutually recognize responsible sourcing assessments include:

AB Inbev	ABInBev	Hershey's	HERSHEY'S
Bacardi	BACARDI LIMITED	Kellogg	Kellogg's
Beiersdorf	Beiersdorf	Kraft Foods	kraft foods
Britvic	BRITVIC	Mars	MARS incorporated
Carlsberg	Carlsberg Group	MWV	MWV
The Coca-Cola Company		Nestlé	Nestlé
Colgate-Palmolive	COLGATE-PALMOLIVE	Orkla	ORKLA
Danone		PepsiCo	PEPSICO
Diageo	DIAGEO	Procter & Gamble	P&G
General Mills		Unilever	
Givaudan	Givaudan	United Biscuits	UB

The companies listed here promote suppliers' sharing of assessment results while retaining the following rights:

1. To accept or not accept any audit or part of an audit.
2. To require additional follow-up or conduct a full assessment
3. To verify the scope and integrity of a report. The audit report must have the auditor's name, affiliation and contact information. Other relevant information such as the standards used to measure compliance may be deemed necessary for a company to accept any report.

SELF-ASSESSMENT & DATA EXCHANGE

SEDEX Members

- Online tool that enables global suppliers to share assessments and audits on ethical and responsible practices with their customers and avoid duplication
- Common tools to enable companies to analyse and assess risks:
  - SAQ – self assessment questionnaire
  - SMETA – Sedex Members Ethical Trade Audit

Non-SEDEX Members

- Company Protocols
- Benchmarked against each other and SMETA
  - For Instance, The Coca-Cola Company uses The Supplier Guiding Principles (SGP)

Empowering responsible supply chains

Sedex does not…

- set policy
- pass, fail, certify, or score suppliers
- conduct social audits
- issue certificates
- promote suppliers

www.sedexglobal.com

ENGAGING OTHERS - SUPPLIER CAPABILITY BUILDING

What is it about?

- **Promote responsible sourcing practices throughout the supply chain**
  - Focus on increasing supplier capability
  - Provide information, resources and tools
  - Ensure suppliers understand and comply with responsible sourcing standards.

How is it done?

- **Either physically or by webinar**
- **In 2011 AIM-PROGRESS reached more than 1500 participants from approx. 750 companies.**

Event content & structure

- **The physical events last a whole day.**
- **The webinars last between 90-120 minutes.**

Who is invited?

- **Packaging, ingredients and equipment suppliers**
  - Number of suppliers depends on venue and number of participating AIM-PROGRESS members.
  - Given anti-trust law, invitations are sent by the respective brands to their supplier base
  - Supplier connections to buyers remain confidential.

Sharing audits

Improving CSR standards

Improving working conditions

Building supplier capability

AIM-PROGRESS

PROGRAM FOR RESPONSIBLE SOURCING

Demonstrating Compliance

MARS incorporated

Unilever

AIM-PROGRESS

PROGRAM FOR RESPONSIBLE SOURCING

AIM-PROGRESS

PROGRAM FOR RESPONSIBLE SOURCING

Sharing audits

Improving CSR standards

Improving working conditions

Building supplier capability

RESPONSIBLE SOURCING PROCESS

Step 1:
Suppliers Engaged by A-P Company

Step 2:
Supplier Self Assessment (if applicable)

Step 3:
3rd Party Assessment

Step 4:
Corrective Action Plan

Independent Activity

Common Activity

Common Activity

Independent Activity

Take steps to address gaps in your responsible business practices
Demonstrate continuous improvement to your customers

SUPPLIERS ENGAGED BY AIM-PROGRESS COMPANY

Step 1:

Suppliers Engaged

- Contact could be via e-mail and also via supplier forums
- Your customers are here to today- seize the opportunity to further your understanding!
- ENGAGE and PARTICIPATE
- Find out more from key stakeholders Sedex and audit companies: DNV, Intertek, SGS

SUPPLIER SELF-ASSESSMENT

Step 2:
Supplier Self Assessment

Common Method among SEDEX members; not required by all

- Tool to help **suppliers** and **buyers** assess overall **capabilities** and ensure management **processes** are in place
- Only a requirement for some companies
- If applicable, the **Sedex self-assessment** covers the following:
  - Site Profile
  - Labor Policy & Standards
  - Health & Safety, Hygienic Assessment
  - Business Integrity (anti-corruption)
  - Environmental Stewardship

ASSESSMENT OVERVIEW – 4 PILLARS

3rd PARTY ASSESSMENTS

Step 3:
3rd Party Assessment

Common Method

WHAT IS THE ROLE OF THE AUDITOR?

- Auditors are **independen**t and **impartial** professionals
- Trained to evaluate compliance to laws and standards.

WHO PAYS FOR AND OWNS THE AUDIT?

- **Suppliers pay for the audit**
- This allows you to **own the data** and **share the reports** with multiple customers through AIM-PROGRESS

PROTECTION OF PRIVACY

- Processes ensure no personally identified information leaves the facility
- Goal of assessment is to **protect employees** not infringe on privacy

ARE OTHER STANDARDS ACCEPTABLE?

- **Check with your customer** if you are unsure

3rd PARTY ASSESSMENTS

How long does the audit take?

- Varies depending on size of facility and scope of production. In general, two auditors spend one day in a facility, but can take up to 4 person days

Step 3:
3rd Party Assessment

Common Method

Time	Assessment Process	Key Staff
45 Min	**Opening Meeting**	Site Manager, HR Environment, Health and Safety Manager
1 hour	**Site Inspection**	Site & Environment, Health and Safety Manager
2 hours	**Document Review**	HR Manager Payroll Clerk Environment, Health and Safety Manager
3 hours	**Interviews with production employees**	Floor Staff only
30 min	**Secondary Site Inspection/Misc**	**None**
30 min	**Preparation of Onsite Report**	**None**
30 min	**Presentation of Onsite Report to Management**	Site, HR, Environment, Health and Safety Manager

CORRECTIVE ACTION PLAN

Step 4:
Corrective Action Plan

- Non-compliances identified must be addressed through **Corrective Action Plans**
- **Supplier is responsible for close out of non-compliances**
- **Timeframe** and follow-up methods depend on the type of issue and the severity
- Individual buying companies determine the corrective action plans
- **Opportunity** to **demonstrate commitment** and show **continuous improvement**

SUPPLIER COMMENTS

*"Companies must take steps to **manage their impact** on the natural environment... **External validation** of our activities in this area is **key to maintaining our credibility** and this validation process is supported by our membership of SEDEX."*

Simon Houghton-Dodd, Head of Quality & Sustainability

Tate & Lyle Sugars

*"**Earn the trust** of our customers, licensing partners, suppliers, and consumers by **manufacturing and purchasing quality products using ethical standards"***

MWV

*"**Over 20 customers have asked for SEDEX information** – All we have to do is go into SEDEX and give access to those companies to view the questionnaire and audit we already completed."*

Givaudan

*"SEDEX has been **very useful** within Doehler as it **provides a Group standard for CR across multiple sites**. In addition, as **SEDEX is recognised by many clients**, it has been particularly **beneficial in developing customer relationships**"*

Doehler

NEXT STEPS…

- Review your customer specific requirements
- If required by your customer, register on Sedex and conduct self-assessment to identify areas for improvement
- Schedule assessment and share results with AIM-PROGRESS companies
- Focus on continuous improvement by:
  - addressing non-compliances in requested timeframes,
  - leveraging results and remediation across business,
  - engaging suppliers in similar work and requirements

www.aim-progress.com

QUESTIONS ?

www.aim-progress.com

CONCLUSION

Responsible Sourcing is a growing movement and is critical to maintaining a positive reputation and meeting customers demands.

This as an opportunity to grow our business together with our suppliers in a sustainable and responsible manner.

www.aim-progress.com

Sharing audits

Improving CSR standards

Improving working conditions

Building supplier capability

AIM-PROGRESS

PROGRAM FOR RESPONSIBLE SOURCING

TEA BREAK

MARS incorporated

Unilever

AIM-PROGRESS

PROGRAM FOR RESPONSIBLE SOURCING