

Charte RELATIONS FOURNISSEURS RESPONSABLES

Charter for responsible supplier relations

PREAMBLE

A study of applications filed with the Credit Mediation Department, *Médiation du crédit*, since its establishment in November 2008 has revealed a certain number of problems in SMEs' relations with their major contractor customers.

This Charter has been drawn up jointly by *Médiation du crédit* and the CNA (national purchase council) to solve these problems. It commits the large contractors that have signed the charter to work on improving their relations with their suppliers, especially when these are small and medium-sized enterprises (VSE-SMEs).

The signatory contractors affirm that they are resolved to apply the good practices described below and to discharge their responsibilities in an environment of mutual trust with the suppliers, based on the full knowledge of and respect for each party's rights and obligations.

It is clearly established for all the signatories that:

- All of this Charter's commitments, and their implementation, are to be understood in the frame of the market economy legislation in force and the European and national provisions governing business relations (French commercial code) as well as, for the companies and bodies concerned, public procurement legislation;
- Some of the signatories already apply all or part of the Charter's principles;
- The Charter concerns on the whole:
 - Companies and bodies with a large purchasing volume;
 - Large purchases, for both buyer and seller (the term "strategic suppliers" in Article 2 refers to suppliers selling one or more products or services which are of strategic importance for one of the purchaser's lines of business).

CHARTER OF "TEN COMMITMENTS FOR RESPONSIBLE PURCHASING"

1. Guarantee fair financial treatment for suppliers

The large contractor's responsible attitude consists of making payment in keeping with the Economic Modernisation Act (LME), strictly and faithfully applying its provisions. The signatories undertake to refrain from distorting the spirit of the act and to refrain, in their dealings with small and medium-sized enterprises, from practices such as:

- Imposing excessive discount rates in return for compliance with the LME's payment terms;
- Unilaterally applying an unreasonable deduction for disputes when they make payment, except where otherwise stipulated by contractual provisions;
- Withholding information from the supplier in the event of a dispute;
- Deliberately delaying the handling of a dispute.

2. Promote co-operation between large contractors and strategic suppliers

The large contractors intend to co-operate with their strategic suppliers by, for example:

- Sharing qualification and final approval costs;
- Helping their core SME strategic suppliers with their business performance (production, purchasing, etc.);
- Helping SMEs to make the most of existing arrangements;

With full respect for the management of the companies concerned.

Customer and supplier will embark upon this approach in good faith, by means of an agreement as the case may be, refraining from any practice resembling de facto management and aiming solely to establish a partnership relationship.

3. Reduce the risks of mutual dependence between contractors and suppliers

A contractor that accounts for too much weight in an SME's business could represent a risk in the event of a sudden change in order volumes. Consequently, any actions that SMEs may take (diversification, internationalisation and improved expertise) will be positive initiatives for the contractors.

A large contractor's withdrawal will be notified in advance and phased to take into account the long-standing nature of relations with the business and, where applicable, the extent of dependence and its possibilities for diversification and adaptation.

A supplier that acquires a de facto technical monopoly may put a contractor's supplies at risk. In this case, the contractor will logically require a second supply source, which could be negotiated, for example, in the form of a normally remunerated licensing agreement.

4. Involve the large contractors in their sector

In their bilateral relations with their sector's suppliers, large contractors undertake to seek :

- To establish a relationship of trust with the company's management and, in particular, the company head, who will be asked, in keeping with this principle, to give their customer the necessary visibility over their activity;
- To develop forward management of purchasing to give suppliers visibility by notifying them in advance of discontinuations of orders and medium-and long-term business level forecasts, thereby fostering the adjustment of capacities;
- To protect the sector by refraining, as far as possible, from suddenly bringing operations back in-house in periods of crisis, and to be attentive to maintaining the subcontracting capacities and expertise required in recovery and growth periods.

Large purchasers will be attentive to the consolidation of production sectors, especially in the case of technological edge, and will promote their international deployment.

5. Evaluate the total purchase cost

When evaluating the competitiveness of supplies from different sources, large contractors will endeavour as far as possible:

- **To take into account all the cost elements** (not just compare the price of the good or the service, but include all the other costs) such as:
 - The related logistical costs borne directly by the purchaser (transport, storage, etc.),
 - The entire length of the technical development process, all back and forth processes being considered,
 - Training and upskilling time,
 - The after-sales costs calculated on the basis of equivalent services,
 - The costs of quality audits and CSR.

- **To incorporate, especially when subcontracting, all the unknowns in the evaluation of these total costs such as:**
 - Breaks in supply,
 - Product and service compliance,
 - Risks associated with handling disputes,
 - Currency fluctuations,
 - Social and political risks not covered by insurance,
 - The reliability of the after-sales service,with their potential repercussions in terms of operating losses and impact on corporate image.

6. Incorporate environmental concerns

Large customers need to anticipate sustainable development considerations and especially the environmental impacts of their purchasing policy, supply sources and their product/service technical specifications in order to prepare themselves for a probable increase in regulatory obligations in this area, future increases in fossil fuel prices and the probable taxation of emissions:

- End-of-life recycling,
- Waste treatment, pollution and energy consumption,
- Carbon footprint.

Large contractors also need to set the example to build their suppliers' awareness of their sustainable development responsibilities. They will include suppliers' performances in this area in their selection criteria.

7. Corporate regional responsibility

It is every business's responsibility to:

- Build a fabric of relations that fosters its growth while maintaining good business relations with customers and suppliers in the same region;
- Seek, in the region in which it conducts its business, to contribute as much as possible to developing economic activity.

8. Purchases: a function and a process

If a business is to comply day to day with all the principles stated, its purchasers need to be professional and:

- Be trained in purchasing techniques;
- Be personally committed to the ethics, show impartiality and objectiveness, and be able to avoid any situation that could generate conflicts of interest;
- Be briefed to use free and fair competitive tendering to ensure efficiency in keeping with the following rules: open access to calls for tender, equality of treatment for bidders, transparency and traceability of procedures, and factoring in of the total cost as defined in point 5.

The same principles apply to purchases made by third-party representatives.

9. A purchasing function tasked with steering the supplier relationship as a whole

Purchasing function players in large contractor set-ups are not solely purchasers, but also prescribers and users potentially in daily contact with the suppliers. The quality of the relationship with the suppliers is the result of teamwork, where each player's contribution is decisive. This is a collective mission.

The purchasing function steers and co-ordinates the entire commercial, financial and accounts relationship with suppliers by:

- Managing a customer-supplier relationship based on mutual respect,
- Setting up the tools needed to monitor suppliers,
- Providing information on its purchasing policy with the utmost transparency,
- Prioritising negotiations to solve commercial disputes.

The purchasing function steers and co-ordinates the business plans required to implement this Charter in addition to tracking the associated indicators and any corrective actions called for.

The contractors will appoint one or more "SME correspondent(s)" who can be contacted by the suppliers to mediate in the event of failure to solve conflicts with local purchasers.

10. Define a consistent purchaser remuneration policy

The setting of targets for purchasers – both contractors’ in-house purchasers and third-party representatives — and even the structure of the variable part of the purchaser’s remuneration will take in all of the economically, financially, environmentally and regionally responsible purchasing principles contained in this Charter.

IMPLEMENTATION OF THE CHARTER

The CNA and the B to B Mediation Department, *Médiation des entreprises*, will co-operate to disseminate this Charter and promote its effective application in liaison with the signatories.

In particular, the CNA will encourage all CNA member purchasers to sign this Charter.

To this end, the two bodies have undertaken to set up a steering committee, which they will co-chair and which will meet regularly at least twice a year.

These meetings will develop this Charter further, if required.