



Global Action, Local Change

Moving towards Sustainable Supply Chains



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Acknowledgement



Global Reporting Initiative (GRI) is a network-based non-governmental organization that aims to drive sustainability reporting by all organizations. GRI produces the world's most widely used Sustainability Reporting Framework to enable this drive towards greater transparency. The Framework, incorporating the Reporting Guidelines, sets out the Principles and Indicators organizations can use to measure and report their economic, environmental, and social performance. GRI is committed to continuously improving and increasing the use of the Guidelines, which are freely available to the public.

GRI was founded in the US in 1997 by CERES and the United Nations Environment Program (UNEP) and was originally based in Boston, Massachusetts. In 2002, GRI moved its central office to Amsterdam, where the Secretariat is currently located. GRI also has regional 'Focal Points' in Australia, Brazil, China, India and the USA.



The Federal Ministry for Economic Cooperation and Development (BMZ) was established in 1961 because of the growing importance of development cooperation and the growing complexity in this field of work. The BMZ draws up the German government's development policy guidelines and long-term development cooperation strategies and defines the rules by which they are put into practice. The Ministry is guided by the United Nations Millennium Development Goals, which stand for the ambitious aim to halve the proportion of people in the world living in extreme poverty by 2015.



The federally owned Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH supports the German Government in achieving its development policy objectives. It provides viable, forward-looking solutions for political, economic, ecological and social development in a globalized world. GIZ promotes complex reforms and change processes. Its corporate objective is to improve people's living conditions on a sustainable basis. GIZ is an international cooperation enterprise for sustainable development with worldwide operations.



The Dutch Ministry of Foreign Affairs has a long history going back to 1798. Development cooperation is one of the Ministry of Foreign Affairs' principal tasks. The Netherlands contributes four billion Euros per year towards development. Coordinating international sustainability is one of the ministry's development focus areas as part of the United Nations Millennium Development Goals. Special attention is placed on the sustainability of international supply chains in products like coffee, timber, palm oil and soya, sustainable energy and water.



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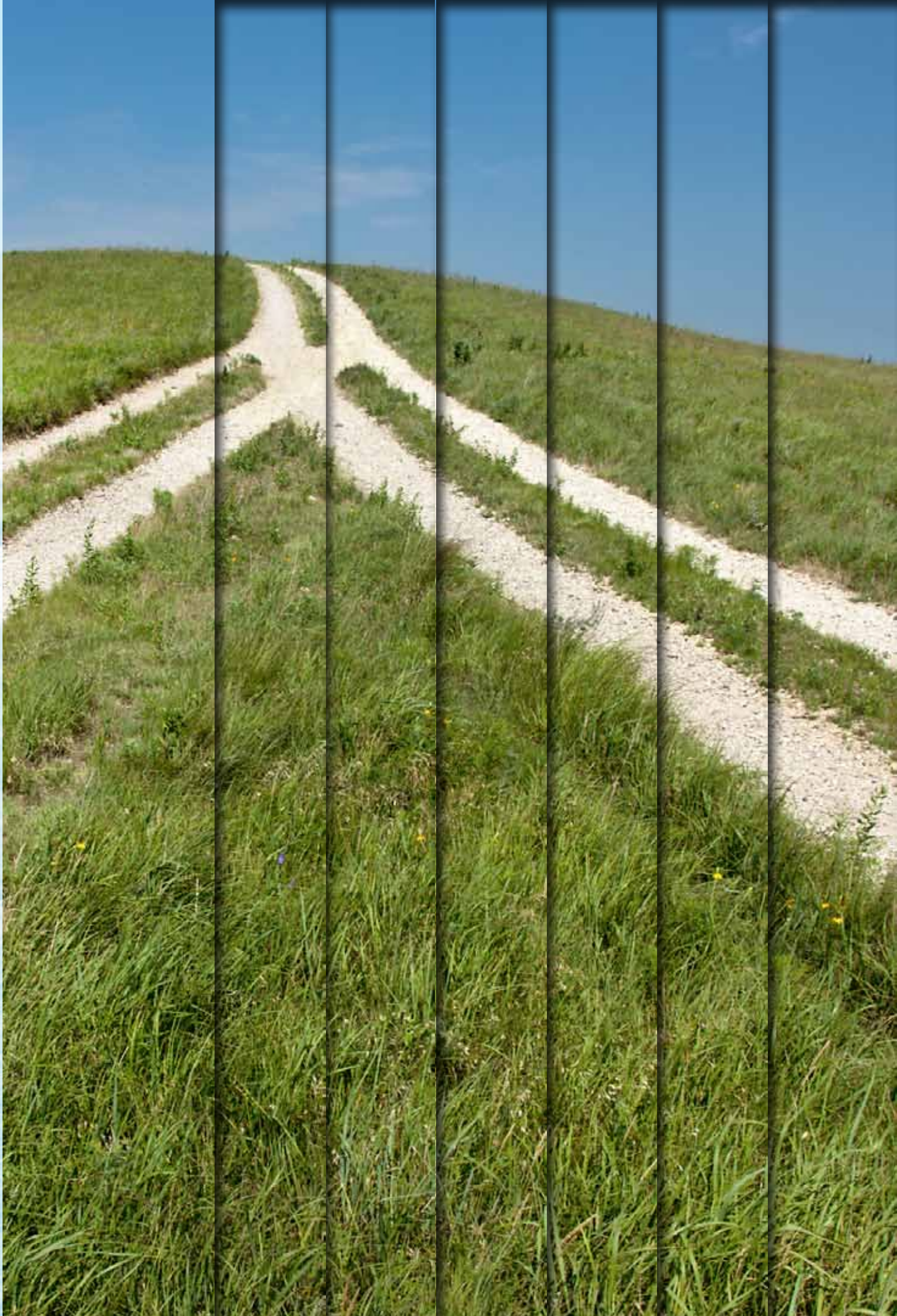
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Executive Summary

The aim of this paper is to provide the reader with an insight into sustainability reporting within the supply chains of large multinational buyers.

The paper aims to identify the business case, benefits and challenges of reporting through the experiences of first-time reporters during their participation in the Global Action Network for Transparency in the Supply Chain (GANTSCh) Program between 2009 and 2010. Furthermore, to sketch the context, this paper provides the reader with information about the project countries, such as macroeconomic overview, sustainability context with reference to main actors, policies and legislation, country specific issues, and public awareness of sustainability and reporting.

The GANTSCh Program was initiated in 2009 by the Global Reporting Initiative (GRI) and Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH, which implemented the public-private partnership (PPP) program on behalf of the German Federal Ministry for Economic Development and Cooperation (BMZ).

From 2009-2010 the GANTSCh Program brought together two multinationals, PUMA and EDP, and fifteen selected suppliers in a project seeking to understand and foster sustainability in the supply chain, through sustainability reporting.

The multinationals expressed an interest in applying sustainability reporting as a tool in their supply chain management strategy, and to build collaborative relationships with their suppliers around this process. The objective is that all participating suppliers produce a basic GRI Level C sustainability report by the end of the program.

On the ground, the GANTSCh Program is facilitated by GRI's Certified Training Partner Network and local or regional sustainability consultants. The participating suppliers receive the GRI Certified SME Training, providing them with the theoretical

concepts of the GRI reporting process. This marks the start of their own reporting cycle. Following the Certified Training, the participating suppliers are supported by local or regional sustainability consultants as each goes through the phases of the reporting process.

The experiences of suppliers in the GANTSCh Program demonstrate that the process has allowed them to improve their internal management and decision-making processes, drive down costs and in some cases raise their profiles within the global business community. EDP and PUMA have identified the creation of ownership of sustainability and risk management as major drivers for collaborating with GRI in the GANTSCh Program. They see sustainability reporting as a tool to foster these two drivers, and as a public commitment to supplier improvements, while generating credible sustainability information that feeds into procurement processes and strategic decision making.

Sustainability consultants advised and assisted suppliers during the program; their feedback, along with the supplier feedback and commentary informs much of this paper. GRI has benefited greatly from the learning that the participants' and consultants' experiences and feedback has provided. This is being used to continuously improve the GANTSCh Program and other learning services provided.

The GANTSCh Program is regarded by participants as a successful program that provides tangible outputs and contributes to positive changes in global supply chains. GRI is currently engaged with three multinationals – EDP, PUMA and Natura Cosmetics – and working with 30 suppliers across eight countries. Furthermore, GRI is actively engaged with multiple organizations and expects a significant upscaling of efforts with new projects kicking off in 2011 and 2012.



1. About the GANTSCH Program

1.1. Introduction

The Global Action Network for Transparency in the Supply Chain (GANTSCh) Program was launched in 2009. The program is intended to build sustainability reporting capabilities within groups of companies, by collaborating with:

- Multinationals and their suppliers
- Business Associations and their members
- Industry Associations and their members

The GANTSCh Program was established as a result of the successful pilot: the Transparency in the Supply Chain public-private partnership (PPP) project which ran from 2006-2008. The Global Reporting Initiative (GRI) and Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH¹, which implemented the PPP-program on behalf of the German Federal Ministry for Economic Development and Cooperation (BMZ), were responsible for its roll-out. The GRI-GIZ pilot project saw the involvement of twelve small and medium-sized suppliers (SME) of four European multinational enterprises in emerging economies.

The knowledge, content and training materials developed during the two year pilot project were further streamlined into a two day Certified SME Training, now disseminated through GRI's global Certified Training Partner Network. Additionally, a new Learning Publication was developed to support SMEs and other first-time reporters in producing a basic GRI Level C report:² *"Let's Report! Step-by-Step guidance to prepare a basic GRI sustainability report."* The Certified SME training and the Let's Report handbook are now an integral part of the curriculum of GRI's GANTSCh Program.

The GANTSCh Program curriculum is designed to support small and medium enterprises, but is not limited to this group. More recently, GRI expanded the scope of capacity building projects beyond the multinational-supplier model, to include Business and Industry Associations and their members.



The common denominator of all participants in the GANTSCh Program is that they are first-time reporters.

This paper includes contributions from representatives of the participating multinationals and suppliers, and the local and regional sustainability consultants involved in the implementation of the GANTSCh Program between 2009-2010. During this period the GANTSCh Program continued to be supported financially by GIZ as part of the PPP-program on behalf of BMZ.

The aim of this paper is to provide the reader with an insight into sustainability reporting within the supply chains of large multinational buyers. The paper attempts to identify the business case, benefits and challenges of reporting through the experiences of first-time reporters and their multinational buyers. Furthermore, this paper provides the reader with project country information such as macroeconomic background, sustainability context with reference to main actors, policies and legislation, country specific issues, and public awareness of sustainability and reporting.

1.2. Motivational Background of the Program

In the process of getting goods and services to market, buyers and suppliers are inextricably linked. The relationship between buyers and suppliers therefore requires a certain level of trust. Building trust within the relationship requires open communication and both parties benefitting from their business relationship. When open communication is absent and either party is systematically undermined from benefitting from the relationship, negative environmental or social impacts tend to occur. History has shown that it is often within the outsourced supply chains of

¹ Formerly known as Deutsche Gesellschaft für Technische Zusammenarbeit (GTZ) GmbH

² The GRI Level C Template is the most basic GRI sustainability report, see <http://www.globalreporting.org/LearningAndSupport/ToolsAndResources/LetsReportTemplate/LetsReportTemplate.htm>

multinationals where these impacts occur. But in today's globalized and interconnected world, society is often quick to trace these impacts back to the multinational buyers, causing severe damage to brands, high costs related to remediation, mitigation, product recalls, and lengthy and costly PR campaigns.

As a result, over the last 10-20 years leading companies have developed codes of ethics and implemented top-down supply chain programs in an effort to manage sustainability risks and optimize performance. Despite the successes achieved by these programs, many companies have also learned that top-down supply chain management approaches alone face significant limitations in achieving sustainable supply chains. Ms. Khadeeja Balkhi, a Pakistan-based consultant who worked on the GANTSCh Program, observed that suppliers in global supply chains absorb many top-down sustainability-related pressures from multinationals.

In order to complement the top-down initiatives, large companies are increasingly looking for tools that can support a more collaborative bottom-up approach with suppliers. These tools should:

- Build capacity
- Foster commitment to sustainability
- Improve performance and risk management
- Improve the flow of reliable sustainability information from the supplier to the buyer

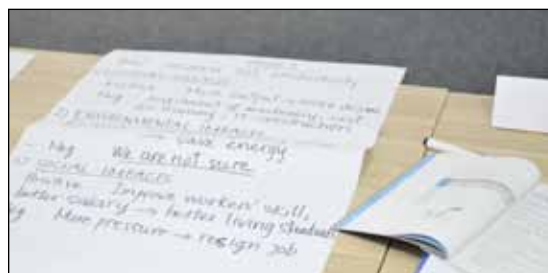
In this context, sustainability reporting has emerged as a potentially important tool within an overall Supply Chain Management strategy. The GANTSCh Program was therefore created in response to an interest from multinationals seeking to understand and apply the potential uses for reporting as a tool in their supply chain management strategy, and to build collaborative relationships between buyers and suppliers around this process.

Through the GANTSCh Program and sustainability reporting in general, GRI contributes to trust in the buyer-supplier relationship and the sustainable development of the global economy as a whole.

1.3. Objectives of the Program

The objectives of the Program is to develop reporting capacity within groups of first-time reporting companies, and so foster responsible management and transparency regarding economic, environmental, social and governance impacts. The GANTSCh Program achieves this by enabling participating companies to understand:

- The global and local sustainability context
- How the context impacts their business and vice versa
- The business case for sustainability management and reporting
- How to measure sustainability performance
- How to use measuring and reporting as a catalyst for change within the organization
- How and why to report externally on sustainability performance



The GANTSCh Program provides a forum through which both buyer and supplier can collaborate closely and establish a shared understanding of sustainability management and reporting. This shared understanding and the embedded focus on stakeholder engagement during the reporting process fosters an open dialogue on each other's strengths, challenges and needs.



1.4. Participants of the Program

Fifteen suppliers of PUMA and Energias de Portugal (EDP), five sustainability consulting organizations, and three GRI Certified Training Partners participated in the Program. In the table below you will find the names of those who contributed to this publication.







Multinational	Country	Supplier	Contributed to publication	
	Bangladesh	Viyellatex Group	✓	
	China	Jianle Footwear Diamond Group	✓	
	India	Sree Santosh Garments	✓	
	Pakistan	Ali Trading Co.	✓	
	Portugal	P&R Têxteis		
	Turkey	SLN Tekstil Tubas Konfeksiyon Milteks Tekstil DenimVillage	✓ ✓ ✓	
	Portugal	Alstom Eurico Ferreira Pinto e Bentes Quintas & Quintas/Solidal Visabeira	✓ ✓ ✓	
	Consulting Organization	Country	Consultant name	Contributed to this publication
		Bangladesh	Mr. Asadul Hassan	✓
		China	Ms. Hayley Wong	✓
Independent Consultant	India	Ms. Padmaja Pai	✓	
Independent Consultant	Pakistan	Ms. Khadeeja Balkhi	✓	
	Portugal	Ms. Ana Roque	✓	
	Turkey	Ms. Serpil Gürçi	✓	
The following Certified Training Partners facilitated the trainings for participants				
				

Figure 1. GANTSCh Program participants, 2009-2010

1.5. Implementation Plan of the Program

GRI's reporting process methodology consists of five phases. As shown by figure 2 on the right, once an organization commences on their reporting journey they are starting a cyclical process. The first reporting cycle is often identified by first-time reporters as the most demanding. This is because the first reporting cycle requires organizations to:

- Learn about sustainability management and reporting
- Develop new internal policies and processes
- Set up management systems to measure and collect data

Depending on the organization's previous experience and knowledge, the first reporting cycle may therefore be quite a challenge. However, once organizations pass this challenge, the reporting cycle becomes easier as they can continue measuring information using management systems established in the previous reporting cycle. The focus shifts towards improving performance.

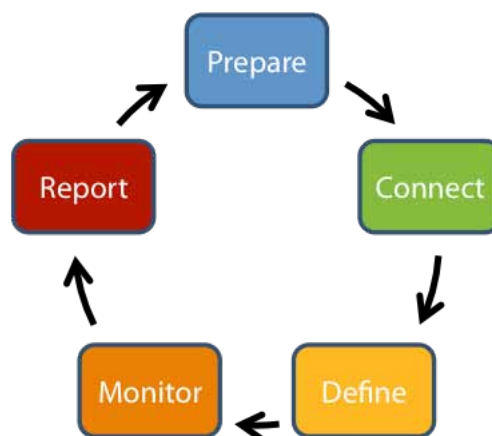


Figure 2. GRI's Five-phase reporting process methodology

Each phase within the reporting process requires the organization to complete a number of processes, activities and tasks. With each completed phase the reporting organization will be able to build their report incrementally.

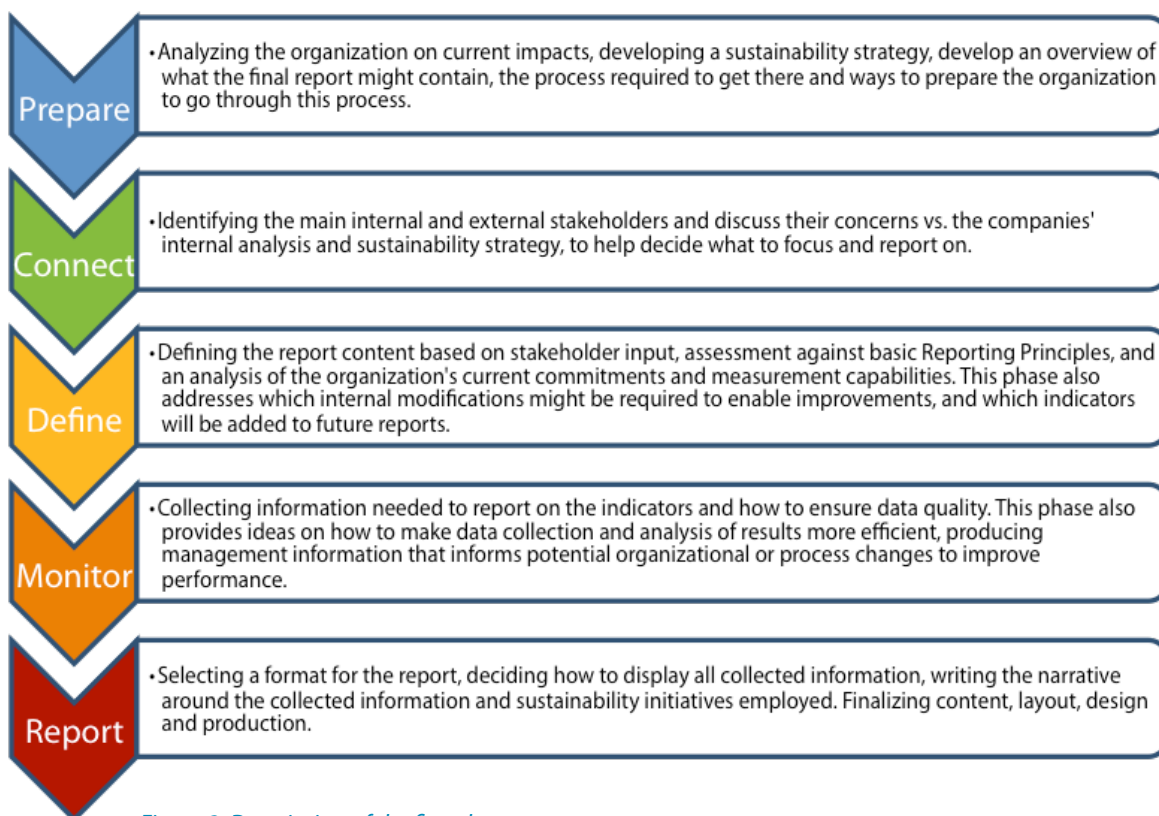


Figure 3. Description of the five phases



GRI's five-phase reporting process methodology is covered in the GANTSCh Program through two main components. These components introduce sustainability reporting to the participants – including its role in sustainability management – and lead them through the process of preparing the report. They also provide an opportunity for GRI's multinational partners – e.g. Puma and EDP during 2009-2010 – to work with their suppliers to develop a common understanding of sustainability reporting and how it can be used in their supply chain relationships. The two components are the GRI Certified Training for first-time reporters and coaching support.

GRI Certified Training for first-time reporters

GANTSCh participants receive an intensive 16 hours Certified SME Training that provides the theoretical foundation of the five-phase reporting process methodology. The Certified SME Training is practical and interactive by design, and incorporates group work activities, real-life case studies and other practical examples. Representatives from the multinational partner are encouraged to attend this training with their suppliers. The Certified SME Training is designed around GRI's Let's Report Handbook, which suppliers use throughout the program to guide them towards a basic GRI Level C Report. The Certified Training is provided by

one of GRI's Certified Training Partners. GRI has been rapidly growing its Certified Training Partner Network over the last two years. This enables GRI to offer coordinated capacity building projects across a wider set of regions.

Coaching Support

Following the GRI Certified Training, participants begin the practical stage of the project. They are offered coaching workshops and a concluding meeting that follow the timeline and process of preparing a sustainability report. Coaching support is provided by local sustainability consultants. Figure 4, below, illustrates the annual timeline of Certified Training and the coaching support process. Each coaching workshop occurs between the five phases of GRI's reporting methodology, closing the previous phase and kick-starting the next. Each phase requires suppliers to complete and document certain tasks as detailed by the *Let's Report Handbook*, such as identifying and engaging their stakeholders during the Connect phase. Finally, each supplier is supported during a final meeting to finalize the report. The sequence of workshops enables the participating suppliers to share experiences, learn from each other, and build a common understanding of reporting within their supply chain context. In addition to workshops, participants receive telephone and email support through the whole project period.

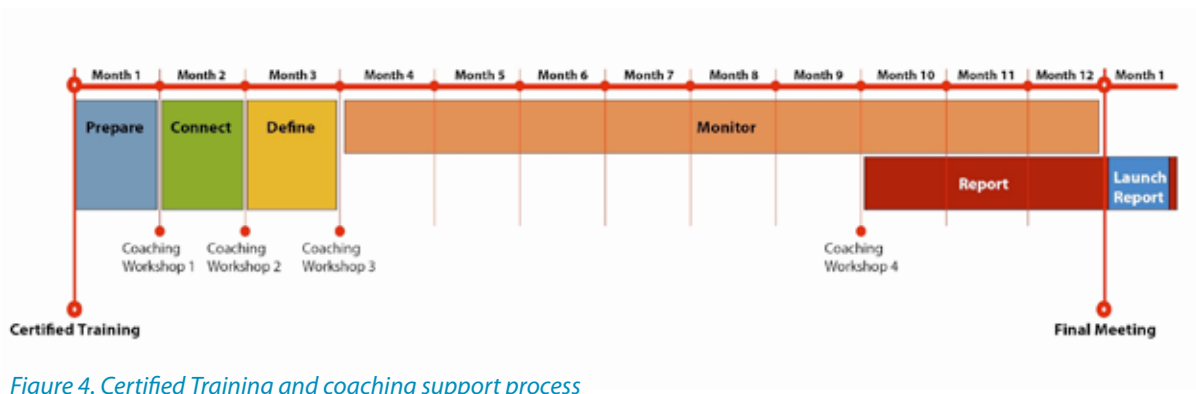


Figure 4. Certified Training and coaching support process

2. Global Action - Multinational Partners

2.1. PUMA AG

PUMA AG is one of the world's leading sportlifestyle companies, producing footwear, apparel and accessories for such categories as football, running, motorsports, golf and sailing. Founded in 1948, Puma today distributes its products in more than 120 countries and employs more than 9000 people worldwide. Consolidated sales for the financial year 2010 were € 2,706.4 million.

PUMA sources its products from an extensive network of approximately 400 suppliers, to keep its large distribution network fully stocked. Suppliers are based in the Americas, Europe and South Africa, and in the Asia Pacific region where about 90 percent of the supply chain is based.

Through PUMA's Vision – the PUMAVision – PUMA endeavors to contribute to a better world through a variety of programs. These include working towards ambitious sustainability targets that cover the design and development, manufacture, transportation, use, and end-of-life of products. Like its competitors, PUMA has outsourced all production to independent supplier companies. But the company recognizes that it needs to engage its supply chain to achieve the sustainability targets it has set. As Stefan Seidel, Deputy Head PUMA.SAFE Global, explains: *“Without sustainable suppliers, we will not be able to produce a sustainable product or even credibly report about PUMA's own actions related to CSR and sustainability.”*

Consequently, in 2006 PUMA joined the GRI-GIZ Pilot project to collaborate on building sustainability reporting capacity within the supply chain, and has continued this work by joining the Global Action Network for Transparency in the Supply Chain (GANTSCh) Program. In fact, in 2010 PUMA decided to make sustainability reporting a requirement for its Strategic Partners, covering approximately seventy percent of all PUMA products sold.



Mr. Seidel believes that introducing the concept of sustainability reporting to suppliers is a logical evolution of PUMA's existing supply chain initiatives, such as Supply Chain Auditing. Supply Chain Auditing is an important and widely used concept in the textile and sporting goods industry. However, auditing of suppliers has also been criticized for not achieving enough. According to Mr. Seidel the supply chain sustainability reporting strategy follows three main objectives: *“To ensure that our suppliers fully embrace the concept of sustainability and introduce respective programs in their companies. To support the top down auditing system practiced by PUMA with a bottom up initiative through which suppliers develop their own ideas and ownership. Finally, to provide the necessary transparency to the public and interested stakeholders about the social and environmental conditions in our supply chain, particularly in developing countries which have been criticized for lax implementation of labor laws and environmental standards.”*

The transparency element that suppliers are introduced to through the GANTSCh Program plays an important role in developing the relationship between PUMA and its suppliers.

Mr. Seidel continues: *“We try to work only with the best suppliers and incrementally increase the standards over time. Sustainability reporting by the suppliers gives us and the suppliers a chance to show what has been achieved and where more work is necessary.”*

An important lesson for participating suppliers is that sustainability management and reporting provides them with an opportunity to improve their business on multiple fronts, including financially. Impahla Clothing is a South African supplier that participated during the GRI-GIZ pilot project from 2006-2008. Mr. Seidel explains that Impahla *“was inspired to act after learning about climate change during the pilot project. On their own initiative and without any PUMA interference, Impahla decided to become carbon neutral, which it realized in 2009. The fact that this supplier is carbon neutral and issues sustainability reports on a regular basis was part of the reason why PUMA decided to*



give the company Strategic Partner status, which means preferred order allocation. Consequently the company was able to grow and double its workforce.”

2.2. Energias de Portugal, S.A.

Energias de Portugal (EDP) is a large European operator in the energy sector, and has major operations in the Iberian Peninsula (Portugal and Spain), France, Belgium, Poland, Romania, the United States and Brazil. Besides the electricity sector – generation, distribution and trading – EDP has a significant presence in the gas sector of the Iberian Peninsula.

Founded in 1976, EDP is the largest Portuguese industrial group and therefore plays a fundamental role in the Portuguese economy and society. EDP employs approximately 12,000 staff worldwide and achieved consolidated sales of €14,171 million for the financial year 2010.

EDP is a promoter of sustainability reporting within its supply chain. EDP considers its partnership in the GANTSCh Program as a way to improve organizational performance. It also sees the program as an invaluable tool to disclose essential information and for EDP to evaluate and manage sustainability related risks more effectively. EDP strives to address sustainability issues in a responsible way. With major operations in twelve countries and approximately 11,000 suppliers, EDP believes the GANTSCh Program is an important opportunity to influence this vast chain.

José Figueiredo Soares, Director of Sustainability and Environment at EDP, explains some of the benefits of building sustainability reporting capacity within the supply chain: *“Self declarations on sustainability performance, if they reference a standardized and recognized framework model and are externally verified, are generally a more efficient way for a second party to evaluate compliance when compared with the exclusive use of monitoring and auditing practices. Furthermore, sustainability reporting implies public commitment to improvement targets, which is a major drive for top management involvement and motivation on the continuous*

improvement of organizational sustainability performance.”

Mr. Soares believes the benefits of the GANTSCh Program are abundant: *“There is a stronger commitment to organizational performance, continuous improvement by shareholders and top*



managers; improvement on monitoring and reporting skills; more systematic approaches to stakeholder identification and engagement; and collaborative work between participants during the project phase, enhancing future networking possibilities on sustainability-related themes. These are important results because of their direct and indirect effects on transparency in the supply chain, thus reducing EDP’s operational and reputational risks. They also have an interesting effect within the involved sectors, by providing an example of the positive influence that new reporters are expected to exercise on their critical second tier suppliers.”

More than 20 percent of the world’s population has no access to electricity. Alongside promoting more efficient energy use, Mr. Soares argues that addressing this problem implies a necessary increase in generation capacity at unprecedented rates, and the construction of the corresponding transmission and distribution infrastructures. This will have significant economic, environmental and social impacts, both positive and negative, that must be properly managed. In future EDP will continue to increase its demands for information related to sustainability issues and management practices early in suppliers’ registration and qualification phases. Mr. Soares concludes: *“EDP will continue to take and support initiatives, like the GANTSCh Program, which aim to expand sustainability reporting within the supply chain. The GANTSCh Program gives high visibility to those suppliers who accept the challenge, so that they can capitalize on their effort and become leading examples within their respective sectors.”*

3. Local Change – Supplier Participants

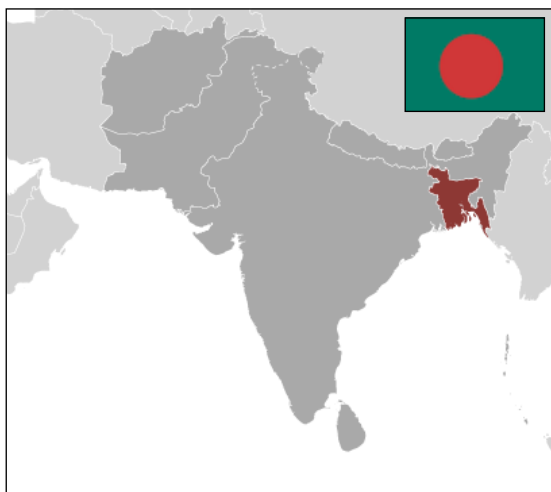
This chapter explores the local contexts of the project countries Bangladesh, China, India, Pakistan, Portugal and Turkey.

The first section of each profile gives the national macroeconomic overview and sustainability context, with reference to the main sustainability actors, current sustainability policies and legislation, country-specific issues, and public awareness of sustainability and reporting. Based on the experience and local market knowledge of the consultants who participated in the GANTSCh Program, the reader gets a perspective on the future of sustainability in that country.

The second section of each profile explores the experiences of suppliers. 10 out of 15 suppliers chose to collaborate with GRI in the development of this paper (see Figure 1, *Participants of the Program*, page 8). These suppliers were consulted to give feedback on their participation in the GANTSCh Program in 2009-2010.³ These profile sections identify the supplier's main drivers to implement sustainability management and reporting. They also describe suppliers' reporting experiences with an emphasis on the results and benefits of the reporting process.

3.1. Bangladesh

3.1.1. Country Overview



³ In the case of Portugal and Turkey, more than one supplier provided feedback to the questionnaire. Their feedback is combined. Only suppliers that contributed to the paper are highlighted in this chapter.

Country background

More than 156 million people live in Bangladesh, a territory spanning 144,000 square kilometers,⁴ making it one of the most densely populated countries in the world. Bangladesh has a developing market-based economy. Although more than 50 percent of GDP is generated through the services sector, almost half of Bengalis are still employed in the agriculture sector.

The ready-made garments industry occupies a unique position in Bangladesh's economy. It is the largest exporting industry and accounted for 80 percent of Bangladesh's exports of US\$15.56 billion in 2009. In 2010 the World Trade Organization (WTO) ranked Bangladesh as the 4th largest clothing exporter with a 3 percent share of the global market. There are some 5,000 garment factories in Bangladesh that employ more than 3 million workers, 90 percent of them women.⁵

Sustainability context

The idea of sustainability and Corporate Social Responsibility (CSR) is new to Bengali companies and even to the government. Only some of the multinational companies and a few large conglomerates are familiar with sustainability. Most companies are at the very early stage of internalizing this concept.

The main sustainability actors in Bangladesh are organizations (CARE Bangladesh, Bangladesh Enterprise Institute) and businesses (Standard Chartered Bank, Grameenphone, Advanced Chemical Industries Corporation).

Sustainability policies and legislation

There are no national policies or legislation in place as the level of awareness about sustainability among the government and companies is still very low. However, for some industries such as leather or pharmaceuticals, there are a number of environmental reporting standards such as the Initial Environmental Examination (IEE), Environmental Impact Assessment (EIA) and the

⁴ <https://www.cia.gov/library/publications/the-world-factbook/geos/bg.html>

⁵ http://en.wikipedia.org/wiki/Bangladesh#cite_note-Balita.ph_on_Bangladesh_ranks_4th_largest_clothing_exporter_in_world-72



Effluent Treatment Plan (ETP) which were started by the government in the mid-1990s. All companies are required to take the IEE. Furthermore, the government tracks businesses by their Business Identification Number (BIN) for taxation purposes.

Important issues

The environment and supply chain were identified by Mr. Asadul Hassan (see *About the consultant*), as the most important emerging sustainability topics in Bangladesh. The former should be addressed immediately as Bangladesh is already increasingly affected by climate change and natural disasters. According to Mr. Hassan, “without immediate steps, especially considering the ways companies do business and impact the environment, Bangladesh may end up facing dire consequences.”

An extremely large number of people work in the supply chain and a great number of potential workers are waiting to join the workforce. Compliance, responsible supply chain practices and sustainability reporting could ensure that Bangladesh and its economy accommodate these people as part of a productive workforce. This could initiate economic growth in Bangladesh in the coming years.

Public awareness of sustainability issues and reporting

Public awareness of sustainability is very low, mainly due to the high level of poverty and low levels of education in Bengali society. Only a small percentage of educated people are acquainted with sustainability issues and reporting. However, this will change in the near future, predicts Mr. Hassan, due to the recent growth in the middle class of the population; educated men and women are seeking possibilities to make a difference in the business environment.

Future of sustainability

“Bengali companies will begin to become more responsible within the next five to ten years, due to the growing pressure from Civil Society Organizations and NGOs, and more importantly due to increasing business competitiveness,” claims Mr. Hassan. Furthermore, with a rise in education levels

and the expansion of the middle class, there will be greater public awareness about sustainability and reporting which will stimulate government to develop legislation and policies.

Mr. Hassan’s vision for Bangladesh to remain competitive in the global supply of clothing means Bengali manufacturers will have to continue to produce quality products but also increase their commitment to environmental and social responsibility.

About the consultant

Mr. Asadul Hassan is a sustainability consultant for Sustain Consulting, based in Dhaka, Bangladesh. During the GANTSCh Program he worked with the Viyellatex Group, a supplier of PUMA.

3.1.2. Supplier experiences

Organization name:	Viyellatex Group
Sector:	Textile Garment Manufacturing, Agriculture, Logistic Services
Nr. of employees:	14,000
Products:	Knit, Woven, Tea, Accessories, Printed Fabric, Embroidery
Clients:	PUMA AG, Marks & Spencer , Esprit, S.Oliver, G-Star, PVH, Woolworth, Local Companies (for Tea & Logistics)
Website:	www.viyellatexgroup.com

Bangladesh is one of the largest ready-made garment exporters in the world. The Viyellatex Group is a vertically integrated textile and apparel manufacturing group established in 2001.⁶

Drivers for sustainability management and reporting

In the words of Mr. Zakeria, HR Manager of Viyellatex, “giving importance to sustainability allows us to improve in our organizational management proficiency and gain credibility and reputation worldwide. Our motivation is doing business in

⁶ Viyellatex Sustainability Report 2009, p.4

green and cost-effective ways. This report gives us a reflection of our activities in statistical data, assigning concrete numbers to the impacts the company has had after these changes have been made. We have also made a commitment to the United Nations Global Compact to become a carbon neutral company by 2016.”



Reporting results and benefits

Viyellatex identified collecting data as challenging. “Our main complication was the inability of our departments to provide us with solid data; our employees had to improve their data collection methods in order to get more sound and reliable data.” Mr. Zakeria stated that in order to facilitate easier reporting in the future “we are working on a more systematic manner to collect data that will help increase the precision of our analysis and improve the tools through which we perform the analysis.” Mr. Hassan of Systain Consulting confirmed this, stating that two initiatives which Viyellatex instigated to further improve future reporting were “establishing a new department on sustainability reporting, and implementing a new system to overcome the communication gaps for collecting data.”

According to Mr. Zakeria, “the process was beneficial as we could analyze ourselves. Also it helped us to become recognized as a sustainable company”. Viyellatex recently began using energy efficient lights and recycled paper, and started the construction of a LEED certified Carbon Neutral factory, the first of its kind in Bangladesh. These measures will allow Viyellatex to further increase efficiency, reduce resource use and reduce overall costs. Mr. Zakeria continues, “Reporting has made our company more transparent and environmentally friendly. We are now more compliant, worker focused and quality centered,

all of which has positively impacted our stakeholders.” Viyellatex intends to continue reporting on their sustainability performance.

3.2. China

3.2.1. Country Overview



Country background

With 1.3 billion inhabitants, China is the most populated country in the world and extends for approximately 9.6 million square kilometers.⁷

Apart from the mainland, China controls the self-governing territories of Hong Kong and Macau. China is the world’s second largest economy after the United States and the world’s fastest growing major economy, with average growth rates of 10 percent for the past 30 years.⁸

While the process of moving from a centrally-planned to a market economy has been in place for almost thirty years the state maintains a strong influence. Inflation and government debt are two major challenges that the Chinese economy now faces.

As the Chinese economy significantly depends on exports (it is the world’s largest exporter), it was greatly affected by the economic downturn in late 2008 and early 2009. Many companies went bankrupt and unemployment rose significantly.

⁷ <https://www.cia.gov/library/publications/the-world-factbook/geos/ch.html>

⁸ http://en.wikipedia.org/wiki/Economy_of_the_People%27s_Republic_of_China



Due to stimulus packages introduced by the government, China shows signs of reversing the downturn. Other major issues to be addressed in the near future include education, healthcare, housing, and income distribution.

China remains a developing country, with more than 135 million people living below the poverty line (US\$1 a day).⁹

Sustainability context

According to China's Corporate Social Responsibility Report 2009,¹⁰ the overall level of CSR in China is still at a low stage. The issue of market responsibility scored highest in the Report's assessment of the top 100 Chinese corporations, due to their profit driven model. Environmental responsibility earned the lowest score.

However, the sustainability movement is about to gain momentum as many different actors are involved in its development. Corporations show increasing awareness of sustainability – over 500 corporations announced their sustainability reports in 2009 and created sustainability departments.

Sustainability in China has been driven by government policies that oblige listed companies to provide sustainability reports. The increasing popularity of sustainability is also a result of higher awareness among senior management, media pressure, and the possibility to enhance corporate image through sustainable activities.

As opposed to the West where sustainability is becoming integrated into some companies' long term strategy, sustainability in China is still mainly focused on philanthropy.

Corporations play the greatest role in sustainability in China: China Mobile, China Petroleum & Chemical Corporation Limited, PetroChina Company Limited and Baosteel Group Corporation. Apart from corporations there are some other notable bodies,

like the China National Textile and Apparel Council. See *Annex 2* for more information.

Sustainability policies and legislation

In 2009, China introduced legislation that requires heavily polluting companies listed in Shanghai and Hong Kong, and those included in the corporate government index, to disclose their environmental data. The legislation was based on the assumption that foreign companies should give back to society, as they have been allowed to operate in the Chinese market for lower costs.

Important issues

Many sustainability challenges have yet to be tackled in China and there are many emerging issues. The scope of sustainability has embraced mainly labor issues. Due to government support, sustainability has extended to a broader range of activities. Therefore, there is pressure to address issues such as product safety (to avoid product recalls, risk to brand reputation, and negative attention from social media and bloggers in China), health and safety, environment (pollution, destroyed landscape, severe weather patterns, flooding and storms), bribery and corruption (bribes, fraud and gifts as a mean of conducting business and lack of transparency, accountability and responsibility), and supply chain (working conditions, social unrest, minimum wage).

Public awareness of sustainability issues and reporting

Awareness of sustainability issues among consumers is generally low, because sustainability concerns in China did not evolve as a response to local consumer demands.¹¹ Local companies are generally not aware of the value of sustainability reporting and performance monitoring. Access to reports is abridged or granted only to a limited number of stakeholders. The government plays an important role in raising awareness of sustainability issues among local companies. Ms. Hayley Wong (see About the consultant) expects public awareness about sustainability to grow as a result of combined governmental

⁹ 2007 statistic. <https://www.cia.gov/library/publications/the-world-factbook/fields/2046.html>

¹⁰ "China Corporate Social Responsibility Report 2009 by the Chinese Academy of Social Sciences available" at: <http://hausercenter.org/chinanpo/2010/01/china%E2%80%99s-corporate-social-responsibility-report-2009-40-of-china%E2%80%99s-top-corporations-are-csr-bystanders/>

¹¹ "Corporate Social Responsibility in China: One Great Leap Forward, Many More Still Ahead" available at: <http://www.knowledgeatwharton.com.cn/index.cfm?fa=viewArticle&articleID=2218&languageid=1>

efforts as well as media pressure and increased management consciousness.

Future of sustainability

The Chinese economy is still in the process of recovery after the economic downturn. However, there is no doubt that sustainability will become increasingly important. The initiatives undertaken by the government, organizations, and companies continue to grow in number. “I expect the shift from “glossy” reporting to dynamic, online dialogue through platforms such as forums or blogs will happen in the next five to ten years,” Ms. Wong predicts. “Companies will witness a move towards mandatory sustainability reporting. It will be preceded by guidance documents such as China’s Zhejiang province *Opinions on Promoting Enterprises Fulfilling Social Responsibilities* and a growing pressure from investors who will require more in-depth information.” Ms. Wong also foresees that accountants will play a greater role in promoting sustainability reporting as they will have the responsibility for translating environmental data into financial value, and integrating them into the company’s profit-and-loss statements.

About the consultant

Ms. Hayley Wong is a sustainability consultant for Sustain Consulting, based in Hong Kong. During the GANTSCh Program she worked directly with PUMA’s China-based suppliers: Diamond Group and Jianle Footwear.

3.2.2. Supplier experiences

Organization Name:	Jianle Footwear
Sector:	Sports Shoes Manufacturing
Nr. of employees:	2800 employees
Products:	PUMA Sports shoes
Clients:	PUMA AG
Website:	www.jianle.net

Jianle Footwear was established in February 1989.¹² The company is located on the south bank of the Minjian estuary in Fujian Province and enjoys a good transportation network due to its excellent geographic location.

Drivers for sustainability management and reporting

Jianle Footwear’s main drivers for managing sustainability impacts and reporting transparently have been the associated operational efficiencies and resulting cost reductions that this process unlocks. Another important driver has been the request by PUMA – one of its important stakeholders – for more information regarding sustainability.



Reporting results and benefits

The GANTSCh Program provided Jianle Footwear with a framework that allowed the organization to assess its current impacts strategically and understand where improvements can and should be made. Mr. Bill Li, Section Head, mentions, “It is beneficial and important, because it helps our company to develop and progress”. An important part of the work involved engaging and training the workforce. “Our company has improved social performance greatly,” adds Mr. Li. The DEFINE phase of GRI’s reporting methodology was deemed most challenging. This phase sees organizations select material Indicators to report on through basic reporting principles, based on a balance of internal perceptions and the external perceptions of stakeholders. Ms. Hayley Wong of Sustain Consulting states, “The suppliers increasingly understand that preparing the sustainability report is in a way a review of their business performance, so as to improve their performance not only for

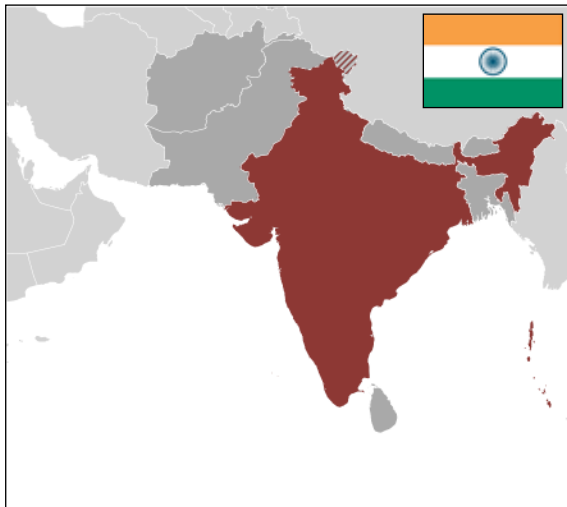
¹² Jianle Footwear Sustainability Report 2009, p.9



their business, but also the workforce and society.” Mr. Li states that through engagement, Jianle Footwear was able to “improve workforces’ consciousness to reducing resource consumption and occupational health and safety issues.” This is an impact of the program that Ms. Wong confirms, stating that Jianle Footwear “improved the relationship with workers by means of job advancement through skills training, motivating through an incentive scheme, and fairness through transparency in daily operations.” Mr. Li commented that Jianle Footwear was also able to improve production efficiency “through using renewable resources and reducing resource consumption by approximately 5 percent.”

3.3. India

3.3.1. Country Overview



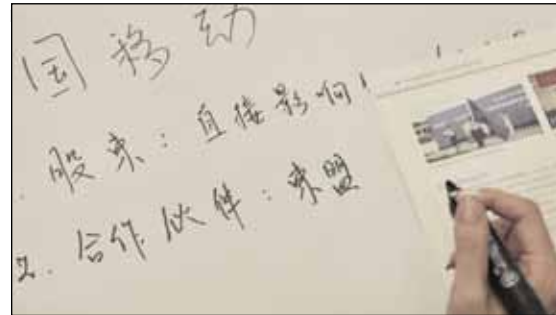
Country background

With some 1.2 billion inhabitants, India is the second most populated country in the world and covers almost 3.3 million square kilometers.¹³ India’s economy is the eleventh largest in the world by nominal GDP.¹⁴ The growth rate reached almost 10 percent in 2010.¹⁵ With a stable GDP growth of 8 percent, India has the potential to be the world’s fastest growing major economy by 2050. The major source of economic growth lies in services. They generate more than half of India’s revenues while

¹³ <https://www.cia.gov/library/publications/the-world-factbook/geos/in.html>

¹⁴ <https://www.imf.org>

¹⁵ <http://www.euromonitor.com/factfile.aspx?country=IN>



However, India’s economy is mainly driven by agriculture where slightly more than 50 percent of the workforce is employed.

India has the world’s fastest growing telecommunications industry and the world’s second fastest growing automobile industry. Despite India’s impressive economic growth over recent decades, it still contains the largest concentration of poor people in the world. According to World Bank figures, 75 percent of the population lives on less than US\$2 per day.

Sustainability context

Charity and philanthropy by companies originated from Mr. Jamsetji N.Tata,¹⁶ the founder of TATA Group. However, a shift can be observed from pure philanthropy to embedding sustainability into company strategy. Company reputation, employee morale building, and competitiveness have replaced philanthropy and become the main drivers for sustainability. Companies in India pay more attention to sustainability now as they realize its importance as a management tool. Yet there is still much to be done before a strategic approach to sustainability is undertaken by Indian companies.

The main sustainability and CSR actors in India embrace associations and organizations (The Centre for Science and Environment, CII – ITC Centre for Excellence, Society For Education in Values & Action), the Ministry of Corporate Affairs, and a business representative (TATA Group). See Annex 2 for more details.

¹⁶ CSR – A Global Overview – publication by BITC

Sustainability policies and legislation¹⁷

The Ministry of Corporate Affairs has established A National Foundation for Corporate Governance (NFCG). The NFCG evolved from the partnership of the Confederation of Indian Industry (CII), the Institute of Company Secretaries of India (ICSI) and the Institute of Chartered Accountants of India (ICAI). The purpose of the NFCG is to promote better corporate governance practices in India.

The *Child Labour (Prohibition and Regulation) Act* (1986), bans employment of children (anyone below the age of 14) in some dangerous occupations, such as factories and mines, and regulates working conditions in others. The main law on environment and production is *The Environment (Protection) Act* (1986). This law gives central government the right to protect and improve environmental quality, control and reduction of pollution. In 2005, the *Right to information (RTI) Act* was established. This law gives the general public right of access to government information, and is meant to promote transparency and responsibility in the work of all governmental institutions.

Important issues

The environment and supply chain were indicated as main challenges for India. Pollution, and increasing greenhouse gas emissions and their resulting effects on climate change, ecosystems, human settlement, emergencies and other factors, were defined as the top issues regarding the environment and sustainability.¹⁸ Increasing competition within the supply chains of certain sectors causes downward pressure on wages, excessive reliance on overtime, and inequality for women. The introduction of Codes of Conduct in combination with Social Compliance Audits has lead to some improvement in these sustainability impacts. Companies increasingly understand that it is beneficial for them to build capacity within the supply chain to stimulate and foster social and environmental responsibility.

¹⁷ Based on http://www.norwayemb.org.in/News_and_events/Business/CSR-in-India/

¹⁸ CSR – A Global Overview – publication by BITC

Public awareness of sustainability issues and reporting

Public awareness of various sustainability issues is raised through media and includes the following topics: pollution, water scarcity and use of pesticides in agriculture, rain water harvesting, solar energy use, and levels of surface and ground water usage in the country.

Future of sustainability

Information technology makes it very easy to spread the news and raise awareness on sustainability issues, especially among young people. “I believe that this will propel a serious mind set change amongst the people and industry,” says Ms. Padmaja Pai. See *About the consultant*.

About the consultant

Ms. Padmaja Pai works as a consultant for LINK Ethical Trade Consulting Pvt. Ltd. Ms. Pai worked with PUMA's supplier – Sree Santosh Garments.

3.3.2. Supplier experiences

Organization Name:	Sree Santhosh Garments
Sector:	Textile Garment Manufacturing
Nr. of employees:	720 as of Dec 2010 (All Units)
Products:	Manufacture of Knitted Ready-made Garments (Spinning , Knitting, Dyeing, Fabrication, Garments Production(CMT)
Clients:	PUMA AG, Continental, Young one, Carrera, Bilka, Fotex, Crew-Clothing, T-Woods
Website:	www.sreesanthosh.com

Sree Santhosh Garments started as a small garment manufacturing company in 1986 in Tirupur district, Tamil Nadu State, India.¹⁹ The company has made efforts to comply with various international

¹⁹ Sree Santhosh Sustainability Report 2009, p.3



standards like SA8000,²⁰ ISO9001,²¹ Fair Trade, Organic Exchange and the Global Organic Textile Standards. Through the GANTSCh Program, Sree Santhosh produced its first sustainability report in 2009 and joined GRI's Organizational Stakeholder program. OS are GRI's core supporters; they play an important governance role and help to fund GRI activity.

Drivers for sustainability management and reporting

Sree Santhosh recognizes that fluctuations in the global market, local power shortages, and volatile raw material costs affect the company considerably. The company holds the view that these trends are directly related to sustainability issues and impacts, and require active monitoring and management. Furthermore, reporting allows the company to communicate its sustainability performance and efforts, helping to ensure that it remains a stable supply chain partner for current and potential clients. The above mentioned trends have encouraged the company to develop a diversified product portfolio incorporating organic cotton products. Additionally, to combat power shortages the company has invested in wind farms, currently providing 11.175MW of power.²²

Reporting results and benefits

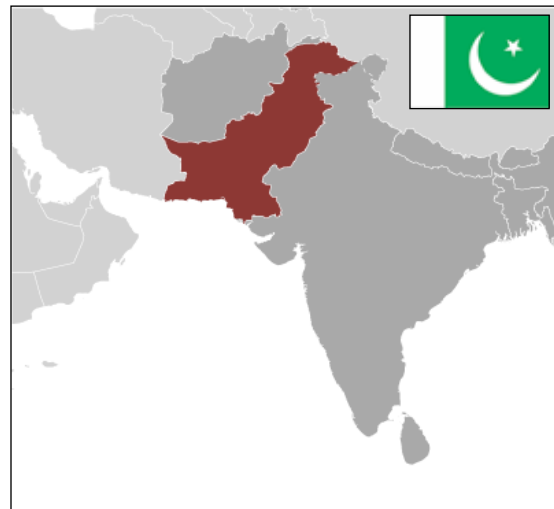
Sree Santhosh Garments identifies the GANTSCh Program and the reporting process as beneficial for it to understand what sustainability management and communicating means, and entails. Monitoring and reporting on Indicators related to Emissions, Effluents and Waste, as well as Training and

Education, have been identified as challenges. Sree Santhosh has found stakeholder engagement to be a new and rewarding process, allowing the development of a shared understanding of what sustainability means for Sree Santhosh.

Overall Sree Santhosh sees the process of sustainability reporting as a beneficial initiative, highlighting the fact that any stakeholder can see and understand what the company is doing with regards to sustainability and other issues. Mr. Vinoth, Executive Director, labels the report as "one of the best keys to our organization." The company has achieved improved efficiencies and cost reductions. "We achieved energy savings in all processes and labor turnover decreased in the factories," Mr. Vinoth confirms.

3.4. Pakistan

3.4.1. Country Overview



Country background²³

Pakistan is the world's sixth most populated country, with 184.4 million inhabitants. Its territory extends 796,000 square kilometers.²⁴

With a population growth rate of 2.2 percent – with over 60 percent living below the US\$2/day poverty line, according to the United Nations

²⁰ SA8000 is an international auditable certification standard for decent working conditions developed by Social Accountability International (SAI)

²¹ ISO9001 is an international certification standard for Quality Management Systems developed by the International Organization for Standardization (ISO)

²² Sree Santhosh Sustainability Report 2009, p.3

²³ Adopted from the Pakistan Chapter written by Khadeeja Balkhi for "The World Guide to CSR. A country by country Analysis of Corporate Sustainability and Responsibility" (2010) edited by Wayne Visser and Nick Tolhurst

²⁴ <https://www.cia.gov/library/publications/the-world-factbook/geos/pk.html>

Development Programme's Human Development Indices – Pakistan's economy lags behind that of other countries in the region. Pakistan has been widely perceived as an underdeveloped country due to decades of internal political disputes and low levels of foreign investment. As a response to increased macroeconomic imbalance in 2007/08, caused by the sharp rise in international oil and food prices, Pakistan's government developed a home-grown stabilization program supported by the International Monetary Fund. The program was mostly aimed at reducing inflation and limiting the external current account deficit.²⁵ Year 2008 showed a decline in GDP growth from 5.6 percent to 1.6 percent and a sharp rise in inflation, which exceeded 20 percent in 2008.

It is estimated that the country's exports accounted for US\$20.3 billion in 2010 while imports exceeded US\$32 billion.²⁶ The structure of Pakistan's economy has changed from a mainly agricultural base to a strong service base. The service sector accounts for 53 percent of GDP while agriculture accounts for only 20 percent of GDP. Apparel and textiles remain one of the most important industries for Pakistan's economy.

Sustainability context

When looking at the Pakistani sustainability context, Ms. Khadeeja Balkhi (see *About the Consultant*, page 22) indicates that the dominant religion, Islam, must be taken into account. "Pakistan is one of two countries founded in the name of religion which therefore permeates all aspects of society. Islam encourages ethical business, reinforces transparent written contracts, conducive working conditions and fair exchanges for both natural resources and human effort. Muslims also believe that philanthropy pays back multi-fold." The trend in corporate giving has risen more than eight times within seven years, reaching the amount of Rs. 1.87 billion in 2007. According to the Pakistan Centre for Philanthropy (PCP) Corporate Giving Survey,²⁷ Pakistan is ranked the sixth most philanthropic country in the world.

²⁵ "CSR: A Global Overview. 2010" by BITC International and CSR360 GPN, p.110

²⁶ <https://www.cia.gov/library/publications/the-world-factbook/geos/pk.html>

²⁷ <http://www.pcp.org.pk>

Sustainability in Pakistan is mainly driven and promoted by associations and network type organizations: CSR Standing Committee, the Pakistan Institute of Corporate Governance, the Responsible Business Initiative, triple bottom line and United Nations Global Compact.

Sustainability policies and legislation

Several laws and codes concerning sustainability issues have been introduced in Pakistan. Among the most meaningful are *The 1973 Constitution of the Islamic Republic of Pakistan*, *The 1997 Pakistan Environmental Protection Act*, and *The 1996 PSQCA or Securities and Exchange Commission of Pakistan (SECP)*.

The most recent sustainability-specific law was announced by the Securities and Exchange Commission of Pakistan through *The Companies (Corporate Social Responsibility) General Order 2009*, prescribing disclosure of activities undertaken by companies that impact sustainability.

Important issues

Supply chain ethics and governance are the issues that play the most important role in sustainability in Pakistan. Supply chain ethics, when applied properly, could positively impact society, industry and other stakeholders. But it is worth mentioning that familiarity with such concepts is not always encouraged, Mr Balkhi says.

"There is a general lack of accountability and transparency at all levels." Poor governance could be a root cause for many negative issues that permeate Pakistani society, ranging from the government itself to private enterprise to the multilateral non-profit sector. Other priority issues include terrorism, labor, poverty, and environmental degradation (particularly water and air pollution, industrial waste, water scarcity, access to potable water, and deforestation).

Public awareness of sustainability issues and reporting

Public awareness of sustainability issues and reporting is limited but growing, mainly due to several NGOs developing in the country who



are pushing sustainability. For most people and organizations, CSR remains equated with philanthropy. However, older members of the few remaining traditional businesses are familiar with a concept of community responsibility and care, but they use different terminology to name it.

Future of sustainability

“In a country like Pakistan, a future prediction is difficult to say the least. Much as I would like to postulate about where the corporate sector will head, I am not equipped to do so. Many corporations are not sufficiently aware of the negative impact, and the potential for positive impact, that they have on the environment,” says Ms. Balkhi.

As Pakistan’s economy is primarily dependent on agriculture, companies should become more conscious that the earth provides over 70 percent of their livelihood. That is why the awareness of supply chain issues is a key to a meaningful sustainability action agenda in Pakistan. Most upstream supply chains, national and global, find themselves entangled with the socially and environmentally unsustainable, unethical practices at farm level, whether with cocoa farmers, cotton-pickers or chili growers.

“So my hope is that we take the trouble to become more conscious as a people, as businesses and as humanity, of the consequences of our actions, our choices. And thereby take more responsibility for positive change that we can impact within our spheres of influence,” Ms. Balkhi adds.



About the consultant

Ms. Khadeeja Balkhi is a sustainability consultant and business and gender journalist. Ms. Balkhi serves as Chairman, CSR Standing Committee at the

Federation of Pakistan Chambers of Commerce and Industry (FPCCI). During the GANTSCh project she worked intensively with Ali Trading in Pakistan.

3.4.2. Supplier experiences

Organization name:	Ali Trading
Sector:	Sporting goods Manufacturing
Nr. of employees:	Employed : 300 On Contract basis : 1000
Products:	Sporting goods (soccerballs, hockey sticks, handballs)
Clients:	PUMA AG, Hummel, Decathlon, Slazenger, Diadora
Website:	www.alitransports.com

Ali Trading Co. Ltd. is a family business producing sporting goods such as footballs, handballs and hockey sticks, and manufactures for many of the world’s large sporting goods brands. Ali Trading was established in 1919 and is headquartered in Sialkot, Pakistan.²⁸ As a supplier of PUMA, based in a country where awareness of sustainability is at development stage, Ali Trading commenced on a steep learning curve.

Drivers for sustainability management and reporting

The reporting process has inspired the company to measure information they had not looked at before. According to Mr. Imran Shabbir, Managing Director, “Many impacts which were taken for granted in the past have been highlighted. It has been realized how bad they are for sustainability and for the company, and can be easily rectified.” The sustainability reporting process has allowed Ali Trading to learn more about waste, energy consumption and the possible savings that can be achieved by measuring and managing. The company’s production process is largely dependent on natural resources like cotton and natural rubber as inputs: “We need careful and sustainable planning to protect and keep the supply chain running smoothly.”

²⁸ Ali Trading Sustainability Report 2009, p.3

It is the insight into production process inputs and possible savings, careful planning of natural resources, and the development of educated and responsive human resources that Mr. Imran Shabbir identifies as elements of the business case for sustainability management and reporting.



Reporting results and benefits

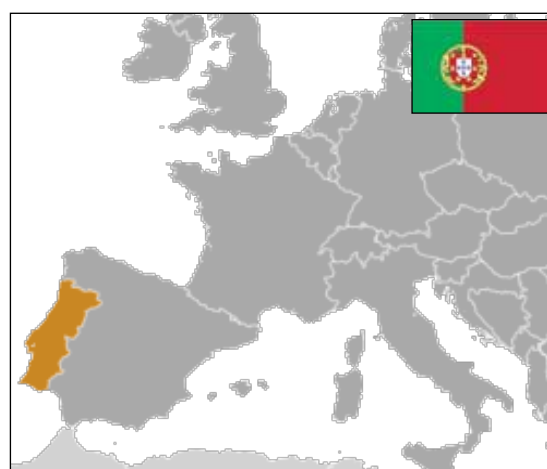
Ali Trading's stakeholder engagement initiative has identified that sustainability issues represent a learning experience for all stakeholders involved, including employees, financial institutions and suppliers. Mr. Shabbir believes that as the awareness, knowledge and importance of sustainability develops within Pakistan, so stakeholders' input and demands will increase in the next couple of years. Having established itself as an early adopter of sustainability management and reporting in Pakistan, Ali Trading is in a unique position to capitalize on this advantage. Proactive reporting to current and potential clients about sustainability performance, management of risk, and sustainability initiatives implemented, can certainly provide a competitive advantage and improve the buyer-supplier relationship. This is iterated by Mr. Imran Shabbir's comment about the relationship between buyers and suppliers in general, which he has identified as becoming increasingly difficult.

Mr. Imran Shabbir states: "We have seen and observed that there are many savings possible as well as ways to make ourselves more efficient. This was only possible after data collection on energy, material consumption and monitoring productivity of our work force. The results are not visible immediately, as it will take time for implementation of the changes, however there can be a saving of at least 5 percent, once the recorded plans and observations are put into action."

As the consultant facilitating Ali Trading in the reporting process, Ms. Balkhi obtained some significant insights into the company and the changes she observed during the process. "Ali Trading's perspective on overall management has evolved and adapted, based on their self analyses and lessons learned from the reporting process."

3.5. Portugal

3.5.1. Country Overview



Country Background

More than 10.7 million people live in Portugal over a territory of 92,090 square kilometers.²⁹ Portugal, an EU member state, has suffered greatly from the financial downturn of 2008. It was reflected in economic indicators such as unemployment rate, which surpassed 10 percent in December 2009 and was at 11 percent in 2010.³⁰ GDP growth rate was negative in 2009, accounting for -2.6 percent.³¹

Despite being a developed country, Portugal has the lowest GDP per capita in Western Europe. The traditional industries such as textiles, clothing, footwear, cork (of which Portugal is the world's leading producer), wood products and beverages have been only recently overtaken by business services. The services sector has grown significantly, accounting for 66 percent of the GDP and providing jobs for 52 percent of the workforce. The introduction of modern means of distribution,

²⁹ <https://www.cia.gov/library/publications/the-world-factbook/geos/po.html>

³⁰ <http://en.wikipedia.org/wiki/Portugal#Economy>

³¹ <http://www.euromonitor.com/factfile.aspx?country=PT>



transport and telecommunications in trade has rewarded this sector with the most significant growth rates.

Sustainability context

Sustainability issues have recently become increasingly important in Portugal. This is demonstrated by the number of companies that produce sustainability reports, the number of associations that are being created and by the appearance of sustainability awards.

Sustainability in Portugal is mainly focused on fighting exclusion and poverty, and on corporate community involvement. However, environmental issues are now commanding increasing attention. Portugal's main sustainability actors include non-profit organizations (RSE Portugal, Business Council for Sustainable Development), public authorities (Intermunicipal Waste Management of Greater Porto, Turismo de Portugal), business representatives (Energias de Portugal) and a university (Universidade Católica Porto). See *Annex 2* for more information.

Sustainability policies and legislation

Recently, the Portuguese government made a commitment to apply sustainability criteria to 50 percent of public procurements. "One of the greatest challenges for public and private companies would be to put this into practice and make sure that sustainability is a real criterion for purchases," says Ms. Ana Roque. See *About the consultant*.

There is no other sustainability-related legislation in Portugal.

Important issues

Ms. Roque observes that while environmental issues are being managed actively, human rights are protected by law and the problem of diversity has already been tackled, topics such as the supply chain and sustainable products remain unaddressed and require more attention.

There is a need to approach sustainability issues

in the supply chain and to encourage companies to follow this path. Most of the multinational companies which work with local suppliers, especially in the textiles sector, have already developed social audits in order to guarantee their compliance with social and environmental issues. Sustainable products and services are a relatively new concept in Portugal, but are increasingly relevant due to consumer demand. Ms. Roque believes Portuguese companies see sustainable products and services as a basis for achieving competitive advantage, but need to make them available at competitive prices.

Public awareness of sustainability issues and reporting

Awareness of sustainability issues and reporting is still relatively low, mainly due to lack of publicity, media involvement and sustainability-related regulations. Considering the effort that has been put into increasing education on sustainability issues in schools and universities, Ms. Roque indicates this situation is expected to change in the near future.

Future of sustainability

The government is expected to take a more active position on sustainability, especially by including sustainability criteria in public procurement and by rewarding companies that demonstrate a responsible attitude towards sustainability. There is also a need for businesses to express a stronger commitment towards sustainability issues by addressing country-relevant issues in the social and environmental area. These developments should be in parallel with awareness raising on sustainability issues in society.

About the consultant

Ms. Ana Roque is a partner of Inspire Mudança. In 2009-2010 she worked with PUMA and EDP suppliers in collaboration with Associação Portuguesa para a Qualidade (APQ).

3.5.2. Supplier experiences

Organization name:	Quintas & Quintas / Solidal	Visabeira	Pinto e Bentes
Sector:	Electrical	Construction	Electrical
Nr. of employees:	298	398	350
Products:	Bare conductors and Insulated cables	Construction, implementation and maintenance of gas, telecommunications and electricity infrastructures	Power lines, transformer stations, power substations, public lighting, metallic structures for overhead and underground electrical and telecommunications transmission and distribution systems, natural gas distribution systems, water and sanitation networks, and telecommunications networks
Clients:	EDP and the main utilities from Europe and the most important contractors of the electrical sector	EDP, REN, GES, EDA, GALP Energia, Tagusgás, Câmara de Oeiras	EDP, REN, Lisboaágás, municipalities
Website:	www.quintasequintas.pt	www.grupovisabeira.com	www.pintoebentes.pt

Drivers for sustainability management and reporting

EDP's Portugal-based suppliers are very aware of their sustainability impacts. They agree on the importance of sustainability issues for their companies and express a mature approach to their triple bottom line. "Sustainability is important because we cannot dissociate economics from the environment and social issues," says Ms. Carla Canseiro from Pinto e Bentes. All three suppliers share the common view that, due to the change in people's and companies' perceptions of acceptable practice, sustainability is no longer an option but the only way to go. It has a great impact on the performance of the entire company now and in the future, and helps assure the well-being of future generations.

It is worth noting that suppliers in Portugal are very aware of the importance of sustainability. The main reason for reporting given by Quintas & Quintas was the increasing pressure from some of their clients to report the impacts of their activities. However, reporting has illustrated to the company that it is responsible for managing impacts in a more comprehensive and effective way.

Transparency, incentive to achieve goals, and previously implemented data management systems have driven suppliers' motivation for reporting their sustainability impacts. Reporting played a major role in tracking and managing those impacts. According to Mr. Jorge Quintas Serrano from Quintas & Quintas, reporting instills commitment to monitor those issues more accurately and also to enhance the engagement of stakeholders in order to decrease negative impacts and increase positive ones. Visabeira had already evaluated performance indicators as they implemented an integrated data management system and established mechanisms for managing major impacts. However, GRI sustainability reporting has allowed Visabeira to communicate performance and establish open dialogue with stakeholders. All the suppliers agree that the reporting process serves as a commitment for their organizations to track and manage reported issues more effectively.

Reporting results and benefits

As this was the first time the suppliers had worked on their sustainability reports, the process did challenge them in different ways. Visabeira found it difficult to involve and consult all of its



stakeholders, while Quintas & Quintas struggled with engaging clients during the stakeholder engagement phase, although engagement with banks and shareholders was easier. Pinto e Bentes faced difficulties gathering all the data for the material Indicators and ensuring the quality of the information collected. This was simpler for Visabeira due to the fact that it has already implemented an integrated management system.

As a result of the reporting process, Pinto e Bentes made the following commitments; to reduce fuel consumption by 5 percent, electricity consumption by 7.5 percent, and water consumption by 5 percent by the end of 2010. In the near future, measures to achieve these goals will be implemented which in turn will influence management decisions. As a result of the stakeholder engagement process, Pinto e Bentes gained valuable insights on its performance from various perspectives.

This point is reiterated by Quintas & Quintas; the reporting process focused greater attention on stakeholder groups. The supplier has learned that the easiest way to identify stakeholders' needs is to dialogue with them continuously and that its perception of stakeholders' needs may differ from their actual needs; dialogue is the only way to find out. Quintas & Quintas also observed that banks and shareholders are happy to cooperate, as they were positively surprised by the engagement process.

Similarly, Visabeira benefited as the process allowed the supplier to better assess its performance and understand concerns around the global management of the company. "We believe that our company's sustainability impacts influence our customers' sustainability impacts," says Mr. Francisco Marques. For this reason, the company posted their sustainability report online on the company's website. Visabeira and Pinto e Bentes believe the sustainability report will help them attract new clients who are increasingly aware of sustainability issues and will take proactive sustainability risk management into account when making important procurement decisions.

The reporting process is an individual journey during which companies must make decisions based on available time and resources, and strategy. This means that their experiences may differ considerably at times, such as the extent of workforce engagement in the process. Visabeira, for example, identified that the greatest benefit observed within the company was the increased motivation level of its employees, who felt involved in the reporting process.

Pinto e Bentes and Visabeira committed themselves to continue sustainability reporting on an annual basis. Quintas & Quintas intends to report bi-annually initially, and later proceed to reporting annually. Visabeira will seek new ways to involve more people and develop their stakeholder engagement methods.

3.6. Turkey

3.6.1. Country Overview



Country background

More than 77.8 million people live in Turkey, a territory of 783,562 million square kilometers.³² The economy can be described as dynamic. Turkey has the 15th largest Gross Domestic Product (GDP) in the world. Turkey's economy is a mix of modern industries, commerce and traditional agriculture. Textiles and clothing is the largest industrial sector, accounting for one-third of industrial employment. Turkey was negatively affected by the global economic downturn in 2009. The annual GDP

³² <https://www.cia.gov/library/publications/the-world-factbook/geos/tu.html>

growth declined by -4.8 percent. However, 2010 showed a significant increase of 7.8 percent,³³ mainly due to the economic stimuli initiated by the Turkish Government. This slowdown also influenced the export and import figures, by 22 percent and 31 percent respectively. The unemployment rate rose to 14.1 percent in 2009. In 2005, Turkey became a candidate country for European Union membership.

Sustainability context

Reputation and brand are still the primary drivers for sustainability in Turkey. Companies mainly perceive sustainability related activities as a tool to enhance their corporate image. Secondary drivers are customers' requirements and following global development trends. Turkish companies understand the value and importance of sustainability. However, in many cases the actions they undertake do not result from conscious decisions but from a negative incident, or third-party pressure.

Turkey's main players in sustainability include associations (Regional Environment Center, The Business Council for Sustainable Development Turkey), universities (Sabancı University, Bosphorus University) and a consulting company (PE international). See *Annex 2* for further reference.

Sustainability policies and legislation

The Capital Markets Board of Turkey published the Corporate Governance Codes in 2003 which included a chapter on sustainability.³⁴ It states that companies should respect the environment, the consumer and public health; they should also act in accordance with a company's ethical rules. The World Business Council for Sustainable Development (WBCSD) and Istanbul Stock Exchange are currently developing a Sustainability Index for Turkey. This index will be launched at the beginning of 2012. It is expected to motivate publicly listed companies to report according to GRI's Guidelines. For SMEs, sustainability reporting is purely a voluntary exercise and it depends on the passion of CEOs or shareholders as well as customer requirements.

³³ <http://www.euromonitor.com/factfile.aspx?country=TR>

³⁴ "A Guide to CSR in Europe. Country Insights by CSR Europe's National Partner Organisations" by CSR Europe (2010), p.81

One of the main challenges that Turkey faces now is how to increase public awareness of sustainability issues.

Important issues

Environment and community engagement, with a particular focus on health and safety and education, are the most important topics in the area of sustainability. The most important emerging environmental issues are top soil erosion, air and water pollution, and industrial pollution.³⁵

Additionally, human rights are seen as the biggest concern for SMEs as society expects them to focus their sustainability activities on domestic violence and women's rights.

Public awareness of sustainability issues and reporting

Sustainability is a relatively new topic for Turkish companies and awareness of sustainability issues is rather low. Public concerns about environmental and social issues have increased slightly due to environmental challenges and global warming. The term 'reporting' is mainly connected with financial reporting, as the practice of sustainability reporting is underdeveloped.

Future of sustainability

"The key challenge for Turkey in the area of sustainability will be to switch to a low carbon economy. The European accession process will act as the main driver for this. Sustainability is understood to have the potential to strengthen the role of the country in the future," says Ms. Serpil Gürçi (see *About the consultant*)

About the consultant

Ms. Serpil Gürçi works for Systain Consulting. She specializes in assessing and improving supply chains, mainly in the textile industry in Turkey and Asia. She has provided services to the largest retail and fashion brands. During the GANTSCh Program she worked with the following PUMA suppliers: SLN Tekstil, Tübaş Tekstil, Milteks Tekstil, and Denim Village (Intersource Tekstil).

³⁵ "A Guide to CSR in Europe. Country Insights by CSR Europe's National Partner Organisations" by CSR Europe (2010), p.82



3.6.2. Supplier experiences

Organization name:	Tübaş Konfeksiyon	Milteks Tekstil	SLN Tekstil
Sector:	Textile Garment Manufacturing	Textile Garment Manufacturing	Textile Garment Manufacturing
Nr. of employees:	74	1300	163
Products:	All Knitted wear	Teamsport And Fun Wear Garments, T-Shirt, Short, Pants, Sweats	T-shirt, shirt, short, sweat pants, sweat shirts, legging, bellyband, shall, blanket, playsuit, jacket
Clients:	PUMA AG, M-Tex, Marimekko	PUMA AG, Lotto, Erima, Salewa, Taylor Bowls	PUMA AG, Lyle&Scott, Tommy Hilfiger
Website:	www.tubas.com.tr	www.milteks.com.tr	www.slnmoda.com.tr

Drivers for sustainability management and reporting

The participating suppliers in Turkey understand the concept of sustainability and its importance and influence on economic, environmental and social issues that affect future generations. Their main reason for reporting was to disclose their sustainability performance to all stakeholders. In addition, reporting is believed to help monitor their internal sustainability performance by means of systematic methodologies which measure and disclose the companies' successes, challenges, future plans and goals.

Another driver to start reporting on sustainability issues was the belief that by applying a sustainability approach to management, companies can minimize the negative effects of their activities and therefore protect future generations. Other drivers include the desire to differentiate, and to be the innovators and early adopters of the reporting process in Turkey. In general, the suppliers want to serve as a good example to other textile companies. By evaluating its sustainability performance in an honest and transparent manner, SLN believes that it will be better positioned in today's competitive market.³⁶

"Thanks to this process we defined our weaknesses and we learned how to address them. For example we learned how to record our waste," says Mr. Saide Residi from Milteks Tekstil.

Reporting results and benefits

The suppliers have faced similar constraints during their reporting process. Data collection was the most difficult task for each of them. They found it challenging to collect all the data and choose material Indicators even though they had the consultants' support throughout the reporting process. Nevertheless, they were positively surprised by how easy it was to write the report, especially the company profile section. Preparation of the survey which was sent to company stakeholders was also defined as an easy step.



While all suppliers undoubtedly benefited from the reporting process, they profited differently. For SLN Tekstil the most notable outcome was the guidance and facilitation that helps them to achieve their goals and aims. For Milteks Tekstil, making improvements to their sustainability performance was the main lesson learned, alongside the experience gained in supporting their customers and employees. As a result of sustainability reporting, the company has realized its weaknesses, started strategizing how to reduce their carbon emission, and set new environmental targets.

³⁶ Sustainability Report 2009 SLN Tekstil, p.2

The suppliers agree that as a result of reporting, communication with stakeholders, for example clients, has improved. During the stakeholder engagement process they received positive feedback that helped them change their perspective on many things. The suppliers gained an understanding of their strengths and weaknesses, and were given suggestions on how to improve. Stakeholders' views about the suppliers also changed. As a result of the stakeholder engagement process, Milteks Tekstil realized that they had not communicated their efforts towards sustainability sufficiently. "We need to put more effort into this issue and share our activities in a better way with all our stakeholders," says Mr. Ozturk Aktepe from Milteks Tekstil.

For Milteks Tekstil the biggest benefit from sustainability reporting was cost reduction as a result of revising its environmental impact. As a result of the reporting process, the company reduced road travel and electricity consumption by introducing sensor lighting, for example. In order to balance its paper consumption and its negative impact on the environment during the year 2009, Milteks Tekstil planted 2.000 trees.³⁷

SLN Tekstil has focused on the labor element of sustainability reporting, as the company realized that their sustainability goals cannot be met without responsible actions and support from its employees. "We believe that our employees determine the future of our business, which is why we make it a priority to nurture our employees' health and safety, happiness, motivation and performance. At SLN we strive to empower, mentor and reward our employees," says Mr. Erkan Kale from SLN Tekstil. The company provided their employees with extensive training on lean production. "Lean Production means doing more with less – less time, less space, less human effort, less machinery, less materials – while giving customers what they want".³⁸ It helped SLN Tekstil to benefit from lower material and labor costs while increasing production efficiency by about 10 percent.

³⁷ Milteks Sustainability Report 2009, p.31

³⁸ SLN Tekstil Sustainability Report 2009, p.25

Tübaş Konfeksiyon understands how important it is to strengthen its position in the market, which is why the company has concentrated on selecting suppliers that comply with its mission and vision. "Quality, understanding and the social responsibility of our suppliers and their past experiences are important factors that we take into consideration," explains Ms. Sevinc Sezgin from Tübaş. She believes that sustainability reporting will influence the future management decisions made in the company. "We will search new possibilities of decreasing our carbon emissions. Most of the emissions now result from electricity, heating processes and transportation."

The sustainability report has also been an excellent channel for Tübaş to communicate about the ecological projects that earned it the SEVAP prize (Project on Increasing Efficiency in Industry) in 2008.³⁹ As explained in Tübaş' 2009 sustainability report, these projects have brought significant benefits. "The future and continuity of natural resources is questionable, therefore by reducing our consumption we are saving a significant amount of energy. We are also reducing the amount of emissions. By producing more hot water and using it instead of cold water for steam heating, we reduced steam consumption and saved more energy. The washing process is more effective in high temperatures and it also improves the quality of our products. We are saving the time that previously was wasted on heating water and as a result, we are also improving our production capacity and minimizing natural gas consumption."

The Turkish suppliers believe their sustainability report will benefit their marketing and sales efforts. "Our sustainability report is a good way to attract new clients because it is a very important way to introduce ourselves. All our activities, goals and efforts are transparently presented in the report. The client can see what we have achieved so far and what we strive for. They can obtain important information regarding production processes, the company structure and effects of our activities," says Mr. Saide Residi from Milteks Tekstil.

³⁹ Tübaş Konfeksiyon Sustainability Report 2009, p.14



4. Consultants' Perspectives

Rolling out a global program throws up various challenges, given the variety of local contexts, sectors, knowledge of the topic and operational level of the business. It has been useful and interesting to obtain feedback from the consultants about their experiences with the suppliers, including the challenges, opportunities and benefits of reporting, and their views on how the GANTSCh Program could be developed further. It is important to mention that working closely with suppliers has been a positive experience for the consultants, allowing them to transfer important knowledge and gain a deeper insight into what it takes for a company to start the reporting process. In some countries where sustainability is arguably not yet high on the government's agenda, these consultants play a pioneering role in furthering the sustainability and reporting agenda locally. GRI considers itself fortunate to have collaborated with this dedicated group, who are genuinely passionate about the topic, in rolling out the program.

4.1. Challenges when working with suppliers

The GANTSCh Program saw the consultants face a number of challenges in rolling out the program. As mentioned previously, sustainability is a large scale, complex issue for companies to comprehend. Furthermore, many suppliers run small and lean operations on very thin margins and are therefore focused on short-term survival. Sustainability management and reporting requires strategy development focused on the long-term. This is at odds with many suppliers' reality of a short-term management approach, which resulted in some logistical and operational challenges for the consultants related to time, resources and commitment to the project.

For instance, a number of the consultants found it challenging to work with a reporting team that was constantly changing, resulting in much of the consultant's time being spent on revisiting material that had already been covered previously. Another challenge mentioned by all consultants (except in Portugal) was the low awareness of what sustainability actually means beyond specific issues like pollution, climate change and resource

scarcity. Thirdly, small and lean organizations that focus on short-term survival naturally take more interest in daily business operations than they do sustainability. Finally, companies in global supply chains absorb many sustainability-related pressures from their multinational customers and in some cases regarded the project as a compliancy issue. Interestingly, when discussing the GANTSCh Program Ms. Ana Roque states "for Portuguese suppliers it would have been possible to be more demanding," while in Pakistan Ms. Khadeeja Balkhi felt that the technical language used in GRI's Guidelines proved very difficult to transfer to the supplier.

Suppliers of EDP in Portugal were deemed by Ms. Roque to be very professional organizations with plenty of experience and knowledge of sustainability, having already implemented extensive management systems and having obtained many environmental certifications. The sustainability report provided them with the channel to communicate their performance clearly.

4.2. Main challenges and opportunities experienced by suppliers during the reporting process

With the exception of Portuguese suppliers, consultants overwhelmingly referenced sustainability awareness as a major hurdle and indicated that for many participants the topic is completely new to them. It was difficult for them to grasp how sustainability is linked to their organization, what they need to do to manage sustainability, and how to identify the business case for reporting. Due to the complexity of sustainability and the fact that it impacts all processes within a company, it requires the use of management systems to collect, measure and ultimately manage those impacts. Management systems proved to be another major challenge. Some suppliers do not use them at all, while others use systems on a very limited and simplified scale. Others have systems in place but do not know how to make appropriate use of them. Participating suppliers found that they needed to allocate more time and resources to reporting than they expected at the start of the Program.

In terms of program content, by far the most challenging feature was the technical guidance in GRI's Guidelines, which was mentioned by multiple consultants. The document itself was perceived to be very difficult to understand and the terminology was outside the suppliers' regular vocabulary.



Stakeholder engagement proved to be a difficult and unusual process for some suppliers to come to terms with; they felt uncomfortable opening their doors and listening to outsiders' opinions and views. Interestingly, stakeholder engagement was also identified as a very beneficial stage of the reporting process. For the first time, many suppliers were able to compare how they view themselves with how they are viewed by different stakeholders. It proved to be an excellent mirror for the suppliers to learn from and to recognize where improvements might be made.

4.3. Change process

The reporting process had a significant impact on suppliers. They understood the importance of transparency in business, especially in gaining stakeholder confidence and, most importantly, in their daily operations. Due to the reporting process the suppliers became more aware of their local sustainability context, as well as their strengths and weaknesses. Some suppliers changed or improved their overall management approach, or implemented, changed and improved management systems. In many cases, suppliers benefited from

being the first reporters in their country, allowing them to differentiate from their peers, increase competitiveness, and use the report as part of their marketing and sales initiatives.

Suppliers also improved their relationships with workers. Chinese suppliers managed to increase employees' motivation through introducing an incentive scheme and offering skills training as a form of job advancement. Workers gained awareness and self-discipline regarding environmental protection. By re-evaluating energy use, Chinese suppliers shifted part of their energy needs towards renewables. Similarly, Sree Santhosh in India installed wind farms to compensate for power outages.

Pinto e Bentes from Portugal established a sustainability council responsible for collecting data and tracking sustainability issues, reporting directly to the management team. Viyellatex Group from Bangladesh established a new department that will collect the data needed to inform management and to facilitate the process of continuous sustainability reporting.

In contrast, concerns were expressed that some of the suppliers lost their focus on sustainability issues after the project ended and returned to their old ways. As a result, consultants identified the importance of continuing to push this agenda through different forms of sustainability capacity building projects. Furthermore, if multinationals increasingly incorporate sustainability performance into their procurement decision models, this may create a critical mass and facilitate a larger shift towards more sustainable business practices and reporting.



5. Program's Impact

The GANTSCh Program greatly impacted the suppliers' knowledge of sustainability issues in general and sustainability reporting specifically. The following representation of impacts is based on participant feedback gained through the questionnaire.

Knowledge of sustainability issues before and after the Program

As a result of the GANTSCh Program the level of knowledge of sustainability among the suppliers increased.

90 percent of participants indicated that the level of their knowledge about sustainability issues was either fair or good. The remaining 10 percent defined it as rather poor. Thanks to their participation in the program, all found that their knowledge improved, albeit leaving some space for further improvement. 70 percent of suppliers obtained a very good understanding of sustainability issues.

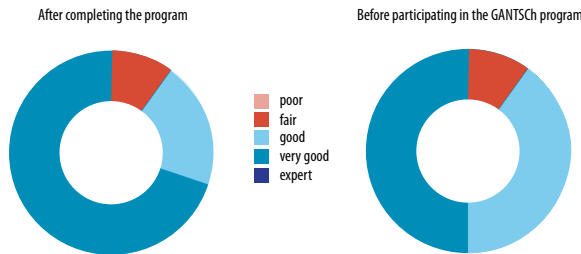


Figure 5. Knowledge of sustainability issues before and after completing the Program

Knowledge of sustainability reporting before and after the Program

In terms of acquiring knowledge of sustainability reporting, suppliers experienced an even more significant change. Suppliers indicated having very little knowledge of sustainability reporting prior to the GANTSCh Program. Before the Program, knowledge was mostly rated as fair (60 percent) and poor (40 percent). Information delivered through the program allowed suppliers to reach a good (20 percent) or very good (80 percent) level of knowledge in this field.

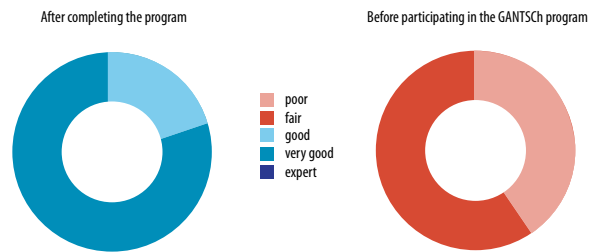


Figure 6. Knowledge of sustainability reporting before and after completing the Program

Will you produce another sustainability report?

The GANTSCh Program has initiated an ongoing commitment to sustainability reporting for 70 percent of suppliers. Only 30 percent of the suppliers indicated that they would discontinue the reporting process, while stressing that they will continue with data gathering.

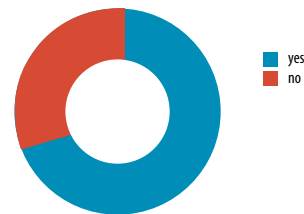


Figure 7. Future sustainability reporting intentions

Almost 30 percent of those who responded positively aim to report every two years. Another 30 percent intend to increase their reporting efforts by producing a GRI Level B report. Suppliers have understood that sustainability reporting enables them to compare their current sustainability performance with the past. It also helps them to establish targets and improve data management.

6. Lessons Learned

A number of important lessons can be learned from the first phase of the GANTSCh Program.

Category	Lessons learned
Training & Coaching Content Development	Participants experienced difficulty with the technical language of the GRI Guidelines.
Training & Coaching Content Development	Given that participants are first-time reporters, some experienced difficulties during the initial stages of the program due to a knowledge gap. More sustainability context and business case-related materials and exercises would facilitate strategy development and increase overall effectiveness and a more rapid understanding of the benefits and process of sustainability reporting. Furthermore, more case studies for practical demonstration of the business case would also benefit program effectiveness.
Training & Coaching Content Development	Sustainability is a complex long-term business issue that impacts all primary and secondary business processes. Creative and strategic thinking at the start of the reporting process about types of sustainability initiatives that can be applied to improve performance will benefit commitment to and understanding of the reporting process. Footholds and exercises about possible sustainability initiatives to stimulate participants in this creative and strategic thinking process should be provided.
Training & Coaching Content Development	Not all participants use their sustainability report for sales and marketing purposes. The sustainability report will become more important in the future as more multinationals consider sustainability performance in their procurement decision-making models. As a result, there is a requirement to help participants understand how to use and disseminate their reports to unlock the full value of the process.
Training & Coaching Content Development	Develop more in-depth guidance per phase and identify the value of each phase. Consultants specifically highlighted that guidance on the writing process is beneficial, as is more strategic guidance on stakeholder engagement.
GANTSCh follow-up coaching process development	In some instances participants requested additional coaching workshops. Given the lessons listed above, and therefore the potential requirement for new content, this may have a knock-on effect on the number of coaching workshops required throughout the process.
GANTSCh follow-up coaching process development – Participant commitment	Some of the reporting teams faced lack of buy-in and commitment from high level management, making it difficult to gain access to all departments to collect information and develop management systems to allow collection of data in the future. Developing slide decks that participants can use internally to raise awareness, commitment and buy-in within the organization would increase the effectiveness and resilience of the reporting team.
GANTSCh Program development	Some participants viewed sustainability reporting as a one-off event and do not expect to produce another report in the future. GRI needs to ensure contingency beyond the GANTSCh Program and the cyclical nature of the reporting process. Some different options are: <ul style="list-style-type: none"> - A yearly GANTSCh Network meeting - Making participating suppliers (automatically) part of OS program - Creating opportunities to profile the companies as leaders - Encourage multinationals to demand sustainability reporting and transparency by suppliers, and reward by including it in procurement process models.
GANTSCh Program development	There are some cases of unbalanced reporting, highlighting only the positive side, resulting in “greenwashing”. All stakeholders in the program need to continuously remind participants to steer clear of this. An identified weakness within the organization can be turned into a strength by setting goals and developing a plan to achieve those goals.
Communications	During the project it became clear that a standardized feedback process was needed between GRI and the sustainability consultants to supervise the process more closely and facilitate project management and to inform the collaborating multinationals (and vice versa). This was implemented during the project.
Multinational Involvement	GRI learned that proactive involvement of the participating multinational benefits the collaborative spirit, commitment by suppliers, stakeholder engagement, and learning by all involved (including the multinational). Currently, multinational involvement is much greater, joining the Certified Trainings with suppliers, hosting follow-up coaching workshops, providing proactive input into the stakeholder engagement process. This has been a positive development.
External Stakeholders	For awareness and profile raising, local press, media and NGOs could be involved to improve replication.



7. Conclusions

As this publication highlights, there is a business case for companies within supply chains to invest time and resources into sustainability management and reporting, no matter where in the world they are based. The experiences of suppliers in the GANTSCh Program demonstrate that the process has allowed them to improve their internal management and decision-making process, drive down costs, and in some cases raise their profiles within the global business community. Suppliers state they have been able to achieve:

- A greater understanding of what sustainability means to their organization from an internal perspective, and learning to apply the sustainability lens to key decisions
- Improvements by gaining a more complete understanding of their organization through the inclusion and engagement of key stakeholders
- Organizational improvements through the development and implementation of management systems resulting in improved internal processes, decision making and goal setting
- Improvements in health and safety, increased workforce productivity and decreased labor turnover, through effective engagement, training and motivation of workers
- Operational and production improvements through efficiency measures and reducing resource usage such as water and fossil fuels, resulting in lower emissions of CO₂
- Innovation and diversification into sustainable products, but also in production processes, for example by using excess heat from one process as input for another process

Different suppliers cite different benefits and challenges of the reporting process. The above list is based on the suppliers' responses. In fact, the nature of their sectors, their geographic location and the type of business they run will invariably affect their local challenges and opportunities. Many suppliers found the stakeholder engagement

process challenging. In many cases it was unusual for suppliers and therefore uncomfortable to execute for the first time. As a result, there was a difference in the depth of stakeholder engagement processes between suppliers. Additionally, successful stakeholder engagement processes are dependent on all stakeholders, and the organizers, having some basic understanding of sustainability beforehand. If this is not the case, it may be difficult to unlock the potential value of the process.



EDP and PUMA identify the creation of ownership of sustainability and risk management as major drivers for collaborating with GRI in the GANTSCh Program. They see reporting as a tool to foster these two drivers, and a public commitment to improvement by suppliers, while generating credible sustainability information that feeds into procurement processes and strategic decision making. In the long-term, EDP and PUMA require stable supply of high quality products and protection of their brands. By collaborating with their suppliers in the GANTSCh Program EDP and PUMA can push this agenda, while suppliers are able to proactively communicate their challenges, opportunities and needs to their clients. It is this that makes the GANTSCh Program, and sustainability reporting in general, so remarkable and valuable. The program enables trust to develop in business relationships, moving beyond transaction to collaboration and open dialogue between all stakeholders.

8. Current GANTSCh Activities and Future Plans

Over the last 2 years GRI has put much effort into developing a global network of Certified Training Partners and sustainability consultants. This effort benefits GRI's mission to make sustainability reporting common practice, but is also of great importance to the GANTSCh Program. Due to these efforts GRI can offer capacity-building solutions for multinationals' supply chains and the members of business and industry associations worldwide.

Since 2010, GRI has expanded its GANTSCh activities, welcoming additional multinationals to the GANTSCh Program and working with an increasing number of suppliers in more countries. Following the success of the 2009-2010 phase, PUMA proceeded to make sustainability reporting a requirement for its strategic suppliers, 19 of which GRI is currently working with. Additionally, in 2010 GRI continued working with EDP's suppliers, and started a new project with suppliers of Natura Cosmetics in Brazil. 2011 will see the start of a new project with the General Council of the Catalan

Chambers of Commerce, involving 60-80 small and medium suppliers of large companies. This is a project of the 13 chambers in Catalonia that is coordinated by the General Council.

As sustainable development becomes increasingly important, companies will face increased sustainability and transparency demands through regulation, legislation, socially responsible investment, consumer demand for sustainable products, and increased scrutiny by groups of stakeholders. Collaborative engagement of the supply chain is of strategic importance to multinationals to meet these increased demands for sustainability and transparency. GRI endeavors to facilitate the private sector in meeting these demands through the continuous development of the GRI Reporting Framework and support services. GRI expects the GANTSCh Program to gain increased attention as a value-added initiative for the private sector.



Annex 1 – PUMA Interview Transcript

Stefan D. Seidel, Deputy Head PUMA.SAFE Global, explains why PUMA collaborates with GRI in the GANTSCh Program and PUMA's decision to upscale the program to all strategic suppliers.

Why does PUMA practice sustainability management and reporting?

At PUMA we have included sustainability in our brand proposition. Our aim is to become the most desirable and sustainable sportlifestyle company. Within our Vision, the PUMAVision, PUMA endeavors to contribute to a better world through the programs puma.safe (working on environmental and social issues), puma.peace (supporting global peace initiatives) and puma.creative (supporting artists and creative networks).

Together with the 4 keys of our PUMAVision namely being fair, honest, positive and creative in everything we do, we are working towards very ambitious sustainability targets for the whole company including aspects of design and development, manufacturing, transportation, usage phase and end of life. In order to live up to our ambitious targets in the field of sustainability we need to be able to benchmark our performance over time and with our competitors in a transparent way. A GRI-based and externally-verified sustainability report is an important step to ensure the necessary transparency both within PUMA and towards our external stakeholders when reporting about the challenges and successes of our work in the field of sustainability. Besides this, the regular reporting which we have conducted since 2002 helps us to critically review our company policies, targets and programs at an ongoing basis.

What is PUMA's objective in leading an increasing number of suppliers through the GANTSCh Program?

Like its competitors, PUMA has outsourced all production to independent supplier companies. This step was necessary at one stage to ensure the financial survival of our company. However, with outsourcing the manufacturing of our goods, we still feel responsible for the conditions under which those goods are produced. We introduced a supplier Code of Conduct in 1993 and conducted nearly 3000 supplier audits in the last decade to ensure compliance with basic social and environmental standards. Introducing the concept of sustainability reporting to our suppliers is a logical evolution of our existing supply chain initiatives and follows three main

objectives: to ensure that our suppliers fully embrace the concept of sustainability and introduce respective programs in their companies; to support the top down auditing system practiced by PUMA with a bottom up initiative where suppliers can develop their own ideas and ownership; and to provide the necessary transparency to the public and interested stakeholders about the social and environmental conditions in our supply chain, particularly in developing countries which have been criticized for lax implementation of labor laws and environmental standards.

What are the benefits, from PUMA's perspective, of building sustainability reporting capacity within the supply chain vs. monitoring and auditing initiatives?

Supply Chain Auditing is an important and widely used concept in the textile and sporting goods industry. It is necessary to remove (or better keep out) those manufacturers from the supply chain which do not play by the rules.

However, auditing of suppliers has also been criticized for not achieving what is called "sustainable compliance," as supplier companies may introduce certain policies and standards only superficially just to please buyers. In addition, to be able to compare supplier performance on a global scale, companies like PUMA typically use a worldwide auditing standard, which may not always fit best to the local needs and context. Capacity building through sustainability reporting aims at closing these gaps by helping the supplier to take ownership of the most material issues within their company and in the local or regional context.

Can you give some examples of skills, knowledge or other benefits your strategic suppliers have developed or received as a result of going through the sustainability reporting process in the GANTSCh Program?

To be very honest, when the first round of the project started in 2007, most of our participating suppliers had never heard about the concept of sustainability or sustainability reporting. They were already engaged in certain activities which could form part of a sustainability report, but the overall picture was missing. Our largest South African supplier, Impahla Clothing, was inspired to act after learning about climate change during their participation in the pilot project with GRI. Out of their own initiative and without any PUMA interference, this supplier decided

to become carbon neutral, which they realized in 2009. The fact that this supplier is carbon neutral and issues sustainability reports on a regular basis was part of the reasons why PUMA decided to give this company “Strategic Partner” status, which means preferred order allocation.

How has PUMA's relationship with reporting suppliers developed vs. non-reporting suppliers?

From the pilot project, which included only 3 suppliers in South Africa, we can see a mixed picture. While the most active supplier during the project became the first strategic PUMA supplier on the African continent, and consequently was able to double its workforce, the two other manufacturers remain active in our PUMA supplier base on a relatively low scale.

Can you give some examples of the effects sustainability reporting within your supply chain has had on PUMA's sustainability strategy?

Supply chain sustainability reporting forms a very important element of PUMA's sustainability strategy. Without “sustainable” suppliers, we will not be able to produce a “sustainable” product or even credibly report about PUMA's own actions related to CSR and sustainability. The transparency aspect plays an important role here. Similar to our competitors, we had NGOs attacking us for allegedly low labor standards in our supply chain. This is a difficult subject when you work in countries like China, India or Bangladesh where the working and living conditions of the majority of the population is different to developed countries. We try to work only with the best suppliers

there and incrementally increase the standards over time. Sustainability reporting by the suppliers gives us and the suppliers a chance to show what has been achieved and where more work is necessary.

Do you foresee that sustainability management and reporting will become a requirement for current and potential suppliers of PUMA?

We made it a requirement, at least for our strategic partners worldwide. Strategic partners cover over 2/3 of all PUMA products sold, therefore we foresee that the impact will be quite substantial.

What is PUMA's vision with regards to the future of sustainability (reporting) in your supply chain?

It is nice to see our last vision, namely the introduction of sustainability reporting to all of the most relevant PUMA suppliers become a reality. The focus for the next two years will be to make sure that this is happening in a professional way and to the benefit of all parties involved. In this respect we have already updated our auditing tool and introduced a number of Key Performance Indicators which can be used by the suppliers for their own reporting initiatives. Beyond that, we are thinking of integrating the strategic suppliers into our own environmental reporting system, for which we use the web-based software system Enablon. Finally, product life cycle assessments may be the next interesting tool to work with. To do this with sufficient data background, the data analysis will have to go deep down into the supply chain and cover also our Tier 2 and Tier 3 suppliers.



Annex 2 – EDP Interview Transcript

José Figueiredo Soares, Director of Sustainability and Environment, explains why EDP promotes sustainability reporting as a stimulant of performance improvement within the supply chain.

Why does EDP practice sustainability management and reporting?

Electricity is a major development factor for communities. Today more than 20 percent of the world's population has no access to electricity. Addressing that problem implies, alongside with the promotion of more efficient use of energy, increasing the generation capacity at unprecedented rates and constructing the correspondent transmission and distribution infrastructures. This has significant economic, environmental and social impacts, both positive and negative, that have to be properly managed. EDP, as a utility operating in the energy sector in 12 countries with more than 20 thousand MW installed capacity, addresses those issues in a responsible way, integrating sustainability management in its decision and operational processes and transparently discloses its performance in order to earn and maintain trust among its stakeholders and keep business risk at low levels.

What is EDP's objective in leading an increasing number of suppliers through the GANTSCh Program?

The GANTSCh Program is an opportunity for EDP to open a new line of influence in its supply chain, promoting the practice of reporting on sustainability as a way to improve organizational performance, and to disclose essential information for EDP to evaluate and more effectively manage sustainability related risks. Also the GANTSCh Program allows high visibility (national and international) to those suppliers having accepted the challenge, so that they can capitalize on their effort and become leading examples within their respective sectors.

What are the benefits, from EDP's perspective, of building sustainability reporting capacity within the supply chain vs. monitoring and auditing initiatives?

Self declarations on sustainability performance, if done with reference to a standardized and recognized framework model and externally verified, are generally a more efficient way for a second party to evaluate compliance, when compared with the exclusive use of monitoring and auditing practices. Furthermore, sustainability reporting implies public commitment

with improvement targets, which is a major drive for top management involvement and motivation on the organizational sustainability performance continuous improvement.

Can you give some examples of skills, knowledge or other benefits your strategic suppliers have developed or received as a result of going through the sustainability reporting process in the GANTSCh Program?

Stronger commitment on organizational performance continuous improvement by shareholders and top managers; improvement on monitoring and reporting skills; more systematic approaches to stakeholders' identification and engagement; collaborative work between participants during the project phase, enhancing future networking possibilities on sustainability related themes, are some of the most important benefits acquired.

Why are these results interesting and important to EDP?

These are important results because of their direct and indirect effects on transparency in the supply chain, thus reducing EDP's operational and reputational risks. Also they have an interesting replication potential within the involved sectors, by the exemplarity effect and the positive influence that the "new reporters" are expected to exercise on their critical second tier suppliers.

How has EDP's relationship with reporting suppliers developed vs. non-reporting suppliers?

Reporting suppliers, particularly if they submit their Sustainability Reports to third party independent verification, are considered to have lower risk than those that do not report and consequently they rate higher when applying to contracts where sustainability related risks are translated in evaluation criteria and taken in consideration in the vetting decision process.

Can you give some examples of the effects sustainability reporting within your supply chain has had on EDP's sustainability strategy?

There is not yet a sufficient number of suppliers reporting on sustainability, nor asking EDP for specific information on sustainability issues and aspects, to impact on the Company's sustainability strategy. However, current EDP's initiatives on improving

stakeholder management and in promoting reporting within its supply chain are likely to increase demands from the supplier side, as well as new consolidation and more extensive management possibilities.

Do you foresee that sustainability management and reporting will become a requirement for current and potential suppliers of EDP?

Sustainability management and reporting practices are already considered and positively valued by EDP when evaluating actual or potential suppliers. Some sustainability issues (e.g. environmental management, social practices, etc) are mandatory by contractual clauses in the great majority of the cases. Because of the need/interest of EDP in achieving better performance and in consolidating results within the scope of its supply chain for some sustainability related issues and aspects (e.g. GHG emissions, water use, life cycle assessment practices, etc), reporting at

least on those aspects may be required in the future, to the relevant involved suppliers.

What is EDP's vision with regards to the future of sustainability (reporting) in your supply chain?

EDP will increase its demands on information related with sustainability issues and management practices in earlier suppliers' registration and qualification phases. Risks for sustainability deriving from the supply chain, in particular regarding aspects covered by EDP public commitments, will be progressively profiled, evaluated and more closely managed. When materially relevant, EDP will continue to enlarge the scope of consolidation of sustainability indicators within its supply chain, in the appropriate extension for each particular case. Therefore EDP will continue to take and, whenever possible and adequate, support initiatives aiming to expand sustainability reporting within its supply chain.



Annex 3 – Main Sustainability Actors in Project Countries

Bangladesh		
CARE Bangladesh	One of the world's leading international humanitarian agencies working to help people achieve social and economic well being.	www.carebangladesh.org
Bangladesh Enterprise Institute	A non-profit, non-political research centre focused on the growth of private enterprise in Bangladesh.	www.bei-bd.org
Standard Chartered Bank	Bank that has operations in consumer, corporate and institutional banking and treasury services.	www.standardchartered.com
Grameenphone	The leading telecommunications service provider in Bangladesh with more than 29 million subscribers as of December 2010.	www.grameenphone.com
Advanced Chemical Industries Corporation	One of the leading conglomerates in Bangladesh, which operates within three major businesses: pharmaceuticals, consumer brands and commodity products, and agribusinesses.	www.aci-bd.com/corporate.php
China		
China Mobile	The leading mobile services provider in China, with the world's largest mobile network and mobile customer base. In 2009, the company was again recognized on the Dow Jones Sustainability Index. Currently, the company's credit rating is A+/Outlook Stable by Standard and Poor's and A1/Outlook Positive by Moody's (respectively equivalent to China's sovereign credit rating).	www.chinamobileltd.com
SINOPEC (China Petroleum & Chemical Corporation Limited)	One of the largest integrated energy and chemical companies in China. The company is China's largest producer and supplier of refined oil products (including gasoline, diesel and jet fuel) and major petrochemical products (including synthetic resin, synthetic fiber monomers and polymers, synthetic fiber, synthetic rubber, chemical).	english.sinopec.com
PetroChina Company Limited	The largest oil and gas producer and distributor, playing a dominant role in the oil and gas industry in China. It is not only one of the companies with the biggest sales revenue in China, but also one of the largest oil companies in the world.	www.petrochina.com.cn
CNTAC (China National Textile and Apparel Council)	The national federation of all textile-related industries, and a non-profit organization formed on volunteer basis. The aim of CNTAC is to provide services in the modernization of China's textile industry.	www.ctei.gov.cn/english
Baosteel Group Corporation	The second-largest steel producer in the world and the largest in China. Baosteel has been enrolled in Global 500 for 6 years consecutively and ranked 220 th this year.	www.baosteel.com
India		
CII – ITC Centre for Excellence	An institution that creates awareness, promotes thought leadership and builds capacity to achieve sustainability across a broad spectrum of issues.	www.sustainabledevelopment.in
Ministry of Corporate Affairs	Government department primarily concerned with administration of rules and regulations for the functioning of the corporate sector in accordance with law.	www.mca.gov.in
TATA Group	Comprises over 90 companies worldwide in seven sectors: communications and information technology, engineering, materials, services, energy, consumer products and chemicals. The Tata Group has helped establish and finance much quality research and many educational and cultural institutes in India. In 2007 the Group was awarded the Carnegie Medal of Philanthropy for its philanthropic activities.	www.tata.com

SEVA (Society For Education in Values & Action)	A non-profit organization which aims to improve peoples' lives.	www.sevaindia.org
CSE (The Centre for Science and Environment)	A public interest research and advocacy organization that pursues sustainable and equitable development.	www.cseindia.org
Pakistan		
CSR Standing Committee, FPCCI	A federation that creates practical awareness and facilitates implementation throughout its member network of 33 chambers and 76 trade and professional associations. They also advocate for laws and policies conducive to sustainable corporate behaviour.	www.fpcci-csr.com
PICG (The Pakistan Institute of Corporate Governance)	A non-profit public-private partnership that creates awareness, undertakes research, and publishes resource materials while providing a forum for discussion on corporate governance.	www.picg.org.pk
RBI (The Responsible Business Initiative)	Involved with disclosure and capacity-building interventions that promote sustainable development and reinforce ethical behaviour.	www.rbipk.org
tbl (triple bottom line)	Centred around a bi-monthly CSR publication, a platform that aims to facilitate the germination of sustainable organizational growth, sharing specific triple bottom-line knowledge and tools, e.g., training of journalists for reporting on sustainability or developing original models for innovative practice.	www.tbl.com.pk
UNGC (United Nations Global Compact)	The Employers Federation of Pakistan (EFP) hosts the UNGC, has over 60 corporate members, aims to provide practical guidance and helps develop social outlook in business organizations as a new competitive edge.	www.unglobalcompact.org
Portugal		
RSE Portugal	An association that provides Portuguese companies with the support needed to develop their CSR activities.	www.rseportugal.org
BCSD Portugal (Business Council for Sustainable Development)	A non-profit organization with over 100 members. It promotes sustainability in business, innovation and social responsibility.	www.bcsdportugal.org
EDP (Energias de Portugal)	One of the Europe's major electricity operators. EDP has published non-financial reports since 1997. In 2010, the company was recognized as the world's number 1 in Dow Jones Sustainability indexes.	www.edp.pt
LIPOR (Intermunicipal Waste Management of Greater Porto)	The entity in charge of the management, recovery and treatment of municipal solid waste. Lipor has made great investments in educating consumers about sustainability issues.	www.lipor.pt
Turismo de Portugal	The central public authority responsible for the promotion, enhancement and sustainability of tourism. Turismo de Portugal published the first sustainability report among public entities.	www.turismodeportugal.pt
Universidade Católica Porto	The first university to include ethics in their management courses in a systematized way. The university created the first post graduate program of sustainable management in Portugal.	www.porto.ucp.pt



Turkey		
REC (Regional Environment Center)	An independent international not-for-profit organization. REC Turkey plays an effective role in the process of environmental problem solving in Turkey.	www.rec.org.tr
The Business Council for Sustainable Development Turkey	A CEO-led global association comprised of 200 companies. BCSD Turkey's mission is to create awareness among the business community, thus contributing to a more sustainable future in Turkey.	www.tbcsd.org
PE international	The international market leader in strategic consultancy, software solutions and extensive services in the field of sustainability.	www.pe-international.com
Bosporus University	A university that is involved in many different initiatives on sustainability topics, e.g., training programs and conferences.	www.boun.edu.tr
Sabancı University	A university that has initiated activities on sustainability topics, especially studies on carbon emission.	www.sabanciuniv.edu

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Resources:

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Let's Report! Step-by-step guidance to prepare a basic GRI sustainability report, Global Reporting Initiative, (2008).

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Sustainability Reports:

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Webpages:

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Euromonitor International <http://www.euromonitor.com/>

International Monetary Fund <https://www.imf.org>

Pakistan Centre for philanthropy <http://www.pcp.org.pk>

Royal Norwegian Embassy in New Delhi <http://www.norwayemb.org.in/>



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