

How Ethical Trade Standards & Responsible Sourcing are driving consumer behaviour and investment decisions

Foreword

The evolution of global supply chains has been a defining feature of economic activity in the last thirty years, enabling consumers to constantly access an ever-increasing range of products.

Retail buyers and end-consumers need to be assured that these products are safe, legal and of a suitably high specification. Standard and certification schemes play a crucial role in providing such assurance. Furthermore, consumers are increasingly concerned about the provenance of their purchases. Many do not want to be inadvertently buying into systems of human exploitation and environmental destruction. Therefore, assurance schemes have sprung up, often under the guise of ethical trade, aiming to counter these concerns. However, it has become increasingly apparent that these schemes under-perform. Academics, journalists and consultants have repeatedly exposed major shortcomings which lead to disparities between stakeholder expectations and realities on the ground. These were tragically highlighted in the disaster at Rana Plaza, a site which had been subject to many audits and inspections and yet businesses carried on operating in perilous conditions. Such events serve to heighten consumer disenchantment and mistrust, causing considerable damage for brand reputation.

There has been an alarming reticence to explicitly use standards and certifications as a means for tackling the root causes of problems at sites of production. As a result, risks in supply chains are growing inexorably. The World Economic Forum's World Risks Report 2019 highlights the severity of risks such as climate change, water crises, food crises and social instability which collectively threaten the very basis of global supply chains. There is a very real imperative for these issues to be confronted and for systems of assurance and certification to play a leading role in their identification and rectification.

In such a challenging context this new BRCGS White Paper is a breath of fresh air as it not only embraces the realities of the global context, but offers ground-breaking solutions in the form of its new ethical Standards. The latter offer genuine pathways for guaranteed high quality auditing and for the implementation of pathways to improvement at sites of production, which collectively can mitigate the very real risks which threaten not only businesses' licence to operate but the very foundations of the global economy as we have come to experience it.



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Introduction

Buying behaviour is changing and the relationship between global brands and the customers who support them is being transformed by the rise of the conscientious consumer.

Purchase choices are increasingly influenced by environmental and ethical considerations as consumers seek assurance about their purchase from sourcing of raw materials to manufacturing and through to point of sale. This increasing awareness is transforming citizens' expectations of brands they support and the products they buy. Buyer behaviour is becoming ever more influenced not just by the traditional 5 Ps of marketing - product, price, place, people and promotion - but by a sixth P; principles.

Consumers and other stakeholders form beliefs about the ethical standards which underpin production, and chief amongst these is the way people are treated. There are growing calls for brand owners to ensure that ethical trade and responsible sourcing standards that protect workers' rights are applied throughout the supply chain, especially in emerging economies where materials are frequently sourced and much of the processing and manufacture takes place.

Producers, particularly food manufacturers, are responding to the challenge of ensuring that food production is both environmentally and economically sustainable. Given the scale of modern farming's environmental footprint and the complex supply chains that characterise the industry, there is no easy solution. Yet many are beginning to benefit from ethical trade and responsible sourcing because supply chain sustainability grants competitive advantage. The business case for ethical trade is strengthening. Evidence suggests that companies which build sustainability into their strategies are outperforming those who fail to show leadership. The CDP, formerly known as The Carbon Disclosure Project, studied 500 S&P firms and concluded that those who actively manage and plan for climate change secure an 18% higher return on investment than companies that take no action and 67% higher than companies which refuse to disclose their emissions (1).

This paper investigates how ethical consumption trends have influenced consumer behaviour, investment

priorities, national and international regulation and how brand owners are responding to calls for the application of universal ethical trade and responsible sourcing standards.

It presents an overview of evidence from a range of sources and considers the challenges involved in ensuring effective supply chain governance and the role that standards play in helping both retailers and consumers make informed choices.

The paper also considers how BRCGS is responding to the growing demand from stakeholders to ensure that the goods they produce are made in an ethical and sustainable way, supported by the fair treatment of workers.

The conscientious consumer: seeking reassurance of independently verified transparency

Consumer scepticism about brands' commitment to ethical trade and responsible sourcing needs to be addressed and there is a clear role for independent, third party validation to address the current perceived lack of supply chain transparency. Self-regulation introduces an element of consumer doubt. A universal benchmarking framework on ethical trade and responsible sourcing will validate such efforts and provide much needed independent endorsement.

Consumers who make active decisions about what they consume in a bid to mitigate negative social and environmental impacts have become mainstream. Research by Corteva Agriscience confirms that 52% of European consumers are willing to pay up to 20% more for sustainable food products (2).

In the UK alone, sales of ethical food and drink increased from £5.7 billion in 2013 to £8.2 billion in 2018 including organic, Fairtrade, Rainforest Alliance and Marine Stewardship Council (MSC) certified products. According to Mintel research, sales of ethically certified food and drink are projected to rise considerably by 2023 to reach £9.6 billion (3).

This trend for ethically sourced goods which comply with a recognised standard encompasses sustainable supply chains that provide for the ethical treatment of animals and the ethical treatment of workers. The Fairtrade Foundation cites

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pan European research covering 5,000 consumers who participated in the 'Trade Fair, Live Fair' survey. Just under a third prioritised paying workers a fair, living wage and ensuring that animals are not harmed during production and 40% said their top priority is that food and drink is produced in a way that does not harm the environment (4).

Global supply chains are under constant threat from environmental degradation, politically motivated tariffs, underdeveloped or poorly maintained infrastructure and abusive labour practices. Workers' rights have been further damaged by the mass casualisation of the workforce, a consequence of globalisation. As employment terms in some sectors are drifting from permanent full-time positions towards more casual, temporary, or otherwise non-permanent and non-full-time, accusations of unfair working practices are increasing in both developed and emerging economies. Casual employment benefits a younger demographic who are in a position to work in a more flexible way or are able to migrate to regions where job opportunities are more plentiful. Yet casual workers remain vulnerable because they tend to be subject to lower pay, restricted from joining a union, and denied medical and other benefits. Casualisation runs the risk of potential abuse because it allows employers to take advantage of the natural fluctuation of employee productivity over their working life and could leave the elderly or women with families disadvantaged.

Global brands have the freedom to choose from low-cost and low-wage economies and, in these markets, brands can dictate prices, quantity and quality, without consideration for the impact on supplier factories and their workers. There is growing evidence that such concerns are influencing how some people purchase goods and some will avoid making a purchase if they are aware that the sourcing or manufacture is not carried out in an ethical way. For example, research by YouGov and the Global Poverty Project suggests that some consumers would pay an extra 5% for their clothes if there was a guarantee that workers producing those garments were being paid fairly and working in safe conditions (5).

Calls for all parts of the supply chain to be subject to the same standards wherever sourcing, manufacturing or selling takes place are widespread and the commercial benefits for retailers, manufacturers and brand owners are evident.

In an Ipsos MORI poll conducted on behalf of Changing Markets Foundation, 79% of UK respondents said that clothing brands should provide information on whether the workers in their supply chains are paid a fair living

wage, and more than half would be put off buying from a brand that does not do so (6).

A recent MIT & Harvard study demonstrated the substantial positive effect of garment provenance labels on sales. Such labels increased sales of one high value women's garment by 14% even in price sensitive outlet stores (7).

The conscious consumer seeks to act to address the negative impact of complex global supply chains and their current lack of transparency. For them, the traceability of the goods they purchase is growing in importance. This emerging trend is facilitated by technology which helps them see clearly through supply chains. Greater connectivity has increased consumers' ability to make in-situ informed choices about prospective purchases. Apps like Giki provide ethical and sustainability information on more than 280,000 products in the UK. By using apps such as HowGood and Follow This Food, UK consumers can easily scan a QR code to check the sustainability and provenance of packaged foods.

Brands are responding because they know it makes financial sense to be more cognisant of consumer concerns. The spotlight is firmly on food manufacturers because the global food system is the single largest driver of global environmental change, contributing to 24% of greenhouse gas emissions and being the primary cause of vertebrate biodiversity loss since the 1970s (8).

Food retailers have acted by setting up online platforms to encourage suppliers to share best practice in sustainability. The Tesco Supplier Network was launched in 2015 and provides a forum for share knowledge and expertise (9). The Asda Sustain & Save Exchange, a similar initiative, claims to have removed more than 35,000 tonnes of CO2 emissions from their supply chain to date, while half of the forum's members have made savings on energy and one in ten has cut back on waste (10).

Nike, Adidas, Levi's and Gap, have signed up to sustainability targets which include publicly naming their suppliers but there is growing evidence that consumers do not yet trust brands to help them make the right ethical and sustainable choices, see Figure 1 (11).

Currently, fewer than one in five people trust sustainability information provided by clothing brands and over 50% believe that increased regulation is the only effective way to prevent fashion industry practices that damage the environment and take advantage of low paid workers (12).

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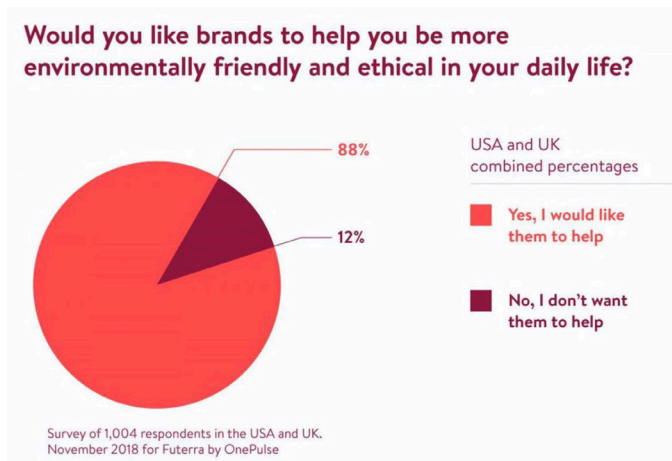


Figure 1, 88% of consumers want brands to help them live sustainably FUTERRA (11)

The conscientious investor: from environmental to social safeguards

Less than ten years ago, ESG (Environment, Social, Governance) was a Cinderella consideration in investment decisions. In recent years we have seen it emerge to become one of the key drivers for institutional, private wealth and retail investors.

The Global Sustainable Investment Alliance is a collaboration of membership-based sustainable investment organisations whose mission is to deepen the impact and visibility of sustainable investment. They estimate that, at the start of, 2018 global sustainable investment reached \$30.7 trillion across Europe, USA, Japan, Canada, Australia and New Zealand, a 34% increase since 2016 (13). Basing investment decisions on sound environmental or social governance has a critical role in long-term investment strategies because shareholders are demanding value-based investment options.

A 2012 study by academic Alex Edmans illustrates how companies with a high commitment to ethical standards are known to outperform the market both operationally and financially over the longer term.

Edmans' research found that companies listed in the "100 Best Companies to Work For in America" generated 2.3%

to 3.8% higher stock returns per year than their peers from 1984 through 2011 (14).

Conversely, the consequences of poor ethical standards on trade and sourcing can be catastrophic and, as evidenced in Figure 2, these poor practices are not restricted to emerging economies.

A thorough assessment of a firm's labour risks should form a critical part of the investment process, according to Aberdeen Standard Investments and failure to do so damages productivity, brands and reputations, and the intellectual property of a business (15).

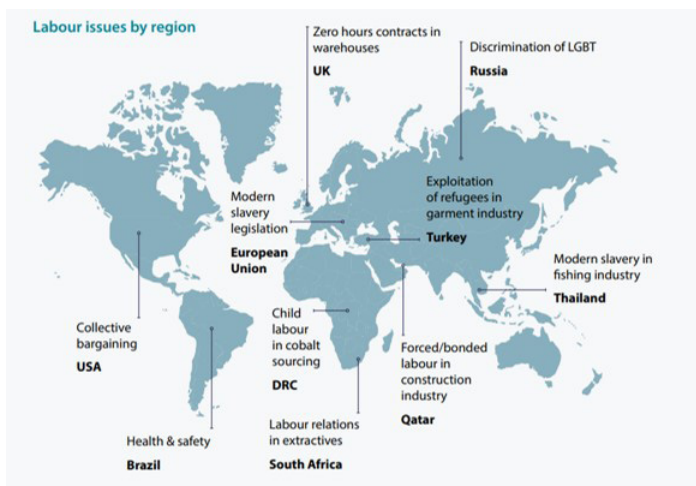


Figure 2. Labour issues by Region. 'Labour Relations. Why do labour relations matter to investors?', Aberdeen Standard Investments, January 2018 (15)

The growth of ESG considerations on investment decisions is clear from EY's study of institutional investors. EY highlights the tangible and growing impact ESG has on investment decisions, see Figure 3 (16). The risk of poor governance practices would cause 63% to rule out an investment immediately. Other triggers which would rule out investment include supply chain risks tied to ESG (52% up from only 15% in 2017), risk or history of poor human rights practices (49%, up from 32%), and risk from climate change (48%, an increase of 40% from the previous year).

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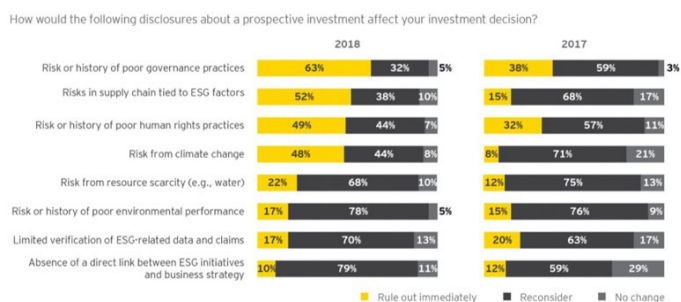


Figure 3, Integrated reports and annual reports emerge as preferred sources of ESG information (16)

ESG investor focus is set to continue, propelled by the expansion of public-private partnerships which give private capital more of a role to play in social investments, the shifting dynamics of energy markets as they transition to a more sustainable, low-carbon economy, and perhaps most significantly, the growth in influence of Millennials i.e. those born between 1981 and 1996.

In the US alone, over the next 20 years, more than \$30trillion is projected to fall under the control of Millennials, the largest inter-generational transfer of wealth ever known (17). This wealth transfer lands with a generation raised alongside climate change and one more prone to select investments based on values and personal priorities.

Nielsen, in 2015, suggested that while 66% of global consumers are willing to pay more for sustainable brands this rises to 73% for global Millennials, up from 50% in 2014 (18). This is echoed by Morgan Stanley's 'Sustainable Signals' report which covers survey findings from 1,000 active individual investors and notes that 61% of Millennials have taken at least one sustainability-oriented investment action in the last year (19).

ESG is an investment driver yet its evaluation is not straightforward, and no universal criteria exists to facilitate clear benchmarking against non-financial factors. Current ESG-rating methodologies risk oversimplifying or relying too heavily on subjective evaluations. Clear standards for ethical investing evaluation are required to provide an impartial mechanism for assessment.

The conscientious regulators

Accusations of supply chain exploitation are not limited to emerging markets. Earlier this year UK based online

fashion retailer Boohoo was accused of wage exploitation at their Leicester and Manchester factories which triggered a Parliamentary review by the House of Commons Environmental Audit Committee (20).

Parliamentarians concluded the Modern Slavery Act is not robust enough to prevent such exploitation and more supply chain transparency is needed along with improved accountability not based solely on self-disclosure. They called on the UK Government to "publish a publicly accessible list of all those retailers required to release a modern slavery statement. This should be supported by an appropriate penalty for those companies who fail to report and comply with the Modern Slavery Act (21).

However, it is the sustainability of global food production that causes most concern and needs to be collectively addressed by national governments. The Millennium Ecosystem Assessment estimates that 24% of the Earth's surface is already cultivated and further expansion has serious implications for forests, peatland and biodiversity (22).

Commercial agriculture is responsible for 75% of all deforestation with soya bean production alone accounting for 68% of forest loss in Latin America and around 40% worldwide. Allianz forecasts that sugarcane and soya alone will be responsible for a 20-million-hectare expansion of agricultural land in Brazil over the next 40 years, an area more than twice the size of Hungary (23).

The Brazilian government's plans to commercialise parts of the Amazon caused a wave of global outrage but only Norway and Germany responded to the deliberate deforestation by halting donations to the Brazilian government's Amazon fund. This has drawn more attention to the role that regulators are playing to preserve and promote sustainable food supply chains.

The European Commission has recently committed to adopting measures to introduce greater transparency through improved price reporting along the food supply chain, which come into force on 1 January 2021. Greater transparency prices of agri-food products will enable those involved to make more informed choices and improve the understanding of price formation along the food chain, redressing the current disadvantage faced by farmers (24).

Set against a growing backlash against the environmental consequences of fast fashion and unsustainable food production, this illustrates the focus legislatures are now giving to unethical trade and unsustainable labour practices.

But is it really possible to have fair and just supply chains when globalisation is predicated on universal access to goods, services and labour? Some argue that, by its very nature, globalisation capitalises on the lack of uniformity in workers' rights across territories. This is precisely why safeguarding workers and cultures in both developed and emerging countries is firmly on the regulatory agenda.

Numerous Inter-Governmental Organisations publish guidelines to encourage corporates to assume responsibility for their operations, but this is not yet universally enshrined into international law. Both the UN and OECD have decreed that multinationals are responsible for any abuses in their supply chains and it is possible for unions to take cases under the OECD guidelines. However, outcomes are varied, and results are fairly inconsistent (25).

Some nations are more progressive than others. France is leading the march with the 'Corporate Duty of Vigilance Law' requiring French multinationals to develop due diligence plans to protect environmental degradation and potential abuses of human rights. Company directors are now personally liable for such transgressions and companies can be fined for non-compliance with €10 million imposed when companies fail to publish plans, increasing to €30 million if this failure results in social or environmental damage that could otherwise have been prevented.

Amnesty International and other leading NGOs reviewed progress on 80 vigilance plans and found that most were ineffective. They claim, "the majority of the plans (are) still focusing on the risks for the companies rather than those for third parties or the environment" (26).

Beth Keck, of the Council on Foreign Relations, highlights the weakness of such international arrangements. She cites the problem between good intent and the ability to deliver lasting change. She says; "although 187 countries belong to the UN's International Labor Organization and endorse its worker standards, the international body doesn't have the power to enforce its norms" (27).

This inability of enforcement bodies to act effectively has led to an increasing reliance on 'privatized' regulation where the private sector performs functions typically associated with the domain of governments in relation to ethical trade and responsible sourcing standards.

The regulatory landscape for ethical trade and responsible sourcing standards remains fragmented at both a national and international level. Clearer governance is required and

only a universal benchmarking framework for ethical trade and responsible sourcing will ensure that constant standards are upheld across multiple jurisdictions.

Responding to demand: brands are seeking to reduce human capital management risk

The Global Slavery Index, which ranks over 162 countries and is published by the Walk Free Foundation, found that there were an estimated 40.3 million people in modern slavery in 2016. This covers 24.9 million in forced labour and 15.4 million in forced marriages and is a considerable increase to the 30 million considered to be in slavery in 2013 (28).

Nike was one of the first multinationals to be accused of labour exploitation in 1998. It was some years after the first sweatshop accusations came to light that Nike responded by publishing an audit on malpractice in the overseas factories in its supply chain in 2005. Publicly acknowledging transgressions including forced overtime and restricted access to water and sanitary facilities, Nike admitted that industry change was required, and said it was prepared to lead that change.

Nike continues to be proud of its leadership position in advocating for the protection and respect of workers worldwide and acknowledges its earlier practices "had unintentionally built a business model that was transactional and disengaged, lacking the long-term perspective needed to enable a fair or growing supply chain" (29).

The tragic events at the Rana Plaza garment factory in Bangladesh in 2013 and the food contamination scandals in the same year brought the issues of transparency to the world's attention again. Over 1,100 workers died and 2,500 were injured when the Rana Plaza complex collapsed because the building's owners ignored warnings of cracks. Workers in the factories were producing garments for prominent high-street brands, including Benetton, Mango, Matalan and Primark.

Whilst remedial efforts were hastily put in place from most of the leading fashion brands, not all were as effective as they could have been because there was very little cooperation or joined up planning. Beth Keck, of Council on Foreign Relations, comments on the consequences of this lack of foresight (29).

“The first impulse was for retailers and brands to develop their own environmental, health, and safety factory audit programs. While well-intentioned, this quickly resulted in many sets of overlapping standards and requirements, as well as confusion and inefficiency for manufacturers.... These individual company programs quickly created audit fatigue and increased costs. And they tended to focus only on final assembly factories, missing problems hidden deeper down the supply chain.”

This reflects the challenges faced by brands implementing internal and external audits through the multitude of private schemes available. To combat this, third-party schemes such as Sedex which uses the SMETA methodology, Social Accountability International which uses SA8000, and the Business Social Compliance Initiative (Amfori BSCI) which offers one common Code of Conduct and one implementation system seek to bring clarity and harmonisation and also drive convergence across the many sets of different standards. This has been welcomed but still lacks the reassurance of adherence to a consistent set of standards that could be provided by one benchmarking organisation.

Profiting from ethical trade and responsible sourcing standards: how brands are reaping the benefits

There is a clear rationale for corporations to embed sustainable practices in their business model, not only to meet growing consumer demands but to provide better access to new markets.

In 2011, PepsiCo successfully capitalised on a sustainable agricultural opportunity in Ethiopia, dubbed ‘Enterprise EthioPEA’. PepsiCo, one of the largest producers of chickpea-based products, partnered with USAID and the World Food Programme to cultivate chickpeas, a crop that requires minimal water. This served to boost agricultural production for around 10,000 Ethiopian farmers, improve food security in the region, provide a steady stream of the crop for Sabra, its hummus brand and help to establish PepsiCo in a potential growth market (31).

For PepsiCo sustainable initiatives make sound financial sense. Their Sustainable Farming Program (SFP) supports

partnerships with local farmers to drive efficiency and improve direct agriculture water use efficiency in high-water risk regions. In 2018, 99% of the agricultural raw materials sourced directly were grown by farmers engaged in the programme. This is not altogether altruistic, as they explain:

“By prioritizing sustainable agriculture, we are not only supporting positive social, environmental and economic outcomes throughout our supply chain, but we are also enabling PepsiCo’s continued business growth for the long term and its license to operate in the short term” (32).

General Mills been recognized as a global leader in corporate sustainability by CDP and is one of only two companies to receive an ‘A’ score from the non-profit formerly known as the Carbon Disclosure Project, for its efforts on Climate Change and Water Security. Jerry Lynch, Chief Sustainability Officer explains the business rationale,

“Being a leading global food company means being responsible stewards of natural resources. If we want to be around for another 150 years, we must reduce our environmental impact from field to fork to end of life. This begins by being aware of environmental risks and managing them with incredible care and consideration” (33).

Acting as responsible land custodians secures the long-term future for food companies. Danone is seeking to limit environmental degradation through its regenerative agriculture initiatives (34). Regenerative agriculture is used to describe a combined set of practices that strengthen agricultural resilience including protecting soil, empowering a new generation of farmers, and promoting animal welfare. Sustainable farming protects the topsoil that 95% of the world’s food is produced from thus securing Danone’s long-term interests and Danone’s regenerative agriculture models can offer a 7% to 8% return on investment for farmers (35).

Studies have also shown that accommodating improved and sustainable labour standards throughout the supply chain is both beneficial for workers and also results in increased profitability over the long term. The World Bank cites a 2010 study by Baral called “Comparative Study of Compliant & Non-Compliant RMG Factories in Bangladesh” to demonstrate the financial benefits of compliance to global labour standards.

The table (Figure 4) demonstrates the difference in the Profit-to-initial investment ratio for both compliant and noncompliant factories (column G). The Profit-to-initial investment ratio is much improved for those garment firms in Bangladesh who are willing to make the investment in compliance with global labour standards verses those who

have not made such an investment. The World Bank concluded that while compliance imposes costs, this is mostly outweighed by the benefit of private and social benefits (36).

Factory name	(A) Initial investment	(B) Initial investment for compliance (B)	(C) Annual running cost (C)	(D) Annual running cost for compliance (D)	(E) Annual Turnover (E)	(F) Annual Profit (=E-C-D)	(G) Profit-to-initial investment ratio (= F/A+B)
Compliant Factories							
Shine fashion	305.31	43.75	173.52	3.36	1000	836.58	2.40
Mascot Knit Ltd.	284.76	9.52	162.34	1.08	1000	716.4	2.44
Zaara Composite	280.88	3.57	199.88	0.72	917	676.76	2.38
Knit Plus Ltd.	274.82	0.71	196.56	1.68	875	789.75	2.87
Knit Asia Ltd.	273.83	0.29	159.41	0.84	950	768.52	2.80
Average	283.92	11.57	178.34	1.54	948.4	757.60	2.58
Noncompliant Factories							
Harun garments Ltd.	92.14		44.3		267	222.70	1.97
Alim Knit Wear Ltd.	113.10		64.43		250	185.57	1.23
Green Knit Wear	151.40		64.28		350	285.72	2.33
Step Two Garments	122.86		63.09		300	236.91	1.66
Texcon Textile Ltd.	142.75		64.68		375	310.32	2.49
Average	124.45		60.16		308.40	248.00	1.94

Figure 4. Financial Information (in million US\$) of Compliant and Noncompliant Factories. ‘Consolidating and Accelerating Exports in Bangladesh’, The World Bank, Bangladesh Development Series June 2012 (36)

In some cases, the push for more sustainable practices can have a counteractive impact on the ethical performance of supply chains. In 2014, Nestle was the first major confectionery company to source 100% certified sustainable cocoa in the UK and Ireland, and it did so based on consumer demand.

For example, the price premium incurred by farmers for certification from UTZ and Rainforest Alliance are not fixed and leave cocoa farmers vulnerable because they bear the cost of the required sustainability audit. In the article ‘Fair game: how effective is cocoa certification?’ Antonie Fountain of the VOICE network explains that ‘premium is not enough to bring a farmer out of poverty, but any premium will bring a farmer closer to the poverty line’ (37)

Successful brands are those which recognise that compliance is not something that can be pushed down the agenda and, as manufacturers, they need to assume full responsibility for implementing required changes.

In 2017, Unilever celebrated its fourth consecutive year of growth for its portfolio of ‘sustainable living’ brands, which grew 46% faster than the rest of the business and delivered 70% of its turnover growth (38). Unilever defines sustainable living brands as those that combine

a strong social or environmental purpose with products which contribute to achieving the company’s ambitious sustainability goals. The company says that sustainable brands from ethically managed supply chains deliver better returns.

Increasingly, companies are recognising the commercial opportunities that sustainability provides and that without such commitments they risk losing their social license.

How BRCGS is Responding

Drawing upon its expertise in global quality and safety management systems over the last 25 years and its heritage in retail, BRCGS recognises the need for consistent global ethical trade and responsible sourcing standards. Consumers need to make confident choices that extend beyond the physical boundaries of the product, safe in the knowledge they are protecting the rights of those who produce goods or provide services wherever in the world they are.

The industry landscape for ethical trade and responsible sourcing standards remains fragmented, crowded and without a universal benchmarking framework. Organisations are increasingly creating their own private second or first party schemes as the scope of current methods are too narrow and/or they do not see the benefit in the current audit methodology.

BRCGS seeks to address this complexity and improve brand confidence through its rigorous supply chain assurance services that currently are used by 30,000 sites globally. BRCGS has created two universally applicable products to help brands and their suppliers make sure that the goods they sell are produced ethically from materials that have been sourced responsibly. The requirements of both of these products - the Risk Assessment and the Core Standard - are based on universally applicable conventions from the International Labour Organisation as well as core principles of the Ethical Trading Initiatives’ Base Code.

The Risk Assessment evaluates ‘Health’ indicators based on senior management commitment, labour standards, health & safety, corporate governance and respecting human rights. The process is quick and efficient and provides a set of metrics and indicators to an organization identifying any areas where there may be elevated risk or where improvement is needed.

The Core Standard is a full ethical audit that involves extensive worker engagement to evaluate evidence and determine the level of compliance of an organization against

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the principles and requirements of the BRCGS Ethical Trade and Responsible Sourcing Standard. It is a two-step audit process accredited to ISO/IEC 17021-1, a globally recognised framework, and covers food, non-food, all manufacturing sites and associated services.

BRCGS services are unique because they combine clearly written standards, developed by a multi-stakeholder group, with a rigorous audit protocol that is underpinned by a best-in-class scheme governance and oversight framework.

The Audit Protocol sets rigorous competency requirements for all auditors and ensures that all non-conformities are identified and corrected to drive improvement. The evaluation mechanism means that sites can be graded. This provides a useful benchmark for sites; improves brand confidence and supports continuous improvement through providing the ability to track progress. Optional Certification provides top performing sites with an opportunity to differentiate themselves.

Strong governance is further supported through Tell BRCGS (a system that captures audit feedback) and a well-developed global compliance programme. The Core Standard is to be benchmarked to the Sustainable Supply Chain Initiative requirements, (part of the Consumer Goods Forum) allowing the “audit once; accepted multiple times” principle to be applied.

Summary

The International Trade Union Confederation’s Global Rights Index (Figure 5) illustrates the lack of uniformity in workers’ rights globally and depicts the world’s worst countries for workers by rating countries on a scale from 1 to 5+. Whilst the Middle East and North Africa tops the chart for transgressions against fundamental human liberties, other nations are not immune. Belgium is cited as having repeated violations of workers’ rights while firms such as Uber and Ryanair have been accused of heavy-handed retaliation against workers striking for fair pay and working conditions (39).

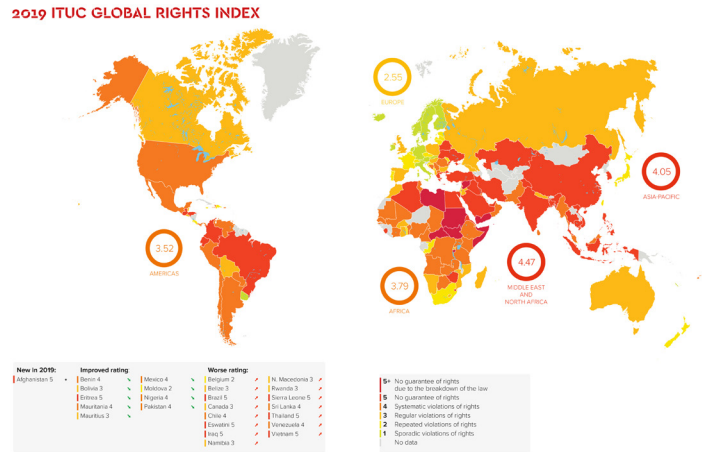


Figure 5, ITUC Global Rights Index (39)

Calls for universal ethical trade and responsible sourcing standards are set to grow as global affluence rises and consumption patterns increase. The OECD predicts the global middle class is will rise to 3.2 billion by 2020 and 4.9 billion by 2030 (40), driven by growth in Asia. Calls for more sustainable and ethical working practices are set to increase as those joining the middle classes are likely to be living in far closer proximity to those factories producing the goods they demand.

The new standards from BRCGS are designed to fill the current void for robust, universally applicable cross category standards of ethical standards and responsible sourcing that will give consumers the reassurance they seek and workers the protection they deserve.

For further information:

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Sources:

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