Executive summary

In its bid to win the 2012 Games, London made broad commitments to sustainability, including sustainable sourcing. LOCOG’s Sustainable Sourcing Code – adopted three years later – required compliance with the robust labour standards of the Ethical Trading Initiative (ETI) Base Code and set a number of precedents in the level of stakeholder engagement on labour issues, requirements of its commercial partners (sponsors, suppliers and licensees), and visibility into labour conditions in its supply chains. As part of its commitment to legacy learning for the benefit of the events sector, including future Organising Committees, and the wider event industry and temporary enterprises more generally, LOCOG commissioned Verité, a not-for-profit supply chain labour rights expert, to assess the strategies and systems LOCOG integrated into its procurement processes to reduce the risk of poor labour standards performance in its supply chain.

Verité’s assessment and recommendations take into account the unique constraints, as well as opportunities, of the high visibility Olympic and Paralympic organising business model. Being a time-bound, single event-based enterprise, there was little room for LOCOG to evolve labour standards systems over time, or for troubleshooting problems after they emerged. LOCOG’s primary opportunity to use its leverage with commercial partners and to manage sustainability risks was to include, and stand behind, requirements in its sponsorship, licensing and procurement processes. By the same token, the stature and commercial draw of the Olympic and Paralympic Games, the public and stakeholder attention and the permanent global structure embedded within the International Olympic Committee (IOC) and International Paralympic Committee (IPC), provide opportunities to ensure that good practices are rewarded, mainstreamed and steadily scaled with each successive Games.

Following is a high-level overview of Verité’s findings on opportunities for future event organisers and temporary organisations both to build on LOCOG programme strengths and to address areas for improvement. Our description of effective practices, discussion of system gaps and recommendations for strengthening are provided in the full report.

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* The Ethical Trading Initiative (ETI) is a UK-based alliance of companies, trade unions and voluntary organisations established in 1998. The ETI Base Code (which can be adopted by any organisation) is founded on the conventions of the International Labour Organisation (ILO) and is an internationally recognised code of labour practice.
Programme strengths

- LOCOG set ambitious goals for the development and implementation of a robust sustainable sourcing programme and achieved many of its key objectives. The strengths of its approach, which would benefit similar time-bound organisations, included:
  
  - A comprehensive sustainable sourcing code that incorporated robust, and sometimes aspirational, requirements for labour practices, health and safety, diversity and inclusion, timber and timber products, and product sustainability certifications, among others.
  
  - Stakeholder engagement that leveraged individuals and organisations with credible supply chain management expertise, including trade unions, campaign organisations, NGOs and businesses, among others.
  
  - Continuous integration of learning as its programmes evolved; as demonstrated by the refinement of the Code, processes and tools.
  
  - Flexibility and openness to good practices in supply chain risk management, including accommodating the different audit and supplier performance management models used by some commercial partners.
  
- Once procurement began, though LOCOG found itself largely unprepared for the more complex task of implementing the labour (versus environmental) provisions of the Code, the Sustainability team maximised the use of its limited resources to work directly with sponsors, licensees and suppliers to facilitate factory compliance.
  
- Public disclosure was made of the names and locations of more than 120 factories of 11 of its major licensees, or 70 per cent of the total value of licensed goods produced.
  
- LOCOG committed to transparency in governance, including public availability of LOCOG programme strategy and supporting documents, the creation of an external Stakeholder Oversight Group for its complaints mechanism, and legacy reporting.
  
- LOCOG requiring formal review and sign-off by a robust cross-functional team, including Sustainability, for all deals exceeding £250,000 or those which represented a significant relationship to LOCOG (such as licensing deals). The team comprised the organisation’s CEO, the General Counsel, the CFO, the Commercial Director, the Procurement Director, the Communications Director and the Head of Sustainability.

Areas for improvement

- The IOC and IPC have the opportunity to make ethical sourcing a permanent integral part of the Games by endorsing, and standardising, the globally applicable good practices of current, broadly endorsed labour rights initiatives, and those emerging from LOCOG’s efforts in particular. As a baseline, these could include the ILO Conventions, Universal Declaration of Human Rights (UDHR), and the UN Guiding Principles on Business and Human Rights. This opportunity for alignment among local and global organisations holds for the events industry in general.
  
- To avoid the pitfall of assuming environmental and labour issues can be readily managed together, event organisers and other short-term organisations should plan to devote discrete resources to each thrust, especially the need to resource the labour function adequately with expertise and manpower.
  
- To take advantage of the strong labour-focused initiatives currently in use (for example, codes, monitoring and capacity-building models, supplier scoring and so on), event organisers and other short-term organisations will benefit from adopting equivalency guidelines at the start of their supplier engagement process.
  
- Given the short window of commercial leverage to enforce
‘LOCOG aspires to set new standards of sustainability for the Games and create a powerful knowledge legacy for more sustainable event management.’

London 2012 Pre-Games Sustainability Report

commitment to the Code, event organisers will benefit from providing maximum clarity to potential sponsors, suppliers and licensees in the approval process on ‘what good looks like’ to support them in meeting Code requirements. In LOCOG’s case, this included examples of effective implementation of each of the ETI Base Code requirements and criteria for measuring a commercial partner’s success in self-managing labour standards risks in its supply chain.

– It is reasonable to expect that commercial partners provide a more complete list of potential production site locations at the time of appointment, despite the fact many will claim that they do not know which manufacturing sites they would ultimately use or that their internal policies do not allow them to do so until they were under contract. Future time-bound organisations should anticipate this resistance and build longer lead times and firmer requirements for transparency into their approvals process.

– An organisation’s procurement system should have a standard requirement across all sponsors, suppliers and licensees (in the case of LOCOG for the identified High Priority Spend Categories\(^b\)) both global and domestic – that prior to production approval, every potential production site i) undergoes or has recently undergone a high-quality (for example, GSCP-equivalent\(^c\)) labour standards audit, ii) any priority or ‘zero tolerance’ issues are fully addressed, and iii) all other audit non-conformities are part of a corrective action plan that is on track for completion.

– The standard organisational questions used to evaluate prospective commercial partner sustainability management systems should include a way to determine the robustness of supply chain audit and corrective action processes.

– Event organisers will benefit from expanding through defined responsibilities and internal training competencies the management of labour issues across their entire procurement and contract management team from the start of the tendering process.

– Broad and earlier dissemination of the labour provisions of an organisation’s sourcing code to workers in the factories producing their goods, as well as information on hotlines or other complaints mechanisms, will ensure that workers have a clear understanding of their rights and means of advocating for their own safety and welfare.

\(^b\) LOCOG Sustainable Sourcing Code, Appendix A: Spend category prioritisation. Categories of interest include: London 2012 branded goods, apparel and textiles, merchandise, premiums, sports equipment and furniture.

\(^c\) An audit that has been successfully evaluated by the Global Social Compliance Program (GSCP) equivalence process against the GSCP Reference Audit Process.
Labour practices: ‘Suppliers and licensees will take appropriate steps to ensure that all locations used in the manufacture and supply of products/services to LOCOG meet the provisions of the Ethical Trading Initiative (ETI) Base Code, which should include consideration of local initiatives such as the London Living Wage where relevant.’

LOCLOG Sustainable Sourcing Code, Core Principles of the Code

Introduction

Background
The city of London was awarded the right to host the 2012 Olympic Games and Paralympic Games in July 2005. The award was based, at least in part, on the bid’s broad commitment to legacy planning, which included environmental sustainability and sustainable development. The London Games promised to set the benchmark for sustainable events management, which resulted in helping to create BS 8901d.

The overarching framework for the London 2012 sustainability programme was the London 2012 Olympic Games and Paralympic Games Sustainability Policy (June 2006) and the London 2012 Sustainability Plan (‘Towards a One Planet 2012’, November 2007). The London 2012 Sustainability Plan took a programme-wide approach covering all three of the key phases – preparation, Games and legacy – and built on the sustainability commitments set out in the London 2012 Candidate City bid documents. All delivery organisations, including the London Organising Committee of the Olympic Games and Paralympic Games (LOCLOG), were required to incorporate sustainability into their internal management systems arrangements.

At the heart of LOCOG’s programme to achieve its sustainability goals for sourcing was the LOCOG Sustainable Sourcing Code which required commercial partners to ensure that all goods and services supplied to LOCOG were sourced and produced under internationally accepted standards and guidelines for labour practices, health and safety, diversity and inclusion, timber and timber products, among others.

This commitment translated into enormous pressure on LOCOG to incorporate social and environmental risk management into all its sponsorship, licensing, procurement and supplier management activities.

As the scope of the commitment to sustainability far exceeded past Games, LOCOG was unable simply to adopt the processes and practices from preceding Organising Committees for implementing its Code. For example, the Organising Committee for the Vancouver 2010 Winter Games (VANOC) created Codes of Conduct for Social and Environmental Compliance for licensees and suppliers; both codes called upon VANOC’s procurement and licensing teams to evaluate the environmental responsibility and ethical sourcing practices of all Games suppliers and licensees. However, VANOC had limited resources for follow-up, on-the-ground monitoring and capacity building of its supply chain. Because of this and the fact that the lessons learned from the Vancouver Games were not available until after procurement was scheduled to start for London 2012, LOCOG had to build much of its programme from the ground up.

Assessment scope
Verité was asked to contribute to LOCOG’s legacy reporting with an assessment of the strengths and areas for improvement of the systems it developed and implemented to manage risks to the dignity, ethical treatment and safety of supply chain workers producing goods for the Games.

Verité is a global, independent, non-profit organisation which provides consulting, training, research and auditing services with a mission to ensure that people worldwide work under safe, fair and legal working conditions. Since its inception in 1995, Verité has partnered with hundreds of multinational brands and international institutions to improve working conditions and overall social and environmental performance of global supply chains.

We intend this report to be mainly forward looking, with future Olympic and Paralympic Games organisers – or indeed any single event-based or short-term enterprise – as the primary audience. We have organised it to highlight the good practices and key lessons that will

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‘Inevitably, given the range and number of contracts we have to put in place, it is impractical to expect to be able to assure standards across the entirety of our extended supply chain.’

Paul Deighton, Chief Executive, London 2012 Organising Committee (LOCOG), from ‘Delivering Change – Pre-Games Sustainability Report’, April 2012

most benefit these types of organisations in setting out to sign up commercial sponsors and partners, appoint licensees, and directly source goods and services.

Verité evaluated the LOCOG procurement processes and governance model against the Verité Systems Approach (VSA) benchmarks in order to identify potential risks in key supply chain management processes such as supplier and licensee screening and selection, approval of supplier factories for production, and addressing non-conformities with the Code through systems controls that mitigate unintended outcomes.

In order to focus on the supply chains of the greatest potential social and labour risks, the scope of Verité’s evaluation was limited to merchandise (including clothing), premiums (promotional items given away by sponsors), furniture, sports equipment and technology.

We recognised the potential risk associated with the products and services provided by Worldwide Partners. However, as these contractual relationships were directly between the IOC and the partner company, LOCOG could not directly influence nor measure on how sponsor companies met LOCOG’s sustainability requirements including with labour standards.

How to read this report
The main sections of this report are the Executive summary; Introduction; LOCOG procurement model; LOCOG Sustainable Sourcing Management System; Stakeholder engagement, transparency and feedback; and Conclusions.

– The Executive summary summarises at a high level the assessment’s primary intent, key considerations, major findings and recommendations for programme strengthening. The Introduction describes the project’s background, scope and methodology.

– The LOCOG procurement model section provides an overview of the key aspects of the event organiser’s business model, which differ in some important respects from that of a permanent enterprise. The intent of this section is to provide context for the particular risks, constraints and opportunities an event organiser faces in implementing a sustainable sourcing programme.

– The Sustainable Sourcing Management System section benchmarks LOCOG’s major programme components against the norm for a robust, proactive supply chain management system, starting with Policies, and including Implementing structure; Supplier and licensee recruitment; Screening, selection, assurance and other key processes. Our assessment also included LOCOG’s stakeholder engagement, transparency and feedback measures.

– The high-level recommendations in the Executive summary above are expanded in each of these sub-sections.

Assessment methodology
A Verité team of senior consultants conducted desk research, document reviews, and telephone and in-person interviews at company offices. It was not within our scope to verify information through factory visits. Our interviews included LOCOG procurement, licensing and sustainability staff; corporate sponsors/partners and licensees; direct suppliers; sustainable supply chain service providers; stakeholders, and the IOC and IPC.

A full list of key informant interviews and reference documents is provided in Appendix 1 and 2.

London 2012: ‘Sustainable Technology: How to embed ethical and environmental principles into the technological delivery of an Olympic and Paralympic Games’

* The IPC does not have the equivalent of IOC’s ‘The Olympic Partner (TOP) Programme’.
LOCOG procurement model

Temporary organisation
By design, LOCOG was a temporary organisation. Established in October 2005, LOCOG had less than seven years and a £2 billion budget to let the contracts for the goods and services needed to successfully stage the London 2012 Olympic and Paralympic Games. Because of its temporary nature, LOCOG’s supply chain risk management system focused on risk identification and remediation in the screening, selection and contracting phases of the procurement process. Whereas a typical brand or retailer can rely on supplier capability building and continual improvement to achieve its objectives related to labour standards, LOCOG did not have the time required for that approach.

However, as already mentioned, LOCOG could not simply adopt an off-the-shelf system for event organisations to manage supply chain risks; it needed to create much of its own. LOCOG’s organisation included a Head of Sustainability from the outset. The Sustainability team was expanded in 2006 when LOCOG hired a Corporate Sustainability Manager. That same year, basic sustainability requirements were incorporated in all contracts for goods and services. In the spring of 2007 a draft Sustainable Sourcing Code was created and was used informally in negotiating both procurement and sponsorship contracts. The first edition of the Code was published some 18 months later, in November 2008; around the time that licensing began. Ultimately, the Code was made part of the Procurement Governance Model in late 2009 when procurement of direct suppliers started in earnest.

The Code applied to all directly-procured goods and services; products and services provided by sponsors; LOCOG-branded equipment and merchandise produced under license; and premiums (sponsor giveaways or keepsakes). However, given the vast number of product and services to be procured and managed, LOCOG listed certain spend categories as high priority for application of the Code’s labour practices requirements, drawing from a process advocated by the Sustainable Procurement Task Force (UK government-sponsored initiative).

The priority areas included clothing and textiles, furniture and fittings, merchandise, premiums and sports equipment and accessories.

Business model
LOCOG is a private company and raised the vast majority of its funding from the sale of tickets and merchandise, sponsorship, broadcasting revenues and contributions from the IOC.

From its creation in 2005, LOCOG remained a small organisation throughout the period up to and just beyond the Beijing 2008 Games. LOCOG’s focus to that point was on building the organisational structures, the commercial programme and developing the brand. After 2008, LOCOG embarked on a phase of rapid growth, with staff numbers doubling each year and peaking at Games time.

Delivery of the Games was dependent on many hundreds of products and services provided by LOCOG’s supply chain. Similarly, many key sustainability objectives could not be delivered without the support of LOCOG’s sponsors, suppliers and licensees.

As a starting point, all marketing partners (sponsors), suppliers and licensees were required to comply with the LOCOG Sustainable Sourcing Code (the third edition was published in July 2011). The Code was incorporated into the tender evaluation processes and compliance was a contractual requirement.

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1 Sustainable Procurement Task Force (SPTF), jointly funded by the Department for the Environment, Food and Rural Affairs (DEFRA) and HM Treasury, was set up under the direction of Sir Neville Simms, Chairman of International Power Plc., to recommend a National Action Plan for Sustainable Procurement. Its report, ‘Procuring the Future’ is available at http://archive.defra.gov.uk/sustainable/government/documents/full-document.pdf
A sponsor was a supplier and in some cases a licensee which also had marketing rights. For example, adidas supplied products for LOCOG (such as uniforms for staff and volunteers), produced and sold London 2012 branded goods, and gave LOCOG some cash in return for being able to promote its association with the Games. Golden Bear, on the other hand, did not supply anything to LOCOG and only produced London 2012 branded goods and gave LOCOG a royalty on items sold so could not promote its association with the Games. Ramler UK supplied furniture to LOCOG, which it paid for in cash and again could not promote its association with the Games.

To stage the Games required a budget of roughly £2bn. LOCOG’s approximate revenue targets included the following:

- Sponsor and partner revenue: £700 million
- Licensing and retail: £100m
- IOC Broadcast and Worldwide Partners: £600m
- Ticket sales: £600m
- Other LOCOG revenue: £200m

The licensing and retail programme in numbers:

- Up to 10,000 product lines
- Up to 60 licensees
- £80-£100m in revenue to LOCOG
- Approximately £1bn in total retail sales

a) Sponsors/partners
Corporate sponsors provide the Games with revenue in cash and/or goods and services ‘in kind.’ This means that companies pay for the right to be able to describe themselves as Olympic or Paralympic partners in advertising and marketing promotions. They also provide the Games with infrastructure and other support (for example, IT systems, broadcasting equipment, food and beverages for athletes and staff, and so on) that LOCOG would otherwise have to conventionally procure.

b) Licensees
A licensee has the right to manufacture branded products for sale at the Games and other retail establishments. The products display the London 2012 brand for which the licensee pays LOCOG a fee for each piece sold. A licensee’s products may be produced in its own contract facilities or those of independent suppliers (with their own supply chains) from which it sources. The reduced visibility into the sub-tiers of a licensee’s supply chain, combined with the use of the brand, account for licensees being considered a high-risk category.

c) Direct suppliers
Directly contracted suppliers provided products and services to the Games and made up the majority of LOCOG’s supply chain (approximately 600 suppliers against approximately 60 licensees). LOCOG’s procurement spend was roughly £1bn.

Some sponsors and partners were contracted directly by LOCOG, while those considered ‘Worldwide Partners’ were under contract to the IOC. Broadly speaking, sponsors had more commercial leverage in negotiations with the organiser and, especially Worldwide Partners, were typically more resistant to supply chain reporting requirements.
The appointment of licensees was managed by the LOCOG Licensing team but essentially followed a similar process to the Procurement Governance Model. All deals above £250,000 (total products or value of sponsorship) or which represented a significant relationship to the organisation (for example, London 2012 branded merchandise, partnerships, or potential communications risks) were taken to the Deal Approval Group.

The appointment of domestic (LOCOG) sponsors was managed by the Commercial Negotiations team. Although the Sustainable Sourcing Code applied contractually to sponsors, in practice this proved difficult to enforce as some LOCOG requirements, such as for the disclosure of production sites, often conflicted with many sponsors’ established processes from which they were not willing to deviate. The sponsor engagement process was in other ways essentially similar to the Procurement Governance Model, with all deals also being reviewed by the Deal Approval Group.

Direct suppliers were identified, screened and contracted following a multi-step process called the Procurement Governance Model (shown below).

Figure 1  LOCOG Procurement Governance Model

<table>
<thead>
<tr>
<th>Kick-Off Project</th>
<th>Gather Info</th>
<th>Develop Strategy</th>
<th>Source Supplier</th>
<th>Mobilise Contract</th>
</tr>
</thead>
<tbody>
<tr>
<td>– Budget</td>
<td>– Product Specifications</td>
<td>– Sourcing approach</td>
<td>– Evaluate suppliers</td>
<td>– Sign contract</td>
</tr>
<tr>
<td>– Target Price</td>
<td>– Market scan</td>
<td>– Tender timetable</td>
<td>– Tender phase</td>
<td>– Performance KPIs</td>
</tr>
<tr>
<td>– Risks and issues</td>
<td>– Update risks and issues</td>
<td>– Evaluation criteria</td>
<td>– Negotiate contract</td>
<td>– Sedex registration</td>
</tr>
<tr>
<td>– Update risks</td>
<td>– Update risks</td>
<td>– Deal approval</td>
<td>– Deal approval</td>
<td>–</td>
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</tbody>
</table>
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The next section describes in greater detail the processes LOCOG used to manage supply chain risk in these commercial relationships, with a focus on direct suppliers and licensees.

Sustainable Sourcing Management System

This section examines the main components of LOCOG’s Sustainable Sourcing Management System that were intended to serve the objective of anticipating, mitigating and directly addressing labour problems in its supply chain.

LOCOG utilised a procurement system designed to achieve its sustainability objectives and targets and the requirements of BS 8901 (now superseded by its international successor, ISO 20121). Like any management system, the LOCOG sustainable procurement system included elements of policy and planning, organisational structure, implementation, monitoring and corrective action. Unavoidably challenging for a temporary organisation’s sustainable events management system is the ability to foster continuous improvement of supplier performance related to labour standards compliance – thus requiring heavier lifting from the planning and early implementation phases.

Sustainable Sourcing Code (Policy)

The LOCOG Sustainable Sourcing Code was developed over a period of 18 months following discussions with the IOC, VANOC, the Olympic Delivery Authority, the Commission for a Sustainable London 2012, leading retailers and brands in the sustainable procurement field, sponsors, industry experts and stakeholders, including the Trades Union Congress (TUC), Playfair Alliance, the ETI, World Wildlife Fund (WWF), Fairtrade Foundation and UNICEF, and was first published in November 2008.

The key questions LOCOG’s approach to sustainable sourcing wanted to answer were:

1. Where does it come from?
2. Who made it?
3. What is it made of?
4. What is it wrapped in?
5. What will happen to it after the Games?

LOCOG’s Code comprised a comprehensive set of requirements relating to each of these five aspects, incorporating internationally recognised criteria, such as the robust standards for labour and human rights set in the ETI Base Code, and the Forest Stewardship Council (FSC) certification scheme for legal and sustainable timber.

However, a problem faced by many LOCOG licensees and suppliers was understanding how to put in place programmes and practices to meet the requirements of the Code. Some were not familiar with codes of conduct in general; some had only begun to address customer social compliance standards, while others subscribed to different codes, such as...
that of the Fair Labor Association (FLA), or International Council of Toy Industries (ICTI). Clear interpretive guidance was needed to describe ‘what good looks like’ in terms of how to effectively implement each of the ETI Code provisions. Additionally, although much of merchandise manufacturing was done outside the UK, relevant aspects of the LOCOG Sustainable Sourcing Code were available only in English until early 2012. (Suppliers and licensees could, however, obtain copies of the ETI Base Code in 25 different languages from the ETI website.)

Another of the difficulties faced by LOCOG in managing its sustainability commitments was the lack of control or influence over IOC-managed Worldwide Partners (TOP Programme). LOCOG’s influence was limited by the agreements in place between the IOC and TOP Partners which state that Partners are expected to comply with ‘commercially reasonable OCOG environmental policies as advised from time to time, provided that such are practical to implement and would not result in undue financial hardship to Partner.’ The LOCOG Sustainability team was for the most part unable to assess the labour standards performance of companies contracted directly by the IOC, or of their sites of production. It was only through personal relationships that LOCOG was able to obtain sustainability information from a handful of TOP Partners. This significant gap would have been closed by a Code of Conduct that applied to both domestically and IOC-managed suppliers, sponsors and licensees, as well as an assurance process approved by the IOC, but managed by the local Organising Committee.

Strengths
– In choosing one of the most robust supplier codes of conduct, the ETI Base Code, LOCOG set a credible bar for labour standards performance in its supply chain.

Recommendations
– R1.1 The requirements of the Sustainable Sourcing Code should apply equally to LOCOG sponsors, licensees and suppliers and to Worldwide Olympic Partners that are contracted directly by the IOC. To facilitate this process, the IOC should create or adopt a base code for use by all future Organising Committees. The code could be supplemented by Organising Committees with additional provisions to meet market- or Games-specific needs or considerations.

– R1.2 A Sustainable Sourcing Code should be accompanied by interpretive guidance, and made available in the local language of all production sites, so that sponsors, licensees and suppliers know what – at a practical, measurable level – policies, processes and practices they must have in place in order to conform to Code requirements, and to facilitate worker understanding of their rights, responsibilities and ways of engaging. This should be established and set out early in the bidding and supplier, sponsor and licensee selection process.

'Italics added.'
Implementing structure (Staffing)

Competencies

At the start, most of LOCOG’s small procurement organisation was focused on setting up internal processes, identifying categories of goods and services, and establishing revenue and spend targets.

In these early stages the organisation’s focus was on defining the scope of its sustainability programme and it took a while to appreciate the magnitude of the task to develop and implement labour risk controls, evaluate the robustness of supplier systems, and manage the range of labour compliance issues it would face with its commercial partners and hundreds of supplier factories.

In 2006 LOCOG hired a Sustainability Manager to develop its sustainability strategy including building sustainability into LOCOG’s sponsorship, procurement and licensing processes. The competency requirements for this position reflected the heavy environmental thrusts of London 2012’s commitments to sustainability. (This was seen in its early publications, beginning with the bid book in 2004 and ‘Towards a One Planet Olympics’, published in 2007, which included only brief statements, without detail, about ‘fair employment’ and ‘social and ethical criteria.’)

The manager had a broad sustainability background but limited labour practices expertise. In lieu of increased head count for managing the looming challenge of managing labour risks, the manager used external labour experts for technical advice. Additional Sustainability staff members were not added until a year later when LOCOG better understood the work required to evaluate bids and manage supplier performance. On reflection, members of the LOCOG management team felt the Sustainability team remained understaffed.

The IOC’s main role is to supervise the organisation of the Summer and Winter Games. It holds the rights to the Olympic name and symbols. The IOC Charter requires local Organising Committees ‘to encourage and support a reasonable concern for environmental issues, to promote sustainable development in sport’. The London 2012 bid ‘Towards a One Planet Olympics’ went beyond the criteria asked for as part of its sustainability vision. In awarding the Games to London the IOC was seen as supporting its vision.

The changing locations for the Games and the short life span of an Organising Committee mean that for the IOC/IPC to ensure systematic change towards ever more sustainable Games – a clear expectation of stakeholders – they would need to establish mechanisms to build on the success of, and lessons learned by, each Games.

Recommendation:

– Host country selection: the bid criteria should include a responsible sourcing component (application of international labour standards). This would comprise a code of practice based on such broadly adopted standards as those of the ILO and UDHR as well as an implementation plan to ensure that all parts of its supply chain respect the code, including:

– Sharing of lessons learned from each Games on management of labour standards compliance within the Olympic and Paralympic supply chains, to help raise the bar for each Games, should be part of the Organising Committee’s Olympic Games Knowledge Management obligations.

– Providing Host Cities with technical guidance on the structure and processes needed to manage ethical procurement requirements. This would ensure that international labour standards are embedded in the marketing, licensing and sponsorship agreements. It would also mean that suppliers have clear criteria with which to work.

‘In 2007 we could not anticipate the scope of the social issues.’

David Stubbs
Head of Sustainability, LOCOG
Roles
In the early stages of manufacturing for the Games (2009 and 2010), much of the effort to obtain management plans, audit reports and corrective action plans (CAPs) for licensee manufacturing locations was managed by the Sustainability team. For licensees, this work was taken over by the Licensing executives in June 2011. (For direct suppliers, this responsibility went to contract managers.) A general lack of familiarity with the labour standards assurance process combined with insufficient resources to bridge this competency gap led to some breakdowns in oversight of a number of factories with labour standards concerns.

Some orientation training was provided for LOCOG Procurement and Licensing staff on procurement processes, the Sustainable Sourcing Code and the Supplier Ethical Data Exchange (Sedex\(^1\)) database, but this represented only a limited part of the overall effort needed to manage supplier sustainability risks.

One of the most effective ways to leverage a dedicated Sustainability team is to embed them as consultants to procurement and licensing specialists, who themselves maintain responsibility for the day-to-day management of all aspects of supplier performance – including sustainability outcomes.

In hindsight, some members of the LOCOG team noted the missed opportunity to have the responsibilities of procurement and licensing staff and contract managers include not only managing supplier performance to cost, quality and delivery expectations, but to sustainability as well. Ideally there would have been another two or three sustainability experts embedded in the Procurement and Licensing teams.

Recommendations
- **R2.1** All procurement staff, including licensing and contract managers, should be responsible for managing licensee and supplier conformance to the Sustainable Sourcing Code; and they should be adequately trained, and their performance evaluated on those responsibilities.
- **R2.2** Sustainable procurement is managed most effectively when sustainability resources are embedded within the procurement organisation. Those resources should possess the full range of required labour and environmental expertise (either individually or collectively) – and represent adequate headcount – to provide strategic and tactical consultation to the rest of the procurement organisation and to sponsors, licensees, and suppliers on implementation of the Sustainable Sourcing Code.

Licensee and supplier screening and selection
LOCOG conducted pre-tender orientation sessions for prospective licensees and suppliers in major product categories to communicate expectations both for the products to be sourced and the requirements of LOCOG’s Code. According to LOCOG Sustainability team members, the sessions effectively reduced the number of potential appointees and bidders to those that i) believed they already met the requirements of the Code, ii) did not at the time fully meet the Code but had the capability to do so, or iii) either did not fully appreciate the level of effort required for Code conformance or simply did not take the requirements and LOCOG’s commitment to them seriously.

The ability of a supplier to meet the Code requirements was initially evaluated during the Invitation to Tender (ITT) phase. During this phase bidders were asked a series of organisational questions online using the eTendering system as well as in direct discussion about how they managed sustainability including labour standards. The organisational questions were generally very broad (for example, ‘does your organisation assess whether or not your suppliers are compliant with your ethical sourcing policy?’) and not clearly supported by a standardised acceptance criteria for follow-up probing into the robustness of a bidder’s sustainability management systems.

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\(^1\)Sedex ([http://www.sedexglobal.com](http://www.sedexglobal.com)) is a not-for-profit membership organisation dedicated to driving improvements in ethical and responsible business practices in global supply chains. The Sedex database is the largest collaborative platform for sharing ethical supply chain data.
Bidder proposals, including the answers to the sustainability questions, were evaluated by the LOCOG Evaluation Group, a cross-functional evaluation team which included the Sustainability team.

Bidder proposals, including the answers to the sustainability questions, were evaluated by the LOCOG Evaluation Group, a cross-functional evaluation team which included the Sustainability team, for compliance risks, using a Red/Amber/Green (RAG) rating system (see below).

Procurement had ultimate sign-off for deals exceeding £20,000 and the Deal Approval Group (DAG) for all deals exceeding £250,000 – or those which represented a significant risk or relationship to LOCOG (such as licensing deals). The Deal Approval Group comprised the organisation’s CEO, the General Counsel, the CFO, the Commercial Director, the Procurement Director, the Communications Director and the Head of Sustainability. The licensee appointment process, including involvement of the cross-functional DAG group, was generally more thorough. This was due (a) to the inherently higher risk in use of the LOCOG brand and (b) the extra tiers of a licensee’s indirect supply chain.

While this rating approach segmented risk, there was a certain degree of subjectivity in how the licensee or supplier rating was determined; the criteria were very broad with the vast majority of suppliers being given an ‘Amber’ rating. Technically, a ‘Red’ rating from the Sustainability team did not automatically disqualify the bidder; the decision to proceed with the deal would need to be made in writing by senior management as to whether to proceed or not based on commitments to address issues. According to the Sustainability team, this rarely if ever happened in practice. However, ‘Amber’-rated bids – the vast majority – were commonly accepted if the bidder agreed to a set of contractual improvement/risk reduction conditions. The willingness to accept ‘Amber’ suppliers and licensees put LOCOG in the position of directly managing the compliance status of factories by requesting audits, reviewing CAPs, and signing off on corrective actions. This strained the limited resources of the LOCOG Sustainability team.

### Table 1 LOCOG tender response RAG rating criteria.

<table>
<thead>
<tr>
<th>Evaluation response</th>
<th>Definition</th>
<th>Implication</th>
<th>Actions required</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Green</strong></td>
<td>Supplier proposal is acceptable</td>
<td>Willing to sign off contract award to this supplier</td>
<td>None</td>
</tr>
<tr>
<td><strong>Amber</strong></td>
<td>Issues with the supplier’s proposal, but these can be resolved</td>
<td>Willing to sign off contract award to this supplier, subject to specific conditions being met</td>
<td>Detail the conditions that must be met by the supplier (for example, clarification, provision of further evidence, required changes prior to contract start date)</td>
</tr>
<tr>
<td><strong>Red</strong></td>
<td>Significant and insurmountable issues within the supplier’s proposal</td>
<td>Not willing to sign off contract award to this supplier</td>
<td>Provide rationale for the ‘Red’ evaluation response, referencing specific details of the supplier’s proposal that have raised concerns</td>
</tr>
</tbody>
</table>
Procurement has been another hot potato, with thousands of companies involved providing all the goods and services for the Games. LOCOG’s recent decision to introduce additional measures to help protect workers in Chinese factories producing some of the toys and merchandise for the Games demonstrates just how “live” these supply chain challenges are. Every policy crafted in theory eventually gets tested in the furnace of operational practice – and leadership here demands constant vigilance, as well as a readiness to adapt and improve.’

‘Delivering Change – Pre-Games Sustainability Report’, April 2012

It should be noted that LOCOG was also obliged to appoint a number of International Sports Federation (for example, FIFA, IAAF) approved suppliers of specialist sports competition infrastructure and equipment on a ‘sole supply’ basis. Similar to IOC-managed Worldwide Partners, as it had limited contractual leverage LOCOG could only encourage these ‘sole suppliers’ to comply with its sustainability requirements.

As noted in the Assurance section below, a lack of upfront information about factory locations, lack of specificity of the organisational questions, and unevenness in the application of the rating system contributed to production being placed in some factories with significant labour issues.

Strengths
– LOCOG invested resources to perform a thorough pre-selection sustainability evaluation of all prospective sponsors, suppliers and licensees.
– Use of the Deal Approval Group, consisting of high-level managers from key functional areas, represented an excellent approach to organisational understanding of sustainability risks and the degree of risk that is or is not acceptable.

Recommendations
– R3.1 The sponsor, direct supplier and license screening processes should include more robust risk assessment questions, scoring and decision criteria. This will help ensure consistency in assessing the capabilities of commercial partners and, at a more granular level, to manage labour standards issues in their own operations and in those of their suppliers. The following are examples of considerations and criteria that could result in a better understanding of the bidder’s supply chain management capabilities:

  – Does the licensee or supplier source directly from the factory or through agents or other intermediaries?
  – Does the licensee or supplier maintain long-term relationships with manufacturing sites which allows time for continual improvement of factory performance?
  – Is the licensee’s share of business at the factory large enough to give it leverage to insist on compliance with Code requirements?
  – Are formal supplier performance reviews regularly conducted with factory senior management?
  – Are incentives provided to factories that demonstrate consistent compliance with labour and environmental performance criteria?
  – Conversely, does the licensee or supplier utilise business penalties for non-compliance?
  – Does the licensee or supplier utilise high-quality audits and qualified auditors (for example, as determined by GSCP equivalence)?

– R3.2 Suppliers and licensees should be required to provide a list of all potential manufacturing locations as part of the appointment process, wherever feasible (for example, where similar goods have previously been produced). Robust screening would also require the bidder to verify that the locations have received a high-quality labour standards audit within the past two years and have fully resolved all identified high-priority (zero tolerance) issues (child labour, forced/bonded labour, imminent danger health and safety hazards and so on).
The process was designed to provide LOCOG with good sightlines into conditions of all production sites. In practice, though, these requirements were not always rigidly followed. For example:

- In some cases LOCOG approved the use of non-SMETA audits, such as ICTI and licensee/brand second- or third-party audits.
- Audits and Management Plans were sometimes not completed until after production had already begun as LOCOG found it exceedingly difficult to obtain this information from some sponsors, licensees and suppliers.

LOCOG encountered resistance to early notification on manufacturing sites. Some sponsors, licensees and suppliers complied. However, a number of them informed LOCOG that they could not identify production sites early in the process. Licensees may not know at the time of appointment exactly which of their suppliers they will use to produce a certain product due to uncertainties around the exact design, volumes, pricing, delivery times and specific product features. This was particularly true for licensees who were contracted to provide goods with which they had no previous experience and with premiums (sponsor ‘giveaways’) that were typically sourced in small volumes, at low margin and with little lead time.

The nature of the licensing business is that many licensees will typically not identify what manufacturing location they will use until they have contracted with the buyer for a specific volume of production and item price. Even then, a licensee may keep looking for a site that can provide the product at a better price. This may even occur after the buyer has given approval to go to production. Although it will take time, we believe that these practices must ultimately change in order for short-term organisations, such as event organisers, to effectively understand and manage the labour standards risks in their supply chain.

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Assurance (Contracting, site approval and monitoring)

Appointment

The appointment of LOCOG sponsors and licensees and contracting of suppliers at the end of the tendering process entailed entering into an agreement with LOCOG that specifically required compliance with ‘any policies of LOCOG (including the Ethical Trading Initiative Base Code) that are notified by LOCOG to the Supplier from time to time.’ Additionally, licensing agreements and bespoke contracts (for sponsors and direct suppliers) also included specific sustainability requirements.

However, in the case of licensees, some sponsors and priority direct suppliers, appointment did not mean approval of production sites, which took place only at the next stage.

Site approval

The next ‘gate’ in the approval process – giving LOCOG leverage to drive Code compliance before any orders were placed – required licensees and major direct suppliers to attend an ‘immersion’ (orientation) session and to register themselves, their production sites and – in the case of licensees – each of their suppliers’ production sites as a B Member (minimum) on Sedex. The process also required the licensee, the sponsor (where relevant, for example, for approval of premium/promotional items for marketing purposes) and major direct suppliers to complete a Sustainable Sourcing Management Plan for each production site, which included completion of the Sedex SAQ and performance of a third-party audit to SMETA standards.

The Management Plan was required within three months of the licensee or direct supplier being appointed or at least 28 days before LOCOG’s commitment to production. LOCOG’s approval process stipulated that production could only commence when the Management Plan was complete and signed off by the Sustainability team.

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1 A questionnaire completed by the manufacturing site that provides an overview of the site as well as a description of the facility’s compliance status relative to the ETI Base Code (http://www.sedexglobal.com/member-services/risk-assessment/).

The audit methodology developed by the Sedex Associate Auditor Group (AAG) which is a compilation of good practice in ethical audit techniques (http://www.sedexglobal.com/ethical-audits/smeta).
Most large, well-established licensees will know (or should know) in advance the set of suppliers from which they will ultimately source. Providing this information up front will help prevent situations where a factory is selected with an unknown compliance status, or where a plant goes into production without sufficient progress remediating existing compliance issues. As the LOCOG team became aware, trying to drive remediation efforts with production already underway, winding down, or finished, is time-consuming and often an exercise in frustration.

An experiment with self-governance

adidas was both LOCOG’s largest licensee and the one with the most mature supply chain risk management system. adidas suppliers are rated using a Key Performance Indicator (KPI) tool that evaluates direct suppliers’ social compliance resources, capability and performance (http://www.adidas-group.com/en/ser2010/suppliers/monitoring-compliance/rating-suppliers/Default.aspx). The KPI comprises six fundamental elements of social compliance. adidas assigns factories a KPI cumulative score based on their performance in each of the six elements. The scores, from 0 per cent to 100 per cent, put the supplier in one of the following performance bands:

<table>
<thead>
<tr>
<th>Grade</th>
<th>KPI score</th>
<th>Performance description</th>
</tr>
</thead>
<tbody>
<tr>
<td>1C</td>
<td>0-29%</td>
<td>Numerous severe non-compliance issues. No compliance management and compliance practices in place. Factory given notice that business will be terminated unless there is immediate improvement.</td>
</tr>
<tr>
<td>2C</td>
<td>30-59%</td>
<td>Some non-compliance issues, no compliance management systems and some effective compliance practices being delivered.</td>
</tr>
<tr>
<td>3C</td>
<td>60-79%</td>
<td>There are minor non-compliance issues. Compliance management systems and some effective compliance practices in place.</td>
</tr>
<tr>
<td>4C</td>
<td>80-89%</td>
<td>Generally non-compliance issues. The factory has compliance management systems in place, and most of the components are effective.</td>
</tr>
<tr>
<td>5C</td>
<td>90-100%</td>
<td>There are no non-compliance issues and all of the factory’s management systems and practices are well delivered and effective.</td>
</tr>
</tbody>
</table>

LOCOG reviewed adidas’s approach to supplier management and determined that it was effective enough to allow adidas to self-approve their manufacturing locations for production, provided that adidas only used sites that received a KPI score of 3C or better. Although key documentation was provided to LOCOG, adidas assumed responsibility for ensuring audits were performed as needed and corrective action plans were established and implemented.
The use of a single database for factory information, including audit findings, also presented some challenges. LOCOG’s desire to centralise information in a single database is understandable and overall represented an essential efficiency. At the same time, some non-Sedex members found the requirement for each supplier to register and upload data into Sedex time-consuming and costly, as did the transfer of data already stored in another membership database. LOCOG’s flexibility in accommodating the upload of audit reports in non-standard format made it difficult if not impossible for LOCOG to extract findings and track corrective actions efficiently.

The Sedex system is a capable tool for tracking a production site’s audit and corrective action status, assuming it is used properly. However, Verité found a significant number of instances where audit information was uploaded improperly, was incomplete, had no corresponding corrective action plans, or some other problem that would require a procurement or sustainability staff member to obtain the needed information from the source, adding time and complexity to what was an already time-consuming process. (We should note here that the observed data integrity issues are not isolated to LOCOG-requested audits, but also affect those for the brands and retailers using the system.)

The ability of any event organiser to manage risk of non-compliance with its Code would be greatly enhanced if compliance assurance activities are completed before orders are placed with a supplier/factory. That is, a recent, good quality audit has been performed, the audit results are posted and searchable on Sedex (or whatever system is used), significant audit findings are addressed and corrective action plans are in place for all other issues. This will continue to be a challenge to short-term enterprises such as LOCOG, so long as many retailers and brands that utilise systems like Sedex to manage labour standards compliance do not ask the same of their suppliers and licensees.

LOCOG also investigated the possibility for the Sustainability team to be granted access to production site audits housed on other systems, such as those maintained by the Electronic Industry Citizenship Coalition (EICC) and Fair Factories Clearinghouse (FFC). However, at the time when this was explored (2007 to 2009), this could not be done because of issues with the design of these systems and ownership of the data they housed. There may be an opportunity for future event organisers as there is currently an initiative underway to develop a solution that will interface compliance data among different platforms. This is being led by adidas and FFC, with the participation of ARTS (Association for Retail Technology Standards), Nike, FLA, GSCP, Sedex and Better Work.

### Risks noted in Verité sampling of LOCOG supplier uploads in Sedex

- Audit reports posted only as image or PDF files without the ability to extract corrective actions for tracking
- Self-Assessment Questionnaires (SAQs) not completed
- Non-SMETA audits used different conformance criteria/standards
- Significant percentage of the audits were sub-standard and with obvious data integrity issues
- Lack of corrective action plans
- Lack of follow-up audits to verify closure of corrective actions, sometimes in excess of 1,000 days after the initial audit
- Corrective action plans that did not include all audit findings
- Inaccurate interpretation of audit criteria by auditors
Finally although LOCOG required audits to be performed prior to the start of production and for significant audit findings to be addressed and corrected, this protocol was not applied in all cases. As a result, a number of LOCOG production sites had open audit issues, some significant, throughout production and after the Games were completed.

Worldwide Partners
The production site approval process did not work effectively with Worldwide Partners as these companies were contracted directly by the IOC. LOCOG tried with limited success to obtain audit reports and other assurance information from the partners. (The LOCOG team cited Acer as one of the few companies that provided some manufacturing site audit reports and other compliance information after a lot of persuasive discussion had taken place.) As previously stated, LOCOG encountered similar difficulties with International Sports Federation (for example, FIFA, IAAF) approved suppliers, due to limited contractual leverage.

Strengths
- LOCOG invested resources in tracking or facilitating commitment to CAP progress, even in cases where production was complete.
- LOCOG made efforts to accommodate the upload of audit reports from different audit schemes and data management systems.
- LOCOG committed resources to facilitating implementation of corrective actions directly with sponsors, suppliers and licensees.
- The self-managing model used with adidas leveraged the commercial partner’s mature system of factory ratings and investment in continuous improvement efforts.

Recommendations
- **R4.1** There are a number of widely used labour standards data management systems, including Fair Factories Clearinghouse (FFC) and Electronics Industry Citizenship Coalition’s EICC-ON. Companies using these systems are typically heavily invested in them. Requiring a company that already utilises one system to covert to another can be expensive and disruptive. It is worth considering providing the event organiser with access to multiple systems. Doing this can prevent delays in viewing compliance information and eliminate data integrity issues associated with migrating data between systems. If a sponsor, supplier or licensee cannot grant access or does not already utilise one of the large shared data management systems they should then be expected to join Sedex (or whichever system is chosen by the event organiser).
- **R4.2** Event organisers should require that prior to production approval, every potential production site for priority spend areas i) undergoes a high-quality (for example, GSCP-equivalent) labour standards audit, ii) any priority or ‘zero tolerance’ issues are fully addressed, and iii) all other audit findings are part of a corrective action plan that is on track for completion. Alternatively, a commercial partner should be assigned a self-managing status based on clear criteria that evaluates the robustness of its supply chain risk management controls.
- **R4.3** The contract/supplier manager assigned to make sure that the production site delivers products according to contract requirements (time, cost, quality, and so on) should also be responsible for ensuring that the supplier production sites meet their requirements for audits and remediation of findings. The Sustainability team can assist the contract manager as issues are escalated but the contract manager should ultimately be accountable for production site compliance.

‘LOCOG committed resources to facilitating implementation of corrective actions directly with sponsors, suppliers and licensees.’
Stakeholder engagement, transparency and feedback

Stakeholder engagement
LOCOG and its sustainability programme embraced the value of stakeholder engagement early in its evolution. Dialogue with government agencies, NGOs, industry organisations, trade unions, multi-stakeholder groups, charities and external expert organisations started during the bid and continued throughout the Games. Engaging labour issue experts and stakeholders was especially important given the early concentration on environmental issues over the more complicated and nuanced area of supply chain labour rights. An early example is the collaborative development of the Code, which is described in the Policies section above and illustrates LOCOG taking the opportunity to learn from the experience of experts in the labour rights field.

Another notable example is the active dialogue LOCOG maintained with the Trades Union Congress and Playfair 2012 Campaign. In 2008, London 2012 and the TUC established a framework for cooperation based on the following principles:

- The importance of respect at work.
- The potential of partnership at work.
- The commitment to equalities, diversity and inclusion.
- A commitment to exemplary health, safety and welfare.
- Recognition of the value of learning, employment and skills.
- A commitment to legacy, maximising economic and social regeneration.
- A commitment to environmental and social sustainability.

In February 2012, LOCOG signed an agreement with the TUC on behalf of the Playfair 2012 Campaign to take specific actions towards ‘protecting workers’ rights’. These included public disclosure of factory locations, informing workers about their rights and the complaints mechanism, a worker training pilot, and legacy reporting and sharing learning with the IOC and IPC.

At time of writing, most of these commitments were largely fulfilled: numerous factories were disclosed (see Transparency section below); communication materials on the hotline (also described below) were distributed to a number of manufacturing sites; and the legacy reporting was also underway.

For the worker rights training, LOCOG took steps to explore the feasibility of providing the workshops. This included soliciting the participation of licensees and conducting a training needs assessment at seven target factories. The assessment was to determine both knowledge needs and whether the level of management awareness and commitment would support rights training. However, the effort lost momentum. LOCOG and other observers cited several factors:

- The needs assessment revealed that while modules could be customised for each facility based on specific conditions, effective worker rights training could not be conducted in isolation, especially in the absence of internal communication mechanisms to support the exercise of rights. Lack of follow-up audits to verify closure of corrective actions, sometimes in excess of 1,000 days after the initial audit

- While factory buy-in was low given that LOCOG production had largely ceased by the spring of 2012, when the training was originally slated to begin, some of the licensees also pulled back from their commitment to participate.

- It was questioned internally whether it was LOCOG’s role (rather than the licensees themselves) to implement worker training. Furthermore, with production finished at the sites, LOCOG would not be in a position to influence the outcomes.
‘LOCOG committed to public reporting on its progress on sustainability objectives and systems and a legacy report for the organisers of future Games and other global sporting events.’

A further example of stakeholder engagement was the establishment of the Stakeholder Oversight Group. The complaints and dispute resolution mechanism (described below) was supported by this independent body, which was designed to provide internal assurance on the management of escalated labour issues. Its members, including experts from Traidcraft, Better Work, Marks & Spencer, Harvard, the Chartered Institute of Purchasing and Supply (CIPS) and the University of Northumbria, were appointed in 2011 and met for the first time in December that year. The group continued until September 2012 and contributed both to the working of the mechanism and to the report and recommendations for future Games. (For a detailed report on the Stakeholder Oversight Group and internal lessons, refer to the Learning Legacy case study prepared by members of the Group.)

Strengths
– The stakeholder involvement in the LOCOG process was for the most part strategic rather than reactive and afforded LOCOG the opportunity to learn and benefit from the advice of long-time supply chain labour rights expertise, especially in the early stages of the programme.
– LOCOG exercised due diligence in the establishment (and composition) of the Stakeholder Oversight Group particularly, which represented a range of views and included individuals recognised as leaders in the labour rights field.

Recommendations
– R5.1.1 The product manufacturing processes and countries where factories were located were familiar to many of the stakeholders who had been in the field of ethical procurement and/or worker rights for several years. For future events, consideration should be given to assigning a Stakeholder Oversight body a broader expert advisory role to include supply chain labour standards performance management more generally, rather than narrowly focusing the group on a complaint mechanism only.

Transparency
a) Governance

Transparency of a sourcing company’s supply chain policies and practices is broadly expected by its stakeholders, especially high-visibility enterprises like an international events organiser. LOCOG committed to public reporting on its progress on sustainability objectives and systems and a legacy report for the organisers of future Games and other global sporting events (of which this document is a component). LOCOG maintained a sustainability section on its website that gave stakeholders access to the Sustainable Sourcing Code, the London 2012 Sustainability Plan, Procure – Invitation to Tender (ITT) for the provision of goods and services – Part One: General Information, LOCOG standard terms of procurement, London 2012 Sustainability Report: A blueprint for change (April 2011), and the Pre-Games Sustainability Report (April 2012), among others.

A volume of public reporting also flowed from LOCOG’s independent external assurance body, the Commission for a Sustainable London 2012. The Commission was set up in 2007 to fulfil London’s commitment to independent monitoring of the sustainability of the Games – a good practice for Host Cities and of value for reinforcing the sustainability commitments of an event organiser in the face of its often competing business imperatives. It is to be noted there was limited labour rights expertise represented by the Commission’s Commissioners, members of the Secretariat, and even among its register of co-opted experts. LOCOG, among other observers, expressed some disappointment that the Commission’s recommendations on LOCOG’s procurement strategy did not match the robustness of its deeper dive on waste, carbon and other sustainability areas.

mThe Commission published reports on its website (http://www.cslondon.org/publications/?category=1) starting with its first governance review in November 2007 and including:
– January 2010, Procuring the Games, A review of LOCOG Procurement
– October 2011, Sustainably Sourced?, A snapshot review of the sustainability of London 2012 merchandise

nLOCOG was one of a number of organisations covered in the Commission’s scope. The others included the Olympic Delivery Authority, which built the Games venues and infrastructure; the Government Olympic Executive, which had overall responsibility for the Games; the Greater London Authority, responsible for logistics; and the London Legacy Development Corporation which took over the Olympic Park after the Games.
b) Manufacturing sites

LOCOG made strides in public reporting of its supply chain, if not to the complete satisfaction of the TUC/Playfair 2012 Campaign, and some other stakeholders, who requested full disclosure of the names and addresses of every factory involved in the production of its products. LOCOG ultimately released the names and locations of 123 factories of 11 of its major licensees (about half of which were producing for adidas and were listed separately on the adidas group website). According to LOCOG, the volume represented 70 per cent of the total value of licensed goods produced for the Games.

LOCOG’s policy from the start required sponsors, suppliers and licensees to disclose all production and warehouse locations only to LOCOG primarily through Sedex, a closed system not open to the public. As a result of further discussions with the TUC and Playfair 2012, LOCOG modified its position somewhat in 2009 to include language encouraging its suppliers and licensees to disclose production and warehouse locations publicly where they consider it feasible and appropriate in the context of their business activities’. In January 2012, LOCOG held a conference for all its major suppliers and licensees and asked them to commit to working towards publicly disclosing their supply chains.

The various responses of LOCOG’s suppliers and licensees, including Next and adidas, illustrated some of the potential challenges and benefits of disclosure of factory names and locations. The vast majority of sponsors, suppliers and licensees resisted public disclosure, citing ‘chaos’ if factories were listed that were not ultimately used and fear of providing targets for workers’ rights groups.

– Next reported that it selected its ‘top’ factories to produce for the Games. In declining to disclose their locations publicly, Next cited another commonly held concern, especially of smaller buyers, that – given the small size of its ‘footprint’ or share of production increased competition with other brands drawn by the disclosure of a strong performing factory could change if not marginalise its relationship with the factory.

– adidas, on the other hand, did disclose its factories on its website (http://www.adidas-group.com/en/sustainability/assets/factory_list/2011_Dec_Supplier_List_London_2012_Olympic_Games.pdf). For adidas, the challenge was the expected targeting of factories by labour rights activist organisations. Judging from the disproportionate number of adidas facilities appearing on the complaints mechanism log, this result may have been borne out. However, adidas representatives characterised this process as ultimately good for factories and workers, saying their sourcing choices among factories for the high-visibility Games were influenced by the likelihood they would be scrutinised, thus in effect rewarding better performers. The resolution of issues was also catalysed by heightened external attention, leaving factories in stronger condition at the end of the process.

Strengths

– The London 2012 Games and LOCOG maintained a high level of transparency on governance, including reporting practices, particularly with the assurance, advisory and legacy reporting from stakeholders and other third parties.

– LOCOG also set a new bar for supply chain transparency for future Games and other events organisers with the release of a number of factory names and locations.

Recommendations

– R5.2a.1 Whilst still relatively few brands disclose factory names and locations, transparency is increasingly expected in organisations – temporary or otherwise – with a global value chain. The involvement of external stakeholders (such as workers’ advocates) that results from factory disclosures should not be automatically considered a negative by buyers and brands.
Complaints processes are seen as complementary to codes of conduct and national law by enabling workers to provide input on the effectiveness with which codes are being implemented.

Ergon/LOCOG case study on complaint and dispute resolution process to deal with breaches of the Sustainable Sourcing Code

Temporary organisations in particular lack the commercial leverage to remedy compliance issues that are typically revealed over the course of an ongoing business relationship. When that relationship is over, public scrutiny can maintain the pressure to ensure steps are taken to address remaining issues.

- **R5.2a.2** Event organisers should incentivise and reward sponsors, suppliers and licensees that publicly disclose the names and physical locations of the factory sites that will be used to manufacture products. A commitment to public disclosure provides additional incentive for suppliers to source from socially responsible factories. Incentives could include extra consideration during the tendering process, for example.

- **R5.2a.2** Consideration should be given to including in sustainability status reports a summary of the performance of suppliers in meeting code of conduct requirements. For example, this could take the form of a table or series of graphics summarising audit findings and corrective actions.

**Complaints and dispute resolution and hotline mechanisms**

LOCOG employed more than one complaint mechanism over its lifetime. A Games-time grievance resolution protocol was signed with the TUC and Advisory, Conciliation and Arbitration Service (ACAS) in February 2011. This process was aimed at issues arising in labour supply contracts (such as caterers, cleaners, security stewards and so on) on the Olympic Park and other venues.

A second broader complaint mechanism was described in the Code: ‘Complainants are encouraged to use the complaint form available at www.london2012.com/sustainability or to provide as much detail as possible in order that an investigation into a specific complaint can take place.’ Specifically targeting workers in the global supply chains of sponsors, suppliers and licensees, LOCOG activated a process to respond to charges of violations of the Code at the factory level in December 2010. Arising from dialogue between LOCOG and Playfair 2012, as well as inputs from other stakeholders, the complaints and dispute resolution mechanism was developed and implemented by Ergon Associates in partnership with LOCOG. It ultimately responded to 12 labour complaints, mostly from labour organisations and press reports, with only a third directly from workers.

Nine of the 12 were deemed to be within scope of the complaints mechanism, and in all cases concerned labour conditions, mostly relating to hours, wages and freedom of association, but including under-age workers and abusive treatment. The majority concerned factories in China, with one each in the Philippines and Indonesia. Most comprised multiple and often complex issues and in several cases more than one site. Not surprisingly, the process averaged six months, with several outstanding at time of writing. (For a detailed report on the development and implementation of the mechanism, specific cases, timelines, and internal lessons, refer to the Learning Legacy case study prepared jointly by Ergon and LOCOG.)

As a supporting process, a worker hotline was also established, specifically for China. Impactt implemented it in March 2012. The hotline received 15 calls, leading to three instances of follow-up investigation and direct efforts to resolve issues. (For a detailed report on how the hotline functioned, specific cases, and the results of Impactt’s assessment of its implementation and use at the factory level, refer to the Learning Legacy micro-report on the hotline for more detail.)

The timing and rollout of the complaints mechanism, however, led to some challenges for LOCOG. Details of requirements relating to the complaints mechanism were added to the 2nd edition of the Sustainable Sourcing Code, published in 2009. These were developed into a working mechanism by the end of 2010, based on (then draft) UN Guiding Principles on Business and Temporary organisations in particular lack the commercial leverage to remedy compliance issues that are typically revealed over the course of an ongoing business relationship. When that relationship is over, public scrutiny can maintain the pressure to ensure steps are taken to address remaining issues.

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**Complaints and dispute resolution and hotline mechanisms**

LOCOG employed more than one complaint mechanism over its lifetime. A Games-time grievance resolution protocol was signed with the TUC and Advisory, Conciliation and Arbitration Service (ACAS) in February 2011. This process was aimed at issues arising in labour supply contracts (such as caterers, cleaners, security stewards and so on) on the Olympic Park and other venues.

A second broader complaint mechanism was described in the Code: ‘Complainants are encouraged to use the complaint form available at www.london2012.com/sustainability or to provide as much detail as possible in order that an investigation into a specific complaint can take place.’ Specifically targeting workers in the global supply chains of sponsors, suppliers and licensees, LOCOG activated a process to respond to charges of violations of the Code at the factory level in December 2010. Arising from dialogue between LOCOG and Playfair 2012, as well as inputs from other stakeholders, the complaints and dispute resolution mechanism was developed and implemented by Ergon Associates in partnership with LOCOG. It ultimately responded to 12 labour complaints, mostly from labour organisations and press reports, with only a third directly from workers.

Nine of the 12 were deemed to be within scope of the complaints mechanism, and in all cases concerned labour conditions, mostly relating to hours, wages and freedom of association, but including under-age workers and abusive treatment. The majority concerned factories in China, with one each in the Philippines and Indonesia. Most comprised multiple and often complex issues and in several cases more than one site. Not surprisingly, the process averaged six months, with several outstanding at time of writing. (For a detailed report on the development and implementation of the mechanism, specific cases, timelines, and internal lessons, refer to the Learning Legacy case study prepared jointly by Ergon and LOCOG.)

As a supporting process, a worker hotline was also established, specifically for China. Impactt implemented it in March 2012. The hotline received 15 calls, leading to three instances of follow-up investigation and direct efforts to resolve issues. (For a detailed report on how the hotline functioned, specific cases, and the results of Impactt’s assessment of its implementation and use at the factory level, refer to the Learning Legacy micro-report on the hotline for more detail.)

The timing and rollout of the complaints mechanism, however, led to some challenges for LOCOG. Details of requirements relating to the complaints mechanism were added to the 2nd edition of the Sustainable Sourcing Code, published in 2009. These were developed into a working mechanism by the end of 2010, based on (then draft) UN Guiding Principles on Business and
‘As would have been the case with any aspirational standard, it was left to LOCOG to define a ‘violation’ of the ETI Base Code (in scope or out, and how to resolve) in such contested areas as living wage.’

Human Rights⁹. The process was publicised to key stakeholders such as the TUC/Playfair 2012 (many of whom had been involved in its development) and sponsors, licensees and relevant suppliers were asked to communicate its existence through their supply chain. However, there was a delay in agreeing, internally and with stakeholders, on the best approach to communicate it down to worker level. As a result it was not adequately communicated until most production was underway and much of it complete. By this time the commercial relationship was managed by LOCOG contract managers, who as described above lacked the resources to prioritise and manage these issues among their other duties.

More significant, most issues came in after production was already finished, according to Ergon, which implemented the programme, leaving LOCOG with little commercial leverage to drive a resolution. As the Ergon/LOCOG Learning Legacy case study notes, the average life-cycle of a complaint was close to six months, with some issues remaining open at time of writing this report.

By the time the factory-based worker hotline was launched, workers had limited opportunity either to access it at all (some suppliers no longer producing for LOCOG declined to inform their workers) or, as noted by the Stakeholder Oversight Group, develop trust that it was effective. The narrowness of this window for systematic use of such a mechanism as a hotline is a particular challenge for temporary organisations.

Another challenge derived, indirectly, from use of the ETI Base Code as the compliance standard and thus the technical parameter for scoping complaints. As would have been the case with any aspirational standard, it was left to LOCOG to define a ‘violation’ of the ETI Base Code (in scope or out, and how to resolve) in such contested areas as living wage. To LOCOG’s credit, a high bar was chosen for a standard – for which it was widely applauded – and the Sustainability team invested considerable time in discussion with stakeholders on nuanced issues.

Strengths
– LOCOG’s experience of developing and implementing a grievance mechanism is an important legacy for future Games and other event organisers. The technical aspects of the mechanism were robust, developed collaboratively with a broad range of experts and stakeholders, and LOCOG is to be commended for adopting a transparent feedback system, as well as for trying to avoid duplication by sorting out the equivalency of existing hotline models, such as those in use by adidas and Next. Verité generally endorses the tactical recommendations and citation of good practices which are presented in the Learning Legacy case study.

– Similarly, LOCOG exercised due diligence in the establishment (and composition) of the Stakeholder Oversight Group.

Recommendations
– R5.3.1 Consideration should be given by the event organising industry to making a hotline/dispute resolution system a standard for all Olympic and Paralympic Games, as well as FIFA events, and other regional games (for example, Commonwealth Games, Asian Games, Pan-American Games and so on). A common toolkit for a complaint mechanism with guidelines and protocols (as recommended and already partially developed by the Ergon/LOCOG team) could be reviewed by stakeholders, finalised and adopted as a permanent, updatable, resource for the IOC and IPC and others.

– R5.3.2 Both an overall complaints mechanism run by the event organiser, and a worker hotline ideally managed by the sponsor or supplier/licensee, should be in place before the start of production in order to be able to resolve complaints while production is still underway and the temporary organisation still has leverage with the facility.

*The UN Guiding Principles on Business and Human Rights were developed under the mandate of the UN Secretary-General’s Special Representative for Business and Human Rights, Professor John Ruggie, and adopted by the UN in June 2011. Now seen as the authoritative global reference point on business and human rights, they include a set criteria for effective non-judicial grievance mechanisms in Guiding Principle 31.*
- **R5.3.3** In lieu of a universally adopted protocol, event organisers should develop and publish criteria for a robust complaints mechanism as a requirement prior to the start of the tendering process. The criteria will guide both the event organiser and potential suppliers in determining equivalency among different feedback models.

- **R5.3.4** Commercial partners (sponsors, suppliers or licensees) should be required to demonstrate the effectiveness of their own complaints mechanism prior to establishing, and for the term of, the commercial relationship. If they use their own process, it should provide a weekly report of any complaint, question or allegation in a site that is used to produce items for the event organiser. Requirements to include:
  - Available 24x7
  - Available in the languages of workers throughout the supply chain
  - Toll-free hotline or email address
  - Managed by an independent third-party
  - All complaints, questions, issues and allegations to be investigated by, or with, an independent organisation, with the outcome communicated to the individual/organisation that reported the issue

- **R5.3.5** Provide training, or adequately resource, staff charged with managing complaints to work with commercial partners to resolve common supply chain labour (and environmental) issues.

![One of several London 2012 shops which were located at key points around London.](image-url)


Conclusions

For a temporary organisation like LOCOG, the most basic success factor in making sure labour rights are respected over the course of its short relationship with its commercial partners is choosing businesses that can meet its standards. Setting and clearly communicating high expectations and diligently screening bidders for their ability to meet these expectations are the key aspects of the process. Timing and internal staffing are also critical, as are, though less tangibly, building relationships with stakeholders through openness and transparency.

LOCOG set ambitious goals for a sustainable sourcing programme that reduced labour risks in its supply chain and was successful in many respects. In setting the ETI Base Code as the bar for the labour rights thrust of its programme, it communicated a robust set of requirements to those wanting to produce for the Games. It developed a supplier screening and selection process that was designed to detect labour risks earlier rather than later in the business relationship. And it made credible efforts at transparency, stakeholder engagement and holding suppliers accountable for working conditions.

There are a number of lessons from LOCOG’s experience that will help future Games and other event organisers to ensure that workers producing goods in their supply chains work under fair, safe and legal conditions. Most fundamental of these are the following three key considerations:

Translating sustainability: it is almost a truism that many organisations with an environmental focus or capacity (especially as one tends to reinforce the other) struggle to appreciate what it will take to evaluate and address the enormous scope and complexity of supply chain labour issues. Bringing dedicated labour rights expertise on board at the earliest stages of event planning will help the organisation proactively anticipate common pitfalls, launch earlier and maximise its finite resource of time.

Time is leverage: a sustainable supply chain programme for a temporary organisation is by definition a risk management programme, which is only as good – accurate and timely – as the data it collects and analyses. While the buyer needs clear visibility to potential risk associated with a business partner before approving orders, the supplier can and will benefit both from foot-dragging and under-reporting. Event organisers will be challenged by both of these dynamics and should look to business practices that can help avoid them, including pre-production reporting, high-quality auditing, incentives for supplier transparency, and working with business partners that are set up to self-manage supply chain risks.

Avoid reinventing the wheel: many brands in business sectors like apparel, electronics and foods have tired of the duplication of efforts on codes, auditing, data management and supplier capacity building and have created common standards and processes. The Games industry has a unique opportunity, falling under the umbrellas of the IOC and IPC, to coalesce around a set of policies and processes that will make sustainability an integral, cost effective and readily measured part of all future Games.
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Appendix 2:  
List of interviewees

**Phil Cumming**  
Corporate Sustainability Manager, LOCOG

**Amanda Kiely**  
Sustainability Projects Manager, LOCOG

**Laurie Neville**  
Procurement Programme Manager, LOCOG

**Jalil Rahman**  
Licensing Executive, LOCOG

**David Stubbs**  
Head of Sustainability, LOCOG

**Richard Trace**  
Senior Logistics Manager, LOCOG

**Arumza Rashid,**  
Technology Programme and Sustainability Manager, LOCOG

**Cara Woodley**  
Sustainability Executive, LOCOG

**Stuart Bell**  
Director, Ergon Associates

**Steve Gibbons**  
Director, Ergon Associates

**Carmel Giblin**  
General Manager, Sedex

**Vivian McCoubrey**  
Account Manager, Sedex

**Alex Eastham**  
Senior Project Officer, Impactt Limited

**Dionne Harrison**  
Director of Operations Impactt Limited

**Sam Gurney**  
Playfair 2012 and TUC Policy Officer, Trades Union Congress

**Sharon Sukhram**  
Playfair 2012 Campaign Coordinator, Trades Union Congress

**Fiona Gooch**  
Private Sector Policy Advisor, Traidcraft, (Stakeholder Oversight Group)

**Louise Nichols**  
Head of Responsible Sourcing, Marks & Spencer (Stakeholder Oversight Group)

**Doug Miller**  
Professor of Ethical Fashion, University of Northumbria, (Stakeholder Oversight Group)

**Dan Rees**  
Group Director, ILO-Better Work, (Stakeholder Oversight Group)

**Caroline Rees**  
President and CEO, Shift, (Stakeholder Oversight Group)

**Emma Synnott**  
Manager, Commission for a Sustainable London 2012

**Jonathan Turner**  
Senior Assurance Officer, Commission for a Sustainable London 2012

**William Anderson**  
Regional Head of SEA – Asia Pacific, adidas

**Frank Henke**  
Global Director – Social and Environmental Affairs (SEA), adidas

**Evelyn Ulrich**  
Regional Head of SEA – EMEA, adidas

**Elizabeth Hart**  
Technical Manager – Home Merchandise Standards John Lewis

**Carly Bilsbrough**  
Assistant to Senior Manager of Technical Standards, Arco

**Pamela Batty**  
former Global Code of Practice Manager, Next

**Adil Rehman**  
Code of Practice Manager, Next

**David Capperauld**  
Head of Global Sourcing, Icon Live

**Paul Ramler**  
Managing Director, Ramler UK

**Tim Rudin**  
Responsible Procurement Manager, Greater London Authority Group

**Michelle Lemaître**  
IOC, Head of Sustainability and Olympic Legacy, International Olympic Committee

**Xavier Gonzalez**  
CEO, International Paralympic Committee