

## Sustainable Procurement and Supplier Relations Charter

### PREAMBLE

In 2009, a Sustainable Supplier Relations Charter was established to encourage signatories to introduce measures to improve their relationships with suppliers.

Since 2010, that charter has been overseen by the Business Mediation Department (MDE) and the National Procurement Council (CNA) and now has over 2,200 signatories. It has proven to be effective in both the private and public sectors, having had a positive impact on business relations for very small, small and medium-sized enterprises (VSEs and SMEs) in particular.

In 2012, as part of a move to expand the charter to become a label, a methodology for assessing sustainable procurement practices was developed.

After the Rana Plaza collapse in 2013, recognising the responsibility borne by order originators all along the supply chain, France proposed an international standard for sustainable procurement, leading to the creation of ISO 20400 in 2017. The label is now aligned with this standard.

In 2020 and 2021, the pandemic and economic crisis further underlined the importance of the customer-supplier relationship and the values of solidarity, ethics and trust. With everything that had changed since 2010, it was time to update the charter – now the Sustainable Procurement and Supplier Relations Charter – and offer organisations the option to progress from charter signatory to label holder.

The signatories of the charter have committed to implementing a continuous improvement plan within their organisation to strengthen their supplier relations in a spirit of mutual trust and respect for each other's rights and responsibilities.

It has been made clear to all signatories that the commitments made under this charter are to be implemented in compliance with the laws governing the market economy, European and domestic regulations governing business-to-business relations (namely France's Civil Code and Commercial Code) and, where applicable, legislation governing public procurement contracts.

Whether they have already put all or some of the charter principles into practice, signatories are aware that:

- the charter commitments can be used as a foundation for a sustainable procurement policy
- the charter promotes a culture of dialogue and mediation by encouraging better ways to resolve disputes with suppliers
- the charter can apply to virtually any private or public organisation
- the charter is a tool for building better relationships, which becomes possible when all stakeholders in the value chain take a joint approach to building business relationships through regular, proactive and responsive dialogue with suppliers

The signatories also agree to:

- promptly communicate their commitments to all internal and external stakeholders
- share and promote accomplishments and feedback in the area of supplier relations with the aim of collectively furthering sustainable procurement practices

# THE 10 COMMITMENTS

## 1. Ensure fair financial treatment of suppliers

A sustainable purchaser will respect statutory payment deadlines and strictly and conscientiously adhere to its legal obligations. Signatories to the charter undertake not to violate the spirit of the law and, particularly with regard to small and medium-sized enterprises,

to:

- ensure a seamless payment process from end to end
- issue payment no later than the statutory or contractual deadline and without making unfair demands in exchange for timely payment
- notify suppliers if payment will be late or withheld, whether in relation to a dispute or otherwise, and address the matter proactively in all cases
- ask suppliers to invoice promptly
- as part of dialogue with suppliers, be open to adapting financing terms to their operational needs

## 2. Maintain respectful relationships with all suppliers to encourage collaborative relationships to grow

A sustainable purchaser will respect its contractual commitments and will actively listen to its suppliers. This is the hallmark of a fair and harmonious supplier relationship.

The goal is to work toward collaborative and mutually beneficial relationships with strategic suppliers.

This may involve:

- assuming part of the cost of final accreditation or certification
- supporting them as they grow and monitoring other startups/VSEs/SMEs that make up their strategic network
- developing synergies in terms of skills, services or equipment, making sure to respect the management of the companies in question

Such collaborative initiatives may be formalised in an agreement that sets out the terms for a partnership relationship, excluding any practices that would constitute de facto management.

## 3. Identify and manage situations of mutual dependency with suppliers

A risk factor for suppliers, in the event of a sudden change in order volumes, is concentrating too much of their business with a single customer. A sustainable purchaser will therefore encourage suppliers to pursue actions and initiatives that benefit their business (diversification, internationalisation, digitalisation, skills upgrading, etc.).

If it is necessary for a purchaser to withdraw from the business relationship, it should be done in stages and with advance notice, taking into account how long the relationship has been in place and, if applicable, the supplier's degree of dependency and its options for diversifying or adapting.

Conversely, a supplier that holds a monopoly could potentially jeopardise its customer's supply. In such a situation, it would be reasonable for the purchaser to want multiple supply sources, which could be negotiated, for example in the form of a paid licensing agreement.

## 4. Ally with signatory organisations in the same industry

As part of bilateral relationships with suppliers in its industry, a sustainable purchaser will strive toward

- a relationship of trust with the supplier's management, in particular the CEO, who, in the same spirit, will be encouraged to keep the customer in the loop about relevant operational developments
- a far-sighted approach to order management, to keep suppliers in the loop by communicating cancellations ahead of time and sharing expected medium- and longterm activity levels to ensure that production capacity can be adapted

- protecting the industry by refraining, insofar as possible, from suddenly bringing operations back in-house during a crisis, and making sure to maintain subcontracting capacity and expertise in the event of recovery or growth
- open and collaborative innovation with potential suppliers, for instance by establishing close and regular dialogue

Purchasers will pay attention to the consolidation of production chains, whether in the event of opportunities for development abroad or in the event of operations being reshored to France or Europe.

## 5. Evaluate total life-cycle costs and impacts

In determining the best bid, a sustainable purchaser will take into account:

- all cost components. This means not just comparing the price of goods or services but factoring in all incidental costs, such as:
  - logistics costs borne directly by the purchaser (transportation, storage, etc.)
  - length of the technical development process (various stages)
  - time required for training and to acquire skills
  - after-sales costs calculated on the basis of equivalent services
  - cost of quality control and corporate social responsibility (CSR) audits
- the overall life cycle<sup>1</sup>
- contingency factors that could affect total costs in the supply chain, such as:
  - supply shortages
  - compliance of products/services
  - risks relating to dispute resolution and anti-corruption efforts
  - currency fluctuations
  - social, public health and (geo)political risks not covered by insurance
  - reliability of after-sales service, with possible knock-on effects in terms of operating losses and brand image impairment

## 6. Give consideration to environmental and social responsibility issues

Recognising that the operations of organisations have not only economic and financial consequences but also environmental and social ones, a sustainable purchaser will be sure to take sustainable development considerations into account, namely the 17 Sustainable Development Goals (SDGs)<sup>2</sup>. This involves planning for future developments in the areas of:

- the environment, for instance by taking into account issues associated with changes in fossil fuels, emissions pricing, energy consumption, raw materials, carbon footprints, waste management and lifecycle management
- disability, inclusion and employment, for instance by promoting specific provisions in contracts and tenders (grouping into lots, joint contracting, adjusting contract implementation conditions, etc.)

In its extra-financial performance reporting, the organisation will report on the social and environmental impact of its operations and on its sustainable procurement strategy and outlook, particularly with regard to its values and the commitments it has made in signing the charter.

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<sup>1</sup> See ISO 20400, chapter 7.2.3.

<sup>2</sup> At the UN in September 2015, 193 countries, including France, adopted the Agenda for Sustainable Development, which sets out 17 Sustainable Development Goals (SDGs) to eradicate poverty, protect the planet and ensure prosperity for all by 2030. It is a global ambition that is universal and comprehensive in scope, calling for action from all countries and all stakeholders (national and regional authorities, corporations, citizens, users, etc.)

The purchaser should also set an example for its suppliers in terms of corporate social responsibility. In its selection criteria, it should include environmental, social and economic performance criteria adapted to the context at hand.

### **7. Be a responsible member of the local business community**

All signatory organisations have a responsibility to:

- create and develop a network that fosters inclusion and development by maintaining good business relationships with customers
- for the circular economy, depending on the procurement category, prioritise local suppliers and short supply chains
- prioritise local economic development and investment

### **8. Have a professional and ethical procurement function**

To follow these principles in their day-to-day operations, signatory organisations will rely on the professionalism of their procurement function. Procurement professionals must:

- have been trained in the hard and soft skills required in the procurement profession
- behave ethically and responsibly toward suppliers, based on a shared sense of professional integrity that combines dedication, impartiality, fairness and transparency
- be personally committed to combatting corruption, by being impartial and objective and avoiding situations that could lead to a conflict of interest
- be compensated in a manner that is consistent with the commitments of this charter;

the targets set for procurement professionals, including criteria for bonuses, should factor in all of the sustainable procurement principles set out in this charter, covering economic, financial, environmental, social and local considerations

- endeavour to develop specifications that reflect the actual needs of the requesting party or end user

The quality of the supplier relationship is the result of teamwork, where each individual contribution plays a part. It is a group effort. The same principles therefore apply to anyone in the organisation (requesting parties, end users, etc.) concerned by supplier relations and procurement activities carried out by a third party.

Signatories also undertake to ensure their employees have the necessary skills (individually and collectively, including soft skills) with a view to building collaborative relationships both internally and externally.

### **9. Conduct overall management of supplier relations through the procurement function**

The procurement function is responsible for the organisation's sustainable procurement policy.

In this capacity, it leads or coordinates all aspects of supplier relationships by :

- coordinating customer-supplier relationships based on mutual respect and responsibility, which should include actively listening to suppliers
- implementing appropriate means for monitoring suppliers
- communicating the organisation's procurement policy as transparently as possible
- giving preference to out-of-court solutions to commercial disputes, for instance through the mediation process set out in the contract conditions - designing a sustainable procurement policy that aligns with the CSR priorities established by management
- evaluating the risks and opportunities of sustainable procurement to establish priorities for action

Purchasers are responsible for ensuring sustainable sourcing through open, free and fair tendering that adheres to the following rules: free access to calls for tender (through a qualifying process, if applicable), equality of treatment of bidders, transparency and traceability of procedures, and consideration of full life-cycle costing as defined in item 5.

**The procurement function will lead and/or coordinate the operational plans necessary to implement this charter, monitor the associated indicators and take any required corrective action.**

Signatory organisations will appoint one or more SME correspondents whom suppliers can contact to be put in touch with the right people in the organisation. In small organisations, management may assign the roles of SME correspondent and supplier relations mediator to the same person.

**10. Establish a supplier relations mediation function to facilitate internal and external interactions**

Appoint as supplier relations mediator an employee who knows the organisation well and has the trust of management, but who also has as much independence as possible from the heads of operational functions (e.g. procurement, legal affairs).

The supplier relations mediator may be called on to deal with suppliers, customers or internal departments (procurement, accounting, legal affairs, etc.) in the event of a dispute. For mediation to be effective, it is important that the organisation uphold the principles of neutrality and confidentiality.

Internally, the supplier relations mediator serves as a communications channel for issues that arise and solutions proposed to proactively improve relations. It is the mediator's role to listen with an open mind, and they can help reassess a situation or come to a quick consensus.

Externally, the supplier relations mediator helps to find the right decision-makers within the organisation.

If an internal resolution to a dispute is proposed, the supplier remains free to refer the matter to the MDE or choose another external mediation option.

The supplier relations mediator will be knowledgeable about mediation. They will have access to mediation training offered by the Ministry for the Economy, Finance and the Recovery.

## **IMPLEMENTATION OF THE CHARTER**

### **a) Charter governance**

This charter is a joint effort from the National Procurement Council (CNA) and the Business Mediation Department (MDE), which work together to promote the proper use of the charter and encourage signatories to work toward obtaining the Sustainable Procurement and Supplier Relations Label.<sup>3</sup>

If a violation of the is reported, the CNA and MDE will reach out to the business in question.

They have formed a steering committee, which they co-chair and which meets at least twice a year. Any changes to the charter will be made through these meetings.

The CNA will encourage its members to sign this charter and work toward obtaining the label, and promote both more widely to the procurement community.

### **b) Signatories' implementation of the charter and progress toward the label**

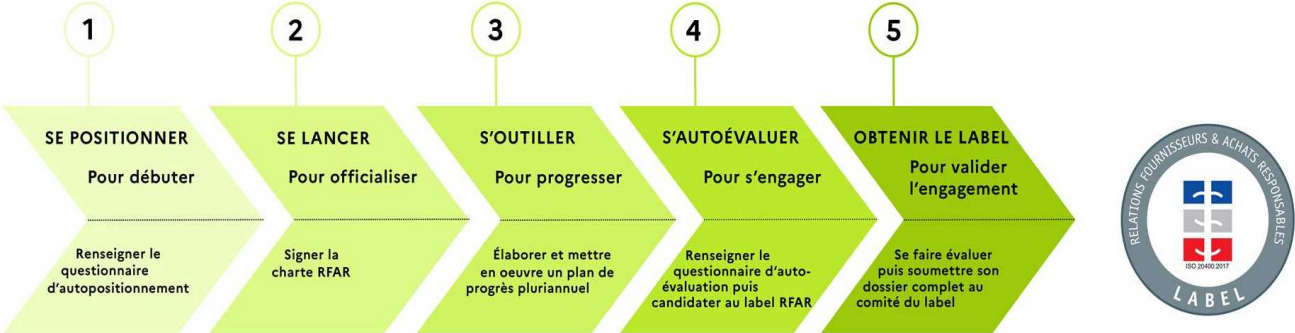
With a view to progressing along the "charter to label" track, each signatory agrees, before signing the charter, to complete the label's **self-assessment questionnaire** to receive its personal results (see step 1 in the sequence of events below).

This is a purely informational step, based on best practices, designed to help management take stock of their organisation and its strengths and weaknesses before committing to the charter.

After signing the charter, the signatory agrees to draft a **multi-year progress plan** (see step 3), with actions listed in order of priority. Throughout this process, the signatory can make use of the support documents and resources made available by the CNA and the MDE free of charge on their websites.

The signatory’s commitment must be accompanied by real and visible action, both internally and externally. This requires an understanding and take-up of the charter commitments, both within the organisation and in its dealings with suppliers, which will benefit from these commitments.

By following and implementing these commitments, the signatory will be well positioned to develop a sustainable procurement policy and take the necessary steps to meet the conditions for the sustainable procurement and supplier relations label (see steps 4 and 5).



Path to Sustainable Procurement and Supplier Relations				
1	2	3	4	5
Complete the self-assessment	Sign the charter	Draft a multi-year progress plan	Undergo an assessment by an accredited third-party assessor	Submit application to the label awarding committee
Develop a sustainable procurement strategy aligned with CSR objectives	Join the community of signatories	Allocate resources, choose key indicators and set objectives	Update the multi-year progress plan and set priorities	Obtain label for 3 years, subject to annual reviews

Date :

City :

Name of the organisation :

Signature (with function and name)