

“Responsible Supplier Relations & Purchasing” Charter

PREAMBLE

The 2009 “Responsible Supplier Relations” Charter was developed to commit signatories to implementing a progressive approach in their relations with their suppliers.

Carried out since 2010 by the Business Ombudsman (MDE) with the National Purchasing Council (CNA), and now boasting more than 2,200 signatories, it has demonstrated a solid track record in the private and public ecosystem as well as a positive impact on business relations, particularly with regard to very small, small and medium-sized enterprises (VSEs).

In 2012, a methodology for evaluating responsible purchasing practices was developed as a follow-up to the Charter in the form of a Label.

At the time of the Rana Plaza accident in 2013, mindful of the responsibility of the principals throughout the supplier chain, France proposed the establishment of an international standard for responsible purchasing, which will lead in 2017 to the ISO20400 standard. The label is now backed by this standard.

Finally, the economic and health crises of 2020-2021 confirmed the importance of the quality of the relationship between customers and suppliers as well as the values of solidarity, ethics and trust.

These developments since 2010 have prompted an update of this document, inviting people to embark on a responsible “Charter-Label” purchasing journey.

The leaders of the signatory organisations of this Charter express their willingness to implement a plan for continuous progress within their organisation and commit themselves to improving their supplier relations in a framework of mutual trust and respect for respective rights and duties.

It is clearly established for all signatories that all the commitments made in this Charter, as well as their implementation, fall within the framework of the legislation in force regulating the market economy, compliance with European and national provisions governing relations between undertakings (in particular the Civil Code and the Commercial Code) and, for the undertakings and entities concerned, the texts governing public procurement contracts.

The signatories, whether they already apply all or part of the principles of the Charter, are aware that:

- the commitments of the Charter can form the basis of a responsible purchasing policy;

- the Charter introduces the culture of dialogue and mediation by making it as easy as possible to resolve any disputes with suppliers;
- in general, it covers all private and public organisations
- the Charter is a tool for strengthening relations when each player in the value chain adopts an approach of co-building business ties through regular, proactive and conciliatory listening to its suppliers.

The same signatories agree that:

- their commitments will be promptly communicated to all internal and external stakeholders;
- successes, feedback on supplier relations will be shared and promoted with the aim of mutually advancing the state of the art in responsible purchasing.

THE 10 COMMITMENTS

1. Ensuring a responsible financial relationship with suppliers

The responsible behaviour of the buyer consists in respecting the legal payment deadlines, applying these provisions strictly and sincerely. The signatories undertake à not distort the spirit of the law and, in relation to small and medium-sized enterprises, in particular to:

- ensuring the smooth end-to-end payment process;
- to pay at the latest within the contractual or legal deadlines and without demanding an unbalanced consideration;
- inform the supplier of a late payment or withholding linked or not to a dispute and in any case to deal proactively with it;
- raise awareness among their suppliers to send their invoices quickly;
- facilitate, in the dialogue, any financing arrangements adapted to the needs of the supplier's activity.

2. Maintain a respectful relationship with all suppliers, favourable to the development of collaborative relationships

The fulfilment by the buyer of contractual commitments and an active listening approach are the guarantees of a loyal and peaceful supplier relationship.

The aim is to work towards collaborative, mutually beneficial relationships with strategic suppliers, such as:

- share the costs of qualification, final approval;
 - support their growth and monitor the startups/VSEs/SMEs that are at the heart of their strategic panel;
 - develop synergies in terms of skills, services or equipment
- ensuring that the management of the companies concerned is respected.

This collaboration may be formalised by an agreement organising the partnership relationship, excluding any practice equivalent to de facto management.

3. Identify and manage situations of reciprocal dependencies with suppliers

The excessive weight of a customer in a company's activity can be a risk factor in the event of a sudden change in order volumes. As a result, the buyer will encourage its suppliers to commit to positive actions and initiatives for its organisation (diversification, internationalisation, digitalisation, improvement of know-how, etc.).

If necessary, the eventual withdrawal of a buyer is anticipated and gradual in order to take into account the age of the relationship with the organisation, where applicable, the degree of dependence, its possibilities of diversifying or adapting.

Conversely, a supplier that is in a de facto monopoly situation may put a customer's supplies at risk. The latter will then logically want one or more sources of supply, which may be expressed in the context of the negotiation, for example in the form of a licence assignment normally remunerated.

4. Involve the signatory organisations in their processes

In its bilateral relationship with suppliers in its chain, the buyer undertakes to seek:

- a relationship of trust with the management of the supplier company, and in particular its director, who will be invited in this logic to give his customer the necessary visibility on his activity;
 - developing forward-looking purchasing management to give suppliers visibility by communicating in advance order stops and medium- and long-term forecast activity levels and thus encourage capacity adaptation;
 - protecting the sector by avoiding, as far as possible, the abrupt reinstatement of operations in times of crisis, and paying attention to maintaining the subcontracting capacities and know-how that will be necessary at the time of recovery and development.
- open and collaborative innovation with potential suppliers, for example by establishing a close and regular dialogue.

Buyers will be attentive to the consolidation of production chains, both in the event of international development opportunities and in the event of relocation at national or European level.

5. Assess all life-cycle costs and impacts

To assess the higher-priced offer, buyers take into account:

- all cost components (not only comparing the price of the good or service, but including all complementary costs) such as:
 - the associated logistics costs borne directly by the buyer (transport, storage, etc.);
 - the duration of technical development with round trips;
 - training and skills acquisition time;
 - after-sales costs for equivalent services; quality and CSR audit costs.
- the overall life cycle view¹
- all contingencies contributing to total costs in the supply chain, such as:
 - supply disruptions;
 - product and service compliance;
 - all risks related to litigation and the fight against corruption; currency fluctuations;
 - social, health and (geo)political risks, not covered by insurance; the reliability of after-sales service and the possible consequences in terms of operating losses and impact on the company's image.

6. Integrating environmental and societal responsibility issues

Since the activities of the organisations generate economic, financial, but also social and environmental consequences, the purchaser takes these issues into account

¹See ISO 20400 chapter 7.2.3

sustainable development, in particular in line with the 17 SDGs², which will result in particular in anticipating developments:

- in the environmental field, in particular by taking into account the challenges related to future variations in fossil fuels, the likely taxation of emissions, energy consumption, raw materials, carbon balance as well as waste treatment and life-cycle issues.
- in the field of disability, integration and employment, in particular by promoting certain provisions in contracts and contracts (allotment, temporary grouping of undertakings, adaptation of contract performance conditions, etc.)

The organisation will endeavour to communicate in its non-financial performance statements on the social, environmental and societal impact of its activities as well as its elements of strategy and prospects for responsible purchasing and in particular on its values and commitments made by its accession to the Charter

The purchaser also has a role to play in setting an example in order to raise the awareness of its suppliers about their social responsibility. It incorporates environmental, social and economic performance criteria adapted to its markets into its selection criteria.

7. Ensure the territorial responsibility of its organisation

Each organisation is responsible for:

- create a fabric of relationships that contributes to its cohesion and development by ensuring good business relationships with clients;
- prioritise for the circular economy and according to purchasing categories, local suppliers and short circuits;
- promote investment and economic development within its territory;

8. The professionalism and ethics of the procurement function

Compliance by a signatory organisation on a daily basis with all the principles set out is based on the professionalism of its buyers, who must:

- be trained in the know-how and know-how of the Purchasing business;
 - behave ethically and responsibly towards suppliers, based on a shared idea of professional honesty, combining rigour, impartiality, loyalty and transparency;
 - be personally committed to fighting corruption, demonstrating impartiality and objectivity, and avoiding situations that could generate conflicts of interest;
 - receive remuneration consistent with all the commitments made by adhering to this Charter.
- The objectives set for buyers, or even the criteria for allocating variable shares, include all of the principles of responsible purchasing in economic, financial, environmental, social and territorial terms set out in this Charter;
- strive to establish specifications in line with the appropriate needs of prescribing and user services.

² In September 2015, 193 countries, including France, adopted at the UN the Sustainable Development Agenda, which sets out 17 Sustainable Development Goals (SDGs) to eradicate poverty, protect the planet and ensure prosperity for all by 2030. This global ambition is a universal and cross-cutting approach involving all countries and all stakeholders (governments, local authorities, businesses, citizens, users, etc.).

The quality of the relationship with suppliers is the result of teamwork, where the contribution of each is decisive. This is a collective mission.

The same principles therefore apply to all employees concerned within the organisation by supplier relations and purchases (prescribers, users, etc., which would be carried out by delegation to third parties).

The signatory also undertakes to ensure the skills of its employees, both individual and collective, in terms of know-how with a view to developing collaborative relationships both internally and externally.

9. A purchasing function responsible for managing the supplier relationship globally

The Purchasing function is responsible for responsible purchasing policy. As such, it manages or coordinates the entire relationship with suppliers by:

- fostering a customer-supplier relationship, based on mutual respect and responsibility, in particular by actively listening to the voice of suppliers;
- putting in place the appropriate means to monitor suppliers;
- communicating its purchasing policy as transparently as possible;
- favouring the amicable settlement of commercial disputes, in particular through mediation, which will be provided for in the contractual terms;
- aligning with the CSR guidelines set by their managers to define a responsible purchasing policy;
- assessing the risks and opportunities for responsible purchasing in order to set priorities for action.

Buyers are responsible for ensuring responsible sourcing through open, free and fair competition, which guarantees efficiency on the basis of the following rules: free access to invitations to tender (possibly in accordance with a supplier qualification process), equal treatment of candidates, transparency and traceability of procedures, taking into account the whole life-cycle cost as defined in point 5.

The Procurement function pilots and/or coordinates the appropriate business plans for the implementation of this Charter, the monitoring of the associated indicators and the corrective actions that may be required.

The signatory organisations will designate one or more "SME correspondents" who may be asked by suppliers to open up contacts within their organisation. In small organisations, the manager is free to entrust the roles of "SME correspondent" and "supplier relations mediator" to one and the same person.

10- A "supplier relations" mediator, responsible for streamlining internal and external relations within the company

Chosen from among employees with a very good knowledge of the company and the trust of the manager(s), but as far as possible independent of the operational managers of his company (including purchasing and the legal department), the mediator

« supplier relations" may intervene with suppliers, customers or an internal department (purchasing, accounting, legal, etc.) in the event of a dispute. It was agreed that the principles of neutrality and respect for "confidentiality" are key factors for the success of mediations within the organisation.

The "supplier relations" mediator is an internal communication relay on the issues raised and the solutions provided to improve the relationship upstream. It offers

listening sympathetically and can help to reconsider a file, and/or quickly facilitate concerted solutions.

Asked from outside, he helps identify the right decision-makers within his company.

A proposal for internal dispute resolution does not prevent the supplier from preferring or not referral to the Business Ombudsman or to another external mediation mechanism.

The "supplier relations" mediator will be made aware of mediation. It has access to training courses offered by the Ministry of Economy and Finance and Recovery in this area.

IMPLEMENTATION OF THE CHARTER

a) National governance of the Charter

The National Purchasing Council (CNA) and the Business Ombudsman (MDE) cooperate to disseminate this Charter, promote its proper application and encourage signatories to qualify for the "Responsible Supplier Relations and Purchasing" (RFAR) Label.³

They approach companies in case of reported breaches.

They set up a Steering Committee, which they co-chair and meet regularly at least twice a year. These meetings will make it possible, where appropriate, to develop this Charter.

The CNA will encourage the signing of this Charter, promote the "Charter to Label" pathway among buyers belonging to the Association and, more broadly, through a distribution to the purchasing function.

b) Implementation at the signatory's premises and progress of the Charter with the RFAR label

With this in mind, the signatory undertakes, prior to signing the Charter, to complete the Label's self-**diagnosis questionnaire** (cf. step 1 of the crisis below) and whose results are specific to the signatory, with a view to moving from the Charter to the RFAR label.

This pedagogical approach, inspired by best practices, aims to enlighten the manager on the state of his organisation, its strengths and the challenges to be met before committing.

After signing the Charter, it undertakes to draw up its **multi-annual progress plan** (cf. stage 3) ranked by priority of actions. Throughout this process, it can rely on the accompanying measures and documentary resources made available free of charge by the Business Ombudsman and the CNA on their respective institutional sites.

The commitment must be translated into concrete and visible acts that the signatory will value internally and externally. This presupposes knowledge and ownership of the Charter commitments within the organisation and even more so among the suppliers, who are the beneficiaries of these commitments.

³ www.rfar.fr

By respecting and implementing these commitments, the signatory is thus able to structure a responsible purchasing policy leading him to gradually put his organisation in the conditions of obtaining the RFAR label (see steps 4 and 5).

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