

E-Bulletin

Ethical Supply Chains and Corporate Social Responsibility

Retailers are facing increased scrutiny from consumers concerned with ethical sourcing of goods. Incidents such as the Tazreen Fashion factory fire near Dhaka, Bangladesh in 2012, and last month's factory collapse in Savar, Bangladesh, have shone a spotlight on the close relationship between Western consumers of goods and the conditions in which such goods are manufactured overseas, often in countries where workers face unsatisfactory labour or other social conditions.

Adequate guarantees in the area of corporate social responsibility ("CSR") have become a critical element for corporate reputations and nowhere more so than in the retail and consumer goods sectors, where discretionary purchases are often influenced by non-commercial considerations. Accordingly, companies are under increasing pressure to ensure that minimum acceptable international standards are respected as part of a comprehensive system of ethical sourcing of products throughout their supply chains.

Such systems should include:

- Ensuring that appropriate obligations concerning compliance with human rights and labour standards as prescribed by the United Nations and the International Labour Organization ("ILO") are incorporated all manufacturing and supply contracts
- Drafting and enforcing supplier codes of conduct with appropriate sanctions for non-compliance
- Providing training to employees and suppliers in the implementation of codes of conduct
- Ensuring that factory audits are performed as required to ensure compliance with codes of conduct in locations where suppliers have manufacturing facilities
- Implementing traceability systems to monitor the source of inputs for manufactured products throughout the supply chain; such traceability systems may be focused on labour standards, human rights, environmental or other desired standards at each stage in the supply chain
- Achieving acceptable resolution for issues of non-compliance or imposing appropriate sanctions on suppliers where warranted

Sills Egsgard LLP can help your company assess your existing contractual provisions governing sourcing of products to ensure conformity with prevailing ILO and UN standards, assist in the development of new contractual provisions, including suppliers' codes of conduct and associated



First Canadian Place
100 King Street West, Suite 5700
Toronto, Ontario, Canada, M5X 1C7

tracking systems to ensure enforceable social compliance standards are met in your suppliers' production facilities and assist in investigations of suspected non-compliance with ethical sourcing standards.

Sills Egsgard LLP is a Toronto-based law firm specializing in international trade and investment and related regulatory compliance issues.

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