

**Modint, March 26 2020**

### **Corporate responsibility in times of crisis**

In this unexpected, exceptional and unprecedentedly difficult time, trade associations are urging all players in the chain to be there for each other. Together we need to consider how we can overcome, distribute and compensate the problems and risks in the chain. Now, and in the future. Flexibility, mutual understanding, vision, responsibility and solidarity are needed.

We call on all parties to do the maximum within everyone's individual ability.

### **No administration, but chain cooperation**

Many companies have drawn up a CSR policy in recent years, based on Due Diligence. It is a continuous process of scanning and addressing potential risks in the chain on violating human rights and damaging the environment. Now, during the corona crisis, keeping the sector alive and retaining jobs and chain partners, both buyers and suppliers, comes first, which means that jobs of the people in the production countries can also continue to exist.

Because the worldwide industry is upside down, some measures and monitoring are no longer possible. This requires understanding and practical solutions from the various stakeholders in this field. For example, Modint is already in consultation with the Ministry of Infrastructure and the Environment and the secretariat of the Agreement on Sustainable Clothing & Textiles to place ongoing affairs in the current context.

### **Due Diligence**

John Ruggie (Professor in Human Rights and International Affairs at Harvard University) has drawn up a human rights framework for the UN with 3 principles that concern companies, government and employees at all times:

**Protect:** The government must provide protection against human rights violations by third parties.

**Respect:** Businesses must respect human rights

**Remedy:** Victims should have access to redress

While companies are busy with liquidity, crisis deliberation, human resources and discussing risks and costs with chain partners to keep everything afloat, it is especially now the time for protection by the authorities. This is not to say that companies should no longer have an eye for malpractices in the chain, and certainly not if it is related to their own measures. The CSR policy remains in place, where possible the supply chain / CSR managers can help to recalibrate corporate responsibility in times of crisis, which will be different for each individual company and will depend on carrying capacity. There is still support for international corporate responsibility, which will be irreversible. Respect for chain partners is paramount, and with it also comes respect for all people who work within the chain. As an industry, we do our best, also for them.

[UN Global Compact](#) provides advice on ethical business during this crisis period divided under the topics human rights, environment and corruption. See also the links below to information from the International Labor Organization (ILO) and the Organization for Economic Cooperation and Development (OECD).

## **Purchasing practice**

To what extent can you guarantee as a company that you will maintain employment and good working conditions in your chain, while you actually have to ask for a deferred payment or cancel deliveries in order to maintain the continuity of your own company? What is included in your policy regarding purchasing conditions? To what extent can you still comply with the existing agreements? It is important to talk to your manufacturers and buyers if existing agreements can no longer be lived up to. Think of payment and delivery agreements, but also of the upcoming production planning. Where costs can be cut in a responsible way or shared, and where turnover can still be made in a creative way, action must be taken immediately. Chain partners can look at (credit)insurance and government support in countries where companies and employees are located. (see the OECD report below). Modint is also investigating the possibilities for international support.

At all times, we must avoid a one-sided approach by keeping an eye on each other's situation. Where the need is greatest, chain partners must assist and give each other as much space as possible. Where there is really no other option, a responsible way of phasing out must be looked at, with an eye for the employer, but also for the employees.

We would like to quote Darwin here. Those companies that survive, are the ones that can adapt best to current developments, not the strongest or the smartest. This requires strengthening partnership, open communication, cutting costs where possible and a lot of creativity and well-understood solidarity.

## **What can you do as a Supply Chain / CSR manager?**

The role of the CSR manager (or CSR management) changes in times of crisis. It is currently much more about facilitating the dialogue with chain partners than arranging the next audit. Explore the situation with your chain partners and explain your own problems. Listen to each other and figure out where there is still a little space. This creates more understanding for everyone's situation and joint creativity to come up with partial solutions. This may include extending payments, spread payments, credit insurance, government support, or human resources (in the chain of working conditions). Discuss what it means for employer and employees and make a phase out plan. Try to get to the causes and consequences and avoid the worst. It is momentous that the CSR manager or CSR as a theme must be involved in making important decisions.

## **Open communication and collaboration**

Agreements between partners are laid down in a contract, which is different for each case. This is basically the starting point for agreements in this exceptional situation.

We would like to emphasize the importance of making arrangements by mutual agreement. Unilateral imposition leads to great frustration. Large market parties in particular have an additional responsibility to demonstrate solidarity and leniency. Everyone understands that sacrifices must be made, but consultation and searching for space together must be the starting point.

We must do everything in our power to avoid drowning in legal proceedings together.

We should also remember the period after Corona. Modint's appeal is that it is essentially about peace and leniency in the industry with regard to trading partners. This will be repeated continuously. Many trade associations have jointly called for this.

Unfortunately, Modint also sees that in their response, parties put short-term self-interest above that of the industry. This while other parties, fueled by people-to-people contact, do appear to be able to seek dialogue. For this reason, we will again call to act from partnership.

The situation creates a lot in all parts of society, so also in business relationships. The vast majority of the questions we currently receive are somehow related to the delivery of goods. This is about the relationship between you and your buyer or supplier. This special situation means that there are anything but ready-made answers.

#### **Useful example texts & messages from international organizations**

Modint creates sample texts are based on the fact that it is not sensible at this stage to bring cooperation with chain partners to a legal level unnecessarily. These are texts that can be used to start dialogue with each other.