



CRART Overview

Canadian Retailers Advancing Responsible Trade (CRART) was established in the spring of 2003 as an advisory body to Retail Council of Canada's Board of Directors.

CRART is chaired by The Honourable Barbara McDougall, former Minister of External Affairs. Members include leading retailers and experts representing consumer, academic and industry perspectives. CRART's mission is to encourage the adoption of responsible trading practices by Canadian retailers and to be a source of information for interested consumers.

About *CRART Exchange*

Welcome to the first issue of the *CRART Exchange* Newsletter.

Our goal is to offer practical advice and direction on resources to assist retailers and others implement responsible trade practices. This issue provides an introduction to responsible trade. It also has thoughts from one smaller retailer with experience putting a program in place.

Some Canadian retailers already have rigorous vendor codes of conduct and have invested thousands of hours and millions of dollars to ensure the goods they sell have been manufactured under acceptable working conditions. Others may find the idea of implementing a responsible trade program overwhelming. We hope *CRART Exchange* provides value to both.

The *CRART Exchange* Newsletter is a quarterly publication from Canadian Retailers Advancing Responsible Trade (CRART) and Retail Council of Canada (RCC).

CRART News and Events

The Canadian Centre for Ethics and Corporate Policy hosted a luncheon discussion in Toronto featuring The Honourable Barbara McDougall, CRART Chairman on April 13th, 2005.

Mrs. McDougall spoke about what Canadian retailers are doing to apply and enforce internationally recognized codes of conduct and the challenges they face, particularly with regard to the complex issue of child labour.

For those who were unable to attend, Mrs. McDougall's remarks are available online at www.retailcouncil.org/crart.

What is Responsible Trade?

Many different cultures exist around the world. What is considered appropriate and acceptable behaviour can vary significantly. For example, while we generally observe a five day work week in Canada, workers in China often travel great distances from rural areas for seasonal employment and prefer a longer consecutive work week before returning home.

It is important to respect different cultures and avoid imposing our own standards on other societies. However, there are internationally recognized norms that define decent and humane working conditions. These conditions are articulated by the International Labour Organization (ILO) as fundamental human rights which must be upheld around the world.

The goal of responsible trade programs for retailers is to ensure all of their suppliers observe these fundamental human rights in all of their business practices and operations. One practical way to achieve this goal is to require suppliers to agree to a vendor code of conduct such as Retail Council of Canada's "Responsible Trading Guidelines."

Focus on Featured Issues

Each subsequent edition of the newsletter will feature a focus on one particular issue related to responsible trade.



Responsible Trading Guidelines

About the Responsible Trading Guidelines:

Retail Council of Canada (RCC) has been engaged in responsible trade for many years. RCC developed the Responsible Trading Guidelines (RTG) to help retailers make a difference throughout the distribution channel.

While adoption of the RTG is voluntary for retailers, we encourage all retailers to adopt them and to require suppliers and their contractors to adhere to them as a condition of doing business.

The RTG serve as a benchmark that companies may choose to exceed. These guidelines reflect the fundamental human rights established by the ILO and protect the right to freedom of association where lawful.

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Responsible Trading Guidelines:

Forced Labour – Forced labour shall not be used, whether in the form of prison labour, indentured labour, bonded labour or otherwise.

Child Labour – No person shall be employed under the age of 14, or under the age interfering with compulsory schooling, or under the minimum age established by law, whichever is greater.

Harassment or Abuse – Corporal punishment and other forms of coercion, abuse or harassment, whether psychological, sexual or physical, shall be prohibited.

Discrimination – Discrimination in hiring or any other terms or conditions of work – other than bona fide occupational requirements allowed by law – based on race, colour, national origin, religion, disability, gender, sexual orientation, marital status or political opinion, shall be prohibited.

Freedom of Association – Employees shall be permitted to exercise lawful rights of free association.

Laws and Workplace Regulations – The laws and regulations of the countries where goods are made shall be complied with.

Hours of Work – The laws on working hours of the countries where goods are made shall be complied with and employees shall be entitled to at least one day off in every seven-day period, except as required to meet urgent business needs.

Health and Safety – Conditions in all work and residential facilities shall be safe, clean and consistent with all applicable laws and regulations regarding safety and health.

Wages and Benefits – Employees shall be paid the higher of the minimum wage required by the laws of the countries where goods are made or the prevailing local industry wage and shall be entitled to all legally mandated benefits. Deductions from wages, not provided for by the laws of the countries where goods are made, shall not be permitted without express permission of the employee.

Principles of implementation

The RTG are implemented by retailers according to these principles:

- The RTG shall form part of any agreement the retailer enters into with its suppliers.
- The retailer shall evaluate its suppliers by assessing their observance of the RTG.
- The retailer shall assign responsibility for the implementation of the RTG to a responsible member of management.
- Employees to whom the RTG applies shall be informed of it through the posting of the code in a prominent place in the local languages spoken by the employees and managers.
- Employees to whom the RTG applies shall be provided with a confidential means of reporting violations of the RTG to the retailer and shall not be disciplined, dismissed or discriminated against for providing information about the observance of the guidelines.

CRART Report on Responsible Trade



Shortly after CRART was established, the council commissioned a research study on responsible trade to provide a context for the issue and determine how to advance these practices. In particular, the study examined ways to improve labour standards in the developing world to achieve the best possible results for developing countries and workers. Some key findings include:

- Goods produced under higher labour standards are likely to be more expensive than they would be otherwise. Tariffs on products produced by developing countries under acceptable labour conditions should be dropped to ease the impact on the Canadian consumer.
- Labour standards may conflict with basic rights, requiring hard choices to be made. For example, when families depend on their children's incomes and a child's working hours (and therefore income) are reduced in order to comply with labour standards. Governments and international organizations must cooperate to ensure the good intent behind labour standards is realized.
- Labour standards cannot be upheld in a vacuum. Reduced quotas and tariffs will encourage trade between Canada and developing countries. The resulting economic growth will help support good labour practices, especially when responsible trade is widely recognized as important.
- Labour standards should be globalized. In the export sector of developing countries they affect only a small proportion of the labour force. They should be adopted throughout these economies.
- Since developing countries compete with each other in the prices of their exports, all developed countries need to impose acceptable labour standards to affect the most beneficial change.
- Many people in developing countries believe that international labour standards will rob them of their main competitive advantage, cheap labour. The best way to dispel the notion that labour standards are protectionist is to reduce tariffs and eliminate quotas while, at the same time, requiring adherence to the standards.

To read the full text of the Report on Responsible Trade, Acceptable Labour Standards, and the Canadian Retail Industry, visit www.retailcouncil.org/crart.

CRART Roundtable Session



Best Practices Audit Report:

In the fall of 2004, CRART released the results of a qualitative audit of best practices in ethical sourcing among selected leading Canadian, American and European retailers. The goal was to better understand what companies are doing to ensure the goods they sell have been sourced responsibly

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Best Practices Audit Report Continued:

and what Canadian retailers can learn from these experiences. The Audit concluded that leading Canadian retailers' efforts and progress in responsible trade are consistent with those of their American and European counterparts.

Roundtable Session:

In concert with the completion of the audit report, CRART hosted a roundtable session with a wider group of Canadian retailers and government officials to share experiences about challenges and successes in sourcing from suppliers in developing countries. The results of this discussion are included in the Best Practices Audit.

Responsible trade was identified as a top priority among those who attended. Retailers are at several different stages in implementing codes of conduct and executing monitoring and compliance programs. Most are exploring the most effective ways to proceed. There was consensus that if responsible trade is an integral part of a company's culture, progress can be made more rapidly.

Challenges of note included the inability to influence suppliers' practices and to monitor their actions continuously.

Understanding local cultural norms and implementing corrective action plans were identified as ongoing challenges that would benefit from cooperation between retailers and governments.

Cooperative efforts would also be valuable to communicate retailers' commitment and progress and share information about factory audits without disclosing competitive or proprietary information.

The National Retail Federation (NRF) in the United States has been developing a common monitoring database. Retail Council of Canada is an active participant in this process, representing Canadian retailers' interests. Look for more about this in the next issue of *CRART Exchange*.

To read the full summary of the roundtable session and text of the audit report, visit www.retailcouncil.org/crart.

Q&A With Judy Temple



Halpern's School Uniforms is a national retailer of school uniforms. Established in 1935, the company has three full-service stores and twenty in-school shops. Judy Temple is Managing Director with Halpern's and a member of CRART. Halpern's has been actively involved in responsible trade for several years. Judy agreed to share some thoughts on how a smaller retailer can adopt responsible trading practices.

Q: How does responsible trade affect your business?

A: We believe responsible trade is a fundamental principle for doing business. As a supplier of school uniforms, we have an obligation to children and their families. We do the right thing and hope that our customers appreciate our commitment. We would never do business in an environment we wouldn't want our own children connected with.

Q&A With Judy Temple Continued:

Q: What responsible trade practices have you implemented?

A: We employ a very extensive code of conduct, which is posted on our Web site: www.halperns.ca. We have a qualification process for our suppliers and use the ILO employment standards as a benchmark. We have also developed long-standing relationships with our supplier base.

Our suppliers are mostly Canadian so we can visit them frequently and we know what the manufacturing environment is like. We know they have the highest standards for working conditions and quality. We do our own site visits to ensure the quality of practices and procedures.

Q: As a smaller retailer, what is most challenging about adopting a responsible trade program?

A: The two biggest challenges for smaller companies are the lack of common standards and the cost of inspection and enforcement.

A lack of commonly agreed standards is a challenge for all of us. Many companies vary in the specifics of their codes of conduct. If there was a commonly accepted benchmark, it would be easier and simpler for everyone. As a company, Halpern's has chosen to adopt the highest possible standards to ensure we never fall short. We encourage the industry to come together on common standards.

For a small company, the costs of developing, implementing and auditing these programs are significant. Some of our suppliers are also inspected by other organizations. By sharing inspection information, we can increase the coverage at no increase in cost. We support a shared inspection initiative to overcome this challenge.

Q: What is most rewarding?

A: The most rewarding aspect is that everyone in our organization feels proud about our operation and how our products are made. We know we make great clothing and feel enthusiastic and positive about all facets of our business.

Q: What advice do you have for retailers about adopting a program?

A: Do your research. There is a great deal of information out there and it certainly helps to be well-informed.

Consider working within a collaborative organization. Halpern's joined Retail Council of Canada to take part in the industry initiatives and have access to existing responsible trade resources. It helps to understand what others are doing so you can customize programs to fit your own business and learn from others' experiences and ongoing challenges.

CONTACT US



Visit us online at:
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Comments or questions about this newsletter?
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