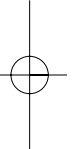


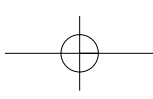
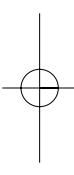
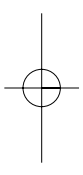
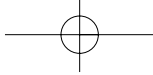


Corporate Social Responsibility



THE
CHARTERED INSTITUTE OF
PURCHASING & SUPPLY





Corporate Social Responsibility

Dear Colleague



Few people can have missed the furore that has erupted over recent years over unethical practices such as child labour and sweatshops in the supply chains of many organisations. Corporations such as Nike and Gap have suffered painful blows to their share prices, their brand equity, and staff morale and media profiles as a consequence of failure to grasp the strategic significance of these matters. Yet these stories are merely the tip of the iceberg as regards the dangers of paying too little attention to matters of Corporate Social Responsibility (CSR) in one's supply chain. No matter what your sector, it is becoming increasingly urgent that risk management strategy – not to mention the creation of opportunities – includes an integrated approach to CSR at board level.

'Responsible Prosperity' has clearly risen up the agenda of the vast majority of organisations in the developed world. It has become more commonly known as Corporate Social Responsibility (CSR) and is important to all organisations irrespective of sector for the following reasons:

- enhancing shareholder/stakeholder value
- helping to increase reputation
- ensuring increased knowledge of the supply chain, enabling minimum risks from suppliers.

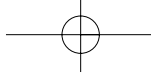
The Chartered Institute of Purchasing & Supply (CIPS) was awarded Chartered status in 1992 in recognition of the role in helping organisations to responsibly increase prosperity, which creates obvious current and future benefits to the public good.

CIPS will continue to meet its obligation to lead the purchasing and supply management profession in this important area through its core activities in, promoting and developing good practice, providing and developing good people, and representation and influence.

Yours sincerely

Ken James
Chief Executive Officer

No matter what your sector, it is becoming increasingly urgent that risk management strategy – not to mention the creation of opportunities – includes an integrated approach to CSR at board level.



Corporate Social Responsibility - What is it?

The history of social and environmental concern about business is as old as trade and business itself. An organisation's commercial logging operations for example, together with laws to protect forests, can both be traced back almost 5,000 years.

Corporate Social Responsibility (CSR) has become the broadly accepted concept to describe a collection of related disciplines all of which combine to represent an organisation's overall ethos, its personality, philosophy and character, as regards its role in the world in the widest sense.

Among the increasing number of issues raised under the overall banner of CSR, the following are perhaps the most common within the supply chain:

- environmental responsibility
- human rights
- equal opportunities
- diversity
- corporate governance
- sustainability
- impact on society
- ethics and ethical trading
- biodiversity
- community involvement.

These aspects of CSR relate to, and recognise the importance of, the various stakeholders concerned (employees, customers, suppliers, the community, the environment, and shareholders, where appropriate).

Purchasing and Supply Management

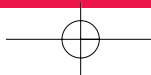
Purchasing and supply management is a crucial activity that affects every organisation irrespective of sector, size, location or age. It is a discipline, that unlike others, interconnects within and between organisations and through this mechanism positively encourages optimum value within products, services and processes.

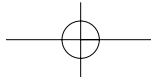
Purchasing and supply management within the Socially Responsible Investment market is quickly becoming a measure of organisational performance related to CSR. The pressure to deal with CSR in supply chains is coming from a variety of areas; the general public as awareness of the issues such as exploitation and sweatshops increases, from investors as Socially Responsible Investment (SRI) becomes more mainstream, and from the interests of these areas to the media.

Not only is the pressure on organisations becoming more sophisticated, but protagonists are highlighting poor working conditions as well as turning their attention to other corporate purchasing practices.

Therefore, even when purchasing and supply management is not the immediate source of a CSR-related risk issue, its strategic importance means that there is almost always a related implication. The key role of purchasing and supply management in the framing of risk-based policy cannot be overstated.

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CIPS Principles of CSR

These principles are advocated by CIPS as a professional body for all purchasing and supply management professionals to observe in their activities. Within their organisations they must acknowledge the following:

Environmental Responsibility

We must consider the obligations we have to our surroundings, from local to global.

Human Rights

We will honour and observe and not exploit fundamental human entitlements.

Equality and Diversity

In our purchasing activities we will commit to improve our organisation's performance in relation to fairness to all.

Corporate Governance

Our system of internal and external reporting and responsibility matches our espoused values.

Sustainability

We will proactively promote sustainable practices and products throughout the supply chain without jeopardising future security.

Impact on Society

We will add value to the communities and societies upon which our organisation has an influence, either directly or indirectly.

Ethics and Ethical Trading

All our purchasing activities will be transacted with due regard to the needs and challenges of all involved parties.

Biodiversity

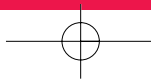
Through our purchasing activities we will proactively avoid reducing the number of interdependent species around us.

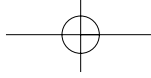
Principles in Practice

It is necessary for purchasing professionals to balance a number of key criteria throughout the purchasing and supply management process from identifying the need through to disposal of goods and services; such as innovation, continuous improvement, whole life costs and security of supply, as well as many other external factors.

It is no different with CSR; CIPS expects purchasing professionals to give adequate consideration to all of the interrelated elements within their purchasing decisions.

CIPS encourages all purchasing professionals to use the Balanced Scorecard approach which brings with it inherent logic to ensure the purchasing process covers external boundaries, such as the interrelated elements of CSR. This process will encourage purchasing professionals to consider the importance of their stakeholders and to build a relevant process with them to maximise value and minimise risk to the organisation, whilst ensuring that all purchasing decisions take consideration of the overall organisational strategy.





Handy Hints

So how can purchasing professionals create value for their organisations when dealing with CSR? Below are some handy hints CIPS recommends are undertaken to minimise the negative impact and maximise the positive impact CSR can have on an organisation through buying goods, services and works.

- Link with the organisation's overall CSR policy and exert influence on its approach from the supply-side perspective.
- Ensure the CSR sourcing strategy delivers what the organisation as a whole is aiming for and its commitments are entirely practicable within overall existing policies in more general terms, such as value for money or cost reduction.
- Identify which aspects of CSR are likely to be important to the organisation overall, and particularly within its supply chain.
- Get high-level corporate buy-in for a CSR policy for the supply side and communicate this to suppliers.
- Review products/services/suppliers for potential benefits or risks from CSR impact, and identify the likelihood and potential impact of risk/reward from each.
- Prioritise analysis and action on higher risk/reward areas and check the likely impact throughout the supply chain.
- Balance the CSR impact within the organisation's overall sourcing strategy. For example, a particular commodity may be identified in the price/cost leverage category but if there is a potentially very high CSR risk, then the saving methodology will need to be adjusted accordingly.
- Involve suppliers in the analysis. If there is a potentially excellent supplier who is poor on a particular aspect of CSR then assess whether it is worth working with them to improve this aspect of their business.
- No two organisations will have exactly the same requirements, and therefore a unique risk rank model will need to be developed that encompasses social, environmental and economic risks.

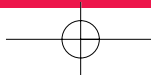
CIPS Projects

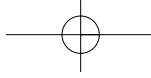
There is no standard answer to CSR in the supply chain – it should be reviewed, alongside all other criteria within a sourcing strategy and a balanced scorecard developed to identify appropriate solutions for a supply strategy for each particular organisation. There are, however, a whole range of techniques and tools which can help purchasing professionals deal with this very important activity which when well done, can benefit the organisation and make a significant contribution to public benefit. CIPS can help in a variety of ways.

Events

- The annual **CIPS Supply Management Awards** recognise excellence in purchasing and supply management, with a category for Corporate Responsibility rewarding the organisation which best demonstrates the CSR impact upon its purchasing projects.
- The **CIPS Premier Conference in 2005** will highlight the fundamental importance of CSR on both a national and international scale.

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Guidance Materials

During 2005 CIPS will be concentrating on providing guidance for purchasing professionals in the following areas:

- human rights
- supplier diversity
- governance
- CSR and CSL (Corporate Social Responsibility and Corporate Social Leadership).

Several other forms of guidance are already available on the CIPS website.

Positions on Practice

These documents are downloadable free to all website visitors and are designed to explain the profession's views, formulated by CIPS:

- environmental purchasing
- ethical business practice
- social impact of supplier rationalisation

Topic Reference Files

These documents are downloadable free to CIPS members and are designed to give a brief explanation on a topic or issue:

- anti-competitive practices
- Corporate Social Responsibility

Implementation guides

CIPS implementation guides are designed for a variety of audiences and concentrate on how to buy or how to do something using current purchasing practice:

- **The Ethical Decision.** An executive guide to CSR for purchasing directors which is case study based to enable understanding of the issues faced in the supply side and how purchasing and supply management can contribute to managing those issues and risks that they bring to the organisation.
- **How To Guides.** Aimed at all practitioners and are practical guides on how to do something:
 - Buy energy efficient goods and services
 - Develop a waste management strategy
 - Prevent procurement fraud
 - Develop ethical purchasing practices

These guides are available for purchase from

<http://bookshop.cips.org>

- **Environmental Purchasing In Practice.** contains a number of important contributions to the subject of environmental purchasing. First, it explains in detail how the environment should be considered at each of the key stages in the purchasing process. Second, it makes the connection between supply chain management and environmental management systems (EMS). Third, a number of good practice examples and case studies are included - references and website addresses are also provided.

This publication is downloadable from the CIPS website (www.cips.org) in the Professional Resources area.

Training course

Introduction to Environmental Purchasing is a one-day training course available to members of CIPS and non-members which attracts up to 20 CPD points.

The training programme is designed for purchasing staff who need to incorporate environmental considerations into their procurement decisions.

The benefit of this course to organisations is that employees who attend will have the tools and techniques to contribute to the development of strategies/practices that take into account the risk/exposure in the supply chain that organisations face in the current climate of increased environmental legislation.

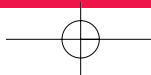
Further information available at <http://training.cips.org>

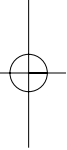
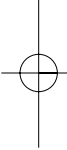
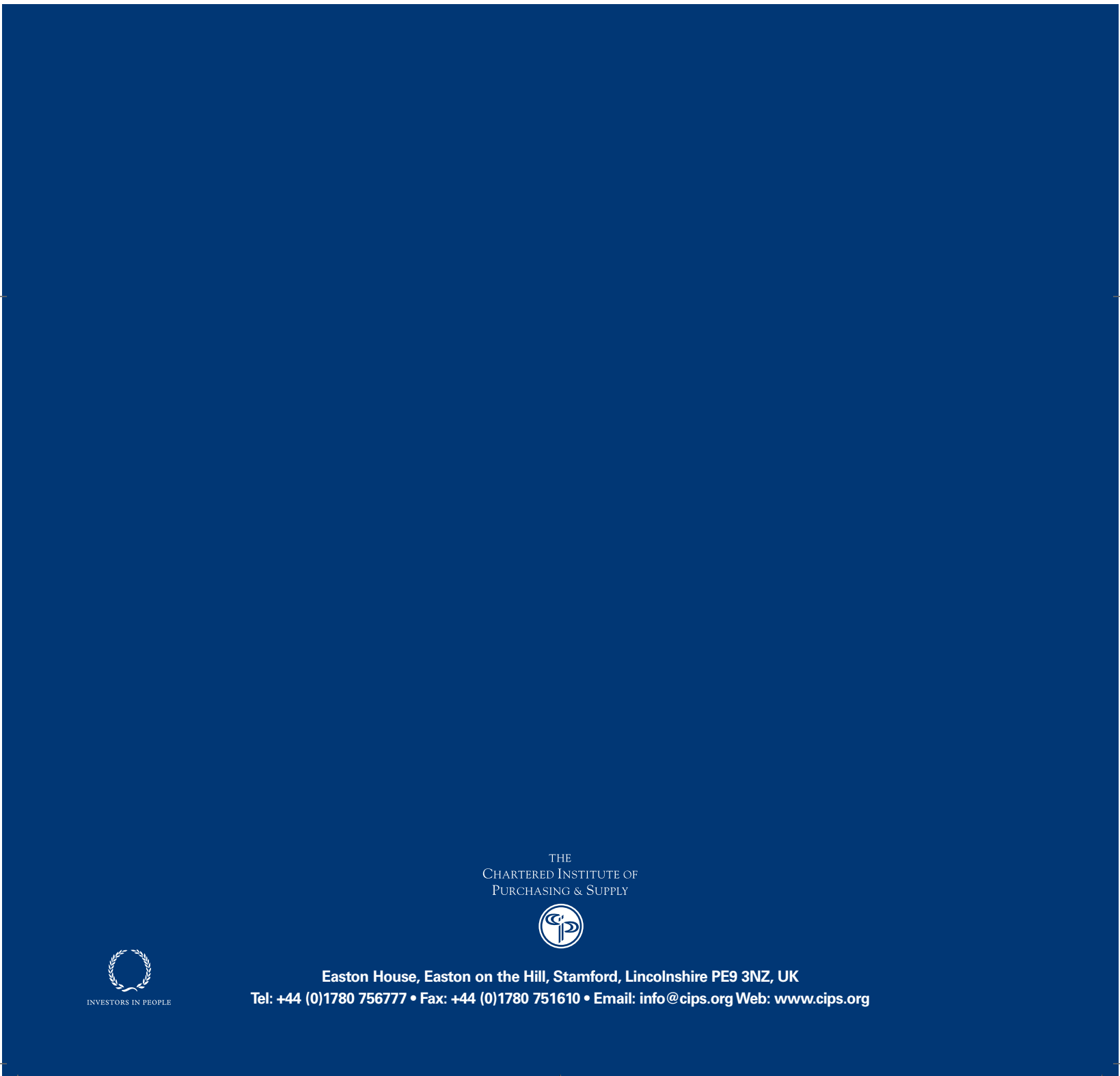
Summary

CSR is a journey without a destination for many organisations and CIPS is committed to helping both purchasing professionals and their organisations along this journey through its core activities.

Our future work in this area will be driven by the imminent and emerging issues that affect organisations.

If you require further information related to CSR or any of our CSR activities please do not hesitate to contact the Professional Practice team.





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