

VERSION 1.0

2017 WHITE PAPER: **ACTION PROGRAMME FOR RESPONSIBLE & ETHICAL SOURCING**

Eight pathways to best practice

*A Professional Approach to Responsible and
Ethical Sourcing of Materials, Products and People in
Property and Construction Markets Worldwide*



breTRUST



Loughborough
University



Introduction

The Action Programme for Responsible and Ethical Sourcing (APRES) was set up in 2011 to tackle responsible and ethical sourcing of materials, products and people in property and construction markets worldwide.

It engages with a range of stakeholders to raise awareness, build knowledge, deliver guidance, and above all help individuals and businesses to deal with the challenges of addressing key environmental, social and governance issues in their supply chains.

The purpose of this document is to assist organisations in embedding responsible and ethical sourcing, by:

- building on their understanding of the key issues;
- informing their thinking on professional approaches; and,
- presenting a new pathways model covering strategy, operations and supply-chain issues (the APRES Eight Pathways Model).

The APRES Eight Pathways Model is an important new contribution to knowledge. It builds on academic research, market intelligence, co-created insights, plus sound management systems and practices from some of the leaders in the field.

The 2017 APRES White Paper will be of interest to a range of organisations and stakeholders in the construction and property sector, including:

- Clients and asset owners;
- Contractors;
- Designers and specifiers;
- Manufacturers and distributors;
- Market analysts, business and trade media;
- Professional and representative bodies;
- Purchasing and procurement specialists;
- Subcontractors and suppliers; *and*,
- Supply-chain auditors.



In the following sections, you will find:

- i) a snapshot review of current industry positions, trends and attitudes to responsible and ethical sourcing; and*
- ii) a new pathways model on sourcing for materials, products and people, to take organisations and individuals from the level of 'Baseline' to 'Best in Class' performance.*



What is Responsible & Ethical Sourcing?

We live in a world of extremes and contradictions.

On the one hand, according to the Deloitte Millennial Survey 2016, 9 out of 10 of the current crop of consumers and next generation of executive employees believe that *'the success of a business should be measured in terms of more than just its financial performance'*.

However, we also inhabit a planet where figures from the latest Global Slavery Index estimate 45.8M people are in modern slavery, across 167 countries worldwide. Furthermore, the International Labour Organization calculates that 21 million individuals are the victims of forced labour operations.

Responsible sourcing is, of course, not a new idea, per se.

Construction has been tackling sourcing issues associated with environmental responsibility, for some time – having, for instance, managed stewardship impacts in terms of pollution and biodiversity, or Chain of Custody validation with materials such as timber. It is the ethical dimension which has emerged recently that is presenting fresh challenges and stretching existing resources.

Ethical sourcing is asking new questions of businesses and their supply chains.

It calls for updated cultural approaches and demands different working practices. Integrating this rethinking into its everyday beliefs and behaviours represents a significant step forward for construction as an industry fit for the 21st century, bringing together the good and the green of sustainable business.

At present, there is a clear disconnect between the aspiration and the actuality. Slavery remains rife in the global supply chain, for example. Whilst public and professional demand for positive brand values and corporate purpose might be strong and rising, the reality can prove different and troubling, even tragic.

As a result, a modern-day business operating in the construction sector, dealing with supply chains that are not only long and global, but also complex in nature, can find itself exposed to reputational risk and commercial threat, with labour rights only one of the responsible and ethical sourcing concerns it faces.

Ethics is not just about what you think, it is what you do.





The story so far...

Scandals in the supply chain – the heat is on...

In the wider world of global business and supply chain management, many commentators point to the momentous events of 2013 as initiating the wake-up call for responsible and ethical sourcing. First, the bad news of the horsemeat scandal began unfolding across Europe, destroying farming-community livestock and livelihoods. Then came the human tragedy of the Rana Plaza textile factory collapse, with the lives of more than 1100 garment workers lost in Bangladesh.

The resulting calls for change in policy and practice extended far

beyond food and fashion, or agribiz and retail, with lessons to be learned across the international landscape of industrial production. Futureproofing of reputation and investment became increasingly associated with transparency around sourcing, as demand for accountability to mitigate risk shot up the agenda of public bodies, corporate clients and financial institutions, alike. In short, the fear factor was in play.

In addition, the proliferation of mobile and digital technology, coupled with the stratospheric rise of social media, was amplifying public demand for

open access to data on sourcing, production and provenance, especially on the part of consumer groups, environmental activists and human rights campaigners. Transparency and traceability were fast becoming watchwords of sustainable business.

The need for construction and property firms to evidence effective and appropriate policy provision, together with the professional and contractual ability to convert it into practice (along the length of the supply chain), therefore became a matter of increasing urgency. The heat was on.

Modern slavery to the fore – a game-changer...

UK public scrutiny of employment standards and labour rights then intensified significantly in 2015, explains Chair of Architecture and Sustainable Construction at Loughborough University and APRES programme leader, Professor Jacqui Glass:

“In a year when UK businesses were getting to grips with implications of both the Living Wage and the Modern Slavery Act, it seemed inevitable that tough questions would start getting

asked about ethical policies and practices. In construction, known for long and complex global supply chains, these questions do not simply stop at the entrance to the building site, or even the UK border.”

The Act is a seminal piece of legislation, unique to the UK and a gamechanger for public policy worldwide. Whilst the Government might be leading by example, UK businesses are far from immune to the impacts and implications.

In joint research by the Ashridge Centre for Business and Sustainability at Hult Business School and Ethical Trading Initiative (ETI), 71% of companies admitted likelihood of modern slavery in their supply chains. A follow-up report identified reputational risk as the prime motivation amongst CEOs and senior executives for leadership on the issue, with 97% declaring it the biggest driver for change.

A Manifesto for change – time for answers...

With the clock ticking, EPSRC funding for the AESOP project that same year enabled Loughborough University to bring together a broad mix of inputs from leading commercial organisations and academic institutions, within construction and beyond. With the challenges of a global supply network too large for any one organisation to tackle

alone, collaboration was key and a sector-wide response vital, says Professor Glass:

“We all knew the questions; now was the time for answers. The construction industry was rightly being called upon to take a stand and articulate its position on ethical sourcing. What the

industry needed was a Manifesto.” The *UK Manifesto for Ethical Sourcing in Construction* was co-created in one of the first ever industry applications of a ‘Hackathon’, derived from the world of Silicon Valley software development. The Manifesto kicked off a long-term APRES campaign to coordinate construction attitudes and actions more closely with corporates



and activist communities worldwide. The Manifesto comprises '10 Pledges to Align Industry Values with Business Ethics & Human Rights', under headline categories:

1. Bribery & Corruption;
2. Labour & Workers' Rights;
3. Sustainable Development;
4. Traceability & Transparency;
5. Health, Safety & Wellbeing;
6. Legality of Materials;
7. Complex/Manufactured Products;
8. Circular Economy;
9. Certification & Accreditation;
plus
10. Openness & Communication.

At the time, managing environmental risks and responsibilities was fast becoming a regular item on the

business agenda and project brief for construction, with social sustainability also emerging strongly in CSR and reporting. The missing piece in the jigsaw of supply-chain excellence, however, was ethical sourcing. The new Manifesto broadened industry accountability beyond only *responsible* sourcing and procurement, into areas of fair practice and *ethical* policy.

In a spirit of co-creation, the Hackathon involved two cohorts (Construction, and Critical Friends), who wrote and re-wrote in real-time online, before meeting in London to agree the official draft. Of the 35 co-authors, the Construction Cohort included clients, contractors, designers, manufacturers and suppliers; the Critical Friends added a diverse and challenging mix of expertise and experience in transparency and traceability, supply

chains and ethics. Joining participants in areas aligned to property and construction, were contributors from fashion, food and consumer retail, as well as the likes of Fairtrade International and the ETI.

The ambition with the Manifesto was to make a thought-provoking statement on behalf of construction – questioning assumptions, shifting perceptions and energising the wider debate around values and purpose. Making the 10 Manifesto pledges truly actionable is the next-step challenge addressed in this White Paper.

The Manifesto pledges are presented on page 15 of this document.

Spreading the word – but a call for more...

The Manifesto was launched officially at the annual APRES Conference, in November 2015, as well as featuring alongside the unveiling of *A Designer's Guide*, both on stand and in a plenary debate session at the Greenbuild Expo in Manchester, the same month. Its release had already been featured in the trade press and construction best practice hubs, then circulated to the APRES network and promoted on the website, featured in media blogs, shared by contributors and programme partners, as well as being showcased as a resource online by the Environmental Association for Universities and Colleges (EAUC).

Industry response to the Manifesto, received at live events, via feedback online and through direct contact

with the APRES team, confirmed a strong appetite within construction and property to tackle the issues concerned, but also sounded a consistent call for further advice and information on practical steps to take next.

It would be quite wrong, however, to suggest that professionals in property and construction are labouring without access to assessment tools, certification schemes and policy protocols, with application for responsible and ethical sourcing. Resources abound: From the Sustainable Development Goals (SDGs), Global Reporting Initiative and Dhaka Principles; via SA8000, AA1000 and ISO20400; through to the APRES *Designer's Guide*, new CIRIA *Handbook*

on Responsible Sourcing, ETI Base Code™ and BES 6001 from BRE.

Whilst landmark standards and guidance already exist (or are in the pipeline), the consensus is that the overall professional landscape remains difficult to navigate. This perceived complexity gives rise to confusion, leading to inertia and inaction.



A role for the professions – to champion...

Taking place in November 2016, the 6th Annual APRES Conference focused on the role of the professional within this broad agenda. It explored the connection between products and people, as well as moves towards a more integrated level of understanding. Representative of the length of the construction supply chain, 80 participants were primarily drawn from contractor (24%), consultancy (24%) and manufacturer (19%) organisations. Almost half (49%) were participating in an APRES event for the first time, providing fresh perspectives for industry balance.

Key findings of a snapshot survey, undertaken on the day, were as follows:

- **PERSONAL:** Around two thirds of participants (64%) agreed strongly they are personally active in championing responsible and ethical sourcing, a further third (32%) merely agreed;
- **COMPANY:** However, when asked if their company also champions responsible and ethical sourcing, only one third (34%) agreed

strongly, almost half (47%) just agreed and more than 1 in 6 (17%) disagreed;

- **PROFESSIONAL BODY:** When asked about their professional body, numbers slid further into negatives: only half (51%) agreed their organisation was similarly active, over one third disagreed (37%), plus 1 in 8 (12%) were unsure.

Given that ethics can tend to occupy a space where personal values and professional standards overlap, it is perhaps only to be expected that the commitment of the individual might appear stronger than that of their employer, or corporate culture. What is less obvious is why there should be such a falling away in respect of the attitudes and actions of professional bodies. Members evidently do look to their representative bodies to provide advocacy (88%) and training (74%) on issues such as responsible and ethical practice, however, their expectations are clearly not being met. The number of participants who admitted they were unsure, arguably suggests one of two likely scenarios:

- Either, the professional body is failing to communicate adequately on these issues and so members remain unclear on its advocacy and training;
- Or, the body lacks understanding of the importance of these issues to its members and is therefore out of touch and ineffective as a voice or guide.

Whilst there are, of course, notable exceptions to this generalisation such as CIOB, CIPS, RICS and others, the message remains that professional bodies typically appear behind the curve on responsible and ethical sourcing. There is a need on the part of their members that is largely not being fulfilled.

In response, APRES recognises that although it already works closely with a number of professional, trade and membership organisations, this area of outreach activity and network engagement merits further exploration. There is an important role for professional bodies to play, and play better.

The need for practical steps – a dilemma...

As part the 2016 APRES Conference, the audience discussed 'What success looks like', and participants were also asked to identify the top three **issues** an organisation needs to prioritise to be successful in implementing responsible and ethical sourcing. The results were as follows:-

1. Material Traceability (25% of the vote);
2. Risk Management (22%); and
3. Collaboration (15%).

It should be noted these choices (from a menu of options) placed ahead of specifics like 'Bribery and Corruption' (12%) and 'Modern Slavery' (11%).

Then, when asked to identify the top three **practices** an organisation needs to prioritise to be successful in implementation, preferred choices were:

1. Setting KPIs / Targets (23%);
2. Monitoring Compliance (16%); and
3. Training (16%).

Again, it should be noted that these options came in markedly ahead of both 'Engaging Hearts and Minds' (12%) and 'Publicising Actions' (11%).

The decidedly practical and proactive nature of the higher-ranking preferences serves as an indicator of where the industry stands – for many, we are in the implementation phase of measurables and deliverables.

The challenge is, for your business, which of these important issues do you tackle first?



Eight pathways to best practice

The APRES model for embedding responsible & ethical sourcing in your organisation

The journey to take an organisation from where it is now on responsible and ethical sourcing to where it ultimately wants to be, begins with practical next steps. Key to getting started on turning good intentions into positive actions is having clear pathways towards change and success.

What is it?

The APRES Eight Pathways Model to better practice are based on the critical areas of operation in a business: from initial policy-making, via compliance, right through to PR and continuous improvement.

Who is it for?

Clients and asset owners;
Contractors;
Designers and specifiers;
Manufacturers and distributors;
Market analysts, business and trade media;
Professional and representative bodies;
Purchasing and procurement specialists;
Subcontractors and suppliers; *and*,
Supply-chain auditors.

How does it work?

The APRES Eight Pathways model is designed to take an organisation through from *Baseline* (or *New Entrant*) levels of performance on responsible and ethical sourcing, towards *Best in Class* achievement. This journey is taken over time, via four stages – preparation (Plan), action (Do), review (Check) and refinement (Improve) – and along eight *Pathways*.

Not all eight elements need operate concurrently – a staggered progression is envisaged. Approaching the process as a journey, involving distance travelled with a sense of direction over time, is a beneficial mindset to adopt, rather than simply seeking to be incrementally better today, than yesterday.

How do I use it?

Examine your own organisation against each of the eight elements and determine at which stage of the maturity pathway your business is operating. The next step is to identify areas for improvement to gradually move up the maturity pathway over time. Some elements may be more significant to your business, so start with those.



APRES Eight Pathways Model

1: Organisation Strategy and Policies (Board level decisions)

Strategies & Policies can come under criticism for being nothing more than a framed piece of paper. However, these are important building blocks for any organisation and are often part of a wider plan. The policies are sometimes individual or encompass a multitude of areas with fewer policies; this will often depend on the type of business and how the management systems are built.

Baseline: Outcome in mind, champions identified and working group in place.

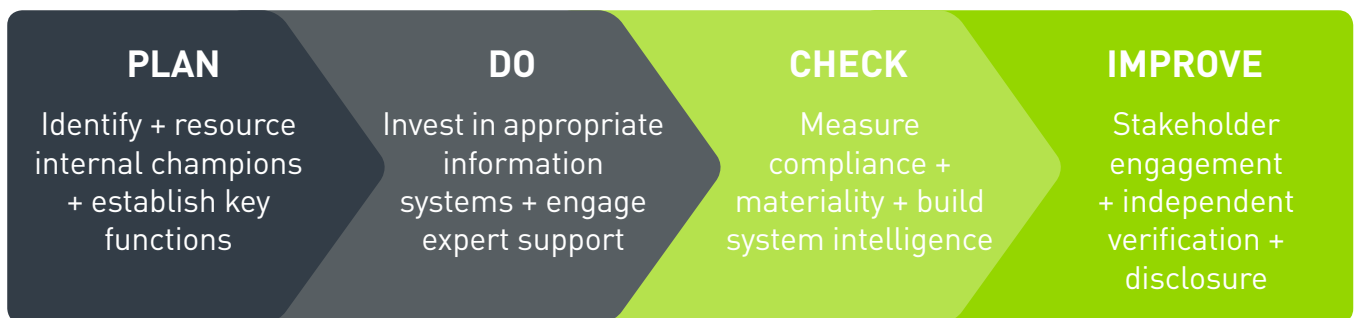


Best in Class: Organisational approach to responsible and ethical sourcing is built into the values of the business and operationalised at every level. Others look to you for leadership and insight; case studies show the journey.

2: Management Systems

Management systems are typically related to quality, environment and Health & Safety. These, however, are not exclusive to any particular sector. Some systems are integrated and others will operate standalone approaches for each area. Some are centralised whilst others are autonomous within each country/region or even site/project. The focus should be on continuous improvement and in particular how the organisation is recognising the role of top management and context of its operations.

Baseline: Single Board sponsor in place, plus mission, values and objectives.



Best in Class: Management systems are integrated; ownership within the business with clear objectives to build and improve the system year on year.



3: (A) Assurance – Compliance & Auditing

Companies can rely on third party audits to give further assurance on their practices. Some companies will conduct an audit on their supply chain themselves and others will rely on external specialists to provide this service. Most important are the actions taken as a result of the findings and what the company will do to improve the situation.

Baseline: Non-certified management in place and compliance understood.



Best in Class: The business utilises audits and compliance to great benefit for themselves and their supply chain. Improvements are in place with longer-term goals visible for higher-risk supply-chain partners. A willingness to share and disseminate learning is key.

3: (B) Assurance – Reporting

We would expect companies to report on their activities under the ethical sourcing agenda. We appreciate that reporting gets more accurate with time and that the breadth of information also improves as the company gets a better understanding of the risks and opportunities associated with responsible and ethical sourcing. There may be case studies highlighting where intervention has made a positive impact.

Baseline: Informal public reporting.



Best in Class: Transparency and traceability are the key points of reference in terms of reporting. Global benchmarks can be used to measure performance outside of the sector. There is alignment of objectives and performance against United Nations' Sustainable Development Goals.

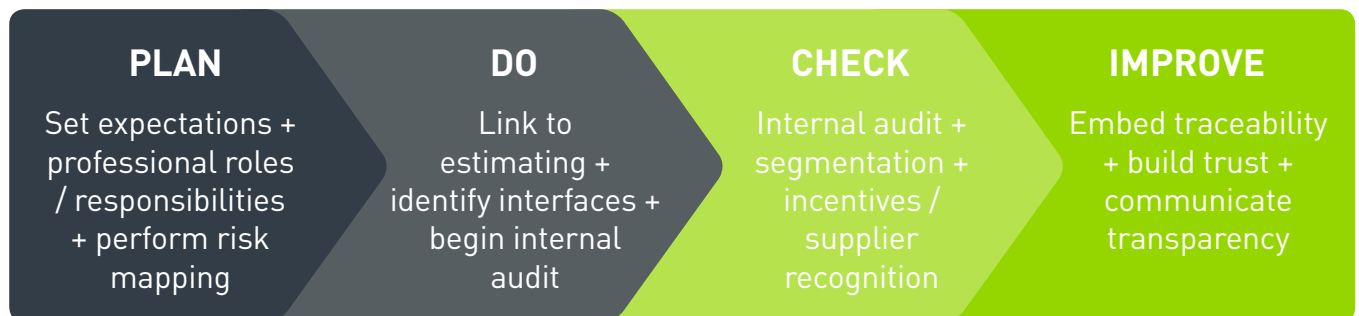


APRES Eight Pathways Model (cont.)

4: Procurement & Supply Chain Management Practices

The standards and procedures employed for procurement are critical to ensure policies and training are fed into the supply chain with clear expectations on all parties. Procurement is fast becoming a conduit to improve sustainability mechanisms and has the 'teeth' to create direct change in the procurement of goods and services. Companies are increasingly conscious of the need to collaborate and work with their supply chains in order to form longer-term strategic partnerships with them.

Baseline: Policy established, ambition stated and contract clauses specified



Best in Class: Strategic relationships have been built with the supply chain. There is a transparent process to procure products, labour and services. Ethical and responsible practices are integrated and considered in a balanced scorecard. Supply chain mapping has been undertaken.





5: Financial Management

Traditional financial management has focussed on the capital and operational costs of conducting business. As organisations mature, the externalities of business operation do however need to be acknowledged in the form of risks and opportunities, at least. The supply chain similarly will need to be considered as ‘within the area of influence’ of the financial instruments of the business.

Baseline: Senior management commitment to address risk / cost, plus invest in tools and analysis



Best in Class: Externalities for environmental and social impact are accounted for and used to drive improvements in the supply chain.

6: Human Resources, Recruitment, Staff Training & Development

This area can cover a wide range of issues within an organisation. Policies need to be in place for managing people and other specific items such as grievance. This issue is particularly connected to the culture and values of the organisation and how effectively Ethical Labour Sourcing challenges are communicated through the business. As the company begins to recognise its responsibilities outside of its direct estate, so too must the employees be trained and developed to better understand the risks relating to ethical and responsible sourcing. Not every employee faces the same challenges.

Baseline: Make corporate procurement or responsible sourcing policy available to all staff



Best in Class: Responsible and ethical considerations and the alignment to the corporate values are translated for the benefit of all staff. Inductions and ongoing training, professional development reviews, etc, all point toward the values of the business



APRES Eight Pathways Model (cont.)

7: Communications, External Relations & Press/public Relations

Effective communications both internally with staff and externally with stakeholders is a key part of the maturity of an organisation. The availability of information in an increasingly data-hungry society is particularly important. Board level support for Press/public Relations and stakeholder engagement is essential to integrate the brand.

Baseline: Code of conduct, value statement and stakeholders / external drivers identified.



Best in Class: There is open and transparent governance and reporting leading to genuine stakeholder engagement on a regular basis. Stakeholder groups should feel that they are involved in direction setting. Positive PR and advocacy comes from others.

8: Innovation, Best Practice, Continuous Improvement

Innovation and best practice can cover all elements of business governance, operation and management. Continuous Improvement should be built into all aspects of the aforementioned systems of the business. Innovation can be a change-management process and not always related to a product or system.

Baseline: Draft policy on innovation, best practice and continuous improvement.



Best in Class: Processes are integrated into business management. Recognition is given and received for innovation both internally and externally. All staff are engaged in continuously improving responsible and ethical sourcing in their areas of the business.

Conclusion

This White Paper has presented recommendations in the form of the APRES Eight Pathways Model for Best Practice, to be adopted in response to the challenges facing the construction industry on responsible and ethical sourcing and the dilemma of how to progress from Manifesto Pledges onto practical next steps.

Whilst it is recognised that the pace of change and accompanying expectations may need to be managed, accountability nevertheless remains an absolute must for supply-chain excellence and sustainable procurement in the 21st century – the pressure from both public and commercial parties to demonstrate transparency and traceability is simply not going to go away. Addressing those concerns, the APRES Eight Pathways Model holds the keys to progress and success in implementing a strategic plan of action.

In conclusion, three closing remarks can be made:

1: Mapping the route to responsible and ethical excellence is not easy.

The ever-changing landscape of frameworks, protocols, standards and accreditation is proving difficult to navigate, despite the growing availability of guide materials.

The struggle for direction is not being helped by reported poor visibility and lack of steer on the part of many professional bodies, which appear to be failing to meet member expectations on advocacy and training.

2: Success is relative, and supply-chain dependent.

So, whilst all companies and organisations in the property and construction sectors are arguably already embarked on a global journey to 'good and green' business, whether they know and like it or not, their progress over time depends on a willingness and an ability to translate policy statements into better and best practice on the ground.

3: Turning Pledges into Pathways is the next step.

Developing a professional approach to responsible and ethical sourcing responds to fundamental market drivers concerned with risk and reputation - in the specification, procurement, purchasing and employment of materials, products and people worldwide. The issues involved cut across all sectors and geographies, with demand for transparency and traceability now the new normal.

The APRES Eight Pathways Model can help your business move from baseline to best practice in responsible and ethical sourcing.

Action Programme for Responsible and Ethical Sourcing (APRES)

The Action Programme on Responsible and Ethical Sourcing, APRES, is a group of industry and academic partners committed to embedding best practice in respect of the procurement, purchasing, specification and employment of materials, products and services, including labour, into the construction industry. Its activities involve such as hosting a major annual conference, promoting cross-sectoral debate and producing guidance.

APRES acts as a platform for:

- **Knowledge** – sharing understanding, disseminating responsible and ethical sourcing practices;
- **Networking** – offering engagement opportunities across diverse industry and customer groups;
- **Research** – forging innovative ideas and fostering new relationships; plus
- **Guidance** – providing intelligence and instruction directly to the industry.

In 2016, the management of APRES was transferred to building science centre, BRE, where work has continued to build the network, both in the UK and internationally.

Originally founded as the Action Programme on Responsible Sourcing, APRES was first established in 2011 by Loughborough University, with funding from the Engineering and Physical Sciences Research Council (EPSRC), plus extensive support from industry partners.

Its remit was extended in 2015 to encompass a wider range of ethical considerations, again with the support of EPSRC, leading to the development of AESOP: An Ethical and Social responsibility Portfolio for construction professionals. AESOP broadened the focus of responsible sourcing to incorporate people- and labour-related issues, including employment and payment practices, both in the UK and overseas. Key publications aimed at contractors, specifiers and architects have included:

- *UK Manifesto for Ethical Sourcing in Construction*
- *Ethical Sourcing: A Designer's Guide.*





MANIFESTO FOR ETHICAL SOURCING IN CONSTRUCTION

1

Procure labour, materials, products and services only from organisations demonstrating and implementing zero tolerance to bribery and corruption.

2

Adopt the Ethical Trading Initiative (ETI) Base Code and work collaboratively with all supply chain organisations on its implementation.

3

Evaluate and address together the economic, social and environmental sustainability challenges and impacts of sourcing labour, materials, products and services.

4

Demonstrate a traceable and transparent supply chain for labour, materials, products and services.

5

Benefit the health, safety and wellbeing of all stakeholders including the natural environment.

6

Demonstrate materials are of legal origin.

7

Optimise social, environmental and economic impacts and opportunities of complex/manufactured products over their entire lifecycle.

8

Design, specify and procure materials, products and services with the greatest circular-economy benefits.

9

Design, specify and procure using credible and recognised responsible sourcing and certification schemes, where available.

10

Foster and communicate a business culture of openness, collaboration and accountability in order to achieve and demonstrate the principles of this Manifesto.

Show your support by becoming a Manifesto signatory – simply email: apres@lboro.ac.uk

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