

Auditing CSR in supply chains

May 2007



Contents

What is Audit?

What is Supply Chain Management?

What is CSR?

Target groups for the result of an audit?

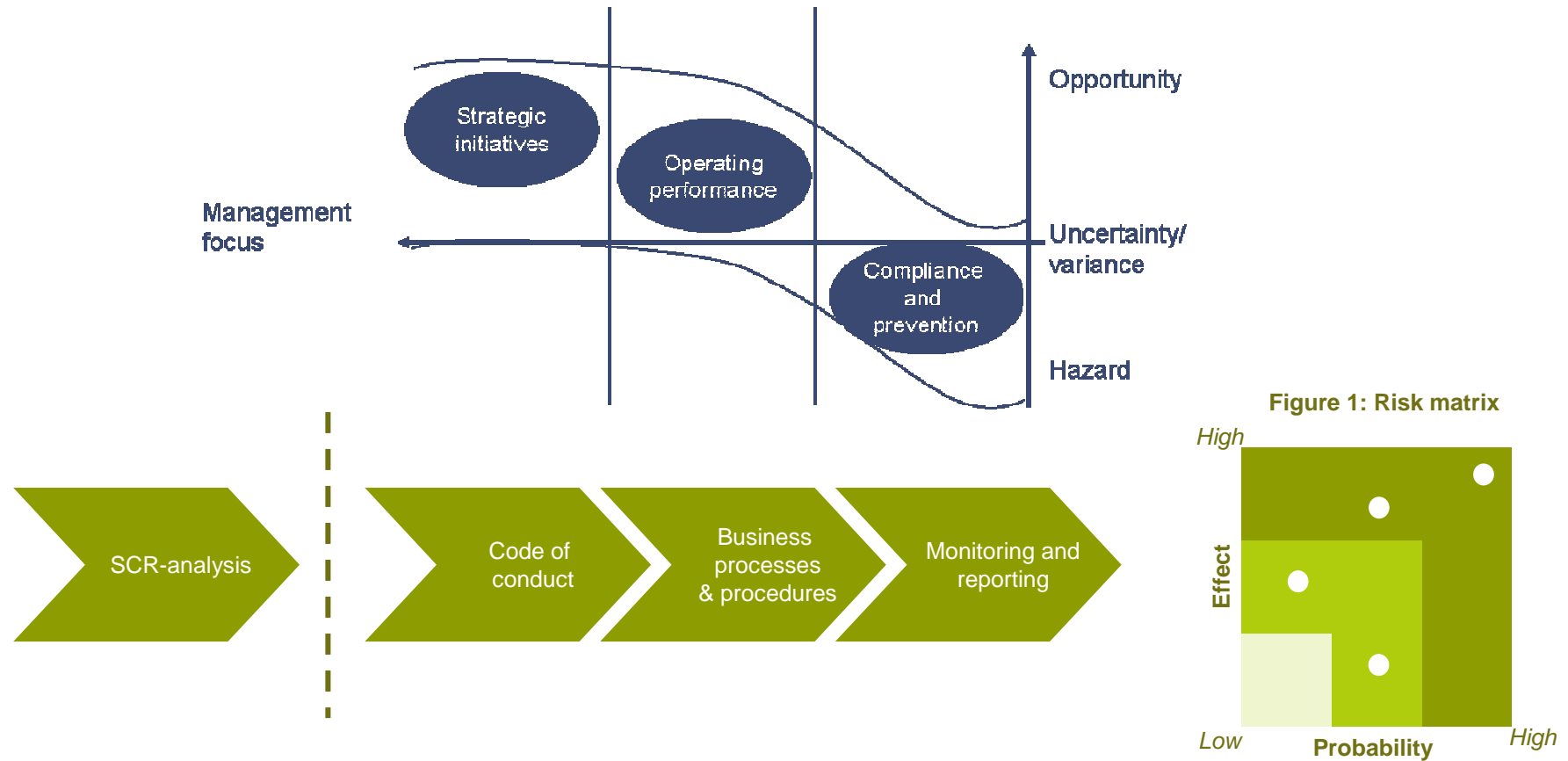
Basis of method

Round-up

What is Audit?

- Data
- Systems / Procedure
- Conduct

What is CSR Supply Chain Management?



What is CSR?

A palette of themes – examples of CSR in value chain

	Raw material	Suppliers	Transport and distribution	Research	Production	Sales and marketing	End user and waste
Market behaviour <ul style="list-style-type: none"> • Product issues • Commercial relations • Marketing ethics 	<ul style="list-style-type: none"> • Purchase from countries in conflict • Smuggling • Abuse of market position 			<ul style="list-style-type: none"> • Transparency • Forgery 		<ul style="list-style-type: none"> • Marketing ethics • Bribery • Cartelization 	
Environment <ul style="list-style-type: none"> • External environment • Animal welfare • GMO, bio-ethics 	<ul style="list-style-type: none"> • Non-renewable resources and GMO • Bio diversity 		<ul style="list-style-type: none"> • Animal experiment • Genetic engineering 		<ul style="list-style-type: none"> • Waste handling • Consumption of resources 		<ul style="list-style-type: none"> • Waste disposal • Recycling
	<ul style="list-style-type: none"> • Emissions 						
Employees <ul style="list-style-type: none"> • Working environment • Human rights 	<ul style="list-style-type: none"> • Working conditions, including child labour/forced labour • Discrimination • Illegal immigrants 				<ul style="list-style-type: none"> • Working environment, including safety and health • Broadness • Work life balance 		
Social responsibility <ul style="list-style-type: none"> • Involvement/respect for local community / global society 	<ul style="list-style-type: none"> • Support of terrorists (C-TPAT) • Respect for local culture and territories • Intellectual property rights 				<ul style="list-style-type: none"> • Patents 	<ul style="list-style-type: none"> • Tax avoidance • Effect on local community 	
Governance <ul style="list-style-type: none"> • Ownership structure • Bonus systems • Management structure 	<ul style="list-style-type: none"> • Interlocking directorates • Payment in terms of result, shares, options • Transparency/true and fair reporting 						

Target groups for the result of an CSR-SC-audit?

The company itself for own use!

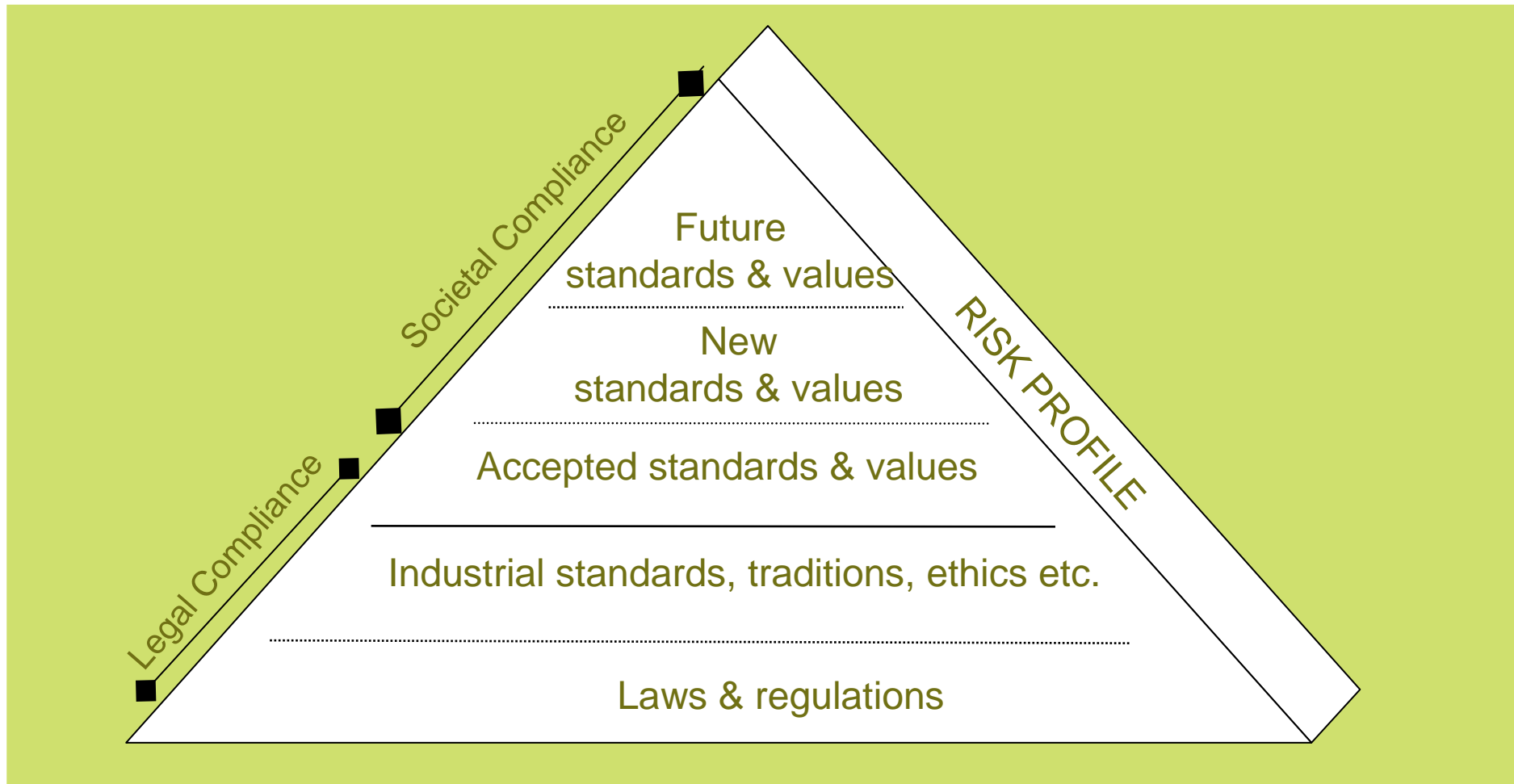
For presentation toward customers!

The customer for his/her internal use!

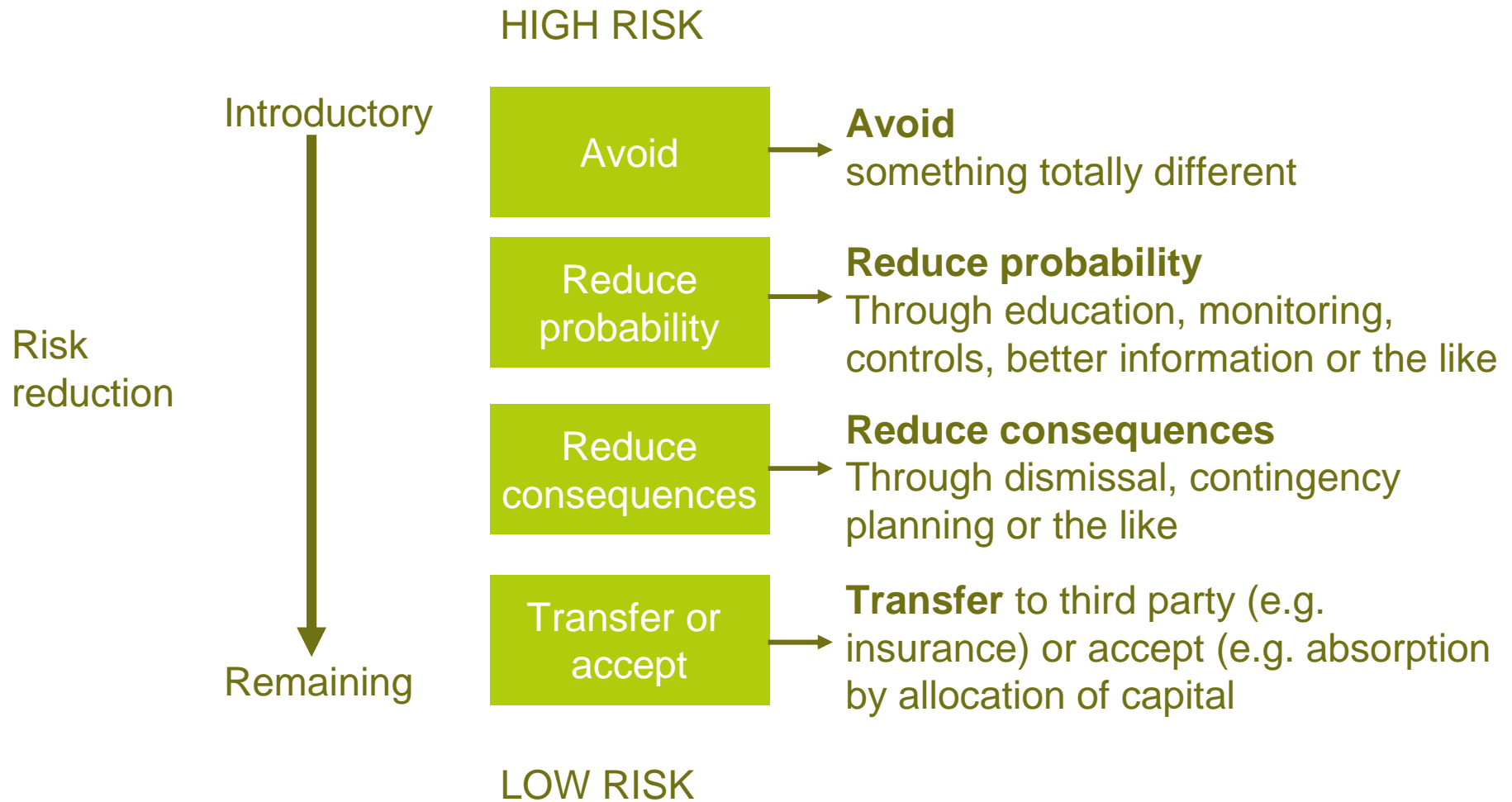
The customer for his/her external use!

For how long shall the result be usable?

What are the expectations?



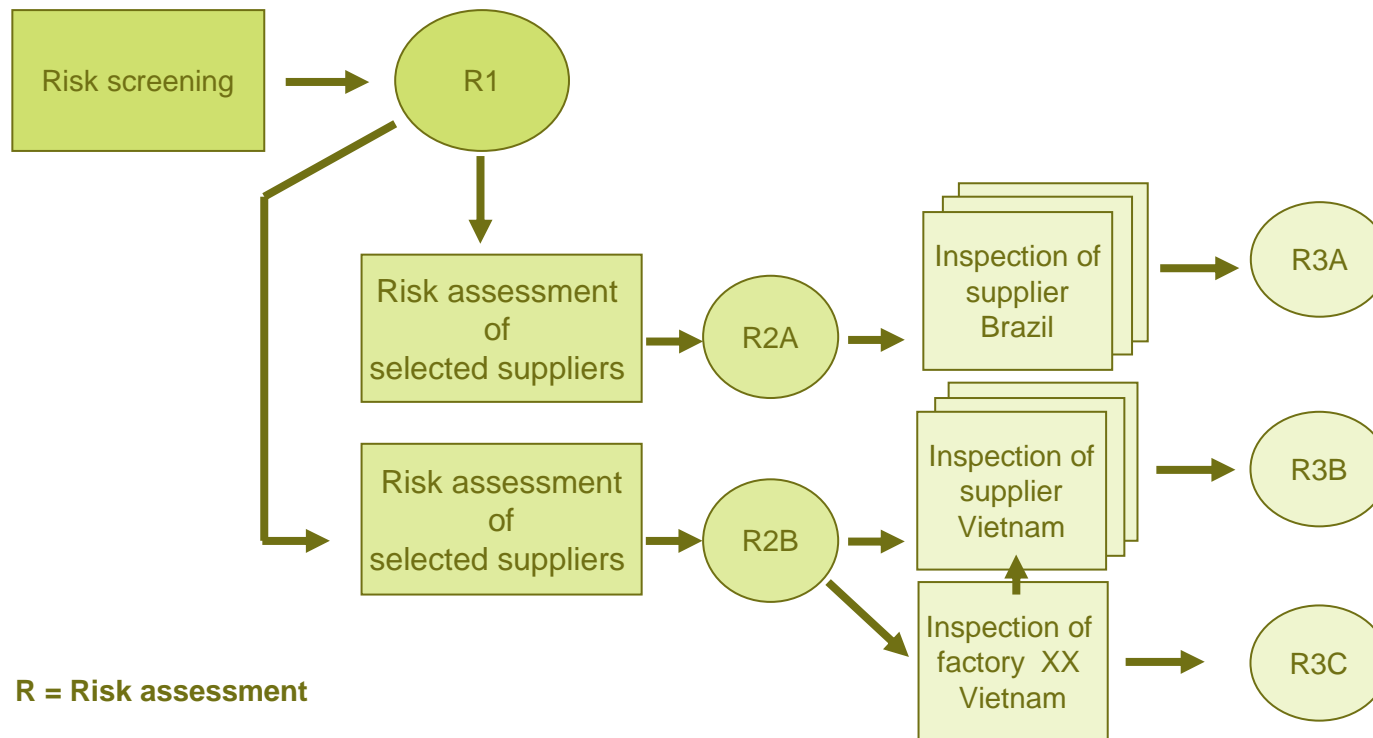
Risk reduction



Some steps.....

Codes of Conduct in contracts	Compliance audits	Certification (SA8000)	Supplier partnerships
<ul style="list-style-type: none">• The company places heavy demands on child labour, forced labour, working hours, earnings, working environment etc. as part a purchase contract, and the supplier is legally bound• The company wishes to be able to claim exclusion of liability• Focus to avoid media cases on specific indecent issues in supply chain	<ul style="list-style-type: none">• Controllers make audits to check whether circumstances comply with Code of Conduct• The company wishes to know whether Code of Conduct is violated• Focus on strengthening/protecting the company's reputation and trademark	<ul style="list-style-type: none">• The supplier becomes SA8000 certified• The company and supplier wants evidence of the supplier having internal processes and controls to ensure compliance• The supplier can use the certification in his/her marketing	<ul style="list-style-type: none">• Companies and suppliers enter a partnership to improve societal, ethical and environmental issues in value chain• The company and supplier want actually improved circumstances• The company and supplier feel ownership. They wish to act in a societal responsible way and at the same time be competitive

An SCR analysis



ISAE 3000 *

Approach:

- Reporting
 - Data
 - Reporting processes and systems
 - What is reported?
-
- International Standard on Assurance Engagements, ISAE 3000 (other assurance engagements than audit or review of historical, financial information)

AA 1000AS*

Approach:

- Performance
 - Conduct and competencies
 - Management processes and systems
 - What should be reported?
-
- Account Ability - AA1000 Assurance Standard (AA1000AS)

Elements of AA1000 AS



Round-up

The challenges

- to adjust expectations
- to draw conclusions
- that time passes!

Round-up

Possibilities

- partnerships focusing on the value of transparent CSR circumstances
 - conduct
 - systems/procedures
 - data as agreed
- third party involvement assuring quality according to specific agreement on purpose and scope

Thank you for your attention

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