



GSCP EWG-MS Consultation on the draft reference tool on Companies' Management Systems – August 2010

[Click here to go straight to the draft](#)

Introduction

➤ The Global Social Compliance Programme

The GSCP is a business-driven programme for companies whose vision is to harmonise existing efforts in order to deliver a shared, consistent and global approach to the continuous improvement of working and environmental conditions in global supply chains.

To this effect, the Global Social Compliance Programme is developing a set of reference tools ([more information](#)) and processes that describe best practices (based on the relevant international standards) and provide a common interpretation of fair labour requirements and environmental requirements, together with their implementation.

This approach has been designed to provide a framework to build comparability, transparency and trust between existing systems whether individual or collaborative. This will allow for more consistency and will facilitate the mutual recognition of audit results and processes.

The programme is neither another monitoring initiative, nor a substitute for existing systems. It provides a platform where differences between existing systems (individual or collaborative) can be aired, discussed and reconciled in order to move towards convergence, while preserving each system's specificity.

➤ The GSCP Expert Working Group on companies' and schemes' Management Systems

In December 2009, GSCP launched an Expert Working Group on Management Systems (EWG-MS) for companies and schemes, to deliver the fourth step of the GSCP Working plan.

This fourth step looks at how companies and schemes can understand, share or even align each other's best practices in their individual social compliance management systems.

The key objective of the work is to help build greater understanding, transparency and trust around social compliance management systems, allowing existing systems to better work together.

The **Expert Working Group** is constituted of the following members:

- Lena Bergendahl, Coordinator Environmental & Social Issues, ICA
- Giles Bolton, Ethical Trading Manager, TESCO
- Leslie Collins, Global Operations SC Social Env Responsibility Program Mgr, HP
- Pierre De Ginestel, Quality Director, AUCHAN
- Carole De Montgolfier, Chef de Projet, Direction Développement Durable Groupe, CARREFOUR
- Sunil Jacob, WAL-MART
- Jaroslaw Kielak, Compliance Specialist, Group Staff Sustainability, IKEA
- Tod Pepin, Senior VP Supply Chain, HANNAFORD
- Francesca Savi, Ethical Standards Specialist, WAL-MART
- Kent Wang, Quality and Corporate Responsibility, BEST BUY
- Clément Warther, Director Sustainability and Risk Control, AMCOR (formerly ALCAN PACKAGING)

The work has been led by the Expert Working Group on Management Systems (EWG-SM) between December 2009 and June 2010.

➤ The **GSCP Draft Reference Tool on social compliance Management Systems**

Many companies and membership organisations/schemes have put in place social compliance programmes to assess and monitor social performance through their supply chain. These programmes are sitting within the company/the scheme itself and their effectiveness will be closely linked to how well integrated they are and to the set of policies, procedures, activities and resources put in place to manage them.

The reference tool on management systems will be part of the GSCP set of reference tools designed to provide a common interpretation of fair labour requirements and their implementation. It aims at describing the key elements that characterise companies' current good practices in the management of social compliance programme.

The purpose of this reference tool is to:

- identify and gather good practice for establishing and operating companies' supply chain social compliance management systems;
- allow companies to assess and compare the quality, solidity, integrity and sustainability of their systems.

The development of the draft tool on management systems is based on the analysis of existing standards and industry good practices. It takes into account the wide range of existing types of management systems within companies as well as the diverse structures of these organisations. Several areas have been considered, such as the system's structure, tools and model for continuous improvement. Within these areas, a number of requirements for the definition of an effective social compliance management system have been defined.

This draft reference tool focuses on companies' management systems and will be complemented by relevant requirements applicable to membership organisations/schemes' social compliance management systems, to be developed and published by the GSCP in the near future.

It applies to companies from all sectors, categories and countries.

Once published, this reference tool will be publicly available and can then be:

- Integrated in part or in full by buying companies into their existing system.
- Used by buying companies or schemes as a reference against which to compare their existing system.

➡ Your input on the Draft Reference Tool on Companies' social compliance Management Systems

The GSCP has now launched the consultation process on the GSCP draft reference tool on Companies' social compliance management systems.

The consultation is open to any company or organisation that wishes to share best practices and will **run until September 30th 2010**.

To contribute, please **use this form (click to download)** to comment on the different sections of the draft reference tool (follows) and send it back to the GSCP at gscp@theconsumergoodsforum.com.

All comments and suggestions are welcome and will be valued - we look forward to reading your input!



Global Social Compliance Programme

Draft Reference Tool on Companies' Social Compliance Management Systems

The GSCP is facilitated by
The Consumer Goods Forum
7, rue de Madrid
75008 Paris

The Global Social Compliance Programme

The Global Social Compliance Programme is a business-driven programme for companies whose vision is to harmonise existing efforts in order to deliver a shared, global and sustainable approach for the continuous improvement of working and environmental conditions across categories and sectors in the global supply chain.

It offers a global platform to promote knowledge exchange and best practices in order to build comparability and transparency between existing systems.

To this effect, GSCP is developing a set of **reference tools** and processes that describe best practices and provide a common interpretation of working and environmental requirements and their implementation.



Contents

Introduction.....	4
1. Internal organisation.....	5
1.1 Social compliance policy.....	5
1.2 Creating a social compliance programme.....	6
1.2.1 Assigning responsibility for the social compliance programme.....	6
1.2.2 Defining the scope of the social compliance programme.....	7
1.2.3 Ensuring commitment to the social compliance programme.....	7
1.2.4 Setting objectives and targets for the social compliance programme.....	8
1.2.5 Allocating resources to the social compliance programme.....	8
1.3 Roles and responsibilities.....	8
1.3.1 Managerial function.....	8
1.3.2 Operational function.....	9
1.3.3 Cross-functional Co-ordination.....	9
1.4 Implementation of social compliance programme.....	9
1.5 Staff engagement.....	10
1.5.1 Staff training.....	10
1.5.2 Training Buying Staff.....	10
1.5.3 Performance Management.....	10
1.6 Working with suppliers.....	10
1.6.1 Communication with suppliers.....	11
1.6.2 Commitment to the ethical Code of Conduct.....	11
1.6.3 Communication with worksites.....	11
1.7 Stakeholder involvement & dialogue.....	11
1.8 Reporting System.....	12
1.9 Internal compliance and monitoring.....	12
1.10 Regular review and update of framework of processes.....	13
1.11 improvement.....	13
2. Tools.....	14
A. Setting the goals of the social compliance programme.....	14
2.1 Requirement and scope of the code of conduct.....	14
B. Measuring processes and tracking performance.....	15
2.2 Social Compliance Data Gathering.....	15
2.2.1 Risk assessment.....	15
2.2.2 Supplier self assessment.....	15
2.2.3 Auditing.....	15
2.3 Data management.....	17
2.3.1 Database.....	17
2.4 Contingency plan.....	18
3. Continuous improvement.....	19
3.1 Review of issues across the whole supply base.....	19
3.2 Root-cause analysis.....	19
3.3 Grievance mechanisms.....	20
3.4 Remediation of non-compliances.....	20
3.5 Supplier support.....	20
3.6 Incentives to suppliers.....	21
3.7 Sanction as a last resort.....	21
3.8 Relationship with and recognition of other systems.....	21
Glossary of Terms.....	23

Introduction

Many companies have put in place social compliance programmes to assess and monitor social performance through their supply chain. These programmes are sitting within the company itself and their effectiveness is closely linked to how well integrated they are and to the set of policies, procedures, activities and resources put in place to manage them.

The success of a social compliance management system depends on the commitment to it of all levels and functions of the company, and especially of senior management. A system of this type enables a company to develop a social compliance policy, establish objectives and processes to achieve the policy commitments, and take action as needed to improve its social compliance performance, embracing the principle of continuous improvement.

Objectives and scope of the draft Reference Tool

The GSCP draft reference tool on management systems describes the key elements that characterise companies' current good and best practices for establishing and operating companies' supply chain social compliance management systems. It applies to companies from all sectors, categories and countries.

The draft reference tool takes into account the wide range of existing types of management systems within companies, as well as the diverse structures of these organisations.

The draft reference tool is intended to provide companies with the elements of an effective supply chain social compliance management system that can be integrated with other management requirements and help them achieve social compliance objectives.

This draft reference tool provides reference and is not intended to be used to increase or change companies' legal obligations.

Use of the Reference Tool

The reference tool on management systems will be part of the GSCP set of reference tools designed to provide a common interpretation of fair labour requirements and their implementation.

Like for other GSCP reference tools, it will be made publicly available and can then be:

- Integrated in part or in full by buying companies into their existing system.
- Used by buying companies or schemes as a reference against which to compare their existing system.

1. Internal organisation

This section outlines the elements of an effective supply chain social compliance management system and the way in which these should be integrated into a company's own internal structures.

The elements outlined in this section will help companies deliver their social compliance programme and ensure that labour standards in the supply chain are actively monitored, issues identified and improvements made and verified.



Image 1 Social compliance management system in summary

1.1 Social compliance policy

The company establishes a social compliance policy in line with the recommendations set out below. This policy is agreed at the most senior level possible within the company.

1.1.1 Minimum requirements

The social compliance policy:

- Is aligned with the company's vision and an integral part of the company's strategy
- Commits the company to the continuous improvement of labour standards in the supply chain
- Provides a clear framework for setting social compliance objectives and targets
- Commits the company to compliance with relevant legal requirements
- Is communicated to all employees, subcontractors, suppliers and licensees
- Is documented
- Is publicly available
- Is periodically reviewed.

1.1.2 Senior level involvement

Commitment from the most senior management level is essential to the creation and successful implementation of a social compliance policy.

It is recommended that the highest level of management plays an active role in the creation of the social compliance policy.

1.1.3 Implementation of the policy

Once the social compliance policy is in place, the company develops the processes and procedures necessary to ensure that the objectives of the social compliance policy are met. These processes and procedures will constitute the social compliance programme.

1.2 Creating a social compliance programme

In order to meet the objectives of the social compliance policy, the company creates a social compliance programme.

This programme requires the development of appropriate management systems and tools. Management tools will be discussed in more detail in section 2.

1.2.1 Assigning responsibility for the social compliance programme

The company appoints either an individual or a committee at the highest possible management level to take responsibility for the social compliance programme, in particular for:

- Defining the scope of the programme
- Ensuring commitment to the programme
- Setting objectives and targets for the programme
- Allocating appropriate resources to the programme.

Responsibility may be assigned on the basis of geography, matching the company's regional structure, or according to overall company structure: for example by division, branch, etc.

This individual or committee also:

- Ensures that appropriate social compliance processes and procedures are established and implemented
- Defines the job roles involved in the management of the social compliance programme and the responsibilities associated with those job roles
- Defines and document lines of reporting and lines of authority for any job roles involved in the social compliance programme and communicating these lines as necessary throughout the company
- Reports regularly to the highest possible level of management on the performance of the social compliance programme

- Evaluates the performance of the social compliance programme and investigates and implements potential improvements.

1.2.2 Defining the scope of the social compliance programme

The company's social compliance programme corresponds to the nature, extent and social impacts of the company's supply chain. In this respect, the social compliance programme includes some form of risk assessment of the supply base to help assess and prioritise social compliance issues.

1.2.2.1 Elements of the social compliance programme

A company's social compliance programme encompasses:

- The development of a social compliance policy
- The definition of measurable goals and objectives
- The adoption of an implementation plan
- Internal communication and staff engagement with the programme
- Supplier engagement
- Monitoring the social compliance performance
- The reporting of social compliance objectives, activities and outcomes
- External communication with interested parties
- Regular review of the objectives and the framework of processes in place to deliver them
- Working to continuously improve the social compliance performance.

Please note: Although there is some degree of overlap between social compliance programmes and other areas such as internal Human Resources Management, internal Health and Safety procedures and Environmental Management Systems, these elements are not within the scope of this document.

1.2.3 Ensuring commitment to the social compliance programme

The successful implementation of the social compliance programme relies on the commitment and involvement of all management and non-management levels responsible for the delivery of the programme.

In particular, it is essential to ensure that all social compliance management systems are backed by sufficient management commitment to ensure that they can run effectively and achieve their goals.

The level of management commitment needed (in terms of seniority of staff and time dedicated to social compliance issues) depends on several of factors including:

- The size of the company
- The scope and spread of in-scope supply chains
- The types of products/services concerned.

1.2.4 Setting objectives and targets for the social compliance programme

The company sets appropriate objectives and targets for the social compliance programme. These are within the defined scope of the social compliance policy and are also in line with the company's overall strategy and objectives.

Objectives and targets are:

- Agreed at the highest possible management level
- Measurable, with progress against them tracked and monitored
- Systematically reviewed to ensure they reflect the priorities of company and the social compliance policy.

The social compliance programme also sets out timeframes for achieving targets and objectives.

1.2.5 Allocating resources to the social compliance programme

Companies ensure that appropriate resources are allocated to the social compliance programme to make sure that the aims and objectives of the programme can be met.

Resources may include:

- Human resources – and any requisite specialised skills
- Organisational infrastructure
- Technological resources
- Financial resources.

The appropriate resources are available to establish, implement, maintain and improve the social compliance programme.

1.3 Roles and responsibilities

The social compliance programme is structured on two levels – a managerial level and an operational level. Both the managerial and operational functions of the social compliance programme operate in close partnership with other managerial and operational functions in other departments to ensure that the programme is delivered successfully.

1.3.1 Managerial function

The managerial function is responsible for more strategic elements of social compliance programme including, but not limited to:

- Strategic decision-making and planning: define policies and set objectives
- Organizing: define and assign roles and responsibilities, develop procedures and tools

- Implementing: communicate procedures to the relevant staff, conduct training, implement procedures, management of resources
- Controlling: check that policies and procedures are being followed, assess the results of the implementation, promote corrective actions, review the strategy
- Responsibility for reporting on progress to most senior level of management
- Evaluating programme effectiveness.

1.3.2 Operational function

The operational function is responsible for running the day-to-day activities of the social compliance programme and will include those personnel with the most direct contact with suppliers.

The number of members of the operational function varies depending on several factors, including:

- Company size
- Structure of the social compliance programme
- How responsibility is assigned between regions/divisions.

1.3.3 Cross-functional Co-ordination

Both the managerial and operational functions in charge of the social compliance programme work with other functions within the company to ensure the delivery of the social compliance programme, which is seen as integral to the company's core functions.

Other functions are aware of their responsibilities for the delivery of the social compliance programme and readily engage with the social compliance function to ensure that the social compliance objectives of the company are met.

Personnel in other functions have a clear understanding of how their job roles affect social compliance objectives and they understand how they can have a positive impact on social compliance objectives.

1.4 Implementation of social compliance programme

In order to ensure the successful implementation of the social compliance programme, responsibility for meeting the objectives and targets set is allocated to individuals within appropriate functions in the business at an appropriate management level.

The individuals with responsibility for meeting social compliance targets and objectives are given appropriate means and resources with which to meet their obligations.

These means include dedicated training, as relevant, in addition to further social compliance support systems for all staff that have dealings with suppliers. These support systems will direct staff towards sources of additional resources, guidance or more information.

1.5 Staff engagement

All staff involved in the supply chain/operation within the company are made aware of the social compliance policy, the social compliance programme, and the way that they relate to the job roles of individuals and departments, according to their roles and responsibilities within the supply chain.

1.5.1 Staff training

All staff who interface with suppliers, including but not limited to buyers, technical managers and procurement staff, receive appropriate training on the social compliance policy and programme.

It is essential that such staff:

- Understand the requirements set out in the company's ethical code of conduct¹
- Understand the support mechanisms that are available to them for dealing with social compliance issues
- Have the knowledge and skills necessary to fulfil their tasks.

1.5.2 Training Buying Staff

Training for buyers on social compliance issues is an essential part of the training plan for buyers.

The training covers among others, but should not be limited to, the following elements:

- Building awareness about social compliance issues
- Providing a comprehensive overview of the company's programme
- Setting out the behaviours expected of staff in terms of:
 - Supplier engagement
 - Price and other negotiations
 - Changing order details
- Demonstrating the impact of purchasing practices on workers and other actors in the supply chain.

1.5.3 Performance Management

The company ensures that buyers' KPIs are in line with the social compliance policy, and that buyers are not incentivised to act against the principles of the policy.

1.6 Working with suppliers

The company communicates its social compliance policy and programme to all interested stakeholders.

In particular, the social compliance requirements are clearly communicated to:

¹ For more details on the code of conduct see section 2.1.

- Suppliers
- Worksites

1.6.1 Communication with suppliers

The company has a procedure in place to communicate social compliance requirements to suppliers in the most effective way possible. This procedure requires suppliers to confirm that they fully understand the requirements.

In addition to communicating the social compliance programme and requirements to suppliers, the company also offers further information or support in case of questions regarding the requirements.

1.6.2 Commitment to the ethical Code of Conduct

The company works with suppliers to ensure that there is a process in place to require companies and sites further down the supply chain to commit to work towards the requirements set out in the company's ethical code of conduct, or equivalent commitment.

In addition to requiring this commitment from suppliers, the company also commits to applying the principles of its code of conduct in its dealings with suppliers.

1.6.3 Communication with worksites

The company has a procedure in place to ensure that suppliers communicate the company's requirements (or equivalent) to the site level within the supply chain. This is regardless of whether or not the sites are owned by the supplier.

In addition to communicating the social compliance programme and requirements to the employment site level, the company also has a mechanism by which to confirm that management at site level has received the communications and understands the requirements. The company also offers further information or support in case of questions regarding the requirements

1.7 Stakeholder involvement & dialogue

The company should collaborate, either directly or through its participation in a membership organisation/initiative, with a wide variety of stakeholders to develop a full understanding of the social context, the risks and challenges in its supply chain.

The company should also enter into dialogue with key stakeholders such as Governments, Non-Governmental Organisations (NGOs), Trade Unions and Investors. These organisations can provide an independent view of a social compliance programme and can help to identify areas for improvement by working in partnership with the company.

1.8 Reporting System

The company regularly reports on its progress against social compliance objectives and targets. Such reports include measurable indicators to help stakeholders objectively assess the success of the programme.

The company reports internally and externally.

1.9.1 Internal Reporting

The company reports internally on a regular basis on progress against social compliance goals and objectives. Reports are delivered to the senior individuals responsible for the delivery of the social compliance programme and policy. The purpose of these reports is to provide the appropriate individuals with sufficient high quality information on which to base decisions regarding the social compliance programme.

The regularity and time period for internal reporting varies according to strategic needs.

1.9.2 External Reporting

The company regularly reports externally on progress against social compliance goals and objectives set by the company. Reports have the following aims:

- To facilitate transparency between the company and its stakeholders
- To provide stakeholders with a comprehensive overview of the social compliance programme

The format of the report enables quick and easy analysis of the company's social compliance programme. The format is regularly reviewed to ensure that it meets the information needs of various stakeholder groups.

1.9 Internal compliance and monitoring

The company has internal compliance and monitoring procedures in place to ensure that the social compliance programme is operating effectively.

These procedures ensure that the effectiveness of a company's programme is monitored on a regular basis.

Typically, an evaluation of the effectiveness of the social compliance programme includes, but is not limited to:

- Tracking progress against overall targets and objectives, and any annual targets and objectives
- Tracking use of resources

- Evaluating impact of social compliance programme

1.10 Regular review and update of framework of processes

The company regularly reviews and updates the framework of actions and procedures that constitute the management system of their social compliance programme.

In addition to regular reviews, any substantial changes to a company's operations or organisational structure result in a re-assessment of the social compliance programme to ensure its efficiency is preserved within its new structure

1.11 Improvement

After review of the framework of actions and procedures, required and appropriate improvements are made to the social compliance management system in order to improve the supply chain's social compliance performance.

2. Tools

A. Setting the goals of the social compliance programme

This section describes the tools included in a management system to set the expectation and objectives of the social compliance programme.

2.1 Requirement and scope of the code of conduct

The core elements of the company's social compliance policy and vision are expressed through an ethical code of conduct. This may be done through the adoption of an existing code of conduct, the GSCP Reference Code² or through the development of a bespoke code of conduct

The code of conduct helps to determine the scope of the social compliance programme and sets out the social compliance requirements of the company. These requirements serve two functions:

1. They act as the foundation for setting internal and external expectations regarding the social compliance programme
2. They act as a framework for identifying issues and help to form the basis for action and engagement with suppliers and other stakeholders.

The code of conduct details the scope of the programme in reference to the following areas:

- **Products and services covered** – Including details of any products/services that are excluded from the scope of the code of conduct
- **Geographical areas/divisions covered** – Including details of any geographical areas/divisions that are excluded from the scope of the code of conduct.
- **Subcontractors and sub-suppliers** – Including details of the level in the supply chain to which the code of conduct applies, with particular emphasis on expectations of subcontractors and sub-suppliers.
- **Applicability to other business models** (where applicable) – Including details of the applicability of the code of conduct to alternative business model types such as franchisees, licensees etc.

² See also the [GSCP Reference Code](#).

B. Measuring processes and tracking performance

This section describes those tools and processes included in a management system that are used to deliver the objectives of the social compliance programme

2.2 Social Compliance Data Gathering

2.2.1 Risk assessment

The company implements an efficient process for assessing risk within the social compliance programme. The purpose of this process is two-fold:

1. To identify risk in the company's supply base
2. To enable attention to be focussed on key areas of high risk.

Risks that are identified are analysed to help understand:

- Probability and severity of the breach of compliance
- How they should be managed
- What direct company resources are required to manage these risks – for example in terms of audit requirements, training and assistance.

Risk assessments for suppliers and sites include the following criteria:

- Geographical area
- Employment site function
- Product/service category
- Type of purchase
- Employment patterns (migrant, casual workers etc.)
- Level and nature of any subcontracting
- Level of supplier commitment and/or previous audit results.

2.2.2 Supplier self assessment

Supplier self-assessments³ are used to gather data on suppliers' social compliance performance. The output from these self assessments can be used as the basis of a risk assessment or to help focus audits or other on-site investigations on specific areas of concern.

2.2.3 Auditing

Auditing is used as part of a monitoring and verification programme within the overall social compliance programme.

Audits are used as a measurement tool both to establish baseline measurements of conditions and to evaluate a site's recent and current compliance with the company's ethical code of conduct at a

³ This is covered in more detail in the [GSCP Reference Tools on Audit Process and Methodology](#) – see section 1.1 within the Reference Audit Process. A template is also available in Appendix 1, Reference Self-Assessment.

specific point in time. In this sense, auditing forms a key part of the social compliance management system⁴.

Auditors in charge of social compliance audits are competent and fully able to undertake the tasks required by the company⁵.

2.2.3.1 Prioritising and scheduling audit activities

The company has a mechanism for prioritising and scheduling audits. Priority is given to suppliers and worksites considered to be high risk.

2.2.3.2 Types of audits

The company provides guidance on the types of audits it will accept. Guidance is offered on a range of audit types, including the use of second and third party audits.

2.2.3.3 Categorisation of non compliances

The company specifies a particular code of conduct against which an audit should be conducted. The company establishes a grading system that guides auditors in the classification of non-compliances, observations and good practice examples and that provides indications of the relative importance of each⁶.

2.2.3.4 Number and frequency of audits and re-audit

The company provides guidance for suppliers on the required frequency of audits⁷, as well as providing guidance on the required timeframe for any follow-up audits

2.2.3.5 Company's audit tools

The company uses audit tools developed internally or adopts a set of tools developed by a third party⁸. These audit tools can include details of:

- **Audit process:** Best practice guidance regarding the minimum requirements for the audit process (before, during and after the audit).
- **Self-assessment questionnaire:** A form or tool that is used to enable suppliers or sites to provide information about the employment site, how it manages social compliance issues and its performance against local, national and international labour standards
- **Pre-audit employment site profile:** A form or tool sent by an auditor in advance of an audit. This collects general information about the location, size, workforce profile and production processes of the employment site.

⁴ The full reference audit process is described in the [GSCP Reference Audit Process](#)

⁵ Auditing Competence requirements and competencies for both auditing bodies (performing second and third party audits) and for individual auditors can be found in the [GSCP draft reference tool on Auditing Competence](#)

⁶ More guidance on the classification of non-compliances can be found in the [GSCP Reference Audit Process](#) – See Section 4.6.1.1 Categorisation Examples.

⁷ More guidance on conducting follow-up audits can be found in the [GSCP Reference Audit Process](#) – See section 5.4.1.

⁸ More guidance on audit tools as well as templates can be found in the [GSCP Reference Tools on Audit Process and Methodology](#).

- **Audit checks:** A form or tool providing auditors with the minimum requirements of the audit methodology.
- **Alert notification:** A form or tool used to communicate a 'critical' non-compliance to the audit requestor as soon as it is identified
- **Audit report:** A form or tool which provides a structure and guidance on the content of an audit report.
- **Supplementary audit information:** A form or tool to report information considered to be too sensitive for the audit report, concerns which cannot be substantiated through evidence and/or interviews or the attitude of management towards the non-compliances or the audit process as a whole
- **Summary of findings and corrective actions:** A form or tool providing a structure for the audit findings and supporting the development of a corrective action plan and agenda for a closing meeting.

2.2.3.6 Duration of audits

The company provides guidance to auditors on the length of an audit⁹. Typically this includes reference to the physical size of the site and the number of workers on site. Audit length is expressed in terms of person days.

2.2.3.7 Audit report

The company provides a template for audit reports, which is either specific to the company or is developed by a third party¹⁰.

2.2.3.8 Corrective Action Plan

The company has a clear and effective procedure for setting, following up and closing corrective actions identified by an audit¹¹.

2.3 Data management

2.3.1 Database

The company uses a database to manage data on suppliers' and sites' social compliance performance. The database is run either by the company itself or is managed by a third party.

Where a database is run by a third party that enables data to be shared with other companies, the database will have strict criteria regarding:

⁹ Detailed guidance on audit length can be found in [GSCP Reference Audit Process](#) – See section 3.2.2 Audit length, which sets out minimum sample sizes and number of person days on-site.

¹⁰ Additional guidance on audit report expectations, as well as an audit report template can be found in the [GSCP Reference Audit Process](#)– See section 5.1 Audit Report, as well as its Appendix 5, Reference Audit Report.

¹¹ More guidance on Corrective Action Plans can be found in the [GSCP Reference Audit Process](#)- See section 5. Audit Outputs, as well as in its Appendix 7, Reference Summary of Findings and Corrective Actions.

- **Data Confidentiality:** Protocols are in place to ensure that data remains confidential and is only visible to organisations which have a right to see it.
- **Sharing Protocols:** Sharing protocols are in place to ensure that different customers see supplier data without compromising anti-trust or competition regulations.

2.4 Contingency plan

The company undertakes contingency planning for instances where a supplier:

- Fails to commit to its requirements or
- Fails to implement actions set out in a corrective action plan.

All contingency planning embraces the principle of continuous improvement, as set out in the following section of this document.

3. Continuous improvement

*This section presents a range of actions and processes that a company **can choose** to adopt to work towards continuous improvement of working conditions in the supply chain.*

This is not intended as an exhaustive list of actions and processes but aims at providing examples of good practice that, if integrated upfront into the company's social compliance management system, help it to embrace the principle of continuous improvement and put it into practice.

The company recognises that some suppliers may not meet the standards set out in the code of conduct all of the time. In response to this, the company embraces the principle of continuous improvement.

The company communicates its continuous improvement approach to its suppliers and stresses that willingness to improve is the most important supplier requirements.

The company adopts a continuous improvement approach for those suppliers who have not met the required standards and/or who are willing to improve their social compliance performance.

3.1 Review of issues across the whole supply base

To identify entrenched issues or challenges which require a collective or joint approach, the company:

- Analyses data from across the supply chain to identify recurring issues. For example, this may involve analysis of issues common to a particular sector, category or geographical area
- Uses data to develop a collective or joint approach with other actors to tackle the issues
- Is transparent with partners (other companies and suppliers) about the challenges they face and, where appropriate, adopts a collaborative approach to solving them.

3.2 Root-cause analysis

Some issues can be symptoms of more fundamental, systemic issues. In order to identify these, the company analyses data collected from supplier sites to understand whether there are root causes to persistent non-compliances. The company:

- Analyses root-causes, either on its own or collaboratively with other companies/initiatives and/or stakeholders
- Tackles root-causes, either on its own or collaboratively with other companies/initiatives and/or stakeholders
- Takes root-causes into account when setting and reviewing the targets of the social compliance programme

3.3 Grievance mechanisms

An effective grievance mechanism is an important tool to ensure that grievances, when raised, are resolved in a fair, transparent, credible and legitimate manner and result in a sustainable solution which meets the needs of all parties.

The company has in place grievance mechanisms which are:

- Legitimate and trusted
- Publicised and accessible
- Transparent
- Based on engagement and dialogue
- Culturally appropriate
- Predictable in terms of process
- Fair and empowering
- A source of continuous learning.

To ensure that the grievance mechanism is effective, the company:

- Supports channels through which workers or suppliers can raise a grievance in confidence. This can be a hotline or web-based mechanism
- Ensures that any grievances raised are:
 - Investigated
 - Responded to in a timely manner
- Ensures there are no negative consequences for whistle-blowers.

3.4 Remediation of non-compliances

Once a non-compliance is identified and categorised, a corrective action plan is agreed, which includes a timescale for completion.

In case a non compliance is not solved according to the timescale due to root causes that affect the country / sector, the company engages with suppliers with a continuous improvement approach.

3.5 Supplier support

The company ensures that suppliers who are willing to improve their compliance performance are assisted in tackling widespread issues and root causes. The company supports suppliers in remediating non-compliances through some or all of the following activities:

- Working with suppliers to create a corrective action plan for achieving compliance within a clearly defined and reasonable timeframe
- Encouraging improvements through regular communications with non-compliant suppliers

- Defining a roadmap for gradually increasing standards and expectations
- Identifying expert consultants to work with suppliers on specific issues
- Training and capacity building.

3.6 Incentives to suppliers

The company gives incentives to suppliers to reward compliance and willingness to improve social compliance performance.

3.7 Sanction as a last resort

The company should have an escalation process for dealing with suppliers who do not share its commitment to continuous improvement. The company:

- Explains the consequences of failing to act
- Explains at what point continued non compliance will result in commercial sanctions.

The company has a clear escalation and sanction mechanism. The sanction mechanism:

- Is proportionate to the severity of the issues identified
- Includes an internal escalation process together with commercial sanction, for example curtailing orders or withdrawing business.

As a last resort, the company should consider terminating a supplier relationship in the following situations:

- When critical issues are not resolved in spite of repeated notifications
- When the supplier shows no interest in improvement

3.8 Relationship with and recognition of other systems

Collaboration is an important element of addressing root causes of social issues and can include:

- **Best Practice Sharing:** Sharing knowledge about approaches and tools that companies have found to be successful in their individual social compliance programmes. As a result of this type of collaboration, groups of collaborating companies create joint tools, programmes or training.
- **Joint Standards and Implementation:** Creating consistency among companies' programs. As a result of this type of collaboration, groups of collaborating companies create a shared code of conduct, engage suppliers together through joint auditing and working on joint training and capacity building for suppliers.

In recognition of this, the company may seek to develop protocols within its social compliance management system for:

- Recognising other types of management system
- Sharing social compliance data with other companies or management systems
- Collaborating with other companies and/or initiatives on social compliance issues.

Glossary of Terms

Ethical Code of conduct

A set of standards concerning labour practices adopted by a company and applied to its suppliers, employment sites and subcontractors.

Company's strategy

The company's strategy is the roadmap towards attainment of the long-term goals and objectives of an organization.

Comply / compliance

To meet local labour laws and regulations, applicable codes of conduct and international labour standards requirements.

Continuous Improvement

An operational philosophy based on the premise that performance improvement is the ongoing responsibility of everyone in the organisation.

Within this document it refers to the recurring process of enhancing the social compliance system in order to achieve improvements in overall performance consistent with an organisation's social compliance policy.

First party audit

An internal audit that an organisation performs on itself to evaluate conformity with procedures and a standard.

Labour Standards

Rules and principles defined by international organisations, governments and corporations which determine the conditions under which people should work.

Non-Compliance

- A specific breach of the standard or code against which the employment site was audited.
- Non-compliances may be Critical, Major or Minor

Organisational infrastructure

Those physical assets, personnel, and financial practices that contribute to organisational functioning and management capacity.

Risk assessment

As a component of risk analysis, it involves identification, evaluation, and estimation of the levels of risks involved in a situation, their comparison against benchmarks or standards, and determination of an acceptable level of risk.

Second party audit

An external audit that an organization performs on a supplier of product or services to evaluate conformity with procedures and a standard

Social Audit

Systematic, independent and documented process for obtaining evidence and evaluating it objectively to determine the extent to which ethical/ labour standards criteria are met.

Social Compliance

Result of conformance to the rules of social accountability.

Social compliance programme

A formal program specifying an organization's policies, procedures, and actions within a process to help prevent and detect violations of labour laws, international labour standards and regulations within its supply chain.

Social impacts

Social outputs, outcomes, or impact of an intervention, program, organization, or company.

Stakeholder

A person with an interest or concern in the organisation, site or project. Stakeholders can include (but not necessarily be limited to): employees, the Board, non-executive directors, shareholders, other financial backers (private equity house, venture capitalist etc.), regulators, customers, suppliers, the local community etc.

Strategic decision-making

Chosen alternative that affects key factors which determine the success of an organization's strategy. In comparison, a tactical decision affects the day-to-day implementation of steps required to reach the goals of a strategy.

Supplier

Any contract partner which supplies the retailer/ brand with goods or services.

Supply chain

The network of retailers, distributors, transporters, storage facilities and suppliers that participate in the sale, delivery and production of a particular product.

Third party audit

An external audit that is conducted by an independent organization upon another organisation to evaluate conformity with procedures and a standard.

Worker

A person working on an employment site, in any capacity.