



Procurement and the Modern Slavery Act

Melbourne, Thursday 2 November 2017

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The Modern Slavery Act and Shared Value

Dr Leeora Black
November 2017

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A Modern Slavery Act for Australia



- More than 40 million people are thought to be enslaved, more than at any other time in history, including 25 million in forced labour.
- 1 in 4 victims are children
- Most affected industries: apparel & footwear, electronics, agriculture & food, construction, mining.
- Forced labour is big business, with profits estimated at US\$150 billion (Freedom United)
- Affects our major trading partners, e.g.
 - Debt bondage in the apparel industries of Bangladesh
 - Slavery in the Thai & Cambodian fishing industries
 - Forced labour in the Malaysian electronics industry
 - 18 million slaves in India (esp agriculture, handicrafts)

The Government's response

- At the request of the Attorney General, The Joint Standing Committee of Foreign Affairs, Defence and Trade opened an inquiry in February 2017 into whether Australia should adopt an Act comparable to the UK Modern Slavery Act 2015.
- It published its interim report on August 17th, 2017, *Modern slavery and global supply chains*, which made statements of in-principle support and considerations in regard to the development of a MSA for Australia.
- The Attorney-General's department published its public consultation paper, *Modern Slavery in Supply Chains Reporting Requirement*, on August 16th, 2017.
- The paper outlined the Government's proposed model for a reporting requirement, using the UK Modern Slavery Act 2015 (UK MSA) as a prototype. The Attorney-General's Department is leading a national consultation process to refine the model and define the parameters for its application.
- Both will publish reports before Christmas. Legislation likely to be introduced first half 2018.

Defining modern slavery

- Modern slavery is defined as: including, but not limited to, *forced labour, child labour, bonded labour, human trafficking*, domestic servitude, orphanage trafficking, sex trafficking, forced marriage, slavery and other slavery-like practices
- Modern Slavery is “an attempt to under-price a key resource (labour) through illegitimate means.” (Andrew Crane, AMR, 2013).
- WHY DOES IT HAPPEN?
 - *“Modern slavery should be seen not merely as an exogenous problem which firms have a responsibility to address, but as an endemic feature of the socio-economic systems which is in part constituted by firms themselves. – Steve New, ‘Modern Slavery and the Supply Chain: The Limits of Corporate Social Responsibility?’*

Where modern slavery occurs

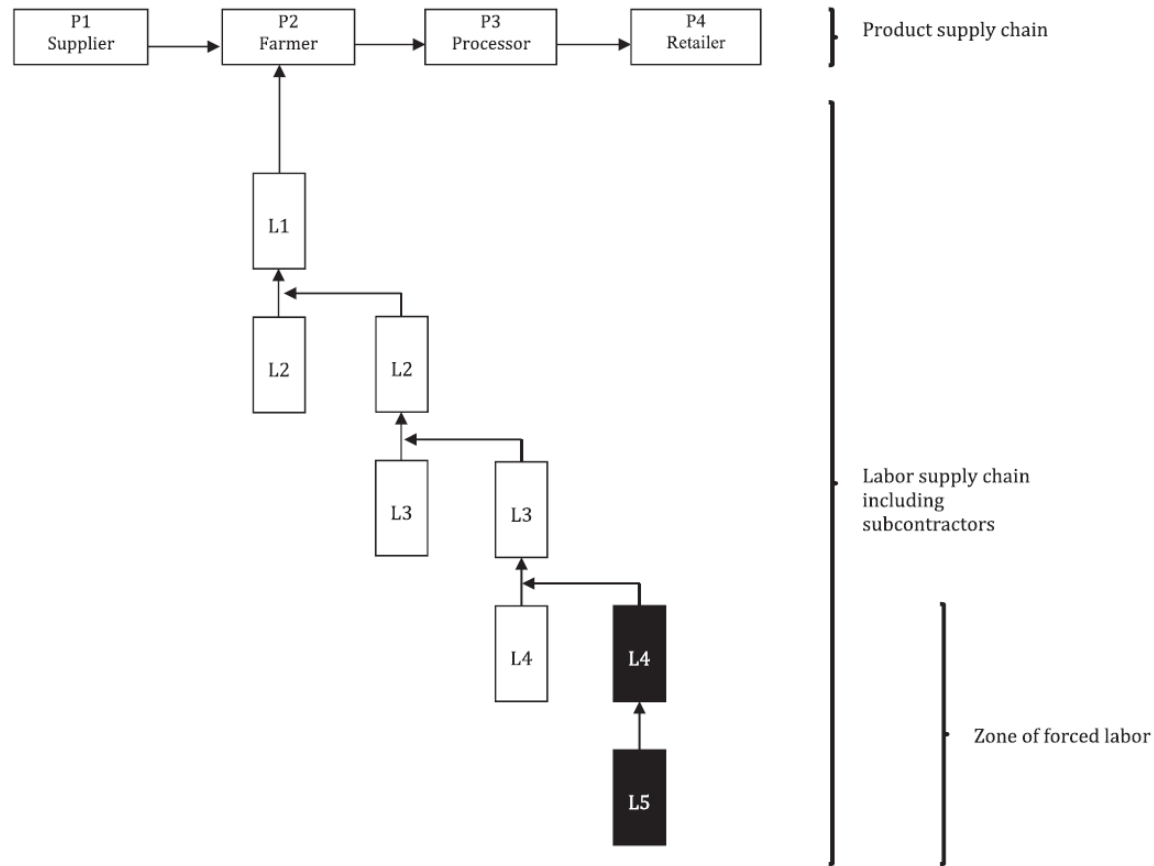


Figure 1 Illustrative product and labor supply chains giving rise to forced labor in food industry

Modern Slavery as a management practice

Macro-level

- Socio-economic
- Cultural
- Geographic
- Regulatory/political factors
 - Strength of governance including NGOs and the media

Micro-level

- Exploiting/insulating capabilities
 - access and deployment of violence, debt management, accounting opacity and labour supply chain management.
- Sustaining/shaping capabilities
 - influence and co-option to undermine governance, such as lobbying and bribery

The role of Shared Value in combatting modern slavery

- **Redefining Productivity**
- *Redefining the value chain to increase resource **productivity** and/or **access** for targeted suppliers*

Possible focus issue arenas

1. Poverty
2. Unemployment
3. Education
4. Availability of affordable credit
5. Strengthening local governance
6. Anti-corruption
7. NGO freedoms
8. Inequality (including gender)

Possible business models

1. Inclusive/social sourcing
2. Micro-franchising
3. Closed-loop production (zero waste)
4. Rematerialisation (waste-to-resource)
5. Product life extension
6. Physical to virtual

Likely MSA requirements

- Mandatory annual modern slavery supply chain reporting requirement to bodies corporate, unincorporated associations and other entities conducting business in Australia, with a threshold figure of AUD\$100 million revenue.
- Entities will be required to provide a Modern Slavery Statement to a central repository, addressing a consolidated set of four criteria:
 - The entity's structure, its operations and its supply chains
 - The modern slavery risks present in the entity's operations and supply chains
 - The entity's policies and processes to address modern slavery in its operations and supply chains and their effectiveness (such as codes of conduct, supplier contract terms and training or staff)
 - The entity's due diligence processes relating to modern slavery in its operations and supply chain and their effectiveness

Getting ready for the MSA

- Organisations should consider the following steps:
- Reviewing or developing procurement policies to avoid complicity in human rights abuses
- Mapping supply chain human rights risks (due diligence) including procurement categories to human rights issues and company risk register
- Assessing suppliers' current abilities to deal with human rights risk, and
- Developing supplier engagement programs to mitigate against human rights risks.



Creating value. Managing impact.

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Mark Lamb

General Manager, Asia Pacific, Chartered Institute of Procurement & Supply

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Procurement and the Modern Slavery Act

Mark D. Lamb
General Manager, CIPS Asia Pacific

Supply Management



Supply Management



Effectiveness of SM campaign

91%

Said *Supply Management's* coverage of slavery and the UK & Modern Slavery Act helped increase their awareness and understanding issue

Snapshot reader survey (123 Responses, July 2016)



BOTH:

67.2%

Has our coverage altered the way you think and behave as a consumer and a procurement professional?

Snapshot reader survey (123 Responses, July 2016)



78.7%

Said it made them think or act differently

Snapshot reader survey (123 Responses, July 2016)



Ethical Procurement and Supply

Horse meat in the supply chain

RetailWeek

LATEST RETAIL NEWS. JOBS. ANALYSIS AND MARKET DATA

Grocers supply chains "fall woefully short"



rksupplychain

THE Manufacturer

Manufacturing news, articles and insights
CEOs fail to heed supply chain lessons from horsemeat

MarketingWeek

The Mail

ON SUNDAY

98 ENTERPRISE

Bosses are ignoring supply chain danger

AS THE horsemeat scandal rages on, it has been revealed that more than a third of company bosses are 'not engaged' with all levels of their supply chain.

And almost half of supply chain managers do not have a means of monitoring their entire supply chain, according to a survey by the Chartered Institute of Purchasing and Supply.

David Noble, chief executive of the CIPS, says: "The horsemeat

scandal highlighted the damage that can be caused when supply chains are not adequately managed.

"The findings are disappointing, but not surprising given how few chief executives and boards take supply chain issues seriously."

"Supply chains must be recognised as one of the most important aspects



Bdaily
BUSINESS NEWS

A high proportion of chief executives are disengaged from their supply chain, despite supply issues being raised by the ongoing horsemeat scandal.

A report from the Chartered Institute of Purchasing & Supply (CIPS) found that more than a third of chiefs are not actively engaged with their suppliers, while almost half of the companies surveyed do not have a risk mitigation strategy for their supply chain.

Over 50% of supply chain professionals commented that the horsemeat scandal, which involved horse DNA found in top food stores' processed meats, has been caused by supermarkets squeezing their suppliers.



retailgazette
daily retail news

The Daily Telegraph

Supply chains blamed for meat crisis

By Graham Ruddick

THE regulation of supply chains in Britain must improve and chief executives need to become more engaged with their suppliers if Britain is to avoid another horse meat crisis, according to a critical new survey.

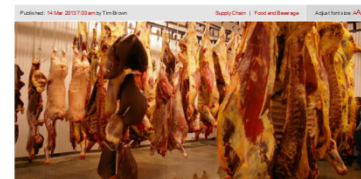
The Chartered Institute of Purchasing & Supply (CIPS), an international trade body and watchdog for buyers, suppliers, and the procurement industry, said

However, the CIPS survey warns that the companies will continue to be "found out" unless investors, analysts and boardrooms "place appropriate emphasis on the importance of their supply chain to their business and take steps to ensure they are fit for purpose".

According to the survey, 56pc of supply chain managers do not believe that regulators understand supply chains, while more than a third, 36pc, claim their chief executive is not engaged about the potential risks in the supply chain.

In addition, only 53pc of companies have a strategy to mitigate risk in their supply chains.

The survey was conducted with 100 senior supply chain managers across UK industry. The suppliers were split about the reason for the horse meat crisis, with



More than a third of Chief Executives are disengaged with their supply chain, according to a survey of senior supply chain managers, carried out by the Chartered Institute of Purchasing and Supply (CIPS).

53.2pc saying it was down to suppliers being squeezed by big supermarkets, but 46.8pc disagreeing. A total of 62pc of companies said they were treating potential risks in the supply chain more seriously after the horse meat crisis.

David Noble, chief executive of CIPS, said: "The horse meat scandal highlighted the damage that can be caused when supply chains are not adequately managed."

"It is only a matter of time before other sectors suffer a similar fate. These survey results are disappointing, but not surprising, given how few chief executives and boards take supply chain issues seriously."

"As the financial crisis showed, too little attention is often given to the areas of a business that have the potential to create the most damage."

Marketers are in a tricky position when it comes to supply chain issues, which the horsemeat scandal and Oxfam's 'Behind the Brands' report relate to. Just this week, the Chartered Institute of Purchasing and Supply released a survey saying that only 53 per cent of companies have a strategy to mitigate risk in their supply chains and that supermarkets have fallen 'woefully short' in managing them. But what industries can marketers learn on this arguably operational issue? The best marketers will speak to the buyers in the business and ask them what promises they can make to consumers about quality or value and not sit in a silo of straplines and media schedules. They will refuse to run campaigns that claim something their brand cannot live up to.

Good on Tesco and others for being explicit on what they have been doing to test products and for communicating this. Tesco's communication with customers has been clear and continuous over the past few weeks and credit is also due for pressing on with its price campaign, launched on Monday.

There are rumblings of other big names planning price-based marketing pushes and putting the scandal behind them. They will need to tread carefully and walk the fine line between getting marketing messages out there and reassuring people about quality, while not reminding them of the crisis.

Consumer trust will return, but as social media gives people more power to make their views known, marketers will need to keep on talking.

FinancialDirector

The meat of the matter

The horsemeat scandal has exposed the risks of relying on intricate supply chains, writes Gavin Hinks

Ethical Procurement and Supply

Human rights



17 November 2013 Last updated at 21:57



Qatar migrant workers 'treated like animals' - Amnesty



Andrew North reports from Nepal on the plight of migrant workers



Ethical Procurement and Supply

Poor working conditions



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19 November 2013 Last updated at 06:03 204 Share

Bangladesh urged by UN to reform garment industry



AFP

Ethical Procurement and Supply

Slavery in supply chains



Modern slavery: Theresa May vows to defeat 'evil'

© 31 July 2016 | UK

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The Burning Platform

Fraud

- Corruption adds 10% to the cost of business and 25% to public procurement in developing countries
- More than US \$1 trillion are paid in bribes annually

low



Ethical Procurement & Supply

CIPS Role

**Educate the
Profession**

**Educate the
Public**

**Inform the
Debate**

Licensing the Profession

Informing the Debate

Modern Slavery Act 2015

Consultation and Presence

Evidence given at Select Committee on draft Modern Day Slavery Bill in Feb 2014 and responded to consultation in May 2015

Attended Home Office Supply Chain workshops to inform the draft bill

Consultation with CIPS membership and CEOs to gain validation

Engagement with Karen Bradley MP Minister for Preventing Abuse and Exploitation, Kevin Hyland OBE Anti-slavery Commissioner and Paul Broadbent CEO Gangmasters Licensing Authority

CIPS CEO attended the signing of the Faith Leaders' Universal Declaration Against Slavery at The Vatican, December 2014

Educating the Profession

Ethical Procurement and Supply



Code of Conduct - updated

CIPS Code of Conduct

The purpose of this code of conduct is to define behaviours and actions which CIPS members must commit to maintain as long as they are members of CIPS.

AS A MEMBER OF CIPS, I WILL:	USE OF THE CODE
<p>Enhance and protect the standing of the profession, by:</p> <ul style="list-style-type: none">never engaging in conduct, either professional or personal, which would bring the profession or the Chartered Institute of Purchasing & Supply into disreputenot accepting inducements or gifts (other than any declared gifts of nominal value which have been sanctioned by my employer)not allowing offers of hospitality or those with vested interests to influence, or be perceived to influence, my business decisionsbeing aware that my behaviour outside my professional life may have an effect on how I am perceived as a professional.	<p>Members of CIPS worldwide are required to uphold this code and to seek commitment to it by all the parties they engage with in their professional practice.</p> <p>Members should encourage their organisation to adopt an ethical procurement and supply policy based on the principles of this code and raise any matter of concern relating to business ethics at an appropriate level within their organisation.</p> <p>Members' conduct will be judged against the code and any breach may lead to action under the disciplinary rules set out in the Institute's Royal Charter. Members are expected to assist any investigation by CIPS in the event of a complaint being made against them.</p>
<p>Maintain the highest standard of integrity in all business relationships, by:</p> <ul style="list-style-type: none">rejecting any business practice which might reasonably be deemed impropernever using my authority or position for my own financial gaindeclaring to my line manager any personal interest that might affect, or be seen by others to affect, my impartiality in decision makingensuring that the information I give in the course of my work is accurate and not misleadingnever breaching the confidentiality of information I receive in a professional capacitystriving for genuine, fair and transparent competitionbeing truthful about my skills, experience and qualifications.	<p>Members should encourage their organisation to adopt an ethical procurement and supply policy based on the principles of this code and raise any matter of concern relating to business ethics at an appropriate level within their organisation.</p>
<p>Promote the eradication of unethical business practices, by:</p> <ul style="list-style-type: none">fostering awareness of human rights, fraud and corruption issues in all my business relationshipsresponsibly managing any business relationships where unethical practices may come to light, and taking appropriate action to report and remedy themundertaking due diligence on appropriate supplier relationships in relation to forced labour (modern slavery) and other human rights abuses, fraud and corruptioncontinually developing my knowledge of forced labour (modern slavery), human rights, fraud and corruption issues, and applying this in my professional life.	<p>Members of CIPS worldwide are required to uphold this code and to seek commitment to it by all the parties they engage with in their professional practice.</p>
<p>Enhance the proficiency and stature of the profession, by:</p> <ul style="list-style-type: none">continually developing and applying knowledge to increase my personal skills and those of the organisation I work forfostering the highest standards of professional competence amongst those for whom I am responsibleoptimising the responsible use of resources which I have influence over for the benefit of my organisation.	
<p>Ensure full compliance with laws and regulations, by:</p> <ul style="list-style-type: none">adhering to the laws of the countries in which I practise, and in countries where there is no relevant law in place I will apply the standards inherent in this Codefulfilling agreed contractual obligationsfollowing CIPS guidance on professional practice.	

Promote the eradication of unethical business practices, by:

- Fostering awareness of human rights, fraud and corruption issues in all my business relationships
- Responsibly managing any business relationships where unethical practices may come to light, and taking appropriate action to report and remedy them
- Undertaking due diligence on appropriate supplier relationships in relation to forced labour (modern slavery) and other human rights abuses, fraud and corruption
- Continually developing my knowledge of forced labour (modern slavery), human rights, fraud and corruption issues, and applying this in my professional life

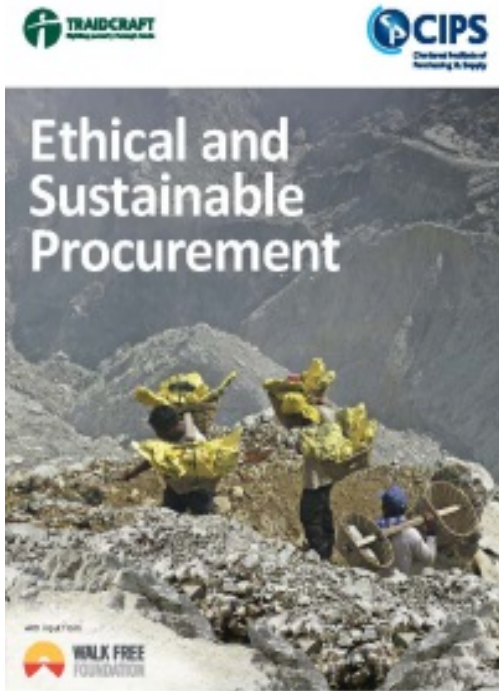
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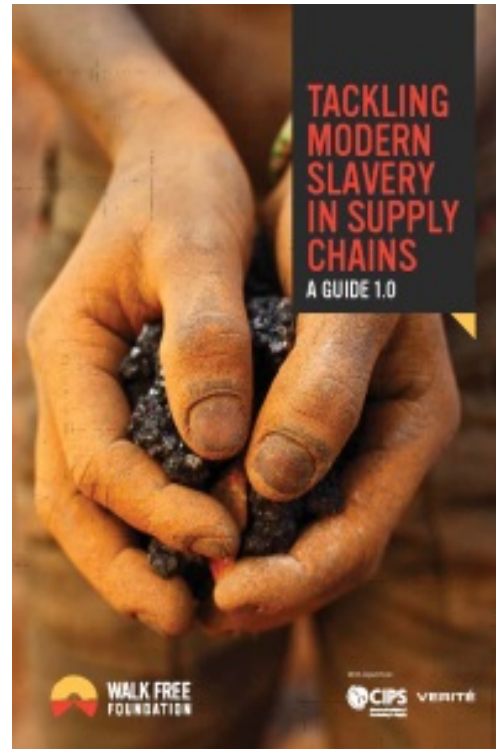
This code was approved by the CIPS Global Board of Trustees on 10 September 2013.

www.cips.org

Ethical Procurement and Supply Guides



Leading global excellence in procurement and supply



Leading global excellence in procurement and supply

Ethical Procurement and Supply

CIPS Ethics E-Learning and Test – launched February 2014

CIPS
Chartered Institute of Purchasing & Supply

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Home > Training > Ethical Procurement and Supply

Ethical Procurement and Supply

Demonstrate your integrity and social responsibility

CIPS Ethical Procurement and Supply is an e-learning course which culminates in an online test. It is designed for anyone who works with suppliers and needs to understand how to help prevent issues regarding

- fraud
- bribery
- corruption and
- human rights abuses

A testament to your commitment and distinction, it is highly recommended for all CIPS members. The training and test is also available to non-members and is an excellent way to start your journey with CIPS.

Content on human rights and forced labour by the [Walk Free Foundation](#).

Access now | **Overview** | Benefits | What you get | Further info

CIPS Members
Simply log in to [My CIPS](#) and, under the My Ethical E-learning tab, you'll be able to gain access to the

CIPS Learning Academy where this E-learning and accompanying test is held.

Download the product sheet »

Cost for Members (all grades)

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Chartered Institute of Purchasing & Supply

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Why ethics... ...why now?

Ethical Procurement and Supply

Because you need to safeguard supply chains against corruption, fraud, bribery and human rights abuses

ABUSE
EXPLOITATION
HUMAN RIGHTS
BRIBERY
CORRUPTION
FRAUD
MODERN SLAVERY


Ethics and Sustainability

Ethics mark and professional register

Country

[Search](#)

Results returned below:
21 results found

Name	Membership Grade	Trained in Ethics	Country
Andrew Noblett	Student		UNITED KINGDOM
Brandon Noble	Student		UNITED KINGDOM
Christelle Chantal Costenoble	Student		UNITED KINGDOM
David Andrew Noble	FCIPS		UNITED KINGDOM
Eileen Barbara Noble	MCIPS		UNITED KINGDOM
Ephraim Noble	Affiliate		AUSTRALIA
Ginny Patra Susan Noble	MCIPS		UNITED KINGDOM
James Noble	Student		UNITED KINGDOM
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Keith Scott Noble	MCIPS		UNITED KINGDOM

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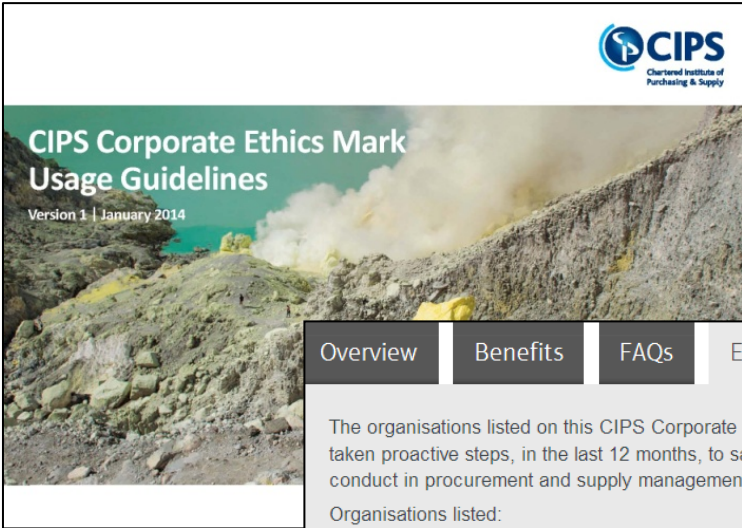
Ethical Procurement and Supply

Corporate ethical mark, usage guidelines and global register



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VALID TO 12/2014



Overview
Benefits
FAQs
Ethical Register
Contact us

The organisations listed on this CIPS Corporate Ethical Register have taken proactive steps, in the last 12 months, to safeguard against unethical conduct in procurement and supply management.

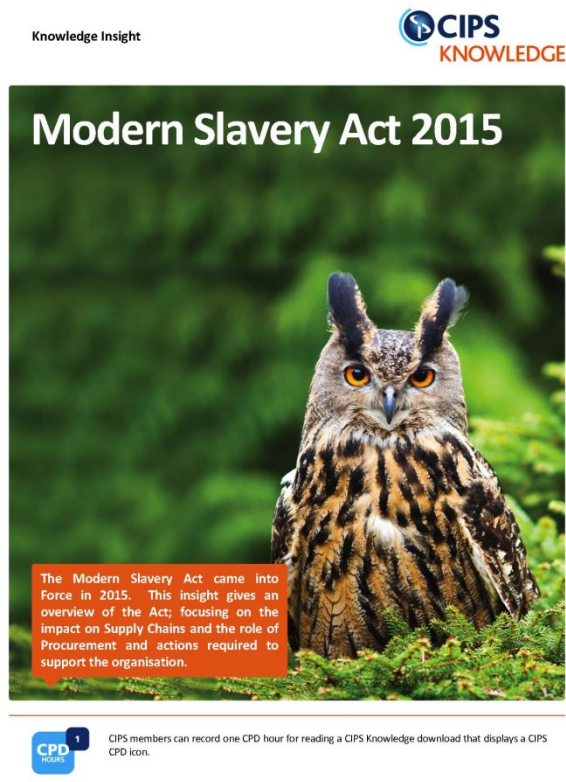
Organisations listed:

- ensure their staff who select and manage suppliers are trained in ethical sourcing and supplier management
- adopt ethical values in how they source and manage suppliers

All have signed a [Statement of Commitment](#) to ethical sourcing and the management of their suppliers and are entitled to display the [CIPS Corporate Ethical Mark](#).

Sector	Company	Date of Registration	Expiry date
IT	PSP Ltd	March 2014	March 2015

Modern Slavery Guidance



Leading global excellence in procurement and supply

Sample Code of Conduct

Risk Screening Tool

Labour Violation Questionnaire

Corrective Action Plan

Framework for Implementing a
Communication Strategy

Defining Roles and Responsibilities

Supplier management and engagement

CIPS Resources

Online Resources

It is fundamental for procurement and supply professionals to ensure the practices it undertakes in business are above reproach. CIPS guidance and products help members to raise awareness of the issues as well as putting in place robust measures to detect, remedy and avoid unethical practices in the supply chain. **Online Resources:** cips.org/modernslavery



Ethical and Sustainable Procurement

The guide introduces the key concepts behind ethical procurement offering practical advice. It has a specific focus on procurement across borders, especially when buying from unfamiliar places with weak worker protections, or countries with potentially unfamiliar work cultures.



Modern Slavery in Supply Chain: An Introduction for Procurement Professionals

Whatever sector or global region you work in, we urge you to read this guide to understand the issues and know where to go for assistance so that you can begin to make a real difference in your business and in society.



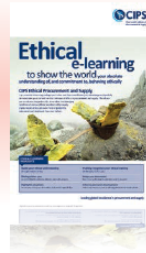
Modern Slavery Act 2015

This insight gives an overview of the Modern Slavery Act 2015 focusing on the impact on supply chains and the role of procurement and actions required to support the organisation.



Tackling Modern Slavery in Supply Chains

This guide offers practical guidance on how to reduce or eliminate the risk of modern slavery occurring in supply chains. It includes a comprehensive set of tools to address modern slavery within an organisation's supply chain.



Ethics E-learning

This essential e-learning package and online test is free for CIPS members. Successful completion leads to a listing on the CIPS Community Register demonstrating your commitment to the issue of ethics. Visit cips.org/ethics-elearning

Corporate Services

Supporting organisations across the globe to achieve sustainable value from their supplier base. CIPS works in partnership with governments, businesses, public sector entities and international development agencies. Whatever your sector or geography, we can help you to build resilient, compliant, ethical and sustainable procurement practices and supply chains, and support you to eliminate fraud and corruption.



CIPS Sustainability Index (CSI)

CSI is an independent, cross-sector supplier audit. This comprehensive online assessment of environmental, economic and social sustainability is designed to measure and benchmark the sustainability of your suppliers. Visit cips-sustainabilityindex.com



Sustainable Procurement Review

This independent, rigorous audit of the economic, social and environmental impact of your organisation's procurement and supply is designed around the Flexible Framework and BS 8903. Enhance your organisation's image and motivate staff and suppliers. Visit cips.org/sustainable-procurement-review



Corporate Ethical Procurement and Supply

Adopt a code of ethics and train your procurement and supply staff to achieve a Corporate Ethics Mark and a listing on the Ethical Register. Demonstrates your organisation's integrity and helps to safeguard your supply chain and your reputation. Visit cips.org/corporate-ethics



Corporate Certification

The only independent, procurement-specific assessment of its kind designed and delivered by the world's leading procurement specialists. Certification signifies you have the governance mechanisms in place for effective supply assurance and compliance. Visit cips.org/corporate-certification

Impact of the Act on Business

Effectiveness of the Modern Slavery Act

The UK Home Office estimate that between 12,000 – 17,000 organisations are required to complete a TISC statement

TISCreport.org have 48,486 statements from 21 sectors and 15 countries

“Since the introduction of the legislation, there had been a 63% increase in the number of victims coming forward – to more than 4,000 referrals last year – and a 77% increase in convictions” Kevin Hyland UK Anti-Slavery Commissioner

QUOTE from Andrew Wallis

Case Study – CO-OP



*“We are pioneers.
And we want
to continue
being pioneers”*

- 444 supplier audits
- 21,000 hours of slavery training for suppliers
- 8 focus countries , UK, Italy, Spain, Morocco, Egypt, Thailand, Kenya, South Africa
- 1,773 sites across 69 countries are now covered by the Co-op’s food ethical trading monitoring programme

CO-OP Bright Futures

- 30 slavery survivors will be offered a four-week paid work placement with the opportunity to turn this into a full-time
- Paul Gerrard Policy and Campaign Director “It’s not enough to say ‘We’ve got our processes in place and are procuring in the right way.’ This is about going beyond compliance. We are an employer and employment changes lives for people”

Educating the Public

CIPS Slavery in the Supply Chain Research hits the press

Slavery in the Supply Chain - The Research

3,406 individuals

This included:



588 senior business
decision makers



2,359 consumers
polled by YouGov



459 CIPS members
at Manager level
and above

which they took

maximum impact

the call for licensing

Vital Statistics

72% of supply chain professionals admit to having no visibility of their supply chains below the second tier

11% of business leaders believe modern slavery already exists in their supply chain

Only 1/5 of supply chain leaders say that they can guarantee no malpractice in their supply chains

51% admit that recent supply chain scandals* are **not** leading to risk being taken more seriously

* Relates to horse meat scandal

FT exclusive (page 2)

FINANCIAL TIMES

Slavery risk with supply chains

By Gill Plimmer

British businesses have poor knowledge of where their products came from and how they were made, making it likely that some imported goods have involved the use of slaves, a purchasing managers' organisation has said.

Nearly three-quarters of supply chain professionals surveyed by the Chartered Institute of Purchasing and Supply admitted that they had "zero visibility" on the earlier stages of their supply chains. Eleven per cent acknowledged this meant it was "likely" slave labour was used at some point in the process of making goods and transporting them.

"Consumers and business leaders have entered into a 'don't ask, don't tell' pact," said David Noble, the institute's chief executive, adding that they "are content to remain ignorant of the malpractice that could be operating throughout their supply chains".

The research polled 3,406 consumers, business leaders and supply professionals. It revealed a disconnect – company leaders were twice as likely as purchasing managers to say their chains were transparent.

It has been 18 months since supermarkets were found to be selling "beef" that included horse meat. Although the government's Elliot Review into the scandal is expected in the coming weeks, half of supply-chain professionals say the scandal has not led to risks being taken more seriously.

Mr Noble said that if the slavery bill passing through parliament is "to have a chance of eliminating slavery from the British supply chain and we are to avoid repetition of the horse meat scandal, then we must empower procurement professionals".

Cips says there has been rapid growth in corruption and human rights abuses since the financial crisis.

John Manners-Bell of the consultancy Transport Intelligence said that "many manufacturers and retailers believe that when they outsource the production of their goods to remote suppliers, often based in emerging markets where there are fewer regulations, they outsource the moral responsibility for the conditions in which these goods are manufactured".

Incidents like last year's Rana Plaza disaster in Bangladesh, in which 1,200 people were killed when the clothes factory they were working in collapsed, highlighted the reputational risks to business, he said.

Retailer Primark paid \$9m in compensation in an attempt to salvage its reputation. Last week Samsung Electronics said it had halted business with a supplier in China over suspected use of child workers.

According to the International Labour Organisation, about 21m men, women and children are in slavery, including bonded labour and forced child labour.

Suppliers taking you for granted?

INDUSTRY VIEW

In order to reliably deliver innovative products at market-leading prices, suppliers should play a pivotal role in helping a business grow market share and win new customers. However, the reality can be very different if suppliers take your business for granted. These suppliers should trigger alarms. Firstly, look for suppliers who have been in place a long time. Are they frequently "breakdowns" and have they successfully satisfied the client? Who took the supplier selection decision – the procurement function, or the broader business? And who "owns" the relationship with the supplier: procurement, or sales, or the wider business?

Secondly, check that suppliers are properly managed. Are they working to an inviting performance standard? If not, what happens? Do they understand your needs in terms of innovation and improvement? And how are they fulfilling that agenda?

Finally, look for a history of rising prices. These old price-inflation clauses may be ripe for renegotiation. The price increases can also point to a supplier mindset of passing their own cost increases on to you – the customer – rather than finding ways to eliminate such increases, or looking for compensating performance improvement elsewhere.

These three indicators are reliable warnings of a supplier taking business for granted. So how do we do better? One way is to be the beginning of a wider examination of supply. Additionally, ensuring that your supplier runs a well-oiled machine, successfully delivering on contracts and hitting targets is an ever more critical consideration in an increasingly competitive world.

Emilio Ruffo is principal at www.itsconsultants.com

THE WEAKEST LINK

With supply chain scandals on the front pages more than ever, it is time for organisations to take a closer look at how they function and cut out the bad links before it's too late?

By Joanne Fearson

THERE are no guarantees the business scandal which rocked Britain last year will not happen again. The problem, says David Noble, CEO of the Chartered Institute of Purchasing & Supply (CIPS), is that it is impossible for CEOs to have an all-encompassing knowledge of where things come from in their supply chains. It is a scary thought: that the world's biggest and most powerful companies' supply chains could be involved in such scandals. But changes are underway in the industry – CIPS is on a mission to bring these organisations together and is calling for self-regulation of the industry. Noble is clearly passionate about the issue. "The profession needs to be licensed and we are calling for self-regulation of professionals," he says. "Not just the state of their enterprise, where it is public or private and how well they do their job, but also their public good. Bad supply chain management is affecting all of us in some way. It is certainly becoming much more talked about, whether it is through the damage done by the horse-meat scandal or whether it is slavery collapse or modern-day slavery."

When it comes to promoting standards in the supply chain industry, CIPS is a big player. It is the world's largest professional organisation in procurement and supply, and big businesses in the UK are members. It is the world's largest professional organisation in the PM, ICA, CIPS UK Manufacturing PMI index is seen as an industry bellwether, and is closely monitored by the Bank of England and key



Above: A scorpion is a symbol of the weakest link in a supply chain. **Below:** A woman in a white lab coat working in a supermarket aisle.



economists in the UK. And in its push for self-regulation, CIPS already has some of the big industry players on board. "We have some very strong links to the heads of companies around the world," says Noble. "They are saying we have to have this licensing requirement in our supply chains. We started our campaign early this year and have engaged in a number of big corporates. The CEO of Rio Tinto is one of our fellows. It is a someone who has been in purchasing most of his career before he was promoted to CEO. I would like to think in the next few years it becomes the default, that everyone in this profession has to be licensed." Having a CEO with a supply background could be an advantage for a firm. Noble says some of the world's top companies with successful supply chains have CEOs with experience in the industry. According to Noble, Apple has such a great supply chain because "Tim Cook was a buyer before he became CEO."

"The smart companies are recognising that how you execute supply chain management is a real differentiator for success in the corporate world," Noble explains. "Companies are realising that at the board level – that it is something so strategic it makes a difference to what the company looks like." In Noble's discussions with CEOs he has found the best way forward is to add value to other business in the supply chain. "People copy things very quickly," he says. "You might come up with an all-singing, all-dancing widget [that] is late about a month before someone has copied it. You can be the best marketer in the world, but as we move into the service world it is all about execution and efficiency of your supply chain." It is very difficult for a company to keep up to date and have full knowledge of everything that goes on in a supply chain. Noble believes there are guarantees something like the horse-meat scandal will not happen again, as it is impossible for a company to have control of its supply chain

down to the most distant tiers. This is why it is important for companies to be licensed and self-regulated. He says, "Unfortunately I see a lot of this, where buyers are summarily overruled by invidious practices further down the chain. What we are saying to these people is, look, what you have to be able to say I have done everything in my power to mitigate that sort of disaster happening. If someone has licensed my professional, I have put in place procedural controls and due diligence and all the things you would expect that are good practice because the media is quite ruthless."

According to Noble some sectors are more advanced than others where it comes to understanding supply chain risk. Sectors he believes have a weak link are retail and wholesale. "They still struggle to recognise supply chains as different from product management. That is not a big mistake," he says. "It is a very competitive world we live in. A lot of it is driven by consumer behaviour, ultimately. You have the retail and the wholesale industries that work on razor-thin margins. Consumers are demanding low cost."

Noble is all for helping companies that need improved supply chains. At CIPS there are numerous certification processes

to help supply and procurement departments to assess themselves on process and performance. "We now have an online ethics test," Noble reveals. "If you do not pass it then you have to retake it – if you do not get through then you do not get marked from the test but saying you are ethically qualified for the year. This has to be done every year, because the last thing about the world we live in, the world of fraud and all these things, is that they morph into something different. It is a tough test and is designed that way because it is a tough world where you can be taken to the cleaners. We ask corporates to target anyone who is engaged with suppliers to take this test."

What companies are demanding the most is to have to avoid fraud in the supply chain, Noble says. "Demand for it has gone through the roof because companies are getting worried about fraudulent practices. How do they mitigate against them?" The most advanced sectors when it comes to understanding supply

chain risk are the commodities, Noble believes. "The oil, gas and mining industries are the ones that stand out for us. We have the most engagement with those industries. They have a social role to play in countries and they are far ahead in supply chain management. "The other sector that I think is very competent at the automotive sector – they invest heavily because they know their reputation is on the line with supply chain management."

In a world where supply chain management is becoming increasingly relevant, the CEO that understands the risks within their own supply chain will stay ahead of the game. The big players are starting to get involved – perhaps a move towards licensing the industry will see public scandals become a thing of the past.

CIPS brings case to bear on modern slavery

AROUND 29.8 million people are forced to live in slavery around the world, according to the Chartered Institute for Purchase and Supply (CIPS), while every day 6,000 people around the world die from work-related accidents or disease. Corruption can add 10 per cent to the cost of business and 25 per cent to public procurement in developing countries. The Modern Slavery Bill is presently going through its second reading in the House of Commons. Once it is passed it will create two new civil orders to prevent modern slavery, establish an Anti-Slavery Commissioner and make provision for the protection of modern slavery victims.

Earlier this year CIPS submitted written evidence to the committee on this bill. CIPS has called for procurement and supply professionals to address modern slavery through putting in place policies, processes and planning – "the three P's". In its written evidence CIPS outlined by companies putting policies in place they should help prevent, detect and eradicate modern slavery within companies own operations and the operations of suppliers and business partners. It recommended establishing a code of conduct which sets out the essential standards of personal and corporate conduct and behaviour expected.

In doing this, CIPS called for companies to make statutory declarations and contractual provisions to ensure existing suppliers and incoming new suppliers understand the company's approach to modern slavery in supply chains. These should be cascaded as far down the supply chain as is reasonable. According to CIPS, whistleblowing should be encouraged to identify breaches of policy and contractual provisions. Systems should be in place to ensure that whistleblowers' identities are protected and that they have level support.

CIPS also outlined that firms should establish processes to identify vulnerabilities in the supply chain. Although it is impractical for a company to audit and monitor each and every supplier in its entire chain at all levels, businesses should be able to work in a clearly key vulnerabilities and take a risk management approach to ethical procurement.

Rigorous, independent auditing of key supply sites is invaluable in determining whether standards set by a company have been met by suppliers, says CIPS. Firms should also plan for situations where corrective action is needed. The availability of remediation will depend on the supplier's relationship with the supplier and the supplier's willingness to make improvements.

CIPS says as a last resort may be necessary to leave a relationship with a supplier; provided this is done ethically and CIPS recommends buyers should check workers have been paid and will be paid correctly for their work unless any final payments are made.

Real Business

realbusiness

Shocking disconnect between UK leaders and supply chains revealed

21 July 2014 · By [Shane Schutte](#)

Only 18 months since the horse meat scandal in 2013, consumers and businesses have reverted to a "don't ask, don't tell" policy on supply chains.

With the government's Elliot review into the horse meat scandal expected in the coming weeks, 72 per cent of British supply chain professionals say they have zero visibility of their supply chains beyond the second tier, states shocking Chartered Institute of Purchasing and Supply (CIPS) research.

Furthermore, the majority (51 per cent) say the horse meat scandal has not led to supply chain risk being taken more seriously.

With the Modern Slavery Bill entering Committee stage today, 11 per cent of business leaders admitted that it is likely that modern slavery is already playing a part in their supply chain.

The research, which was carried out across consumers, senior business decision makers and supply chain professionals suggests a worrying disconnect between supply chain professionals and senior decision makers within businesses.

David Noble, Group CEO of the Chartered Institute of Purchasing and Supply (CIPS) said: "Neither consumers nor business leaders have learned the lessons of the horse meat scandal and are content to remain ignorant of the malpractice that could be operating throughout their supply chains.

"If the Modern Slavery Bill is to have a chance of eliminating slavery from British supply chain and we are to avoid repetition of the horsemeat scandal, then we must empower procurement professionals within their businesses.

"A professional 'licensing' of all supply chain and procurement professionals is becoming critical to avoid the UK sleepwalking into another supply chain crisis."

Licensing the Profession

CIPS offers a pragmatic approach

Ethical Procurement & Supply

CIPS Policy Statement

The procurement and supply profession must have a self-regulated approach to licensing both to protect the public good and to enhance and underpin its significance. We are calling for:



Supply Chain Standard

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Time to license supply chain professionals?

 Published: **22 July 2014**
Channel: **The Blog**

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More than one in ten business leaders think modern slavery is likely to be in their supply chains, according to a poll by YouGov for the Chartered Instituted of Purchasing and Supply. And the institute is now warning that the UK could be sleepwalking into another supply chain crisis similar to the horsemeat scandal last year.

The survey found that 72 per cent of British supply chain professionals say they have zero visibility of their supply chains beyond the second tier with only 11 per cent saying they have visibility along the entire chain.

As a result, only 21 per cent of supply chain professionals say that they are able to guarantee there is no malpractice in their supply chains with 51 per cent saying the horse meat scandal has not led to supply chain risk being taken more seriously.

The survey also found complacency among consumers – only 25 per cent said they cared about how their products were sourced.

In view of these figures, it's no surprise that CIPS chief David Noble talks in terms of "don't ask, don't tell" pact between consumers and business leaders on supply chains.

"If the Modern Slavery Bill is to have a chance of eliminating slavery from British supply chain and we are to avoid repetition of the horsemeat scandal, then we must empower procurement professionals within their businesses."

Noble has put forward the notion of professional licensing of all supply chain and procurement professionals, arguing that this is becoming critical to avoid the UK sleepwalking into another supply chain crisis.

I think that is an interesting idea - what do you think?

Would it be just more bureaucracy for no real benefit - or would it strengthen the hand of supply chain professionals?



Dealing with Omni-Channel Demands

17th & 18th September
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**Policy
Statement**

**Licensing the
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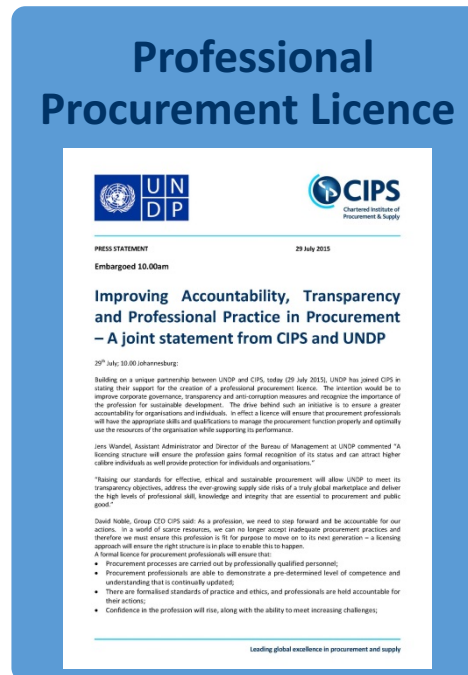
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**UN
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CIPS / UNDP Announcement

As a profession we need to step forward and be accountable for our actions. We can no longer accept inadequate procurement practices and therefore we must ensure this profession is fit for purpose.



Tripartite Agreement



Etihad Airways Support Licensing



A Practical Solution

Issue – the scope of the problem can only be addressed through focussed and effective accountability

Licensing: the practical approach

Sets a standard that is measured by CIPS – an insurance policy

Staff are trained and assessed to a common standard

Processes are assessed to that standard

CIPS - the independent regulator

Others can provide the delivery etc.

Let the appropriate individuals take responsibility with accountability

Alternative: the bureaucratic approach

All companies required to supply huge amounts of data on all tiers of supply chains – too large

Impractical as c10k suppliers at all tiers for SME and c1 million plus for major corporations

Sign up to accountabilities without any real form of control

Mass of bureaucracy in trying to show compliance at all levels

Reporting without responsibility or accountability

Solution – Licensing needs to be positioned as a credible and achievable alternative to the bureaucratic approach