

# Corporate Responsibility in the Natural Stone Sector: the Effectiveness of Voluntary CSR Initiatives in Achieving Sustainability



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## Summary

In the global value chain of natural stone products such as pavement, grave stones and kitchen tops, many sustainability issues prevail. Research into sustainability issues in stone quarries and factories in India and China point to violations of all ILO Fundamental Conventions, although problems seem to be more pressing in India than China. The last decade has seen a rise of collective private sector voluntary initiatives which attempt to improve labour and environmental conditions in natural stone quarries and processing factories in emerging economies. This thesis analyses the effectiveness of five West-European CSR initiatives in achieving sustainability in natural stone suppliers. To do so, nineteen semi-structured interviews were conducted with initiative, company, NGO and other natural stone sector representatives from mid-April until mid-July 2016, as well as content analysis of publicly available information of the CSR initiatives.

Reviewed literature on CSR in global value chains suggests CSR is shifting from a compliance paradigm in which third-party audits control compliance with a code of conduct, to a cooperation paradigm in which compliance is achieved through collaboration between stakeholders. Results of the thesis indicate that in the natural stone sector, the two paradigms coexist. Researched initiatives find themselves in one of the two paradigms or have characteristics of both. As in the cooperation paradigm there is more room for local suppliers' voice, improvements in labour and environmental conditions are expected to be more sustainable than in the compliance paradigm, because suppliers will feel more ownership over the codes and thus are more likely to be intrinsically motivated to change. Codes of conduct form the basis of all the CSR initiatives and results show that the codes focus on outcome standards such as workplace safety instead of process rights such as the right to collective bargaining. This focus is consistent with the problems identified by the research participants. Literature however criticizes the focus on outcome standards, as process rights enable workers to acquire improved outcome standards themselves, which is a more difficult goal to achieve but more sustainable when succeeded.

Based on the results, in order to increase the initiatives' rather low levels of effectiveness, recommended is to increase transparency and include local suppliers' and workers' voice more. The thesis however concludes with the suggestion that for achieving change in a less-visible global supply chain like the natural stone sector, executing the European sustainable procurement policy is more powerful than voluntary CSR initiatives.

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## Abbreviations

CLFZ: Child Labour Free Zone

CSR: Corporate Social Responsibility

ETI: Ethical Trading Initiative

EU: European Union

GVC: Global Value Chain

ICN: India Committee of the Netherlands

IGEP: Indian-German Export Promotion

ILO: International Labour Organization

ME&L: Monitoring, Evaluation and Learning

NGO: Non-Governmental Organizations

OECD: Organization for Economic Co-operation and Development

PPE: Personal Protective Equipment

SME: Small or Medium-sized Enterprise

TFT-RSP: The Forest Trust Responsible Stone Program

UNGPs: United Nations Guiding Principles on business and human rights

WGNS: Working Group on sustainable Natural Stone

## Tables and Figures

Table 1: Initiative Representatives

Table 2: Company- and sector representatives plus informants

Table 3. CSR Initiatives schematically depicted

Figure 1. Number of requirements per sustainability area.

Figure 2. Proportion of requirements needing immediate action or in action in 1, 3 or 5 years, according to the initiative.

## 1. Introduction

Kitchen-tops, bathroom floors, grave stones, walls, garden art, pavement of squares and sidewalks; just a few of the purposes for which people use natural stone. Natural stone used in Europe used to be quarried in Europe. At present, following the globalization trend, raw as well as processed sandstone, granite, slate, marble and limestone are often imported from developing countries. China and India have become the leading suppliers of natural stone. Other exporters to Europe are Turkey, Brazil, Vietnam and South Africa; all of which are countries with low labour costs. Environmental- and labour conditions often do not comply with international standards. In this thesis, the following interpretation of sustainability is adhered to: ‘development that not only generates economic growth but distributes its benefits equitably; that regenerates the environment rather than destroying it; that empowers people rather than marginalizing them’ (Speth, 1994, in Dewan, 2009, p. 149). In the natural stone sector, sustainability is hard to find. Research conducted by Non-Governmental Organizations (NGOs) in China and India has shown cases of an array of sustainability issues, in processing factories but in particular in stone quarries: untreated waste water discharge, bonded labour, no living wages, air pollution, excessive working hours, no payment for overtime, child labour, occupational diseases, no safety measures and no right to collective bargaining. Quarrying is often poorly regulated, which means illegal mining is abundant and there is little control over conditions in the pits.

Increasing awareness on issues in the natural stone sector over the last decade has resulted in the start-up of five West-European Corporate Social Responsibility (CSR) initiatives, as the sector calls them, by different organizations: Ethical Trading Initiative (ETI) Sandstone, TFT Responsible Stone Program (TFT-RSP), Fair Stone, XertifiX and natural stone certification by Indian-German Export Promotion (IGEP). Through these initiatives, companies attempt to govern their supply chain. The initiatives fit within the larger context of CSR. Companies taking responsibility for issues in their supply chain is especially relevant for industries in developing countries, as government control is often weak. Even though governments might have ratified international agreements, implementation and enforcement is often close to non-existent (SwedWatch, SOMO & IHLO, 2008). Businesses are responsible for their human and natural stakeholders (Dobers & Halme, 2009; Hamann, 2003). By demanding their suppliers comply with international guidelines, transnational stone companies could play a determining role in achieving sustainability in the whole value chain. How well they succeed in their efforts, has not been researched as of yet. However, the few reports on conditions in natural stone quarries and processing factories provide insight on the improvements that need to occur.

Madhavan and Raj (2005) conducted the first study on social sustainability in stone quarries, commissioned by the India Committee of the Netherlands (ICN), a non-governmental human rights organization. The publication spurred some more NGO research as well as development of some of the inquired initiatives in this thesis. However, critical NGOs differ in their perception of the severity of the problems from most natural stone companies. While companies in general regard the problems few and easy to overcome, NGOs paint a different picture (CREM, 2007). Accomplishments of natural stone CSR initiatives hinge on their effectiveness in achieving their and their stakeholder's goals. Different actors define effectiveness differently. Therefore, this thesis assumes an actor-oriented perspective of effectiveness. The initiatives' problem definition, mission statement, measures and achievements are critically examined in search of an answer to the following research question:

How effective are West-European CSR initiatives in achieving sustainability in natural stone quarries and processing factories?

### 1.1 Scientific and Societal Relevance

European governments make up a large part of natural stone consumers. Through Parliament and Council Directive 2014/23/EU and 2014/24/EU, decentralized European Union (EU) governments must have included sustainability criteria in their procurement policies by April 2016. Goal twelve of the Sustainable Development Goals stresses the promotion of sustainable public procurement and the adoption of sustainability in the whole supply chain of large, transnational companies (United Nations, 2016). The Dutch government aimed to achieve fifty percent sustainable procurement for local governments and hundred percent for the central government in 2015. These goals, although not reached, are exemplary of European governments' commitment to sustainable procurement. Related is Europe's CSR promotion strategy, which encourages enterprises to adhere to international guidelines and principles. CSR is in the interest of enterprises, the EU economy, and society (European Commission, 2016). Aforementioned legislation demonstrates the societal relevance of this thesis, as governments are large-scale buyers of natural stone. Governments are expected to pay attention to certification schemes and other initiatives, since they are legally obliged to buy sustainably. Private individual consumers might also desire responsible natural stone. Thus, for European governments and conscious private individual buyers, the extent to which the CSR initiatives are able to achieve sustainability must be validated.

European developments towards sustainability in the natural stone sector are of the last decade (ICN, 2005). Little scientific research has been conducted on this specific sector. CSR however is a well-researched topic and so is CSR in the mining industry. This study is the first study on natural stone CSR initiatives. By analysing their effectiveness, points of improvement are revealed. If published, the thesis can raise awareness in society, thereby increasing pressure on businesses and governments to address the sustainability issues in the sector, deemed beneficial for local communities. This research contributes to the field of sustainable development a comprehensive insight, by building theory on CSR initiatives aiming to increase sustainability in a sector far removed from it.

## 2. Contextual and Theoretical Background

This chapter outlines the market context first, after which the industry is framed as a less-visible global value chain in 3.1. In 3.2, the local context is depicted in terms of sustainability, structured around the International Labour Organization (ILO) Conventions. As this research is grounded in the concept of CSR, 3.3 treats the rise of CSR per se, after which 3.4 shows how natural stone companies attempt to govern their supply chain. 3.5 follows with a critical discussion of the most used CSR tool; codes of conduct. Subsequently 3.6 discusses CSR in the compliance and cooperation paradigm. Finally, 3.7 briefly explains the international framework of guidelines other than the ILO Conventions, upon which many codes are based and which also functions as the basis for this thesis' comparison of the codes of conduct of the initiatives under inquiry.

### 2.1 The Natural Stone Industry

The natural stone market has not recently been mapped, so current figures lack. The most recent market figures stem from 2008, when the top ten European consuming countries made up eighty-four percent of the total global consumption of finished stone products. In 2007, the world's largest producers were (in descending order): China, India, Turkey, Italy, Iran, Spain and Brazil. Together they accounted for 71 percent of all natural stone production. China alone represented twenty-six percent (SOMO, 2010).

So, China and India deliver the bulk of natural stone sold in Europe. Labour and environmental conditions are substandard in both countries. Available research is however limited to a couple of studies on labour conditions in the natural stone industry of India and one on China. Research on conditions in other supplying countries was not found. The China report has examined quarries and production factories of seven manufacturers supplying to Europe, located in the Chinese provinces Fujian and Shandong (SwedWatch, SOMO & IHLO, 2008). Export products include: paving- and kerb stones, kitchen sinks and -tops, construction materials, decor for the domestic market and cement.

India exports granite, sandstone, slate, limestone and marble. Indian sandstone as well as granite cobbles and pebbles can be found everywhere in the world (Madhavan & Raj, 2005). Granite is mainly exported from the southern states Tamil Nadu and Karnataka, but also from Andhra Pradesh and Telengana. Sandstone, slate, limestone and marble are mainly exported from Rajasthan. Remarkably, Indian granite is also exported to China, which processes Indian granite and re-exports it as finished products to the international market (Glocal Research, ICN and Stop

Child Labour, 2015). Concrete figures about stone export to China however lack. Most popular granite end products are grave stones and kitchen tops, although competitive (partly) artificial materials like composite and ceramics are becoming increasingly popular. The exporting quarries, which tend to be larger, perform somewhat better in terms of labour conditions than the smaller quarries producing for the internal market (MLPC & Australian National University, 2014).

Lund-Thomsen & Nadvi (2010) make a useful distinction between highly visible Global Value Chains (GVCs) and relatively less visible GVCs. GVCs depict production systems that are cross-border (Ramel, Mangelsdorf & Blind, 2015). In highly visible GVCs, lead firms are internationally popular brands who experience extensive scrutiny by international media and NGOs. As for those firms, brand image is inextricably linked to sales and therefore they are very involved in making sure their suppliers comply with their codes of conduct. Less visible GVCs consist of Small or Medium-sized Enterprises (SMEs) which are less capable of enforcing their codes in the chain. Furthermore, a wider set of actors pressurize the chain for CSR, including regulatory frameworks, national media and less dominant firms (Lund-Thomsen & Nadvi, 2010). Based on aforementioned characteristics, the natural stone industry is considered a less visible GVC. Lund-Thomsen & Nadvi (2010) found that external CSR pressures through the global value chain are less critical in less visible GVCs. This can lead to foot dragging behaviour by local suppliers.

## 2.2 Sustainability Issues in the Natural Stone Sector

Available reports indicate that the natural stone industry in India and China is unsustainable in social, economic and environmental sense. Even though it can be argued the industry provides labourers with a livelihood in areas where often there are limited alternatives and it is a thriving business, according to the definition of sustainability used in this thesis an industry is economically sustainable when it not only generates economic growth, but also distributes the benefits equitably. As in general, mining in developing countries does not provide for more than a subsistence wage for many people and more specifically it was found that in granite waste stone processing in Karnataka and Tamil Nadu women earn less than the legal minimum wage, the industry cannot be claimed to be inclusively economically sustainable (Glocal Research, ICN & Stop Child Labour, 2015; Mining, Minerals and Sustainable Development, 2002). The industry is environmentally unsustainable because natural stone is mined opencast, so serious environmental degradation is caused in quarrying areas: degrading of top soil, disturbing local flora and fauna, and lowering and exhausting the water table in the area. These environmental impacts make

agriculture in stone quarry areas in India almost impossible (MLPC & Australian National University, 2014). Generally, no restoration of abandoned areas is carried out (SwedWatch, SOMO & IHLO, 2008).

Available reports show that the natural stone sector in India and China is socially unsustainable because labour rights were largely compromised in the studied quarries and processing factories, although the situation seems to be worse in India than China. The Fundamental Conventions of the ILO are used to structure the remaining part of this section. The ILO currently consists of 187 member states and brings together governments, workers and employers to promote decent work. The Decent Work Agenda leans on four pillars: employment creation, social protection, rights at work, and social dialogue. These pillars are important for sustainable development, exemplified by their integration in the Sustainable Development Goals. The focus of ILO Conventions is on enabling or process rights; social justice principles which are assumed to provide a route to other entitlements labelled as outcome standards. Outcome standards result from negotiation or are entitlements based in law, for example living wages and decent working hours (Barrientos & Smith, 2007). ILO Conventions are internationally agreed upon and legally binding when ratified, but as this section shows, not every country ratifies all treaties.

The ILO declared freedom of association and collective bargaining a Fundamental Convention in 1948. Neither India nor China has ratified these Conventions (Normlex, 2016). China recognizes only one national trade union. In India, there are no labour unions found in the natural stone sector. Formal complaint systems are also not deemed necessary anywhere in the quarries, thereby discouraging any form of resistance. Furthermore, heterogeneity of the migrant workforce holds people from forming one unit (Madhavan & Raj, 2005).

Two other Fundamental ILO Conventions are concerned with forced labour. Forced labour is work that is demanded by an entity with the will and power to threaten its employers (International Labour Organization, 2012). China has not ratified these Conventions, but the China report found no evidence of forced labour. India has ratified both Conventions, however bonded labour is widely prevalent throughout India (Normlex, 2016; Prasad, 2008). In the natural stone sector, low earnings are an essential factor in the vicious circle of bonded labour. For several reasons, for instance shortage of work during rainy season, labourers lend money from their employer. However, often employers devise such high interest rates that workers are not able to repay them. Debts accumulate, binding labourers to their employer (Glocal Research, ICN & Stop Child Labour, 2015). Most of the labourers are from Other Backward- and Scheduled Castes, which are both classification terms used by the Indian government. Other

Backward Castes are ‘socially and educationally backward classes’, as is written in the Indian constitution. These people are casteless. Scheduled Castes are the lowest registered castes and are deprived of any status, also known as ‘dalits’ (Hantal, 2015). The education level of both castes as well as casteless people is low, meaning that most workers do not understand what they sign up for (Glocal Research, ICN & Stop Child Labour, 2015). Wages for quarry workers in India are often piece-rate based, which attracts migrants as it allows them to work a lot in a short period. The consequence of salary on piece rate basis is that people work longer hours than is deemed healthy. Moreover, there is no safety net for workers; they cannot claim medical expenses or insurance because most labourers are not formally registered (Madhavan & Raj, 2005). According to the China report, wages in the Chinese natural stone industry are not exceptionally low compared to other sectors. The report does state that people do not get paid more than the minimum wage and that the legal minimum wage can hardly be considered a living wage. People however are not compensated for the overtime they are expected to do. Companies are required by law to provide insurances to workers, but none do.

Two Fundamental ILO Conventions on child labour have been ratified by China, however not by India (Normlex, 2016). Child labour is ‘work that deprives children of their childhood, their potential and their dignity, and that is harmful to their physical and mental development’ (International Labour Organization, 2012, p. 110). The natural stone sector is considered a dangerous industry, which means the minimum age of employees is set at eighteen (International Labour Organization, 2012). The China report found no evidence of child labour at any of the researched stone manufacturers, but child labour is a major issue in India. Children are not always seen in the quarries and processing factories, as they often work at home. This does not mean their products are not exported; Indian cobbles, which are made by children, are found all over the world (Glocal Research, ICN & Stop Child Labour, 2015). Low wages, bonded labour, a lack of and disinterest in school, alcoholism and occupational diseases are the most cited reasons that children work to supplement the family income (Dhaatri Resource Centre for Women and Children & HAQ: Centre for Child Rights, 2010; Madhavan & Raj, 2005).

Two Fundamental ILO Conventions on discrimination are both ratified by India and China (Normlex, 2016). The China report did not investigate discrimination issues. In India, discrimination of women is abundant. Women make up the large part of small-scale and artisanal mining. They are never recruited as long-term wage workers, have less access to and control over resources, structurally get paid less and are more often uneducated and analphabetic than men, and never engage in better-paid skilled or semi-skilled labour (Glocal Research, ICN & Stop Child Labour, 2015; Lahiri-Dutt, 2008).

Health and safety is not included in the Fundamental ILO Conventions, but there is a Convention specifically focused on health and safety in mines (International Labour Organization, 1995). Neither China nor India has ratified it (Normlex, 2016). In both India and China, workers almost never wear safety equipment such as helmets, safety jackets, safety shoes and dust masks, except during labour department inspections. Silicosis, tuberculosis and bronchitis are common, due to inhalation of the dust particles as no one wears the expensive masks necessary to block the tiny particles. In India, the average life of workers in the quarries lies between forty and fifty years, due to occupational diseases and bad living conditions (CREM, ICN & SOMO, 2006; Glocal Research, ICN & Stop Child Labour, 2015; Madhavan & Raj, 2005; MLPC & Australian National University, 2014; SwedWatch, SOMO & IHLO, 2008; UNICEF & Centre for Responsible Business, 2015).

The migrant workforce lives on or near the quarry sites. The China report found that some manufacturers provide dormitories for the workers, which were all in bad condition: overcrowded rooms, bad hygiene, no climate control, no fire exits, broken windows and sometimes without mattresses. In India, living conditions for migrant workers are substandard: rooms and huts are crowded and open, there is no clean water, no legal electricity connection and often no sanitation facilities. Health care is absent; even in the instance of malnourishment of children, there is often no available care (Madhavan & Raj, 2005; MLPC & Australian National University, 2014). Addiction is lurking; reports mention prevalence of alcoholism, smoking, gambling and betting, for adults but also for children (Glocal Research, ICN & Stop Child Labour, 2015; Madhavan & Raj, 2005; UNICEF & Centre for Responsible Business, 2015). Apparently, at least for China and India, ratifying ILO Conventions is not the norm and once ratified, there is little evidence that the situation is improving. Through CSR several natural stone companies aim to govern their supply chain in an attempt to better issues through trade.

### 2.3 The Rise of Corporate Social Responsibility

The CSR discourse presumes companies should shift from minimizing harm towards creating equitable and sustainable supply chains. CSR has become the axiom for ethical and responsible corporate behaviour (Jamali & Mirshak, 2007). The broad idea behind CSR is that it is about more humane, more ethical and more transparent business operations. Obviously, this idea spurred much academic debate, elucidating that CSR is no panacea to every problem a society may have (Van Marrewijk, 2003). The core belief of CSR is that a company should not only satisfy its shareholders by maximizing profit, but should take responsibility for all stakeholders in

its value chain; including employees, customers, the environment and local communities (Hamann, 2003). Responsibility should be taken because of the reciprocal nature of the relationship between companies and economic, cultural, environmental and social systems (Dobers & Halme, 2009).

CSR thereby relies on the concept of sustainable development (Strategy&, 2013). Sustainable development in the classical sense was coined in the Brundtland report (World Commission on Environment and Development, 1987). The Commission declared that sustainable development is: “development which meets the needs of the present without compromising the ability of future generations to meet their own needs” (World Commission on Environment and Development, 1987, p. 43). To achieve holistic sustainability, the three pillars of economic development, social equity and environmental protection need to be converged (Drexhage & Murphy, 2010). More in line with the concept of CSR, and therefore used in this thesis, is the definition of sustainable human development by Speth (1994, in Dewan, 2009, p. 149) as mentioned in chapter one and appendix A.

For long, companies were not expected to do much more than generating profit; governments and individuals cared for society. The popularity of the concept of sustainable development changed the tide. Society started to expect companies to take responsibility for all of their stakeholders; the shareholder perspective has made room for the stakeholder perspective (Jonker, Diepstraten & Kieboom, 2011; Van Marrewijk, 2003). Companies adhere to the new expectations by developing voluntary codes of conducts and CSR practices (Barrientos & Smith, 2007). In the early days of CSR in the 1990s, CSR practices for transnational companies basically entailed building a school for children. In more recent years, CSR shifted from charity work towards becoming increasingly integrated within the firm’s activities (Jonker, Diepstraten & Kieboom, 2011).

Defining for CSR integration are: stakeholder dialogue, transparency and in relation, sustainability reporting (Van Marrewijk, 2003). Even though transparency is assumed important for establishing trust among stakeholders, there is little convergence about its fundamental meaning (Schnackenberg & Tomlinson, 2014; Wehmeier & Raaz, 2012; Williams, 2005). Schnackenberg & Tomlinson (2014) synthesize existing literature on the dimensions of transparency and conclude that transparency is “the perceived quality of intentionally shared information from a sender” (p. 5) and a function of information disclosure, clarity and accuracy. This is in line with the definition of Williams (2005) that transparency is about the extent to which information provided to stakeholders is relevant, timely and reliable.

## 2.4 Collective CSR Initiatives in the Natural Stone Sector

The last two decades have seen a rise of collective private sector voluntary initiatives to monitor and improve conditions such as aforementioned in various sectors, including certification schemes, guidelines and codes of conduct (Newitt, 2013). These CSR initiatives are seen as a way for companies to ‘govern’ their supply chains (e.g. Barrientos & Smith, 2007; Bartley & Egels-Zandén, 2015; De Neve, 2014; Kister & Ruiz Peyré, 2016; Lund-Thomsen & Lindgreen, 2014; Soundararajan & Brown, 2016). Organizing collectively could be effective in governing change at the supplier level, as it increases leverage. Barrientos & Smith (2007), in their study on ETIs impact, indicate that the leverage of buyers is an important driver for change. The authors state companies had leverage: “where they took a higher percentage of output, placed more regular orders, had a proactive management approach to code implementation and had longer-term supply relationships” (p. 720).

As a less-visible GVC, CSR is not something many natural stone companies are involved in. For long, conditions in the natural stone supply chain stayed unnoticed in Western Europe. According to Barrientos & Smith (2007), ethical trade will not be a priority for most corporations until good performance is properly rewarded. The European sustainable procurement policy could potentially be such a reward incentive for the natural stone sector (see 1.1). West-European natural stone companies that are interested in CSR, have gathered in collective private sector voluntary initiatives, or CSR initiatives, since the mid-2000s. In 2006, the Dutch Working Group on sustainable Natural Stone (WGNS) was established by ICN and the Foundation for Nature and Environment (Stichting Natuur en Milieu). WGNS was a multi-stakeholder initiative in which Dutch branch organizations, the CSR platform and some private companies cooperated closely (ICN & COS, 2007). WGNS drafted a code of conduct for companies operating in the natural stone sector (Werkgroep Duurzame Natuursteen, 2007). Over the years, more companies joined. WGNS merged in 2012 with the similar, UK based TFT Quarry Working Group into TFT-RSP (Werkgroep Duurzame Natuursteen, 2012). In Germany, Fair Stone and XertifiX were founded around the same time of the establishment of WGNS, and the already existing IGEP started certifying stones besides its other activities. The sandstone programme of ETI was established in 2011. These CSR initiatives form the research units of this study.

## 2.5 The Limits of Codes of Conduct

Especially in emerging economies government regulation of labour practices is often absent, so not for profit civil society organizations dedicate themselves to holding businesses accountable for adhering to international agreements through private regulation (Barrientos & Smith, 2007; Bartley & Egels-Zandén, 2015). For this purpose, a code of conduct is the primary tool used by civil society as well as corporations (De Neve, 2009). However, the limits of codes for improving working conditions in global production are increasingly recognized. Purchasing practices for instance often undermine compliance with companies' own code of conduct (Barrientos & Smith, 2007; Harney, 2008 in Lund-Thomsen & Lindgreen, 2014). Better integration of CSR in company policy might partially solve this problem (Jonker, Diepstraten & Kieboom, 2011). Furthermore, codes have uneven impacts in GVCs (Locke, Amengual & Mangla, 2008), dependent on four factors: whether improvements “(1) appeal to the interests of consumer publics; (2) do not challenge managerial control of factories and GPNs [Global Production Networks]; (3) are consistent with a technocratic compliance approach; and (4) are comparatively less costly” (Bartley & Egels-Zandén, 2015, p. 39). Many codes have been reviewed as weak in content as well as scope, particularly regarding gender issues and the right for labourers to organize and collectively bargain (Barrientos & Smith, 2007). Impact assessments from the early 2000s do show that codes can have a positive effect on tangible work conditions, or outcome standards, such as reducing overtime and the payment of minimum wages (Lund-Thomsen & Lindgreen, 2014).

Corporate codes are also criticized for being formulated without relevant input from workers and suppliers in developing countries (De Neve, 2009). Because their opinion is not taken into account, few suppliers feel ownership of the codes that are pressed upon them by their buyers. This makes the long-term sustainability of the implementation CSR codes doubtful (Lund-Thomsen & Nadvi, 2010). Furthermore, CSR codes can be seen as enlarging inequalities in a neo-colonial way: “discourses and policies of csr [original lowercase] have become a central tool through which post-colonial power inequalities are being maintained and reshaped, and often even intensified by dominant players in the global market” (De Neve, 2009, p. 64). The author continues by arguing that through the used tools to measure compliance, such as third-party audits, western companies are cast as “knowledgeable, caring and disciplined” while the non-western suppliers are cast as “backward, uncaring and lacking self-control”. De Neve however offers no alternative. Kister & Ruiz Peyré (2016) still argue for implementing certification schemes in the small-scale mining sector, even though they conclude that fairness is “a matter of perspective” (p. 16) as standards are shaped by powerful western consumers while

suppliers in developing countries must adapt. However, although compliance poses extra costs for suppliers and might consolidate or even intensify existing power relations, at the same time tangible impacts have been measured as well.

A complicating factor regarding CSR code compliance in GVCs is the diversity in norms and values in different contexts, for instance the local and global perception concerning the acceptance of child labour. The global perception is ascribed by ILO Fundamental Conventions stating child labour should be abolished and can therefore be claimed to be universally applicable, but local suppliers often point out that in absence of proper education opportunities, working offers children necessary job training and contributes to the family's livelihood (Lund-Thomsen & Lindgreen, 2014). Kister & Ruiz Peyré (2016) point out that what is fair in trade depends on “subjective perception and social embeddedness of the actor or actor group (e.g., geographical origin, social discourses, shared values, personal background)” (p. 6). An interesting and new insight was provided by Barrientos & Smith (2007), who found that workers do not always like the ‘improved’ labour conditions, and might choose deliberately to work in a non-compliant factory. A cultural relativist stance in this debate would emphasize taking into consideration the local context instead of demanding compliance to rights determined by dominant western ideas. Kister & Ruiz Peyré (2016) call universal fairness a utopian claim as not all actors involved are included in the negotiations about standards.

## 2.6 Compliance and Cooperation Paradigm

Lund-Thomsen & Lindgreen (2014) present how CSR in GVCs is shifting from a compliance paradigm to a cooperation paradigm. In the compliance paradigm, civil society and media pressurized international businesses to adopt voluntary codes of conduct for their suppliers in developing countries (Locke et al., 2008 in Lund-Thomsen & Lindgreen, 2014). Compliance was measured through social audits by third party commercial auditing firms, to keep up an appearance of independent control. This independency is however questioned, as continued business for the auditing firms depends on maintaining good relations with the paying clients, which can be either buyers or suppliers. When it was discovered that some suppliers, especially in China, were engaging in auditing fraud in order to cope with the discrepancy in buyers' CSR and procurement demands, the auditing firms lacked leverage to demand significant changes (Lund-Thomsen & Lindgreen, 2014). Illustrative for the limited capability of audits is the example of Nike pulling out its orders at one of its suppliers in Pakistan, due to the alleged presence of child labour. The supplier had been involved in an “extensive and independent labour monitoring

mechanism [...] since 1997 supported by the ILO as well as other national and international agencies” (Nadvi, 2008, p. 824).

In reaction to the difficulties the compliance paradigm poses, the cooperation paradigm is increasingly gaining momentum. In this new paradigm, buyers have been assigned a new role, from demanding changes from their suppliers to having to change their own procurement practices as well; for instance by paying better prices in order for suppliers to increase worker’s wages (Barrientos, 2013 in Lund-Thomsen & Lindgreen, 2014). Local training for management and workers on working and environmental conditions is also a part of the cooperation paradigm, which should be paid for by the buyers (Oxfam, 2010 in Lund-Thomsen & Lindgreen, 2014). However, there is no evidence yet that this new paradigm has significantly improved conditions at suppliers or that buyers are changing their procurement practices. The cooperation paradigm is also criticized for not including workers’ and suppliers’ voices, which makes it difficult for power relations to be altered. Furthermore, Lund-Thomsen & Lindgreen (2014) state that it is unlikely that large international firms are able to cooperate with each of their many suppliers, therefore the authors predict that traditional code compliance and control through social auditing will continue to play a large role. Here lies an opportunity for natural stone CSR initiatives to succeed, as natural stone companies are often SMEs and thus have less suppliers. The cooperation paradigm emphasizes close collaboration and long-term, trust-based relationships between buyer and supplier (Oxfam, 2010 in Lund-Thomsen & Lindgreen, 2014).

## 2.7 International Standards

CSR codes, used by all CSR initiatives under inquiry in this thesis, are expected to be based on the internationally agreed upon standards criticized by some academics for representing only the dominant western perspective. These standards form the basis of the comparison of the CSR initiatives’ codes of conduct: Organization for Economic Co-operation and Development (OECD) Guidelines for Multinational Enterprises, United Nations Guiding Principles on business and human rights (UNGPs), and the ILO Conventions. The UNGPs specified in 2011 for the first time that all human rights are to be protected by states, but that businesses have the responsibility to respect human rights. The OECD then, also in 2011, integrated the UNGPs in their Guidelines, making them legally binding for OECD member states (Organization for Economic Development, 2011). The ILO Conventions are provisions on labour rights, which are integrated in national law once a country ratifies them.

### 2.7.1 UNGPs

The UNGPs are based on the ‘protect, respect and remedy’ framework proposed by former UNs Special Representative John Ruggie. Their added value lies in the fact that the UNGPs offer guidance for all businesses across the world with the intention of doing business responsibly. Because of the UNGPs, businesses are now directly held accountable by the UN for protecting human rights by carrying out human rights due diligence, alongside governments (Deva, 2012). Due diligence is “the process through which enterprises actively identify, prevent, mitigate and account for how they address and manage their actual and potential harm and adverse impacts” (OECD Watch, 2013, p. 14). The UNGPs are based on the following general principles:

- States have existing obligations to respect, protect and fulfil human rights and fundamental freedoms;
- Businesses have the role of specialized organs of society performing specialized functions, required to comply with all applicable laws and to respect human rights;
- Rights and obligations need to be matched to appropriate and effective remedies when breached (United Nations, 2011).

### 2.7.2 OECD Guidelines

The mission of the 39 member countries of the OECD is to ‘promote policies that will improve the economic and social well-being of people around the world’ (Organization for Economic Co-operation and Development, 2016). If a Dutch international enterprise applies for a subsidy, it has to declare compliance to the Guidelines first. The core message is: respecting human rights and allowing for stakeholder’s points of view (Rijksdienst voor Ondernemend Nederland, 2010). The Guidelines set standards for socially and environmentally responsible corporate behaviour in seventeen common fundamental principles. Specifying this extensive list, the OECD has formulated Guidelines on: disclosure, human rights, employment and industrial relations, environment, combating bribery, bribe solutions and extortion, consumer interests, science and technology, competition, and taxation (Organization for Economic Development, 2011).

### 3. Research Questions

This thesis aims to fulfil the need for an inquiry into natural stone CSR initiatives. The initiatives are studied by examining their transparency through content analysis, comparing their codes of conduct in light of relevant international sustainability standards and conducting interviews with their members and initiators, critical NGOs and other sector representatives in order to understand their behaviour. The thesis revolves around the following research questions:

#### 3.1 Main Question

How effective are West-European CSR initiatives in achieving sustainability in natural stone quarries and processing factories?

##### 3.1.1 Sub Questions

1. What does the natural stone market look like?
2. Which sustainability problems exist in the natural stone sector?
  - a. Who identifies which problems?
3. How do participants see their role within CSR in the natural stone sector?
4. Why did members choose the initiative they are affiliated with?
5. How do the CSR initiatives differ from each other?
  - a. What measures do the CSR initiatives take to eradicate identified problems?
    - i. How do participants perceive the effectiveness of these measures?
  - b. What achievements are identified by the participants?
    - i. How do they value these achievements?
6. How transparent are the CSR initiatives?
7. How do the initiatives learn and improve themselves?

## 4. Methodology

In order to answer the research questions, this thesis used a multi-level case study approach. Through case study research, the researcher can understand complex social phenomena as the method recognizes “holistic and meaningful characteristics of real-life events” (Yin, 2003a, p. 2 in Kohlbacher, 2006).

### 4.1 Research Design

In their study about how working conditions are constructed in Indian SMEs, Soundarajan, Reese & Spence (2013) stress the importance of including the interaction between structure and agency, as both influence conditions in the workplace. Present multi-level thesis incorporated structure and agency by examining how the CSR initiatives are organized through content analysis and studying individual stakeholder’s perspectives on effectiveness through semi-structured interviews. The five CSR initiatives represented five cases. NVivo software was used for analysis in all phases, to organize the information. The initiatives were systematically compared, allowing for differences to be discovered and complex causalities to be revealed. Data was collected and analysed for each case separately in three phases, to allow for the use of results of the previous phase in the following phase (Yin, 2009).

In the first, exploratory phase, natural stone sector representatives as well as other informants knowledgeable about CSR were interviewed via Skype. The unstructured interviews provided necessary background information and familiarization with the sector, as well as contact information for interviews in phase three (Evers, 2007). Underlying issues and the evolution of CSR in the sector were revealed, which was important for gaining a comprehensive insight. The first round of interview requests was sent to possible participants during this phase.

The second phase consisted of qualitative content analysis of each initiative’s publicly available information. Transparency is important in order to distinguish the effectiveness of natural stone CSR initiatives. Buyers and importers of natural stone must be able to rely on timely, relevant and reliable information which is clear and accurate, so content was analysed on disclosure, clarity and accuracy of: a list of members, measures taken, quarries and processing factories included, achievements and progress as well on how frequently the information was updated. Whether or not the initiatives produce detailed progress reports and if yes, how often, was also investigated (Schnackenberg & Tomlinson, 2014). The codes of conduct were checked for the inclusion of the OECD Guidelines, UNGPs and ILO Conventions. Achievements were

determined by what the initiatives state on their website about improvements or achievements and what respondents mentioned during the interviews. Also the percentage of member's supply chain that is submerged in the initiative was taken into account, as that represents the suppliers the initiatives work with. Any additional relevant information was accounted for as well. Differences and commonalities between cases are schematically depicted, to be found in chapter 6. During this phase, the second round of interview requests was sent.

In phase three, representatives of the initiatives, of member companies, and other affiliates were interviewed face-to-face or via Skype. Per respondent category, an interview guide was drafted (see Appendices). Questions concerned what sustainability problems the respondent recognizes, what measures are and need to be taken, reasons for joining a particular initiative, how initiatives were founded, how initiatives improve themselves and what concrete achievements are. Each semi-structured interview and corresponding notes were transcribed as 'reduced adaptations' of the verbatim form (Willig, 2013, p. 32).

#### 4.1.1 Sampling

For the first phase, participants were sampled purposively (Neuman, 2012). The informants are included in Table 2 below. After interviewing five informants, saturation was reached. The five interviews lasted averagely forty-six minutes and the transcripts are averagely nine pages. The sample of the second phase consisted of the content found on the five cases' websites. Per case, every website page was copied into one word file, including blog posts, news posts, and documents. For the third phase, sampling was again done purposively. For clarity, the initiative representatives are listed separately in Table 1, the rest is submerged in Table 2 below. A representative sample was however not constructed, as member companies of two initiatives have not responded. In the end, three members of TFT-RSP participated, two member companies of IGEP, one of ETI and none of XertifiX and Fair Stone. Even though the interview guide was translated to German by a native speaker of both Dutch and German and sent along, no member companies of Fair Stone and XertifiX responded to the repeated interview requests. Two IGEP members participated, but even the director of the VFG could not persuade any other members to respond, even though some companies did contact him to ask if they should cooperate. Nonetheless, fourteen more interviews were conducted, on average sixty-six minutes in duration and consisting of averagely ten pages of typed transcript. All participants explicitly agreed to be named as a representative of their organization.

| <b>Name</b>                          | <b>Organization</b>                 | <b>Function</b>                           |
|--------------------------------------|-------------------------------------|-------------------------------------------|
| <b>Hannah Bruce</b>                  | Ethical Trading Initiative          | Category Leader: Household and Hard Goods |
| <b>James Herrmann</b>                | Fair Stone                          | Managing director                         |
| <b>Dietrich Keschull</b>             | IGEP (Indo-German Export Promotion) | Chairman                                  |
| <b>Penny Liang</b>                   | TFT Responsible Stone Programme     | Project officer China                     |
| <b>Thomas Pienkowski<sup>1</sup></b> | TFT Responsible Stone Programme     | Project officer United Kingdom            |
| <b>Walter Schmidt</b>                | XertifiX                            | Managing director                         |

TABLE 1: INITIATIVE REPRESENTATIVES

<sup>1</sup> Pienkowski had left TFT at the moment the results chapter was finished. His superior Katie Kenrick has authorized all used quotes, with one comment on the quote in 6.3.2. The comment is included in a footnote in that section.

| <b>Name</b>                  | <b>Organization/Company</b>                                | <b>Function</b>                                                                      | <b>Member at the moment of data collection</b> |
|------------------------------|------------------------------------------------------------|--------------------------------------------------------------------------------------|------------------------------------------------|
| <b>Niels van den Beucken</b> | Arte                                                       | Financial director                                                                   | TFT Responsible Stone Programme                |
| <b>Glenn Bradley</b>         | Hardscape                                                  | Ethical Trade & Regional Manager Ireland                                             | ETI Sandstone                                  |
| <b>Bram Callewier</b>        | Beltrami Group                                             | Partner & responsible for CSR                                                        | TFT Responsible Stone Programme                |
| <b>Louw Elzinga</b>          | General Dutch Association of Natural Stone Companies (ABN) | Managing director                                                                    | -                                              |
| <b>Diewertje Heyl</b>        | India Committee of the Netherlands                         | Responsible for natural stone matter                                                 | -                                              |
| <b>Siwert Hoogenberg</b>     | Hoogenberg Natural Stone                                   | Owner/managing director                                                              | TFT Responsible Stone Programme                |
| <b>Toon Huijps</b>           | Dutch Association of Natural Stone Importers (VNNI)        | Chairman; Former chairman of TFT Benelux chapter and several natural stone companies | -                                              |
| <b>Marcel Kop</b>            | Lithos Marble and Granite                                  | Manager                                                                              | IGEP                                           |
| <b>Geert Legein</b>          | Febenat (Benelux natural stone federation)                 | Managing director                                                                    | -                                              |
| <b>Roderick Nijenhuis</b>    | Natuursteenbedrijf Van der Mijle; ABN                      | Manager; secretary                                                                   | -                                              |
| <b>Tobias Pehle</b>          | Verband für Gedenkkultur                                   | Managing director & press officer                                                    | IGEP                                           |
| <b>Benjamin Pütter</b>       | Die Sternsinger                                            | Consultant on child labour; Founder of XertifiX                                      | -                                              |
| <b>Hayo van der Woude</b>    | Holland Graniet                                            | Managing director                                                                    | IGEP                                           |

TABLE 2: COMPANY- AND SECTOR REPRESENTATIVES PLUS INFORMANTS

#### 4.1.2 Data Collection and Analysis

Despite the trouble constructing a balanced sample, data collection itself went well. Three interviews were more of a promotional talk than real answers to the questions, but most participants gave long and honest answers to the questions. From the in total nineteen interviews, gathered over a period of four months from mid-April until mid-July 2016, two were filled-in interview guides, ten Skype calls and seven face-to-face. Generally, the semi-structured interviews of the third phase via Skype proceeded more structured than the face-to-face interviews. More personal information was shared in a more conversational style in the face-to-face interviews, which were always held at the participants' offices.

As the CSR initiatives were not equally represented in the research sample, the initially planned method of Qualitative Comparative Analysis was abandoned. It turned out to be insurmountable to hold interviews in order of case due to participants' busy schedules, so they were simply planned as quickly as possible. Also analysis in NVivo happened on all interviews as well as the content collected from the websites in one working file. When the first five interviews were transcribed in the first research phase, they were open coded. Open coding entails assigning texts to individual codes, derived from the transcripts. The following round of transcripts was again first open coded, after which axial coding commenced. With axial coding, relationships between codes are identified. The last interviews were then conducted until saturation was reached. After open and axial coding the last batch, selective coding was the final step; core variables in accordance with theory were identified (Evers, 2007). Content analysis was executed using the same steps.

For analysing the codes of conduct of the initiatives, Standards Map was used. Standards Map is a database for sustainability standards and codes of conduct in global supply chain (International Trade Centre, 2015). It allowed for comparison between the topics covered in the standards of all initiatives except IGEP, and the findings were backed up by manual comparison of the printed-out codes to ILO Core Conventions, UNGPs and OECD Guidelines.

## 5. Empirical Results

This chapter is structured around the research sub questions. To provide clarity about the CSR initiatives, their main characteristics are schematically depicted first, in Table 3. Subsequently, section 5.1 treats which participants recognize which sustainability problem. As codes of conduct are the mainly used CSR tool, section 5.2 is devoted to that. 5.3 then analyses which measures each initiative uses in order to ensure compliance to those codes. Section 5.4 follows with a description of the considerations members had to join the CSR initiative they did, as well as an analysis of the expectations members and their initiatives have of their roles. Actual achievements are studied in 5.5, after which 5.6 explores the initiative's transparency. Before moving on to discussion and conclusion, section 5.7 goes into if and how the CSR initiatives learn and improve.

|                               |                                        | <b>ETI Sandstone</b>                                                                                                                                                      | <b>Fair Stone</b>                                                                                                                                                                                                | <b>IGEP</b>                                                                                                                                                                    | <b>TFT-RSP</b>                                                                                                                                                                                             | <b>XertifiX</b>                                                                                                                                                               |
|-------------------------------|----------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Member companies</b>       | <b>Number</b>                          | 4                                                                                                                                                                         | 24                                                                                                                                                                                                               | Unknown                                                                                                                                                                        | 12                                                                                                                                                                                                         | 13                                                                                                                                                                            |
|                               | <b>Country of origin</b>               | United Kingdom                                                                                                                                                            | Germany, Switzerland, United Kingdom                                                                                                                                                                             | Germany, the Netherlands                                                                                                                                                       | The Netherlands, United Kingdom, Sweden                                                                                                                                                                    | Austria, Germany                                                                                                                                                              |
|                               | <b>Company type</b>                    | Large importers for landscaping                                                                                                                                           | Large importers for road construction, civil engineering, landscaping and gardening                                                                                                                              | Importers for grave monuments                                                                                                                                                  | Importers for kitchen tops, home improvement, landscaping, grave stones                                                                                                                                    | Importers for landscaping                                                                                                                                                     |
| <b>Started in</b>             |                                        | 2011                                                                                                                                                                      | 2007                                                                                                                                                                                                             | 2007 or 2008                                                                                                                                                                   | 2012                                                                                                                                                                                                       | 2006                                                                                                                                                                          |
| <b>Suppliers working with</b> | <b>Number of cooperating suppliers</b> | Unkown                                                                                                                                                                    | Around 60 (no further specification)                                                                                                                                                                             | Around 300 quarries and 50 factories                                                                                                                                           | 1 quarry and 3 factories at level 1/3                                                                                                                                                                      | Around 200 quarries and 160 factories                                                                                                                                         |
|                               | <b>Area</b>                            | Rajasthan in India                                                                                                                                                        | Mainly China, but also India and Vietnam                                                                                                                                                                         | India                                                                                                                                                                          | Mainly China and India, but also Vietnam                                                                                                                                                                   | Mainly China and India, but also Vietnam                                                                                                                                      |
|                               | <b>Stone type</b>                      | Sandstone                                                                                                                                                                 | All that is imported by members                                                                                                                                                                                  | All that is imported by members, which is mostly granite                                                                                                                       | All that is imported by members                                                                                                                                                                            | All that is imported by members                                                                                                                                               |
| <b>Main focus</b>             |                                        | Labour rights                                                                                                                                                             | Environmental and health and safety conditions                                                                                                                                                                   | Indo-German trade promotion and child labour                                                                                                                                   | Labour rights and environmental conditions                                                                                                                                                                 | Child and bonded labour                                                                                                                                                       |
| <b>Main aspects of method</b> |                                        | <ul style="list-style-type: none"> <li>- Local multi-stakeholder forum</li> <li>- Multi-sectoral code of conduct and guidelines</li> <li>- Management training</li> </ul> | <ul style="list-style-type: none"> <li>- Certification of suppliers and labelling of stones</li> <li>- Uni-sectoral code of conduct</li> <li>- Management training</li> <li>- Audit after three years</li> </ul> | <ul style="list-style-type: none"> <li>- Certification of suppliers and labelling of stones</li> <li>- Multi-sectoral code of conduct</li> <li>- Unannounced audits</li> </ul> | <ul style="list-style-type: none"> <li>- Uni-sectoral code of conduct subdivided in three levels</li> <li>- Collaboration between buyer, supplier and initiative</li> <li>- Management training</li> </ul> | <ul style="list-style-type: none"> <li>- Certification of suppliers and labelling of stones</li> <li>- Uni-sectoral code of conduct</li> <li>- Management training</li> </ul> |

TABLE 3. CSR INITIATIVES SCHEMATICALLY DEPICTED

## 5.1 Recognized Sustainability Problems

Child labour, the limited use of Personal Protective Equipment (PPE) in the workplace and environmental conditions are the sustainability issues most often mentioned by respondents. Due to the sensitivity of the issue and the focus of the media attention, child labour was most often talked about, with high variety of perspectives. The chapter is subdivided in results regarding recognition of problems by company- and other sector representatives in 5.1.1 and problem definitions of the CSR initiative representatives in 5.1.2.

### 5.1.1 Company- and Sector Representatives

Company- and sector representatives mainly mentioned the more tangible sustainability problems. While some just said that they know that in general labour and environmental conditions are problematic, others describe in more detail for instance the limited use of PPE, the lack of contracts or low wages. The less tangible issues such as discrimination, the lack of trade unions, and forced labour in India (see 2.2) were rarely mentioned. Furthermore, almost all company representatives downplayed issues in their own part of the sector, by saying that there is less dangerous silica dust in sandstone than granite for instance, or that the stones they use are cut only with machines so the work is less heavy and dangerous. As Van der Woude indicated, “you have to be careful to generalize too much. You have to look at which type of natural stone, which branch of industry and where potentially wrongs occur or could occur” [author’s translation] (personal communication, May 23<sup>d</sup>, 2016). While according to Schmidt, director of XertifiX, the issue of differing levels of dust per stone type is non-existent:

No, in general we must say it is dangerous in all kinds of stone processing units. So you have to be careful, very careful, so with processing one of the main focusses is proper protection of the workers. So even though you have wet processing, the factory is normally quite dusty and dangerous to be there all day. If you go only shortly, okay, that is one thing but if you work there every day, the environment there is very dusty for all kind of stones. So it does not matter whether you have sandstone or granite, it is dangerous. (personal communication, May 26<sup>th</sup>, 2016)

Besides problems in their own branch of industry, the issue of child labour was often softened as well. Half of company and sector representatives made some sort of comment which indicated that things are not so bad. Some argued that there are no children in the quarries and factories as the work is too heavy or that the work is automatized so children are not even able to

perform the work. NGO research discussed in section 2.2 however shows that some areas in India many children are present in quarries and factories, which indicates child labour is still occurring. Some participants took a 'local' (see 2.5) perspective towards the issue of child labour. They argued that it makes sense for children to help their family in the stone quarries as it ensures necessary income, the work is not that hard and children only enjoy education until the age of fourteen, so what else should they do? Marketing is an additional reason for softening the issue of child labour: "every discussion about child labour is not good for the business relationship with our partners; it is bringing down the product" (Pehle, personal communication, May 24<sup>th</sup>, 2016).

Even though most stone importers seemed to believe that child labour is no longer a big issue, it is the main focus of activities of IGEP and XertifiX. The fact that those initiatives mainly focus on child labour is however criticized by Heyl, as all problems, so including child labour, interrelate and are therefore equally important:

If you look at bonded labour, especially also in the form of modern slavery, no labour contracts, safety and health in the work place, earning a living wage, working hours, receiving payment for overtime, [...] these are the majority of problems. In that sense it [the focus on child labour] is of course way too short-sighted, because it is all connected to each other. [author's translation] (personal communication, July 14<sup>th</sup>, 2016)

The discussion in Germany has stranded into a yes-or-no debate. Not only does such a debate ignore and downplay reality, it slows down progress. A very resentful discourse has arisen in which each initiative and associated members is bashing the others. This is particularly so between IGEP and XertifiX, where the fight has even gone so far as people, so also members, are suing one another. Such an environment can hardly be one where the goal of reaching higher sustainability is easily prioritized. Furthermore, being stuck on the question if a child has worked on that particular grave stone or tile is not very conducive in solving all the other problems.

### 5.1.2 Problem Definitions of CSR Initiatives

Similarly to the company representatives, all representatives of the CSR initiatives focused in the interviews more on tangible issues such as PPE, working hours and minimum wages than on less tangible issues. As academic literature shows, CSR is more likely to have an impact on outcome standards than on process rights. A distinction can be made between the initiatives that certify stones and the ones that engage in a more deliberative, step-by-step process. Where Schmidt and

Herrmann, representatives of certification schemes, simply just mentioned the more tangible issues, Bruce and Pienkowski both explained that in order to address process rights such as the right to collective bargaining, outcome standards have to be reached first. Exceptional was Keschull from IGEP, who mentioned no other issue than education for children. When looking further at definitions of the problems meant to tackle as well as mission statements, more differences are distinguished.

The ETI Sandstone programme formulates the problems quite carefully: “allegations of forced and bonded labour in some quarries” and “suggestions of breaches of other international labour laws” as well as “limited access to social security systems and limited application of international health and safety standards” (Ethical Trading Initiative, n.d.-a). In blog posts employees however mention “issues of forced and bonded labour and grave health and safety concerns” (Ethical Trading Initiative, 2013) as well as the issue that large group of migrant workers in the sandstone quarries in Rajasthan do not have access to free education and healthcare, as such social benefits usually are only available in people’s home states (Hawkins, 2011). In the last blog post it is also mentioned that there was a “complete lack of proper sanitation, health or hygiene facilities in the quarry area” accompanied by mentioning the associated prevalent health problems, such as silicosis, tuberculosis and fungal skin infections. ETI’s main aim is “to improve working conditions for those working in the export sandstone sector of Rajasthan, India” (Ethical Trading Initiative, n.d.-a).

Where ETI Sandstone is focused purely on the labour conditions in the sandstone industry of Rajasthan, Fair Stone defines the problem of the natural stone industry more broadly, including the environment as well. Fair Stone says the problem is that working conditions do not correspond to European standards or international norms as set by the ILO. It states that even local legislation for protection of workers and environment is ignored and that the lack of protective equipment and safety precautions cause work related illnesses which can be fatal. Even though Fair Stone includes the environment in their problem definition, it turns out not to be part of their main goal as its mission statement is: “to improve working conditions and reduce safety and health hazards in quarries and factories of emerging economies and to satisfy the demand of customers, media and civil society for decent conditions of global production and purchasing” (Fair Stone, 2015, p. 1).

IGEP’s general goals are promoting trade and associated direct investments between India and Germany as well as improving the living standard of Indian people. Its goal for the natural stone certification scheme is eliminating child labour. In addition, other social minimum requirements are checked (IGEP, 2013). What is interesting is that while its main goal is eliminating child labour, at the same time IGEP does not seem to believe child labour exists in

India's natural stone sector. The problem rather is "the ongoing propaganda" by "activists and non-governmental organizations in large-scale campaigns [which] raise the accusation that Indian natural stones are mined and processed in large scale by children" (IGEP, 2013, p. 3). This propaganda endangers many thousands of Indian lives due to the better prospects the industry offers for entire regions, according to IGEP. For this reason,

it is advisable to already adjust to the coming regulations, requirements, prohibitions and effects on trade. Even if some experts claim that the regulations are inappropriate and excessive the stone industry is well advised to these standards. This is the best way to eliminate distrust – however small – amongst individual buyers, government agencies, and the general public. (IGEP, 2013, p. 3)

IGEP thus disconnects bad living conditions in India from the natural stone industry. It claims the industry is a "honorable and [...] a successful industry" and it only certifies because of the created need in Europe (IGEP, 2013, p. 3). The organization however does build schools and health centers, to help the poor, but never makes the connection to the stone industry. The discourse used by IGEP is therefore completely different from the other initiatives, and it may very well be the reason for its popularity among German companies.

TFT-RSP frames the problem more in accordance with ETI and Fair Stone, in the sense that it states that there are "ethical and environmental concerns about how stone is extracted and processed" and that labour conditions are difficult for workers in quarries and factories. The specific issues they focus on include: "legal working hours and wages, good health and safety and statutory rights and benefits for workers" (TFT, 2016a). Contrary to ETI Sandstone and Fair Stone, environmental issues are included in TFT-RSPs mission statement: "to ensure the sourcing of natural stone respects the environment and improves the lives of the people working in quarries and factories" (TFT, n.d., p. 1).

While XertifiX does not state a clear problem description on its website, from its mission statement it can be derived that the organization sees child- and bonded labour as the main problems, as it reads:

The mission of XertifiX is to combat child and bonded labour and to promote school and professional education as a measure of both rehabilitation for former child labourers and prevention of future child labour. Furthermore, our mission is to raise awareness among the German public for socially acceptable conditions of production of natural stone products and services. (XertifiX, n.d.-a)

The problem definitions and mission statement of the initiatives differ mostly in the degree of inclusiveness of all sustainability problems in the sector. Incorporation of all problems in these statements shows commitment to achieving holistic sustainability in the industry. XertifiX and IGEP for instance focus mostly on child labour, but that is not the only issue in the industry. By only focusing on one issue, associated suppliers are not likely to transform into fully sustainable companies. However far away goal that might be, based on their problem and mission statements TFT-RSP and ETI, and Fair Stone to a lesser extent, are more committed as initiatives in achieving sustainability at all three levels; economically, ecologically, socially.

## 5.2 Codes of Conduct Compared

Demonstrative of the notion that codes of conduct are the main CSR tool, is the fact that all the collective private sector voluntary initiatives under inquiry have set up their own code. Whether the initiatives call it criteria like XertifiX, guidelines, principles and working standards like TFT-RSP, base code like ETI or standard like Fair Stone and IGEP, it all comes down to a set of behavioural rules member companies and their suppliers should follow. All initiatives but IGEP put these standards up on their websites, for everyone to download. IGEP has drafted a standard called ISES, with a new 2020 version just out. All that is published online of ISES 2020 is nine main criteria, derived from ILO Conventions. From the summary send to me, it became clear that besides mentioning applicable ILO Conventions, the standard is based on Indian legislation. The problem with Indian legislation however is that it is often outdated and therefore not compatible with the modern-day situation. IGEP is also not included in the standards comparison tool Standards Map, while the other four initiatives are. The lack of transparency about the standard causes doubt about IGEP's effectiveness, as it is made impossible control what IGEP asks suppliers to adhere to and therefore no room for critique is allowed.

ETIs and IGEPs codes are both multi-sectoral, which means they are meant to be applied to different sectors, while the codes of Fair Stone, XertifiX and TFT-RSP are uni-sectoral. A uni-sectoral code is appropriated to the problems in the respective industry, which attributes to its effectiveness for tackling those problems. Fair Stone even takes its standard one step further than sector-specific; it has different standards for quarries, stone processing factories, the chain of custody and for associated partners. The differences are minor however, so the usefulness of this distinction is unclear. All initiatives incorporate the ILO Fundamental Conventions in their codes; the three certification initiatives mention the Conventions explicitly, while ETI and TFT-

RSP include them but have translated them in their own words. So the social dimension of sustainability is well accounted for, as can be seen in Figure 1 as well. The UNGPs and OECD Guidelines are not explicitly mentioned in any of the codes. The most relevant aspect of the UNGPs regarding the initiatives' codes is the notion that “industry, multi-stakeholder and other collaborative initiatives that are based on respect for human rights-related standards should ensure that effective grievance mechanisms are available” (United Nations, 2011, p. 32). TFT-RSPs code is the only one which has guidelines on access to judicial remedy and credible grievance mechanisms. Access to grievance mechanisms is a process right and therefore important for workers to gain stronger voice and other entitlements. The UNGPs also stress the importance of including stakeholders in business practices, however only TFT-RSP includes stakeholder assessment in its code. The OECD complement the ILO Conventions and UNGPs with relevant Guidelines for the initiatives on competition and bribery, and environment. Corruption and bribery is only included in ETIs base code, while this is known to be a problem in India in any case.

All codes have rules on wages, pensions and compensated overtime, so the economic dimension of sustainability is taken into account. Regarding the inclusion of the environmental dimension, some differences are observed. For TFT-RSP results vary depending on whether one looks at the extended guidelines or at the summary of requirements per level. In the extended guidelines the environment is strangely enough not included, but in the summary of requirements

per level it says that environmental impacts should be managed. This explains why Figure 1 shows no environmental requirements for TFT-RSP, since Standards Map has only recognized the extended guidelines. For ETI, Figure 1 shows that environmental requirements are non-existent, which is indeed the case. In Fair Stone's code they play a big role and to a lesser extent also at XertifiX. IGEP adheres to the Indian legislation about environmental issues. All codes include roughly the same requirements for safety and health of the workers, as well as contractual matters and social protection.

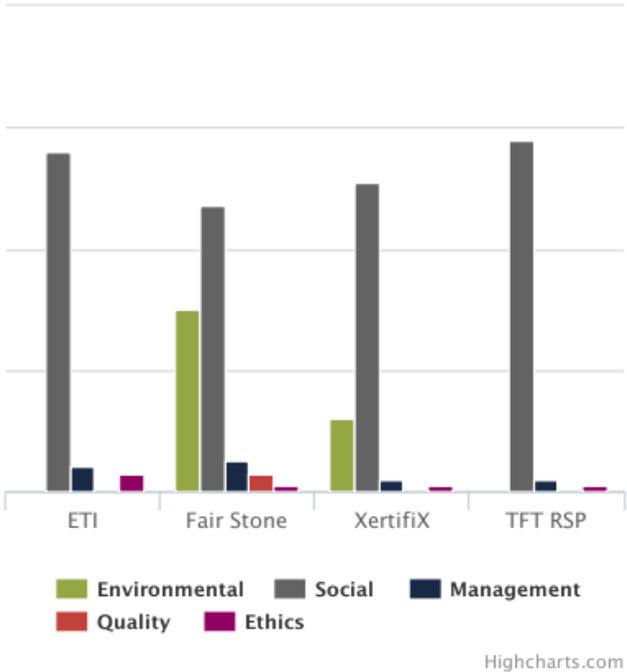


Figure 1. Number of requirements per sustainability area. Source: Standards Map (2016a).

Involvement in local communities and gender issues are however better incorporated in the codes of TFT-RSP and XertifiX than in those of ETI, Fair Stone and IGEP. Fair Stone’s code therefore is the most inclusive and comprehensive code, with 86 requirements where the others have around 60 requirements, as well as including most environmental requirements.

However, the Fair Stone code has not been revised since the 2010 version (Fair Stone, 2016a). In the Standards Map database, its information was last updated in 2013, similarly to the information of ETI. This indicates at the minimum a low level of transparency, but might also point to little achieved progress over the last few years. ETIs base code was amended for the last time in 2014 with some clarifications on the clause on working hours (Ethical Trading Initiative, 2014). TFT-RSP and XertifiX both updated their information in the database in 2016. TFT-RSP will review all its materials in December 2016 (TFT, 2016b). The standard of XertifiX was firstly revised in 2012, and will be revised again in 2017 (XertifiX, 2012). About ISES, the standard of IGEP, it is known that there is a second version called ISES 2020 (Kebschull, personal communication, May 5<sup>th</sup>, 2016). So, all initiatives but Fair Stone regularly revise their standards, which is a sign of learning and improvement.

Figure 2 shows how fast the initiatives require action at their member’s suppliers. The fact that Fair Stone requires most action to be taken within three years, while the others require much faster action, was criticized by Pütter. He claimed that due to the large amount of time given for

the improvements, the Fair Stone label was misused:

Fair Stone says: ‘we just give them time to start the betterment, to start the transition process, and then we will come in and see’. Audits means always come announced. So they had the label for three years and then they just left it. For then, the inspections started. Members just said: ‘oh, for three years we had a good label, now we just go’. They did nothing in the three years. That is a very big problem. (personal communication, May 3<sup>d</sup>, 2016)

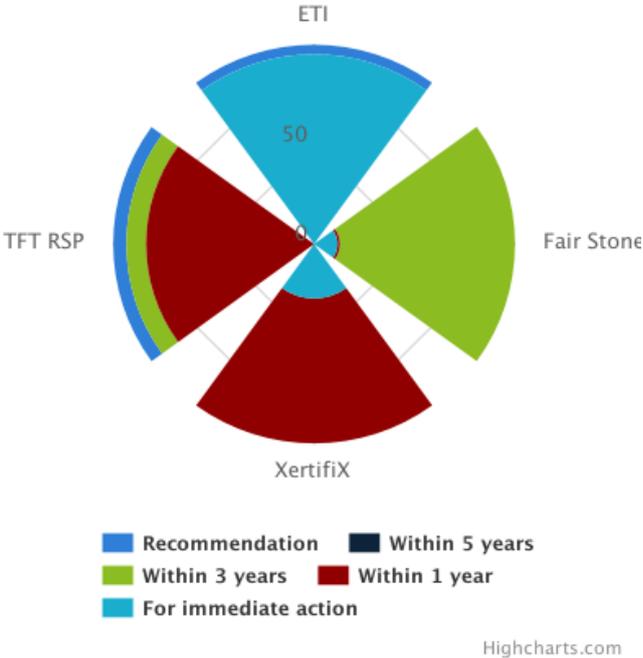


Figure 2. Proportion of requirements needing immediate action or in action in 1, 3 or 5 years, according to the initiative. Source: Standards Map (2016b).

While it was not possible to verify whether there really companies that left Fair Stone after three years without improving conditions, the initiative's code does allow it. So from this example one can see that having a comprehensive code of conduct is not enough for facilitating change towards sustainability, supporting existing literature. What measures the different initiatives use is elaborated on in the next chapter.

### 5.3 Measures Taken

From the literature review it can be concluded that having a code of conduct as a company is not enough for it or its employees to behave ethically. In the same line of reasoning, simply asking a natural stone supplier in a sourcing country to adopt a code of conduct designed by another organization is not enough to change its practices. Therefore, to ensure adherence to their codes the CSR initiatives have either chosen for certification and audits, or for guidelines and collaboration. The certifying initiatives: Fair Stone, IGEP and XertifiX, assume a fairly coercive style, showing characteristics of both the compliance and cooperation paradigm. The other initiatives that explicitly do not certify: ETI Sandstone and TFT-RSP, have fully embraced the cooperative paradigm. However, as Lund-Thomsen & Lindgreen (2014) already noted, the line between the two paradigms is thin and it proves difficult to stay away from using audits to ensure compliance.

#### 5.3.1 Compliance Through Certification

Within the compliance-based approach of certification a focus on local legislation and global agreements prevailed. As the universal applicability of ILO Conventions was undoubtedly assumed, it makes sense to wield a general standard and to apply it to all companies in a supply chain in the same way. For Pütter, the universalism of human rights legitimizes the use of force from outside, which in this case is the condition that only certified stones should be able to enter the market:

[...] if there is a human right of children that they can or shall go to school, then that is universal. [...] Changes are achieved for the next five to ten years only due to force. Force from outside. If it is a product that is used outside. (personal communication, May 3<sup>d</sup>, 2016)

So, certification is an attempt to achieve change through top-down force, in which the buyer has the power to demand compliance from its supplier.

#### *5.3.1.1 Labelling Stones*

The fact that all of the certifying initiatives are based in Germany is explained by the focus of the German media on child labour associated with grave stones. This media attention motivated stone importers to search for a way to prove to customers that their stones are produced without child labour, for marketing reasons. The CSR initiatives reacted to that need and provided certificates as a solution. A label is in theory a clear statement about the conditions under which that particular stone is produced. As Kebschull said, IGEP certifies because the Indian suppliers as well as the European importers want to show their customers proof of participation:

I would say, if you look for school children who are going to a special training course, especially in India but also in other parts of the world, they want to have a piece of paper which gives proof that they have done it. And this is it why we are doing it. (personal communication, May 5<sup>th</sup>, 2016)

The certifying initiatives see certification as the only way to ensure compliance to their standards and simultaneously to fulfil the need for proof of their members. According to Pütter, collaborative action has never been able to solve child labour:

It is much better to work together with the people. But after now having worked for fifteen years in that area and seeing that they always said: ‘yes, now we will change, now we will improve’ and nothing has changed. You can see by history that this approach has failed. [...] So now it is time, at last, to say: ‘okay, you were not able to do it willingly, so we have to do it with force’. (personal communication, May 3<sup>d</sup>, 2016)

On the other hand, TFT-RSP and ETI Sandstone deliberately do not certify stones, because they feel certification only focuses on compliance and that is not enough for creating lasting changes; an argument that is supported by literature (see 2.6). For IGEP and XertifiX goes that in the beginning they were only focused on child labour free grave stones. It is obviously easier to certify stones for one issue than it is for compliance to all ILO Conventions. For XertifiX, the step from focusing only on child labour to including other ILO Core Conventions is accompanied by a shift towards the cooperation paradigm. Characteristics of the cooperation paradigm that are taken over are: making the importer get involved in having the supplier feel more ownership of the steps needed to be taken and paying for local training:

So it is important to make the importer talk to his suppliers that they understand and they are willing to follow all of the steps. The same goes for example, that the suppliers accept training, and that the importers pay for training. (Schmidt, personal communication, May 26<sup>th</sup>, 2016)

Practically, there are some snags to labelling stones instead of issuing some sort of certificate to a factory or quarry, which basically is what for instance TFT-RSP does. One risk is that suppliers or importers attach the label to the stones themselves. No matter how much the initiatives try to secure the labelling process through traceability schemes, as Fair Stone and XertifiX do, to be completely sure the end product is produced under good labour and environmental conditions is difficult. Especially when the intrinsic motivation to increase sustainability is not there and compliance is only strived for because of marketing reasons, cheating with labels is a considerable risk. So it might be fairly easy to label an end product and to control the factory that produces it, as Pütter and Keschull claimed, but to certify and control all the supplying quarries is a lot more difficult. XertifiX is aware of this difficulty and is trying out a possible solution in China, where the factories have a certain amount of labels on raw blocks which definitely come from an inspected quarry. According to Schmidt, “that is one way to make it safer for us, to be sure about the chain of production from quarry to factory to the importer” (personal communication, May 26<sup>th</sup>, 2016). Complicating in this system however, is the fact that many importers are secretive about the types of stones and colours they sell. The companies see their stone colours as a competitive advantage, which makes it unlikely that they will settle for the colours coming from that one inspected quarry.

Pütter and Keschull both indicated that the granite used for grave stones is quite easy to trace back to the source and that therefore certification possible (personal communication, May 3<sup>d</sup>, 2016; May 5<sup>th</sup>, 2016). However, Heyl indicated that it is plausible that quarry owners who mine the same type of granite, sell stones to each other through the back door in order to meet the orders of customers (personal communication, July 14<sup>th</sup>, 2016). Meaning that a stone can be certified for coming from the certified exporter, but there is always a chance it actually comes from his neighbour where conditions might be much worse. Figures on how often this happens are however not available. Nonetheless, unless one is constantly present, there is no way to check these sort of things. For other stone types, for instance sandstone, quarries are often informal and stones are not easy to trace back to the source, which creates another complication for achieving actual change on the ground. Except for IGEP, all initiatives mentioned working with quarries as the greatest pitfall. As Bruce and Heyl both indicate, the large part of the problems present themselves at quarry level (personal communication, April 29<sup>th</sup>, 2016; July 14<sup>th</sup>, 2016).

Meaning that both the certification method and the engaging step-by-step method are still struggling with addressing the most persistent problems.

#### *5.3.1.2 Auditing*

Auditing is the main tool for measuring compliance to CSR codes. As indicated by literature in section 2.5 however, audits are not always able to detect fraud or demand changes. Nevertheless, IGEP relies fully on measuring compliance through unannounced inspections, audits and corrective action plans, and Fair Stone and XertifiX for the large part; the latter two also provide trainings and workshops for workers and management. All respondents associated with the certification initiatives stressed the importance of audits being unannounced. However, according to Heyl, TFT-RSP experimented with unannounced audits but stopped after finding out that improvements were negligible; a finding consistent with literature. Kebschull explained the reason for auditing unannounced:

[...] control is good, and confidence is good, but control is better. So that is why, we do not know what happens if we are not there and therefore we want to see it also independently, when no one is accompanying us and we are just jumping in. (personal communication, May 5<sup>th</sup>, 2016)

The suppliers in the sourcing countries participate as the initiatives point out to them the commercial benefit that comes with participating. For the importers associated with the certifying initiatives who were interviewed, the reason is practically the same. This focus on compliance for competitive advantage implies there is little intrinsic motivation for increasing sustainability in the supply chain and taking responsibility. The danger lies in the fact that when attention for the issue fades, conditions in the supply chain will go back to the way they were before joining the certification scheme. As Pütter explained, that is exactly what happened with the case of child labour in the carpet industry.

There was only an international UN cry about it and people wanted carpets with a label. So therefore, things changed. Now, there is no UN cry anymore about it; you will not find any newspaper or television programme on child labour in carpet anymore. It is gone, the issue is totally gone. And just on my last two or three visits, on each of the visits, every day when I went to that area where carpets are produced, I saw hundreds and hundreds of children. [...] The child labour has gone up so dramatically again, for nobody is talking about it anymore. (personal communication, May 3<sup>d</sup>, 2016)

So, international attention faded and child labour re-entered the supply chain. While Pütter used this argumentation to promote legislation, TFT and ETI use it to argue against certification. According to Bruce, ETI's vision on certification is clear: "labour standards are very difficult to monitor on a consistent basis. [...] So actually in order to have more sustainable and long-term change you need to go beyond auditing" (personal communication, April 29<sup>th</sup>, 2016). By going 'beyond auditing'; doing more than checking compliance by working together with suppliers, the idea is to help workers claim process rights instead of only receiving outcome standards. This idea is thus consistent with literature as well as with the observed shift within CSR from the compliance paradigm towards the cooperation paradigm. As Pienkowski said, auditing is in danger of becoming a "box-ticking exercise" which "in terms of the actual impacts it has on the ground is questionable" (personal communication, April 14<sup>th</sup>, 2016). The argument is that by engaging with the suppliers in a step-by-step process, achievements are slow, but have a bigger chance of lasting longer than the time the importer is buying there.

### 5.3.2 Embracing the Cooperation Paradigm

While the certification initiative's measures can be described as controlling coercively from the top down, ETI Sandstone and TFT-RSP are fully immersed in the cooperation paradigm and thus prefer a more collaborative engaging approach. Seven participants mentioned collaboration as an effective measure to tackle issues in the industry; none of them were linked to any of the certification initiatives. People mentioned collaboration between companies, between companies and governments, between NGOs, governments and companies, and between governments. There was a general understanding that companies are not the only actors that have to take responsibility for solving issues in the sector: "it is a collaborative action that is required to change the broken system in which companies play one part" (Bradley, personal communication, May 30<sup>th</sup>, 2016). The collaborative approach can be explained through the lens of a more local perspective to some labour issues. ETI and TFT both do incorporate international labour standards in their codes of conduct, however, both representatives stated that it is important to realize how problems are perceived locally and what local solutions might be. As Pienkowski said:

Because what we are really talking about is a set of values and principles which yes, they are reflected among Western consumers; those consumers here in the UK and the rest of Europe and the USA that are interested in these issues, but in some cases.. There is this

thing of cultural relativity around issues like child labour<sup>2</sup>. What we are really talking about is that we have got this set of values and this set of principles and we are trying to reflect those at those sites, but they do not necessarily hold those same values. They do not think that there is something wrong with having people that are quite young working at their sites. So it is not just the discussion whether or not it is going to affect these companies' bottom lines or those factories' bottom lines, but also a discussion about differences in morals and values and stuff like that. I think that we have to very careful not to impose these ideals on these site against their will. (personal communication, April 14<sup>th</sup>, 2016)

The cultural relativist is adhered to by most company representatives; many felt uncomfortable with “imposing our norms and values” (Hoogenberg, personal communication, May 3<sup>d</sup>, 2016). Nijenhuis wondered whether it might be arrogant to assume a universalist approach regarding labour conditions:

Being the Netherlands, or Europe, do you have to be so holy that you are going to lecture countries with completely different cultures, different mores, different history, different religions? Is it even the case that how we do things around here is the best way? Why would that be the case? Is that not a bit arrogant? (personal communication, June 24<sup>th</sup>, 2016)

Confirming Pienkowski’s view, Van den Beucken said that TFT-RSP is increasingly adapting to this view:

You have to find the mode somewhere about what the common practices, laws and norms are in a country, be it India, China, Cambodia; you have to incorporate those. It is not the case of: here is a letter which applies for the whole world. And that is started to be adjusted. [author’s translation] (personal communication, May 20<sup>th</sup>, 2016)

TFT-RSP sets up collaborative work plans in consultation with both the importer and the suppliers and guides the process along three levels of achievements. TFT-RSP checks the progress through what Pienkowski called “assessments”. Assessments are comparable to audits, but according to Pienkowski “it is definitively not an audit; it is not a pass-or-fail kind of thing. It is just getting an idea of what the conditions look like at the site” (personal communication, April

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<sup>2</sup> Kenrick commented that she completely agrees with the sentiment of this quote, but that she would rather use the example of hygiene or health and safety than child labour, as child labour is an extremely complex issue and influenced by many factors (personal communication, September 12<sup>th</sup>, 2016).

14<sup>th</sup>, 2016). All members and other industry representatives however called the assessments audits, so the difference is not really valued as important. It also shows the validity of Lund-Thomsen & Lindgreen's (2014) prediction that traditional code compliance and control through social auditing remain important in the cooperation paradigm. Hoogenberg, who left TFT-RSP during the writing of this thesis, criticized TFT-RSPs assessment system, for not listening to what suppliers want:

The way TFT does it is not the right way, by conducting yet another audit and another audit [...]. You can want everything you want and say that this is the way to do it, but there is absolutely no use if the people themselves do not attach any value to it. [author's translation] (personal communication, May 3<sup>d</sup>, 2016)

This comment shows that there is indeed in the cooperation paradigm still too little room for local perspectives, as indicated by academic literature. Another result from the data showing that the difference between the certifying initiatives and the collaborating initiatives is not so big is that many participants saw attaining a TFT-RSP level one, two or three also as a certificate, because suppliers have the opportunity to display this achievement at their site. So even though ETI Sandstone and TFT-RSP do not label stones, they are seen to be certifying suppliers. Businesses still do business in the first place, so when they are stepping up and taking responsibility where other do not, they are going to want to use that for marketing purposes.

For implementing the changes TFT-RSP relies partly on standard formats of for example pay checks that the suppliers can use. While TFT-RSP strives for achieving sustainability collaboratively with suppliers and importers, for Van den Beucken the level of collaboration should be even higher for greater efficiency:

I am satisfied about it. Is it going quickly enough for me? No, it never goes quickly enough for me. Also I am convinced it is most efficient to do it together. If you want to nail it down you just have to sit with those people; me, as a client, TFT as independent, and the supplier with his people and then you can take care of it. Now TFT communicates with me and the supplier, and I communicate with the supplier, but not all three parties physically at the table. That is a difficulty. [author's translation] (personal communication, May 20<sup>th</sup>, 2016)

As indicated by literature, in the cooperation paradigm the emphasis lies on the positive effect of long-term relationships between suppliers and buyers on improving labour and environmental conditions. Members of all the CSR initiatives oftentimes have good, long-term relationships with

their suppliers and indicated that these relationships are valuable for creating change. Some contradictory effects of long-term buyer-supplier relationships were however described by Heyl. She indicated that due to the large amount of trust which is built during those long-term relationships, importers believe that when they ask their supplier to comply with certain requirements from the CSR code in case, the supplier will just do it at once (personal communication, July 14<sup>th</sup>, 2016). This often turns out not to be the case, so this example shows that good relationships and trust can also cause issues to be covered up more easily.

Getting different stakeholders around one table is the main measure of the ETI Sandstone group in Rajasthan. In the multi-stakeholder State Forum on Natural Stone, a broad range of stakeholders among which government bodies discuss issues from ETIs base code as well as sector-specific issues like silicosis. According to Bruce, awareness raising through the Forum is much needed, due to the discrepancy between international and national labour standards:

International standards and the requirements of international buyers are much higher than the expectations as such nationally. So it is really very much a huge amount of awareness raising on various different levels that has had to take place through the programme. One of the ways that we do that is through the multi-stakeholder working groups and through the meetings that we have with the suppliers as well. So it is really trying to explain what are the principles of the base code, what does good practice look like, how can this be adopted internally at the factory operations and so on. (personal communication, April 29<sup>th</sup>, 2016)

Besides awareness raising and explaining its base code, ETIs focus is on mapping the supply chain and identifying issues through stakeholder engagement. As Bruce said: “obviously you need to understand the context and the environment you're working in, so it obviously started off with a lot of research, stakeholder engagement” (personal communication, April 29<sup>th</sup>, 2016). However, despite the fact that ETI has a whole range of general, so not for the stone sector specifically, manuals and other practical tools for companies on how to comply to international labour standards, for the Sandstone programme it seems the organization is stuck in the initial mapping and awareness raising phase. A stone company which has recently left ETI valued the multi-stakeholder approach negatively: “ETI can be compared to government; processes are expensive and vague. Things just would not move forward”. Supporting this notice is the fact that Bruce would or could not share how many suppliers have improved and to what extent. Also no information is available on that matter on the website, while for instance TFT-RSP has very proudly announced on its website exactly which three factories and one quarry have reached level one of their programme. It might be assumed that ETIs approach is therefore not very effective

in reaching their goal of improving worker's process rights. Chapter five explores the achievements of the initiatives further, but first chapter four explores member representative's view on CSR.

## 5.4 Considerations and Roles Regarding CSR

The effectiveness of the CSR initiatives is influenced by the way in which their members participate. The role member companies assume and are expected to assume partly determines a CSR initiative's functioning, as do member's considerations for joining the initiative they did.

### 5.4.1 Considerations about Joining

Members joined CSR initiatives because of: a genuine interest in sustainability, a feeling of responsibility, the CSR business case or a mixture. XertifiX was founded because a group of stone masons came to Pütter and asked him to inspect quarries in India to make sure there was no child or bonded labour. Pütter went to India, saw a lot of children in the quarries and started a media riot alongside setting up XertifiX. As he was quite negative about the German stone industry and asked for more money than importers wanted to spend, not many importers wanted to join his initiative. In need to respond defensively to the public attention, a group of importers, calling themselves 'Verband für Gedenkkultur' (association for commemorative culture), joined together and started looking for alternatives. Holland Graniet and Lithos both are members. Keschull of IGEP was the person that was willing to meet the groups needs at a reasonable, reduced price. IGEPs members find the business case of being able to show that no child has worked on their products most important. As IGEP started certifying stone upon the importer's request, and child labour is its main focus, their considerations about certification coincide. This business case is considered the reward for 'doing' CSR for these natural stone companies, something Barrientos & Smith (2007) defined as important for ethical trade. What the business case in the end actually achieves in the supplier's workplace is however questionable. No members of Fair Stone were interviewed, but Fair Stone does attract potential members by saying that its standard is increasingly becoming "an essential element of global marketing" (Fair Stone, 2015, p. 1). The initiative also states that "transparency and communication is needed to tell consumers and media what we do" (Fair Stone, 2015, p. 1). It can therefore be argued that the business case is also reason for becoming a member of Fair Stone.

While the business case also played a role for members of ETI Sandstone and TFT-RSP to join, the feeling of taking responsibility prevailed, instead of the other way around. Bradley said Hardscape joined ETI in an attempt of “moving our business beyond paper-CSR and charitable work overseas to actually tackling working conditions in our supply chain” (personal communication, May 30<sup>th</sup>, 2016). For Callewier, the consideration to join ETI was about the idle hope for the opportunity to learn from other members and for being able to do more together, which is indeed the starting point of ETI. Callewier later joined TFT-RSP for its more hands-on approach (personal communication, April 12<sup>th</sup>, 2016). Now, together with Steven Walley from London Stone, Callewier collaborates with the Stop Child Labour coalition towards establishing a Child Labour Free Zone (CLFZ)<sup>3</sup> in Budhpura, India. Participants who were member of TFT-RSP all had some affiliation with sustainability. For Arte being a member of TFT-RSP is part of their business CSR strategy. The company has an intrinsic motivation to do its best in terms of taking responsibility for the sustainability consequences of doing business and is also discussing setting up a CLFZ in another part of India. Van den Beucken said the way Arte does business in a responsible way distinguishes Arte from other natural stone companies, which is indeed a business advantage and thus reward (personal communication, May 20<sup>th</sup>, 2016). Hoogenberg became a member of WGNS, because he sometimes received the question from government buyers about if his stones were “free of child blood”. He already was intrinsically motivated to “make sure the world remains somewhat fresh and fruity”, so he joined and stayed a member when WGNS merged into TFT-RSP. During the writing of this thesis, he however left TFT-RSP. The annual costs were too high for him as a “smaller player” and he strongly felt there was too little actual action on the ground. The fact that the Dutch government does not implement its sustainable procurement policy was a large factor as well, which means there is no financial reward being a member. In his words, TFT-RSP is “an empty egg for which you pay a lot of money” (personal communication, May 3<sup>d</sup>, 2016).

The motivation for joining a CSR initiative is a driver for the level of a member’s involvement, which also shows the influence of the view of a company’s leader on CSR. The next section indicates that as the certifying initiatives promote the business case of CSR more than the ones that assume a collaborative approach, their members presume a more passive role for themselves than the respondents who are members of TFT-RSP.

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<sup>3</sup> Child Labour Free Zones (CLFZs) is a program approach firstly introduced in 1992 by the Indian children’s rights organization MV Foundation. In short, a CLFZ is a demarcated area in which all community stakeholders, such as village leaders, parents, children, employers and local authorities, are convinced that all children should attend school instead of work, and work together to reach that goal (Stop Child Labour, n.d.).

### 5.4.2 Roles Regarding CSR

The research informants regarded the participating members of TFT-RSP front-runners in CSR in Europe. This observation leads to the assumption that the participating members of IGEP are the most active of that initiative. The difference between how IGEPs members and TFT-RSPs members regard their role within the initiative is therefore striking. Furthermore, the fact that no single member of Fair Stone and XertifiX responded to the interview request can be explained by the fact that there is little intrinsic motivation to actually change conditions in the supply chain, or at least by the indication that they assume a rather passive role for themselves regarding CSR.

IGEPs members assume a passive role; they indicated that being a member is enough and that IGEP should handle the CSR part for them. IGEPs members for instance do not receive reports of the audits, or an annual report of the initiative's efforts and achievements, and were either fine with that or had never thought about asking for it. This fits within the compliance paradigm. At TFT-RSP the companies have a very active role; they actively participate in the work plans with their suppliers and point TFT-RSP to where there is room for improvement. This attitude corresponds to what TFT-RSP expects of its members. Similarly to ETI, TFT-RSP expects its members to actively engage with their suppliers and pressurize them to make the necessary changes. This expectation fits within the cooperation paradigm, as does Pienkowski statement that it is not so much pressurizing as explaining suppliers the priorities of the importers:

It sounds sort of coercive, to talk about members leveraging change in their supply chain, because there is also the association that there will be changes in procurement if these sites do not comply, but actually it is a lot softer. It is often members saying: 'look, this is something we are prioritizing, I think you should focus on this particular issue'. (personal communication, April 14<sup>th</sup>, 2016)

At XertifiX and Fair Stone, members are also expected to use their supply chain leverage to put pressure on the implementation of the standards at their suppliers, which is indicative of how the initiatives show characteristics of both the compliance and the cooperation paradigm. At XertifiX however, pressurizing suppliers happens in a more coercive manner than at TFT-RSP:

So they need to prepare their business partner what is to be expected of them and then it is necessary that they push them all the time. We always make summaries of CAR, Corrective Action Requirements, and in many cases we give those then to the importer to ask them to also exert some pressure on the producer to make the improvements which

are written there. Because he is the business partner and he has some influence that way, so that is his part normally. The more an importer makes this pressure, the better it works. (personal communication, May 26<sup>th</sup>, 2016)

Interestingly, all initiatives at least expect their members to leverage change at supplier level, except for IGEP. According to IGEP, not much pressure or control is needed: “experience shows that it is not necessary to control every square meter in a quarry or any machine in a processing operation 24/7 in a police like way” (IGEP, n.d., p. 5). This viewpoint is highly questionable in face of available literature on issues in the Indian natural stone sector and the fact that all other initiatives and their members regard creating change a slow and difficult process. Additionally, IGEP nowhere states what it expects of its members, except for paying the fee, contradictory to the other initiatives. How all of this relates to the initiative’s achievements, is explained in the following chapter.

## 5.5 Achievements

All company representatives have seen improved labour and environmental conditions over the years in the Indian and Chinese stone quarries and processing factories they visit. These changes were often linked to economic development at country-level, so not necessarily brought about by the CSR initiatives. Development was generally seen as an evolutionary process: “people are comparing the western conditions of our generation and our time span to something they have to still grow towards. It will come” (Van der Woude, personal communication, May 23<sup>d</sup>, 2016). A few participants referred to substandard labour conditions and prevalence of child labour in the recent past of Europe:

In many cases you cannot expect the same conditions there as here, a country like [India] is of course still in development. Sixty, seventy years ago it was the same here; one or two years ago, a Greek colleague retired who also stood in a stone quarry at age 14. It used to be like that in the past and it is still like that in India for the large part. [author’s translation] (Kop, personal communication, May 24<sup>th</sup>, 2016)

Some did still recognize the need for greater awareness about risks in the workplace, despite the witnessed improvements:

Yes, of course you see improvements. Yes, company assets are getting better, labour conditions are getting better. Yes, but I also have to say that for instance safety shoes, I

have not seen them much around there [Fujian, China]. Everybody walks around with masks on because of the air pollution, but certainly not because of the dust. So that is weird, [...] but in reality that has to do with explanation, does it not? Local explanation. And they do not yet have that knowledge. [author's translation] (Nijenhuis, personal communication, June 24<sup>th</sup>, 2016)

According to Van der Woude, years ago it was common to see children working on rest material of big granite blocks to make smaller chips for the streets of India, but the last few years he rarely sees it. He attributes this observation to general development in India. He also does not deem it the responsibility of the suppliers or importers to tackle child labour outside of the quarry (personal communication, May 23<sup>d</sup>, 2016). The comment that child labour has almost disappeared came forward in three other interviews. However, Glocal Research, ICN and Stop Child Labour (2015) in their field research did observe what Van der Woude rarely sees anymore; children, often girls, chipping the waste material next to the quarries. Heyl refutes the argument that what happens outside of the quarry is not the supplier's or importer's responsibility, as she said that producing waste is a part of quarrying and processing, so what happens with that waste is just as much a part of the company's responsibility as it is what happens to the end product (personal communication, July 14<sup>th</sup>, 2016). A more plausible explanation for Van der Woude's observation is that the children are better hidden from his sight, as the quarry owners and exporters know he is coming and also know child labour is no longer accepted by the importers. Hiding children from sight is something ICN experienced with their work in Budhpura setting up a CLFZ (Heyl, personal communication, July 14<sup>th</sup>, 2016).

Regarding the concrete achievements the initiatives have made, results remain vague. Only TFT-RSP is publicly transparent about its accomplishments: the website reads that as of July 2015, three factories and one quarry have reached level one of their code. It also states which members have worked with these factories and quarry to reach this level. Huijps, as well as some TFT-RSP members, confirmed this number while also criticized it for being only "a drop in the ocean" (Huijps, personal communication, April 25<sup>th</sup>, 2016). However, TFT-RSPs openness and acknowledgement that changing labour and environmental conditions is a slow and laborious process enlarges the initiative's reliability as well as the assumed sustainability and therefore value of the achievements. Another achievement of TFT is the launch of its 'transparency hub', in which the public can see what percentage of member's supply chains are submerged in the TFT-RSP programme, subdivided in first tier exporters, factories and quarries. Fitting within the cooperation paradigm, importers are expected to work closely with their suppliers to improve. As Lund-Thomsen & Lindgreen (2014) indicated, it is not practicable for a company to cooperate

closely with many suppliers. This is illustrated by the small number of suppliers at level one of the TFT-RSP. Even though achievements are criticized for being small, at least they are verifiable which is more than one can say of the other initiatives.

As transparent as TFT-RSP is about its achievements, so opaque are Fair Stone, IGEP and XertifiX about theirs. Other than assuming that there are stones sold which are certified by these initiatives and that those stone comply with the initiative's minimum requirements there is not much to go on. Furthermore, according to literature assuming compliance is probably false. To illustrate, the minimum requirements for suppliers to issue the Fair Stone logo are:

- Supplier Agreements are complete, correct and signed;
- Every worker has an adequate Personal Protective Equipment (PPE);
- Adequate warning signs and fire extinguishers are installed where necessary in the factories;
- A clear material flow is visible, dangers are avoided by orderly storing stones and stone debris;
- The first Fair Stone workshop regarding Occupational Health and Safety has taken place. (Fair Stone, 2016b)

Those of XertifiX are:

- All ILO Core Labour Conventions must be fulfilled;
- Legal minimum wages are paid;
- The chain of production must be traceable from importer to quarry;
- The working conditions must be improved step-wise (yearly). Each step of improvement will be agreed on at the end of the audit and is mandatory. (XertifiX, n.d.-b)

And the minimum requirement of IGEP is eliminating all forms of child labour (n.d). Where the minimum requirements of XertifiX are quite thorough, those of Fair Stone and IGEP do not convey much improvements for workers or the environment. Fair Stone's minimum requirements are only focused on safety in the workplace. While safety obviously is important, it is only one outcome standard area and improving workplace safety does nothing for achieving process rights.

Besides fulfilling these minimum requirements, it remains vague how much and which quarries and factories participate in the certification schemes, even though all three initiatives said that 100% of their member's supply chain is known to them. Neither however shares this information publicly. Numbers on how many stones are certified also are not public. Fair Stone

does have an internet-based tracing system in place, but it is not accessible for the general public. Making supply chains public might be beneficial for the goal of achieving better labour and environmental conditions, as issues could be better identified. In the interviews, Herrmann, Keschull and Schmidt did come up with numbers of quarries and factories involved, but these are not verifiable. Herrmann was talking about how 1500-3000 workers benefit, Keschull said that around 300 quarries and factories are certified and Schmidt found in his database that 200 quarries and 160 factories are certified (personal communication, May 5<sup>th</sup>, 2016; May 2<sup>nd</sup>, 2016; May 26<sup>th</sup>, 2016). When taking into account that within TFT-RSP only 4 suppliers reached level one up to now, even though this low number is in part due to the collaboration method, it is doubtful that the certified suppliers of the certifying initiatives are all up to standard. It is therefore plausible that actual achievements regarding sustainability in the supply chains are meagre.

For the ETI Sandstone Group the achievements consist of establishing the State Forum on Natural Stone in Rajasthan, which is now functioning properly on its own. According to Heyl, in the Forum all stakeholders, including local NGOs and government representatives, discuss problems and successfully lobby the local government about issues such as silicosis (personal communication, July 14<sup>th</sup>, 2016). Wet drilling is now mandatory in Rajasthan, but how much of that achievement can be ascribed to the efforts of ETI is unknown. However, apart from the fact that the Forum meets regularly and functions properly, Bruce could not share concrete results (personal communication, April 29<sup>th</sup>, 2016). Also ETI's website showed no achievements in terms of how many suppliers have improved to what extent. This vagueness about probably small achievements confirms the description of a former member of the ETI Sandstone programme as expensive, vague and slow, without things moving forward.

## 5.6 Transparency

Public transparency about methods, difficulties and achievements offers the opportunity for the outside to check what is going on and get involved. Transparency to members allows for critical members, which could lead to learning and improving operations. Transparency regarding the CSR initiatives is expressed in different ways: transparency of member companies about their supply chains towards the initiative, transparency of the suppliers about their business practices and where they get their stones from to the initiatives, transparency of the initiatives about their efforts and achievements towards their members, and transparency of the initiatives about all of

the aforementioned to the public. The initiatives vary from each other in levels of transparency and company representatives generally did not value transparency as important.

Most of the CSR initiatives are not transparent towards the public regarding included suppliers and progress, but were about their members, measures and standards. TFT-RSP clearly stands out as most transparent to the public as well as to their members; transparency is part of its methodology and the initiative acts on it, for instance by sharing information through the transparency hub as discussed in chapter five. IGEP stands out as least transparent. For instance, IGEP fails to enlist its members on its current website as well as on the upcoming new website, even though Kebschull was sure the list would be on the new website (personal communication, May 5<sup>th</sup>, 2016). To an inquiring email about the matter, the answer reads: “[...] due to the confidentiality agreement between IGEP and its members and the German data protection laws, we are not allowed to give you the list of certified companies. Due to this reason we have not updated the old list on our website” (personal communication, August 4<sup>th</sup>, 2016). As all other initiatives do show their membership list, be it in differing extensiveness, the comment is at least remarkable.

All CSR initiatives have in common that the entire part of their member’s supply chain in the areas they operate is transparent to them. Naturally, a prerequisite for working with suppliers is knowing who they are. Where the certifying initiatives just ask for a list of suppliers, TFT-RSP and ETI Sandstone go through a more extensive ‘mapping procedure’ as it turns out to be quite difficult to reach supply chain transparency down to quarry level. The complicating factor in supply chain transparency is receiving all necessary information from exporters in the sourcing countries. According to Schmidt, tax evasion often makes acquiring the supplier data difficult:

[...] it is always a challenge in the beginning, because maybe they do not want to show them [packing lists] because of tax reasons for example. That is quite often a reason because maybe they are not doing all of their business officially; they do not pay for it, so that is one way for them to hide from the government. They are reluctant maybe to show these documents, so it is some kind of process to make them show these. (personal communication, May 26<sup>th</sup>, 2016)

According to Callewier, suppliers regularly even create false documents:

There sometimes are factories which are state of the art; very beautiful, very clean, but in terms of Human Relations things are rather loose; no contracts, all temporary contracts, legislation which is not complied to. [...] And in first instance we have clarified foremost to the suppliers that it is about transparency. We had one supplier, who even took the

trouble to, I am not going to say he did it deliberately, but he just falsified a bunch of documents. I believe that happens frequently. [author's translation] (personal communication, April 12<sup>th</sup>, 2016)

Callewier's observation was endorsed by several other participants. Getting down to the bottom of where the stones come from turns out to be complicated, therefore the more extensive approach of mapping member's supply chains ETI and TFT wield, instead of just asking a list like the certifying initiatives, seems warranted.

As said, TFT-RSP is the only initiative which is open to the public about level one suppliers. The other initiatives keep the supply chains strictly confidential. According to Pütter, companies want to keep the supplier information a secret to protect their competitive advantage. As a consequence,

it is difficult to let outsiders be part of the inspection system, or journalists to come with us, because there might be leakage and the importer says: I do not want anybody else to know from where these stones are, for I am the only one to have this product. And of course on the market if you are the only one on the market to have a product, you are the leader in the market. (personal communication, May 3<sup>d</sup>, 2016)

However, as Heyl pointed out, "if you want to address issues like child labour and labour rights violations in your supply chain you have to work together, and so you have to be able to step over the secrecy of where you get your stones" [author's translation] (personal communication, July 14<sup>th</sup>, 2016). Stepping over the competitive advantage issue does not constitute a problem for the members of TFT-RSP, which calls into question why it should be a problem for other companies.

There is quite some variation in the reports the initiatives issue. TFT since 2012 and ETI since 2004 publish annual organization-wide reports of the whole organization, but not for respectively the RSP and Sandstone programme specifically. XertifiX also publishes an annual report every year since 2008 and unlike TFT and ETI, it has already finished the 2015 report. There is an external evaluation available on ETI's website over 2015 though, which the organization commissioned to assess their progress. Fair Stone and IGEP both do not publish an annual report or other progress updates, which is in contradictory to Fair Stone's statement that besides supply chain information, "most other information is disclosed to the public. Transparency is important for a standard" (personal communication, May 2<sup>nd</sup>, 2016. ETI Sandstone publishes a blog post about once a year since 2011, with the exception of 2015 when nothing was posted, about efforts in Rajasthan, which is far less frequent than other ETI

programmes do. Bruce further said that members report to ETI about their progress (personal communication, April 29<sup>th</sup>, 2016), which is the opposite of how XertifiX and TFT-RSP handle reporting. TFT-RSP provides its members individually with a monthly status report if something has happened concerning one of the member's suppliers (Van den Beucken, personal communication, May 20<sup>th</sup>, 2016). XertifiX shares audit reports with its members if they want to. Schmidt is in two minds about whether or not to share the audit reports publicly, as it is practically achievable and he thinks it would be good, but some importers would not be happy to:

To the public so far we have not put this on the website actually. It is to be thought about, yes, maybe in a while it can.. I would like to actually, but to be honest, it would be good in the very good cases, the other cases the importer would say: oh I do not know whether I want this going public, which I can understand too. We have to think about it. [...] But generally it would be good actually. (personal communication, May 26<sup>th</sup>, 2016)

IGEP publishes no progress reports or outcomes of audits whatsoever, not to the public but also not to its members. When this topic came up, Van der Woude realized he had never thought about the fact that he never receives reports from IGEP:

No, I do not receive reports about the labour conditions. That might be something that can be improved. Maybe there should be reported towards individual members [...], I would like that. This question is a wake-up call for me actually; where are those things? [author's translation] (personal communication, May 23<sup>d</sup>, 2016)

However, while Van der Woude would appreciate some more transparency, Kop said that Lithos is satisfied with not knowing too much, because they do not have time to get involved (personal communication, May 24<sup>th</sup>, 2016). This comment points out that taking responsibility for issues in one's supply chains is seen as something voluntary, to do if one has time for it, not as something inherent to doing business. The perspective fits well within the compliance paradigm, in which IGEP, more than the other CSR initiatives, still finds itself.

## 5.7 Learning and Improving

It is important for organizations to learn and improve themselves in order to adapt to new situations and to be able to reach goals effectively, especially if goals are as complex as eliminating child labour and achieving sustainability in the work place. A prerequisite to learning is knowing clearly where you stand; in order to improve there should be a base line. One way of

getting to know the base line is by publishing an annual report. As described in the previous chapter, ETI, TFT and XertifiX publish annual reports, while Fair Stone and IGEP do not, at least not publicly. Even if Fair Stone and IGEP write annual reports privately, by not sharing them the initiatives lose another learning opportunity: receiving feedback from others. Transparency towards the public and members allows initiatives to learn from critique they might receive upon that transparency. TFT-RSPs high levels of transparency for example allowed them to learn from their member's critique that it was too focused on straightening out administrative matters:

TFT has become more practical. TFT in first instance was very much about theory and about the fine print being how they wanted it. But over the years they have become aware of the fact that they should approach it easier. The basic points still stand rightly so, but it should be practically realizable and just. That is going well now. [authors translation] (Van den Beucken, personal communication, May 20<sup>th</sup>, 2016)

ETI actively searches for feedback through their monitoring, evaluation and learning mechanism. ETI states about the mechanism:

Monitoring, Evaluation and Learning (ME&L) is critical to ETI's work. Not only does it help drive high-quality programmes and workstreams, but it is key to improving our impact, effectiveness and organisational success - and thus to improving the lives of workers. (Ethical Trading Initiative, n.d.-b)

The publicly available evaluation report (IOD PARC, 2015) exemplifies an outcome of the mechanism. Currently the Sandstone programme is under evaluation, so it will be interesting to see what the verdict is. Based on the critique of members who left ETI because there was little information exchange and actual steps taken, which is endorsed by the 2015 evaluation report, the outcome might not be very positive. However, by evaluating the Sandstone programme, learning and improving are at least incentivized.

Another aspect of how the CSR initiatives learn and improve is adjustment of their standards to new international agreements, which is already discussed in chapter two. Kebschull claimed ISES is an open standard:

So many people came and have copied our system, many people came to visit us, and we always told those people who have come or are coming that our system, till today, is open. So if somebody has an idea how to improve our system, how to make it more efficient and

better, we are the first ones to say: please tell us that, so that we can include it. (personal communication, May 5<sup>th</sup>, 2016)

However, only a short summary of the standard is published online, so who the people are that are able to come up with changes remains the question. Considering that Fair Stone has not revised its standard since its foundation as well as the fact that it does not publish annual reports, IGEP and Fair Stone are unlikely to be learning and improving thoroughly. XertifiX, TFT-RSP and ETI do make better efforts at improving themselves and thus becoming more effective in reaching their goals.

## 6. Conclusions

This thesis provided an in-depth study of collective private sector voluntary CSR initiatives in the West-European natural stone sector. It has done so by conducting semi-structured interviews with initiative, company, NGO and other natural stone sector representatives as well as content analysis of publicly available information of the CSR initiatives. Data was gathered in light of the following central research question: how effective are West-European CSR initiatives in achieving sustainability in natural stone quarries and processing factories?

The codes of conduct form the basis of all initiatives, confirming De Neve's (2009) observation that codes are the mainly used CSR tool for corporations as well as civil society. Except for ETI, of which the code excludes the environmental dimension, the codes of conduct of all initiatives include at least some aspects of all three sustainability dimensions. Affecting initiative effectiveness, is the focus of the codes on outcome standards instead of process rights, which is consistent with the problems identified by the research participants. Tangible issues, such as the use of PPE, were identified more often by far than less tangible issues like freedom of association. As, especially in the cooperation paradigm, buyers are expected to engage with their suppliers in order to facilitate change, when they focus on outcome standards rather than process rights, the status quo regarding worker's rights is not likely to be changed. Furthermore, for the certifying initiatives, the business case of CSR prevailed as a reason to join. It would be naïve to assume that simply through cooperation, conditions will improve, when the business case is the reason to do CSR and not, or barely, the commitment to sustain the supply chains.

Research participants deemed the CSR initiatives effective when suppliers comply to the initiatives' codes. Whether the initiatives find themselves in the cooperation paradigm like ETI Sandstone and TFT-RSP, in the compliance paradigm like IGEP, or somewhere in between like Fair Stone and XertifiX, they all rely on CSR codes. This finding supports Lund-Thomsen & Lindgreen's (2014) expectation that codes of conduct will continue to be important in the cooperation paradigm. The authors observe a shift in CSR from the compliance paradigm to the cooperation paradigm, however this thesis shows that the two paradigms coexist in the same sector. The main division in initiatives is made on grounds of the measures they use in order to reach compliance; whether they certify stones or strive to reach compliance through collaboration with supplier and buyer. Concrete numbers of compliance were however either small or not publicly available. All company representatives did see certification as an important measure of achievements. This however does not mean that the certifying initiatives are automatically deemed effective; company representatives saw TFT-RSP and ETI Sandstone also as certification schemes.

Participants regarded whether suppliers were intrinsically motivated and committed to change one of the most important elements for achieving compliance with the codes. True commitment is more likely to be achieved in the cooperation paradigm than the compliance paradigm, because simply imposing an externally designed code is unlikely to initiate lasting change, as suppliers lack a feeling of ownership of the rules (Lund-Thomsen & Nadvi, 2010). To a greater or lesser extent, this is what the certifying initiatives do. ETI Sandstone does not show any concrete results in terms of suppliers complying to their code, but the success of the State Forum on Natural Stone in Rajasthan is an example of a means through which local stakeholder's voices are heard and through which suppliers can come to feel ownership over the code. The other initiatives lack an internal mechanism to include local supplier's and worker's perspectives.

No initiative besides ETI Sandstone has specific evaluation and learning mechanisms in place. All initiatives besides TFT-RSP lack transparency. Transparency is important for learning and improving from public feedback and thus for effectiveness. The chance that the certifying initiatives learn is smaller than of the others, as the cooperation paradigm presumes members to cooperate. Cooperation means getting involved, which can result in critique on certain operations. TFT is an example hereof as it has critical members and has shown to learn from the critiques it received. At the other end stands IGEP, whose members are not involved in the initiative which means IGEP cannot learn from its members. As argued, not being able to learn can have consequences for the effectiveness of the measures.

Thus, based on the findings of this study, it can be concluded that regarding effectiveness, the CSR initiatives for the large part fail to live up to the standards of participants. The findings are discussed in light of literature in the discussion below, where recommendations are also presented.

## 7. Discussion

The main limitations of the study concern the research sample. The sample is not representative of the larger population of West-European natural stone CSR initiatives, as not of every initiative member companies were willing to participate. As this concerned initiatives with largely German members, a reason could be the negative attention of German media for natural stone companies. For future research, it could be anticipated by working with a German speaking researcher, who could call them and address them in their own language, explaining the research. These initiatives were still included in the research, as employees of the initiatives itself were willing to participate and data triangulation was employed, so content of the initiatives was studied as well. Another limitation regarding the sample was that it is expected that research participants are front runners of CSR in the natural stone industry. Multiple informants confirmed this about the participating TFT-RSP members. To obviate the effect of including only front runners, one informant and one company representative were interviewed who can be considered laggards regarding CSR. From aforementioned limitation the conclusion rises that there is an extant chance that companies unwilling to participate are unlikely to be very involved in the initiatives. One other limitation of the study is the possibility that researcher bias has occurred. I am a relatively young female student and the large part of the participants were middle-aged men; their perception of me might have affected their answers. I have tried to redress the researcher bias by familiarizing myself with the sector and introducing myself and the research in detail to the participants. The trustworthiness of this study is further ensured by authorization of the transcripts, member checks of the results and conclusions, a clear description of methodology and inclusion of the interview guides (Shenton, 2004).

CSR is a well-researched topic, but to focus a case study research on CSR effectiveness in a less-visible GVC is new. The study showed that the compliance paradigm and cooperation paradigm coexist within this sector, and that indeed in the cooperation paradigm CSR codes and audits are still important tools, besides multi-stakeholder collaboration. The certifying initiatives, especially IGEP and Fair Stone, adhere more than the others to a minimum compliance approach. According to Barrientos and Smith (2007), such approaches are “less likely to challenge embedded labour relations or social norms underlying the production process” (p. 717). The variation in perspectives of company representatives on sustainability and the found tendency to talk risk down is ascribed by Hasle, Limborg, Kallehave, Klitgaard, & Andersen (2011), in their study to owner-manager’s perception of work place conditions of small firms in Denmark. Company representatives perspectives can be explained through the lens of the relativist stance regarding labour rights, which is convenient for doing business in countries with

other cultures. According to Soundararajan, Spence & Rees (2013), literature has pointed to the finding that “the owner managers’ personal values and priorities influence the organisational culture, social relations and attitudes of the firm” (p. 4). The authors state that there are indications of this being similar in small firms in developing countries, but more research needs to be conducted on owner managers’ influence in developing countries, also in relation to the dominant social norms in a sector.

To complement this study, a recommendation for future research is an impact assessment of the CSR initiatives’ efforts locally, as in this thesis achievements were not the main focus and findings were vague. In this research, the role of suppliers could only be assumed based on literature and interviews. As the focus of the thesis was on the CSR initiatives themselves, it comes across as if the initiatives push sustainability upon the suppliers. It would therefore be interesting to research suppliers’ perspectives on the CSR efforts of their buyers. It would then also be interesting to follow up on the indication of Barrientos & Smith (2007) that suppliers were largely unaware that the companies they supplied were members of ETI, or that their codes of conduct were based on ETI’s code. Further research into impacts on local labourer’s lives in the natural stone sector is especially relevant since De Neve (2014) and Barrientos & Smith (2007) found that in the garment and agriculture sector workers sometimes prefer to work in companies not complying to some sort of standard, as they for instance feel the code restrict their autonomy and freedom. Since local workers’ voices are not explicitly taken into account in the CSR initiatives under investigation in this thesis, but many member company representatives did point to the matter that workers’ wishes and the CSR codes are not always in line, further research is necessary.

Building on aforementioned suggestions for future research is the recommendation for the CSR initiatives to incorporate local suppliers’ and workers’ voice in their methods. Including suppliers’ and workers’ opinions will encourage them to feel more ownership over the measures, which is necessary for assuring sustainable improvements in labour and environmental conditions and thus increasing the initiatives’ effectiveness. Recommended also is for the initiatives to become more transparent, to the public as well as to the members. Greater transparency will lead to opportunities for critical involvement of the public as well as the members, which in turn could instigate learning and possibly lead to improved measures and achievements. Cooperation is likely to lead to more effective and sustainable results. However, in a less-visible GVC which the natural stone industry is, external CSR pressures are less critical for achieving change. And while collectively demanding changes based on similar codes might be effective for some issues, CSR efforts are as of now still voluntary and for most companies low or entirely missing on the agenda. A bigger impact could be expected of the European sustainable procurement policy for

governments, as governments are large buyers of natural stone. That is, if it would be properly implemented which as of now is not the case. The way the natural stone sector is organized now, sustainability is still a far reach.

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## Appendices

### Appendix A. Interview Guide for Initiator

- What is your opinion on CSR in general?
- What is the initiative about?
- Who are your members?
  - o How has the membership list developed since the beginning?
    - Which companies joined when and have companies left?
  - o What do you expect of the members?/what is their role?
  - o What is the added value for companies to join?
  - o Is the value chain of the member's companies for 100% transparent?
- In which countries are you active?
- What stone types are accounted for?
  - o Are there different issues with different stone types?
- Does the focus lie on quarries or processing factories, or both?
- Do you certify/accredit?
  - o What is the reason for this?
  - o On what base do you certify?
  - o Are there audits and are those announced?
- How is the initiative financed?
  - o Is it only the membership or are alternative sources used?
- How did it come into existence?
  - o Did you find difficulties on the way? If yes, what kind of difficulties?
- What was the reason for you to start up this initiative?
  - o What problems exist in the natural stone sector?
- Could you tell me in your own words what the purpose of this initiative is?
  - o Do you think it is able to meet that purpose?
  - o What does the initiative do to meet its purpose?
- What achievements have been made so far?
  - o Could you estimate how many people are better off because of the initiative?
  - o What lies in the future?
- Are there repercussions for members that violate your rules?/if there is a complaint?
- What difficulties does the face on a day-to-day basis?
  - o For instance: is the name misused?

- Did the initiative go through any changes? If yes, what kind of changes?
  - o What have you learned over the years?
- What kind of information do you disclose to the public and the member companies?
  - o Is there a specific reason for this?
- Does the initiative adhere to any international sustainability standards?
  - o Which? And why those?

## Appendix B. Interview Guide for Member

- What kind of company do you own?
  - o What types of stone do you work with and where does it come from?
  - o Do you ever visit the quarries and processing factories?
- Do customers ever ask you about issues in the natural stone sector?
  - o If yes, what do you tell them?
- What problems exist with what type of stone from which country?
  - o Who do you think should address those problems?
    - What do you think companies can do about those problems?
    - Why should companies take responsibility?
- There are several similar initiatives out there, what made you choose this one?
- What is the initiative about?
- Could you tell me in your own words what the purpose of this initiative is?
  - o Do you think it is able to meet that purpose?
- What do you think the initiative does to meet that purpose?
- What achievements have been made so far?
  - o What percentage of your supply chain is submerged in the initiative?
- What does your company notice of the membership?
  - o What is your role within the initiative?
  - o What is expected of you?
    - What do you think about that?
  - o How often do you have contact with the initiative?
  - o How does the communication go?
  - o How often is there contact about your suppliers?
- Are you engaged in any CSR activities outside of the initiative's activities?

- Has, to your knowledge, the initiative gone through any changes? If yes, what kind of changes?
- What kind of information does the initiative share with its members?
  - o What do you think about that?
- Are you satisfied with your membership of this initiatives?
  - o Why?

### Appendix C. Interview Guide for Non-Member

- What kind of company do you own?
- Do you think there are any problems in the natural stone industry concerning human rights or the environment?
  - o If any mentioned, who should address those problems to your opinion?
  - o What do you think the role of companies is in this?
- Do customers ever ask you about issues in the natural stone sector?
  - o If yes, what do you tell them?
- Are you aware there are several CSR initiatives who try to solve sustainability problems in the natural stone industry?
  - o What is your reason for not participating in one of these?
- What is your view on CSR?
- Is your company engaged in any CSR activities?

### Appendix D. Interview Guide for Branch Organizations

- What does the branch organization do?
- What problems do you think exist in the natural stone sector?
  - o Who do you think should address these problems?
  - o What do you think can businesses do?
  - o What can the branch organization do?
- There are several similar initiatives out there, what do you think of those?
- What do you think the initiatives do to eradicate sustainability issues in the sector?
- What achievements have been made so far, to your knowledge?
- Is the branch organization engaged in any CSR activities outside of the initiative's activities?
  - o If yes, what sort of activities?

- What is the reason for these activities?

## Appendix E. Interview Guide for NGOs ‘On the Ground’

- What does your organization do?
  - What is the relation to natural stone?
- What problems do you think exist in the natural stone sector?
  - Regarding different stone types, regions, countries?
  - Who do you think should address these problems?
    - What do you think can businesses do?
    - What is the role of NGOs in addressing the problems?
- Are you aware of any CSR initiatives in the sector?
  - What is your opinion on them?
- What has changed considering sustainability in the sector of the past decade?
  - What is the role of the initiatives in this?
    - What achievements have been made so far?

## Appendix F. Interview Guide for Critics

- What does your organization do?
  - What is your relation with the natural stone industry?
- What problems do you think exist in the natural stone sector?
  - Who do you think should address these problems?
    - What do you think can businesses do?
- There are several similar initiatives out there, what is your opinion on them?
- What do you think is the purpose of these initiatives?
  - Do you think it is able to meet that purpose?
- What do you think the initiative do to meet that purpose?
- What achievements have been made so far?
- Have, to your knowledge, the initiatives gone through any changes? If yes, what kind of changes?
  - What do you think should change?