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ETHICAL SOURCING REPORT VOLUME II
EUROPE 08



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ETHICAL SOURCING REPORT

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NURTURING THE SOCIAL VALUES ECONOMY

The growing number of ethical consumers focused on more than price and product quality when choosing products has spurred greater interest in supply chain sustainability. But it is often hard for consumers to find out where they can spend with a clear conscience. Alonovo.com arms consumers with the information they need to make informed buying decisions. Founder and CEO George Polisner discusses this CSR portal and the challenges involved with *Ethical Sourcing Report*.

Empowering consumers to include business ethics in their purchasing considerations means that the best-performing companies are likely to be rewarded for their actions. Enter alonovo.com – an online marketplace that lets mainstream consumers bring ethics into the mix of product performance characteristics they factor into their purchasing decisions.

Company founder and CEO George Polisner says: “Our aim is connecting the concept of corporate behaviour directly to the profit motive.” This alonovo.com does by providing consumers with trustworthy, credible information regarding a company’s sustainability performance before they buy that company’s products.

Polisner argues that there is “huge potential power in guiding what Adam Smith refers to as the “invisible hand”. In other words, helping individuals make more informed consumer choices, thereby maximising their individual benefit, also promotes the common good. Alonovo.com’s mission from the start was to integrate technology, economics and the science of mass-behaviour to develop market demand – as well as the necessary tools – for assessing supplier “social performance” when considering a product purchase.

In pursuit of this goal, alonovo.com provides an online gateway through which users can access information and make purchases from the catalogue of Amazon.com. Alonovo.com is an associate of Amazon.com, meaning that the company receives a small percentage of all sales generated through its website.

The key difference from simply shopping on Amazon.com, however, is that the brands and companies producing the products are given a clear, easy-to-follow ranking that indicates their standing as responsible companies. Currently, this rating is made up of a five-point scale, indicated by green dots, though Polisner plans for this to develop shortly into a grading system (A-, C+, etc). One dot indicates poor behaviour; five is excellent.

Driving alonovo.com's business model is a belief, Polisner says, that there are "knowledgeable consumers that prefer or demand a high-quality, low-cost product, and also want to know that the chain of custody of the product is evolving to embrace a triple bottom line agenda". He believes that there is a significant proportion of customers that want to see evidence of respect for human rights, the earth's natural resources and yes, value, when they make their choices.

Polisner says: "We create additional sales, revenues and profits for a company that has or is evolving to embrace a triple bottom line while shifting revenue and margin away from a company that is operating merely to produce profit, without regard for balancing life or resources."

THE RIGHT RATINGS

"Our ratings are provided from a variety of sources, including KLD Research & Analytics, Social Accountability International and other similar organisations. KLD is a highly-trusted research specialist firm that provides analysis for socially-screened investment portfolios. We have up to 40 different metrics – individual issues including support for women and minorities, clean energy use, and support for local communities – measured on over 3000 companies," Polisner says. When browsing on alonovo.com, if a user clicks to view a product's details, a company report card appears that provides ratings in five key impact groups: social responsibility, healthy environment, fair workplace, business ethics and customer commitment. The overall company values rating is a summary of these scores.

Alonovo.com has recognised that being a niche tool for ultra-progressives would mean ignoring the vast mainstream of consumers.

Polisner says: "Our target market is anyone sitting behind a keyboard." Recognising that we all have different priorities as consumers, the rating methodology on alonovo.com can be tailored by individual users so that particular areas of concern are given added (or less) weight in the eventual company rating. For example, one consumer may wish to rate specific worker rights more highly; for another user, imported oil or energy in the creation or transportation of the product may be a greater concern.

To enable the ratings-tailoring functionality, customers must register with alonovo.com. Unregistered users see the same baseline values ratings for companies, which means that all the metrics are weighted as equally important. The overall aim is to make the ratings process as straightforward as possible for consumers using alonovo.com. Polisner says: "It's important that the classification system is clear and easy to use. More than that, it has to work for consumers without experience of business behaviour."

SHARING THE WEALTH

Something else that alonovo.com believes makes it attractive to a wide range of consumers is revenue-sharing with good causes and other non-profit groups. "Through our affiliate programme, we are committed to helping and funding the work that non-profit organisations undertake in local communities and the wider world. We have affili-

"Our aim is connecting the concept of corporate behaviour directly to the profit motive"

George Polisner, alonovo.com

ate relationships with a select group of environmental, workers' rights, educational, and economic and social justice organisations," Polisner says. Affiliate organisations display prominent links to alonovo.com on their web pages and emails. In return for making this introduction to alonovo.com, affiliate organisations receive 100% of the commissions derived from sales made through Amazon. Consumers have the option of listing a preferred beneficiary non-profit organisation, and alonovo.com's commission on any transactions they make also is passed to that organisation: 50% for non-affiliates and 100% for affiliates.

"We are aware that, for many non-profit organisations, raising revenue

Alonovo's ratings: how it works

The company rating system is designed to provide a comprehensive overview of a company's social responsibility. It has three main goals:

- an easy rating for quick decision making – known as the Company Report Card;
- detailed company information for involved decision making – Detailed Company Report Card; and
- customisable values settings – Set Your Values.

Values Ratings

This is the baseline mode for unregistered users of alonovo.com. It represents an overall rating of a company's social responsibility.

For ease of use, the company ratings are summarised into five Impact Groups:

- social responsibility;
- healthy environment;
- fair workplace;
- customer commitment; and
- business ethics.

My Values Ratings

This is a tailored mode for registered users, representing the overall rating of a company, weighted by individual users to match their values. The ratings are calculated by combining third-party measures of a company's influence with shoppers' responses about their personal convictions.

Metrics

These are the measurements of a company's actual actions affecting stakeholders during the lifecycle of the product. Support for women or minority groups, use of clean energy and support for local economies are examples of metrics, and these are grouped together to provide Impact Groups.

Data sources

For credibility alone, it is essential that Alonovo.com's Value Ratings come from trusted sources. Currently the majority are drawn from KLD Research & Analytics, a firm specialising in environmental, social compliance and governance matters. However, alonovo.com is keen to expand the array of trusted data sources to maintain and increase the quality of the information available to users.



from members or supporters is a major challenge. Because of this we had to ensure that our revenue-sharing model did not diminish any other money-raising activities. We want to spread the word about social responsibility and generate funding for organisations helping us do this. Affiliates' constituents can shop on alonovo.com as they would any other retail website, except they are better informed and, without any cost to them or their preferred beneficiary, they provide an additional source of funding for their favourite good cause," Polisner says.

Alonovo.com has found that the association with Amazon has been extremely beneficial. "Amazon.com provides the price, selection and trust that people expect. This allows us to bring social values ratings to a shopping experience where the financial and fulfilment aspects of each transaction are completed by industry leaders in those areas," Polisner says. He stresses, though, that there is no under-the-table influence on product ratings. "Amazon has absolutely no impact on our values rating system. And, for that matter, neither does anyone else."

While the current arrangement with Amazon is successful, Polisner is keen to work with other vendors. "Diversity is our mission. We plan to build relationships with as many vendors as possible so that alonovo.com's users have the widest possible selection of products," he says.

For now, alonovo.com is only accessible in the US. Looking forward, Polisner is keen to expand overseas. Other possibilities include developing hand-held devices that allow consumers to carry alonovo.com's data with them when they go to traditional shops. In a similar fashion as shoppers now use price-gun devices to keep track of shopping, consumers could zap the barcode of a product to retrieve the same company values rating information that is available on alonovo.com.

Clearly there are many further possible applications for this concept. As Polisner says: "It really is elegantly simple, making money for companies behaving in an ethical fashion. We believe that in doing so we really can help change corporate behaviour. As it's a market-based solution for a societal problem, fiscal conservatives like it. And social progressives like it as it encourages companies and society to do the right thing."

Alonovo.com – what others say

"It's a very well-organised and well-thought-out programme for 'socially responsible shopping', with careful monitoring of corporations on a variety of dimensions, intending to use mass consumer pressure to hold them to account, and then to extend further into other organising efforts. Very ambitious, very well-planned."

Noam Chomsky, *philosopher, academic and libertarian*

"If it catches on, it could be one of the most powerful social change tools ever put into consumers' hands. It creates a powerful statement when it can directly influence debits and credits and revenue streams based on a company's embodiment of socially responsible principles."

Joel Makower, *strategist on sustainable business, clean technology and green marketing, is also founder of the Green Business Network and GreenBiz.com*

