

Corporate Social Responsibility: A Global Perspective

Good morning, ladies and gentlemen. It is my pleasure to return to Barcelona for this most important event hosted by the Gremi Industries Confecció Barcelona, the city of Badalona and the European Textile Collectivities Association. I want to thank the organizing committee of this conference, and especially Rosario de Vicente and Jordi Castellet, for inviting me to be with you today. This is my fifth visit to Barcelona and my first one to Badalona.

I am reminded that at the end of Las Ramblas, the grand boulevard in Barcelona, is a monument to Christopher Columbus. The monument is located at the place where he entered this great city to report to Queen Isabella upon his return from his first voyage to the new land which would later become known as "America".

Columbus was a merchant and a trader. He left Spain in search of new trade routes to the Far East and access to the spice trade. Many in his time thought the world was flat and that he would surely fall off the edge of the world or be eaten by sea dragons. Obviously, neither happened. Instead landed in what is now the island of Hispaniola, home of The Dominican Republic and Haiti.

His daring voyage began an expansion of global trade that hasn't stopped in the 517 years since Columbus set foot on what he named San Salvador and what is today, Santo Domingo. Ferdinand Magellan and Juan Sebastian Elcano followed in Columbus' footsteps to establish trade and shipping routes and claim territories around the world for Spain. Spain continued expanding its presence around the planet establishing one of the largest global empires in history.

So, why do I start with a history lesson most of you know?

Because your ancestors were at the forefront of globalization – a concept that didn't begin in 1995 with the creation of the World Trade Organization – but hundreds if not thousands of years earlier when traders searched for new land, new products, and yes, new markets.

The ships that Columbus sailed about the world in have certainly changed. And, what has changed even more is our ability to community. Rather than sending a hand-written letter to someone in a far-off place, delivered by sailing ship and waiting months for a reply, today we have technology that allows for instantaneous transmission of pictures, videos and information focused on the world in which we live. Images of street demonstrations in Iran are sent straight to our computers and televisions in our homes and offices as they happen – from devices as small as a cell phone.

News reports of vast pollution in China, India and Russia are reported by the BBC and CNN and become part of your children's vocabulary and your dinner table conversation.

Dying factories, industries and towns in Eastern Europe become front-page news articles in the *International Herald Tribune* and *The Financial Times* while feature articles in *The China Daily* tout the new-found wealth of new-age businessmen in China.

The internet, email and Facebook allow any person at any place on the planet with access to this technology to post pictures and write stories, whether true or not, or in the context within the region, the culture and your best intentions. The content is about whatever is happening before them at that very moment.

Messages right and wrong, true and half-true purposely slanted and instantaneously horrific and shocking fly across our globe instantly. And what's at stake instantaneously is your reputation as a company and your reputation as a person in our increasingly complex and challenging world.

This instantaneous communication is also *not* owned by the big news media. Its photos and images, text and outrage, that can come from your employees inside your office, your business or one of your suppliers anywhere in the world, anywhere at any time. With those stories, you could be very easily labeled as a person or as a company who runs a “sweatshop”. Even if you think you’ve done all you can to act responsibly to prevent such accusations.

In the mid-1990’s, there was a significant move on the part of US and European manufacturers of apparel, footwear and accessory products to close their high-cost, domestic manufacturing plants and move the production to lower cost countries. First, U.S. owners went to Central America, Mexico and the Caribbean. In Europe, production moved to North Africa, Turkey and parts of Eastern Europe.

How do I know this? Because I worked for what was then the largest apparel manufacturer in the world, Sara Lee Corporation, a \$20 billion consumer products conglomerate. We were one of the first companies to begin the exodus to low-cost production. At our peak, and across five major business industries of food, household products, apparel, coffee and tea, bakery products, packaged meats and more, we employed over 150,000 employees in 130 operating companies selling our products in almost 200 countries. We operated in the “globalized world” every day.

From a business viewpoint, the move to lower-cost locations was a smart one. It allowed our business to remain competitive and to provide lower cost goods to a more customers while returning more profits to the stockholders.

But we also made a very serious effort to ensure that the factories we either owned, or contracted our production to, were managed in a responsible manner. That meant that employees were treated with dignity and respect, that they were paid properly, worked under conditions legal to each country, and had a healthy and safe working environment. We were conducting what is today known as “social compliance audits” using our own staff before

companies such as Intertek, SGS, Bureau Veritas and others even considered entering into the business.

But, not all companies that moved their operations offshore played by the same rules. Some moved their production around the world without investigating the details, the culture or the conditions where their products were made. THAT is where angry allegations of sweatshop conditions surfaced and headlines blared with outrage. The problem was, and still is, that some of those allegations were true.

A number of brands and retailers simply turned their production or sourcing requirements over to staff with little experience or knowledge of the global apparel trade. Some of them turned to agents and were told to deliver product to the desired quality specifications, at the required price and on time. Those agents placed orders with factories that they rarely, if ever, had visited. It was not uncommon for sourcing managers to meet with their agents in hotel rooms in New York, London, Madrid or Hong Kong and return home having *never* visited a factory. Venturing into factories in such far-flung locations as Irbid, Bangkok or Marrakesh was done only by the bravest and heartiest of world travelers. Little or no thought was given neither to where the product was being made nor to the working conditions in the factories, much less *any* thought to the environmental practices in those factories.

And that is where the world, your world, your neighbors, your shoppers, your customers, your governments, your trade organizations and the world community have called for standards and change.

A perfect storm was created: the expansion of global trade, a whole new set of communications technologies, and a rapid escalation of human rights and anti-globalization activists determined to show the world the worst working conditions in factories possible. And, those activists were determined to shame and embarrass the brands and companies who

eliminated good jobs in their home countries and stand up for the rights of workers in far-off lands.

As one activist said in 1996: "If you sell it, you're responsible for the conditions under which it is made." "Responsibility" became a big buzz word in the late 1990s for both privately-held and publicly-owned companies in Europe and the US.

About this same time, the term "corporate social responsibility", or CSR, was coined. CSR has no universal definition and means different things to different people. But, the discussion of the responsibilities of business has been with us for some time.

In 1970, the famous free market economist Milton Friedman wrote in the *New York Times*,

"When I hear businessmen speak eloquently about the "social responsibilities of business in a free-enterprise system," I am reminded of the wonderful line about the Frenchman who discovered at the age of 70 that he had been speaking prose all his life. The businessmen believe that they are defending free enterprise when they declaim that business is not concerned "merely" with profit but also with promoting desirable "social" ends; that business has a "social conscience" and takes seriously its responsibilities for providing employment, eliminating discrimination, avoiding pollution and whatever else may be the catchwords of the contemporary crop of reformers. In fact they are – or would be if they or anyone else took them seriously – preaching pure and unadulterated socialism. Businessmen who talk this way are unwitting puppets of the intellectual forces that have been undermining the basis of a free society these past decades."

"... I have called it a "fundamentally subversive doctrine" in a free society, and have said that in such a society, there is one and only one social responsibility of business – to use its resources and engage in activities designed to increase its profits so long as it stays

within the rules of the game, which is to say, engages in open and free competition without deception or fraud."

There are a great many companies that embrace Mr. Friedman's view that business is there to make money (profits) for the owners through the sale of goods and services – period. They view any activity beyond that as charity and the purview of groups such as churches or non-profit groups, or within the responsibility of the government, such as taking care of the poor and the homeless, the old and the infirm. Yet, there are a growing number of small, large and influential companies that take a very different view from Mr. Friedman.

For a number of those businesses CSR is philanthropy – giving money to support charities and worthwhile causes such as children's homes, orphanages, children's sports, libraries, the arts, children's sporting events, churches, synagogues or mosques, or the International Red Cross or the Red Crescent.

For others, it is ensuring their business is operated in compliance with local law and within an ethical framework established by the board of directors or senior management. No more, no less.

But I am here to tell you that just as the global economy is shifting so has the meaning of Corporate Social Responsibility. A significant and growing number of business owners and managers across the world no longer agree with Milton Friedman. CSR has now become the prevailing gold standard for doing business with global vendors and retailers who will no longer work with companies who discount the social and environmental impact of their operations. This is the new age of doing the right thing, of being fair, of meeting standards, of being as green as green can be. And by doing so insuring your success and the success of who you are and what you do.

For a growing number of companies, large and small, the new paradigm of behavior and dialogue goes further to ensure they not only operate within the laws of all countries where they have production facilities or supply chain partners, but to a “code of conduct” which may include internationally recognized labor standards as promulgated by groups such as the International Labor Organization, compliance with environmental laws and best environmental practices for their industry, and international trade regulations and treaties.

And this, ladies and gentlemen, you – the descendants of the discoverers and advancers of world trade, from the docks that sit not far from here – *this* is the place where my organization, Worldwide Responsible Accredited Production, or WRAP, operates. WRAP helps you to navigate the new “now” of global standards. We do it well in over 70 countries around the world. We cover the cross-cultural waterfront and are at the forefront of issues that are of critical importance to your business.

When I attend various trade meetings or conferences and speak with other chief executives, especially those in consumer products industries, they tell me they spend as much as 30% of their daily work schedule on CSR-related issues. It may be meeting with a major customer talking about compliance with their code of conduct. Or, they may meet with a non-governmental organization about pollution issues in a far-off country, or reviewing the latest draft of their social responsibility report. Those chief executives tell me those ten years ago, the term CSR wasn’t even in their vocabulary but today, it has become a major part of their lives.

And, for governments, this area has become a huge issue. We regularly meet with government departments which oversee and regulate labor, the environment, customs compliance and more.

We have been engaged by the United Nations to help build buyer awareness and factory capacity through training at cooperatives and home worker clusters in India.

In Ethiopia, we are working with a US aid agency and the International Labor Organization to help factories understand the social compliance requirements of their buyers and move toward full certification by our group.

Two weeks ago, I was invited as a guest of the Thailand government to speak at a trade seminar focused on the legal and social implications of trade with the United States. My remarks focused not only on the labor and environmental matters of CSR and compliance, but the public relations and media implications of behaving badly and the risks they faced if were exposed on BBC, CNN or other international news media.

The week before that, I was in Lima, Peru to meet with an international consulting company that wants to partner with us and expand their service offerings to help build capacity, capability and compliance within their customers' global supply chains.

Several years ago, I was asked to serve on a tripartite panel in Greece focused on harmonizing US and EU regulations for the use and handling of chemicals. That discussion led to what is now the REACH program, and is quickly filtering to companies around the world seeking to do business across the European Union.

At WRAP, we are working on a new and expanded program which will include a significant environmental component that will take into account the REACH guidelines and the various restricted substances lists being promulgated by groups such as the American Apparel & Footwear Association in the US, Modint in Holland, and the multinational group AFIRM.

And, we are associate members of The International Apparel Federation (IAF), headquartered in Holland, an umbrella organization of 39 apparel associations around the world of which the GIC-BCN is a member representing over 150,000 companies who have over 10,000,000 employees. The IAF formed a Global Responsibility Committee, which I chair, with the

secretariat being the GIC here in Barcelona. This committee was established to firmly demonstrate the global apparel industry's commitment to further best practices and information in socially and environmentally business.

Other industry groups such as the Food Marketing Institute have formed sustainability committees to examine how they should address CSR issues in their area – for employees, protection of the sea, oceans and rivers, how to sustain food stocks, and more.

The international toy industry, the international electronics industry and others are taking a global view toward the same issues and are working collaboratively to address these challenges in their industries.

For companies such as the large British retailer, Marks & Spencer, they have outlined their commitment in their groundbreaking "Plan A". The M&S CEO, Sir Stuart Rose summarized the plan as follows:

"Plan A is our five-year, 100-point plan to tackle some of the biggest challenges facing our business and our world. It will see us working with our customers and our suppliers to combat climate change, reduce waste, safeguard natural resources, trade ethically and build a healthier nation.

We're doing this because it's what you want us to do. It's also the right thing to do.

We're calling it Plan A because we believe it's now the only way to do business. ...There is no Plan B! "

To say that Marks & Spencer is breaking new ground by redefining their business model would be an understatement. Yet, their customers and stockholders seem to be embracing this new philosophy as reaction from virtually all quarters has been positive and enthusiastic.

In my view, CSR is no longer just a fad or something rich companies do because they think it will be good for their brand image. Corporate Social Responsibility has become integrated into the daily operations of the biggest and most successful companies in the world because they want to succeed, to protect their reputations, to make money and to work within the global community. For them, CSR is good business.

And I can assure you that CSR isn't just for large, global companies. CSR is of critical importance for small and new start-up companies. We regularly receive calls from budding entrepreneurs asking us to refer them to WRAP-certified factories because they only want to do business with companies that operate in a socially and environmentally responsible manner.

At the MAGIC Show, the world's largest apparel and accessories show held twice a year in Las Vegas, we were invited by the management of MAGIC to have our own pavilion to feature WRAP-certified factories. Why? Because MAGIC was listening to the buyers who came to their information booth who were increasingly seeking out factories that embraced CSR principles. They wanted an assurance that they were only buying from responsible business partners – and they viewed WRAP as the global standard to rely upon.

We certify factories to a 12-point labor and environmental code, arguably the most rigorous yet practical code in the industry today. This code was developed through extensive collaboration with governments, trade unions, business owners and managers, non-profit groups, environmentalists, trade associations and more over a three-year period. WRAP was developed by and for the global apparel industry – your industry – to help demonstrate a firm commitment to doing business responsibly in today's new world. But, enough of WRAP. Let's return to our old friend Christopher Columbus.

Over the past 40+ years, I've traveled to 63 countries on five continents. For some of you, that may sound like a lot of travel. But remember, there are over 200 countries on this planet so I still have a long way to go to be able to truly say that I've seen the world. I began traveling at

the age of 14 with my first venture to Puerto Rico, a Spanish-speaking island in the Caribbean. In those 40 years, I've been to many of the counties of the former Spanish empire. And I can tell you that when I mention to friends and colleagues in those countries that I am traveling to Spain to attend a conference, many of them get a gleam in their eye and a smile on their face and say "Oh, I so wish I could go with you." For them, Spain is home. Spain is the "mother country". It may not be the place of their birth and they may have never set foot on Spanish soil, but it is their emotional home. They are tied to Spain through history, legacy, language, family, heritage and cultural ties that truly span the globe. And, yes Jordi, through football.

I've been to Christopher Columbus' historic first stop in the New World - The Dominican Republic. I've been to the Christopher Columbus monument and museum in Santo Domingo, to Santiago in the mountains and to the north shore at Punta Cana.

As Christopher Columbus returned to Barcelona to report to Queen Isabella, I have traveled from The New World to report to you today.

I've been in many former Spanish colonies across this planet visiting factories that participate in the WRAP program. And I'm pleased to report that we – THEY – are making significant progress. The factories that I visit today are significantly better than they were ten and fifteen years ago. Their health and safety programs have dramatically improved. Human resources and management systems are better as are their employee communications programs. Factories have invested huge sums of money in environmental programs and new, clean technology. They are embracing the concept of "green" and are seeking to reduce, reuse and recycle materials to the greatest extent possible. Many are calculating their environmental footprint, tracking their greenhouse gas emissions and are seeking to become "carbon neutral" in the future. Why are they doing this? Because the owners and managers truly believe in their hearts that it is the right thing to do. Not because their customers demand that they invest their time and energy to be socially and environmentally responsible. But, because they don't agree with Milton Friedman that the only responsibility of business is to maximize profits. They

believe in being responsible citizens in the communities in which they operate. And, they are willing to invest in leaving a better planet for their children and their grandchildren.

Are all the factories perfect? No. Has every factory improved? No. But, many are making great progress. They are the leaders and they are helping to pull the rest along through their deeds and actions as responsible corporate citizens. They are the Christopher Columbus' of today – helping to lead the world of CSR into the future. I believe that sooner or later, the rest will follow in their footsteps.

Thank you.

Steven A. Jesseph, Vice Chairman of the Board of Directors and President and CEO of the
(Worldwide Responsible Accredited Production)