



ANNUAL REPORT 2008

BUSINESS SOCIAL COMPLIANCE INITIATIVE



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REPORTING IN TRANSPARENCY

This annual report covers the BSCI activities carried out from January to December 2008 in order to reach our goal: the improvement of the working conditions in the global supply chain of our members. The structure and content of this report has been designed to meet the requirements of the Global Reporting Initiative to which BSCI is an organisational stakeholder. The GRI is an international organisation that develops globally applicable guidelines for sustainable reporting of companies on their economic, social and environmental performance. As the BSCI is a non profit organisation, we cannot report on some disclosures which concern corporations. On other essential questions, our report goes beyond the GRI criteria.

More information is available on:
www.bsci-eu.org
www.globalreporting.org



FOREWORD

DEAR READER,

2008 was an intense year for the BSCI as we convinced a great number of new retailers, brands and importers to join our initiative. We finished the year with a membership of almost 250 companies engaged in using the BSCI system to improve social compliance in their international supply chain. However, becoming big brings challenges to remain dynamic. In 2008, we have developed ourselves to retain the level of support and efficiency offered by our system. We have increased our human resources, updated our tools, adopted new policies and processes, strengthened our members' commitment and launched new projects in order to remain a credible and effective system.

Companies have responsibilities that go beyond buying and selling products. They also have accepted a responsibility towards the workers who produce the items they sell. Change towards sustainability in the global supply chain will be more efficiently executed if done in a joint effort of companies in a standardised manner and on a worldwide scale. That is the essence of BSCI.

We are committed to improve the working conditions in the global supply chain. We do this through the implementation of our Code of Conduct which is shared among all BSCI member companies and through the monitoring of factories. In parallel to auditing, we

increasingly focus on training activities as well as capacity building. In 2008, we trained suppliers of consumer goods in China, India and Turkey and expanded our activities to food supplying countries like South Africa, Kenya and Morocco.

In 2009, developing activities for our members and their suppliers to enhance improvement with regard to working conditions in the factories will be our first priority. We will also continue to broaden and deepen our relationship with our stakeholders in Europe and especially in sourcing countries. We will continue to actively support the UN Global Compact which provides us with a platform for discussions with governments, companies, labour and civil organisations. We will also continue the implementation of the primary production module.

This year will be a tough year for companies worldwide with structural changes in business, reduction of imports and increasing pressure to reduce costs to adjust to the global economic slowdown. In this economic situation, sustainability is more important than ever for companies that wish to remain successful in the long term. We will continue discussions with all those who share the same goal as ours to work towards more social compliance in the supply chain. Together we can make it and we invite you to join us!



Ferry den Hoed
President



Jan A. Eggert
CEO

The BSCI in 2008

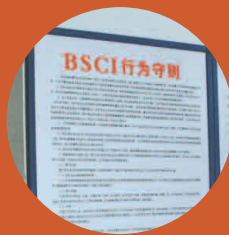
- **5 years experience** in improving working conditions in supply chains worldwide.
- **245 members** with **300 billion €** turnover.
- **3257 initial audits & 1732 re-audits** performed
- More than **2,2 million workers** reached through BSCI audits.
- **1602 suppliers** having participated in workshops in 2008.

OVERVIEW OF THE YEAR 2008

Area	Objectives fixed in the BSCI action plan 2008	Measures taken	Level of achievement
Capacity building	Define training needs	- new training policy established	High
	Increase the number of training sessions for suppliers	- training sessions in China, Kenya, India, Turkey	High
	Organise training sessions for BSCI members	- organisation of quarterly BSCI information seminar for BSCI members - BSCI information seminar becomes mandatory for each new member - online registration system for information seminar - partnership with Social Accountability International (SAI) and other organisations to perform training sessions for BSCI members' staff	High
	Get international and national institutions involved in training activities	- training sessions in Turkey with support of the European Commission	Medium
	Common training sessions with other systems	- training sessions with Social Accountability International (SAI) and China National Textile and Apparel Council (CNTAC) - training sessions with Istanbul Textile & Apparel Exporters' Association (ITKIB) - ongoing discussions with other systems	Medium
Auditing	Improve auditing capacity	- contract with two new auditing companies	High
	Improve the quality of audits	- launch of BSCI revised auditing tools - new audit duration for better quality of audits - suspension of non-compliant auditing company - further surveillance audits with Social Accountability Accreditation Services (SAAS)	High
Stakeholders	Stakeholder dialogue in Europe	- regular meetings of Stakeholder Board - launch of Supply Chain Laboratory's website - organisation of high-level meeting between the European Commissioner in charge of social affairs and CEOs of BSCI members	Medium
	Round Tables and meetings of stakeholders in supplier countries	- Round Tables in Kenya, South Africa, China, India and Morocco	Medium
	Cooperation with other initiatives	- Memorandum of Understanding with International Council of Toy Industries (ICTI) - ongoing discussions with other initiatives - monitoring of ISO 26000	Medium
System consolidation	Implementation of primary production module	- launch of revised tools for primary production - introduction of a primary production commitment	Medium
	Evaluate opportunity for an "environmental" module	- launch of environmental pilot project	Medium
	<i>Other measures that were not foreseen in the BSCI Action Plan</i>	- update BSCI risk countries for primary production and industry module - adoption of measures in case of non-cooperative suppliers - adoption of a new commitment for BSCI members - revision of the BSCI governance	High
Membership	Improve support to members	- new website with improved members' area - more staff members - regular meetings of national contact groups	Medium
	Attract new members	- meeting in Spain for potential members - broaden scope of BSCI membership to new countries (e.g Austria, France, Spain, UK, Slovenia) - broaden scope of BSCI products to new sectors such as DIY, jewellery, electronics, household goods and furniture, etc - more user-friendly online registration system for new members on the BSCI website	High
Information	Inform the public about the BSCI activities	- publication of annual report - press activities in China, May and in Brussels, June - new and improved website - new communication commitment	High

"After a thorough benchmarking process, we found BSCI was the best option for us to improve the social compliance standards of our supplier base. The BSCI helps companies to learn, share tools and implement a methodology. This results in a more credible approach and a better guarantee for our customers. If we had to do it on our own, no doubt it would be more time and resources consuming."

Bernardo Cruza Martos,
*Central de Compras/Buying Office
Director Business to Business
EL CORTE INGLES*



OUR INITIATIVE
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THE BSCI CODE OF CONDUCT

THE BSCI CODE OF CONDUCT IS BASED ON THE MOST IMPORTANT INTERNATIONAL CONVENTIONS PROTECTING WORKERS' RIGHTS SUCH AS THE INTERNATIONAL LABOUR ORGANISATION (ILO) CORE LABOUR AND OTHER CONVENTIONS AND RECOMMENDATIONS.

The Code includes the ten following key elements:

- freedom of association and the right to collective bargaining
- prohibition of all forms of discrimination
- payment of legal minimum wages
- no excessive working hours
- health and safety at the workplace
- prohibition of child labour
- prohibition of forced labour and disciplinary measures
- respect of environmental issues
- implementation of a policy for social accountability
- establishment of an anti-bribery and anti-corruption policy.

All company members of the BSCI accept the BSCI Code of Conduct. In doing so, they express the wish to do business with suppliers who respect the rights of their workers. The BSCI Code of Conduct applies to the suppliers with whom our company members have a direct business relationship. The Code also has to be respected by subcontractors who are involved in the final manufacturing stages carried out on behalf of BSCI members. The compliance with the BSCI Code is assessed through the auditing process. The Code of Conduct is available on our website: www.bsci-eu.org

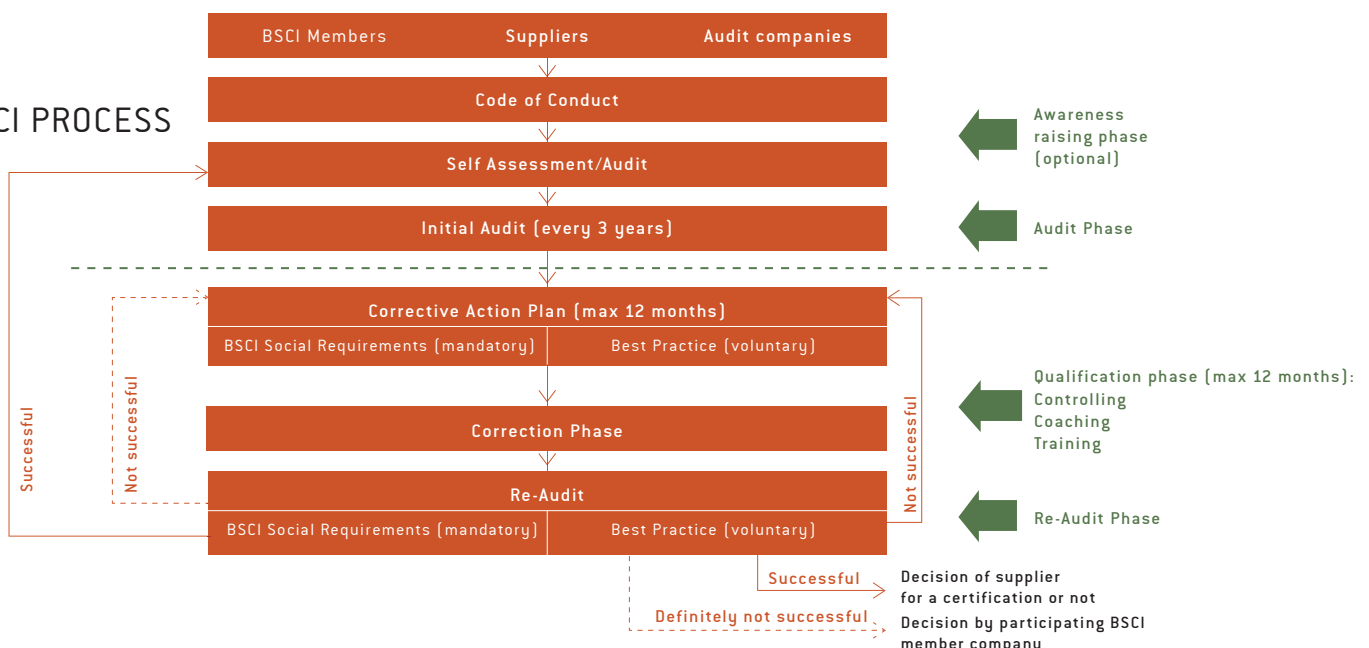
HOW TO CHECK THE BSCI REQUIREMENTS?

The BSCI Code requires, for instance, the workplace as well as communal workers' areas to be safe and not hazardous to the health of the workers.

The role of the auditor is to check if the requirements are properly implemented in the factory of a BSCI member. The auditor visits the production units and all communal workers' areas such as the first-aid room, the canteen and the toilets. The auditor uses the BSCI audit questionnaire and answers the 89 questions related to health and safety issues. The auditor takes pictures to illustrate the situation in the factory in the audit report and checks issues such as:

- the existence of a health and safety policy in the factory
- the quality of the working environment (noise, space, light)
- the equipment and licences for fire fighting material
- the personal training for first-aid and the content of the first-aid box
- the hygiene of communal areas
- the availability of personal protective equipment and the enforcement of its use
- the existence of signalling in the factory (e.g. emergency exit signs, evacuation plot plan)

THE BSCI PROCESS



THE BSCI PROCESS

THE BSCI PROCESS IS A STEP-WISE APPROACH TO MONITOR AND IMPROVE COMPLIANCE WITH THE BSCI CODE OF CONDUCT

STEP 1: The BSCI Code of Conduct

BSCI members are requested to accept and disseminate the BSCI Code both internally and in their supply chain and inform employees and suppliers about the company's dedication to social compliance.

STEP 2: Self-Assessment

Prior to the audit, members request a self-assessment of their suppliers. The objective is to introduce them to the practicalities of the BSCI Code and to prepare for the audit. It also provides our members a good understanding about the situation at the factory, the structure of the supply chain and potential risks. Awareness raising workshops are held for suppliers by the BSCI to support this process.

STEP 3: Transparency through auditing

The BSCI audit aims to assess the performance of a supplier against the BSCI Code of Conduct. The initial audit is repeated every three years. If it shows non-

compliances with the BSCI Code, re-audits are performed after the initial audit to evaluate the implementation of the Corrective Action Plan.

We have developed standardised management tools and guidance documents available in twenty languages that have to be used during all steps of the BSCI. For the level of primary production in agriculture, a specific set of tools has been designed. For all other sectors, the management tools for industrial products are used.

STEP 4: The Corrective Action Plan

Following the audit, the factory management and the auditor discuss and agree on the Corrective Action Plan (CAP) which prescribes the necessary corrective actions to remedy the non-compliances. Every single corrective action has a set deadline. We offer advanced training sessions for management of suppliers to help rectify specific non-compliances.

STEP 5: Measuring Improvement

At the latest twelve months after the initial audit, a re-audit will take place to check that all corrective actions have been implemented.

THE ROLE OF THE AUDITOR

A BSCI audit implies answering more than 400 questions translating the objectives of the BSCI Code into concrete requirements. The BSCI audit involves an inspection of the site and a thorough examination of the company files and records such as employment contracts and timesheets. The auditor also has to interview the management of the factory and a proportion of the employees. Employee interviews are essential to identify problems such as lack of freedom of association and the right to collective bargaining. The audit duration depends on the size of the factory. In 2008, we extended the audit duration to give auditors more time to complete the BSCI audits and to interview employees. Thus a BSCI audit can take up to 4½ working days to complete. The audit is not to control and punish the supplier but to help him improve the conditions in the factory to the benefit of his workers and for his own business.

INDEPENDENT EXTERNAL AUDITING COMPANIES

All audits are exclusively conducted by Social Accountability Accreditation Services (SAAS)-accredited auditing companies. Currently we have signed contracts with thirteen auditing companies to ensure a high quality of audits. We insist that auditors have experience in BSCI auditing but also region and issue-specific expertise, including command of the local languages. In addition, the audit team must comprise at least one SA8000 trained lead auditor. The full list of accredited auditing companies is available online: www.bsci-eu.org SAAS also conducts surveillance audits for the BSCI to check if the audit guidelines are applied in a correct manner by the auditors. The objective is to ensure that all BSCI audits are comparable and reliable, even when performed by different auditing companies and in different countries. In 2008, thirteen surveillance audits have been completed by SAAS.

A STRENGTHENED STRATEGY

In 2008, we can look back at five years experience in improving social compliance in the supply chain. We also had to face a remarkable increase in our membership. Based on those elements, we have strengthened our approach. The six pillars which support the BSCI strategy have been renewed for greater efficiency of our system.

1. CONCRETE COMMITMENT TO IMPLEMENTATION

Our members commit themselves to involve 2/3rds of their buying volume or number of suppliers of soft goods in the BSCI process within 3½ years after joining the initiative. This commitment applies to suppliers in so-called risk countries. In 2008, we broadened our commitment to hard goods; this applies as of 1st January 2009.

Additionally, each member involved in the primary production module commits to audit five primary production suppliers or 10% of its primary production suppliers in risk countries in 2009.

2. DEVELOPMENT ORIENTED APPROACH

The BSCI does not require its company members to work only with those suppliers who meet all the BSCI requirements. A pass or fail approach is certainly not appropriate to help suppliers improve. Some factory issues, which might be culturally or politically determined, need time to be changed. Thus we help suppliers to implement the Code in a gradual and development oriented approach through the support of training activities.

In 2008, we also addressed problems with the suppliers' involvement. Their lack of cooperation can take various forms such as the refusal to let the auditor enter the factory, to sign the BSCI Code of Conduct or to implement the Corrective Action Plan. We adopted recommendations concerning suppliers who refuse to cooperate or to improve the social compliance level of their factory. After at least two reminders to the suppliers explaining the requested actions, BSCI members should cancel existing contracts for the upcoming season or suspend the contracts. Although our system is based on continuous improvement of the supplier, willingness and cooperation between BSCI members and suppliers are a must to ensure the efficiency of the entire process.

3. COOPERATION IN RETAIL MARKETS AND SUPPLIER COUNTRIES

We believe audits provide transparency about the situation on the factory but do not necessarily make the improvements happen. Thus we increasingly focus on training our members to ensure they understand the implication of the BSCI membership. We put a particular emphasis on the buying department of our members as we believe a sustainable sourcing policy can only be achieved if it is explicitly defined as a corporate objective of the company and is inserted in the suppliers' contracts and buying practices. We also help suppliers understand the social and economic benefits of a true implementation of the BSCI requirements. In 2008, the needs of our members have been analysed carefully in terms of qualification activities. The findings encouraged us to revise our training policy and to focus additionally on qualification activities for workers to help them claim their rights. (→ p.10)

SA8000

SA8000 is a social management system providing a factory certification. It is run by Social Accountability International (SAI), which is a non-governmental organisation that promotes the understanding and the implementation of SA8000. SAI convenes key stakeholders to build and continually refine consensus-based ethical workplace standards. SAI works with Social Accountability Accreditation Services (SAAS) to accredit qualified organisations to verify compliance with these standards.

(→ www.sa-intl.org)



THE FOREIGN TRADE ASSOCIATION

The BSCI was created in 2003 under the auspices of the Brussels based Foreign Trade Association (FTA). The FTA is the association for European commerce that specialises in foreign trade issues.

(→ www.fta-eu.org)



4. CONTINUOUS IMPROVEMENT OF OUR SYSTEM

BSCI member companies are directly involved in the governance structure of the BSCI. With the booming membership of the BSCI in 2008, the governance procedures had to be adapted to maintain the efficiency of the initiative. The Members' Assembly is still the core body in the BSCI system but focuses on strategic questions, such as the action plan, the budget, the Code of Conduct and the System Rules and Functioning. All other specific and technical questions are dealt with and decided upon in the six expert committees. The Supervisory Board is composed of senior managers of BSCI members, FTA Board members and a representative of the Executive Office. (➔ p.35) Its role is to approve new BSCI members, to review the implementation of BSCI members' commitments and to supervise the Executive Office and Committees.

In addition, stakeholders participate in the BSCI system through constructive dialogue and involvement in the Stakeholder Board. This body can advise and criticise the development of the BSCI and, very importantly, it can initiate projects thereby getting engaged in concrete activities for the improvement of the workers living conditions. The trade union and NGO members can also get engaged in individual projects with member companies.

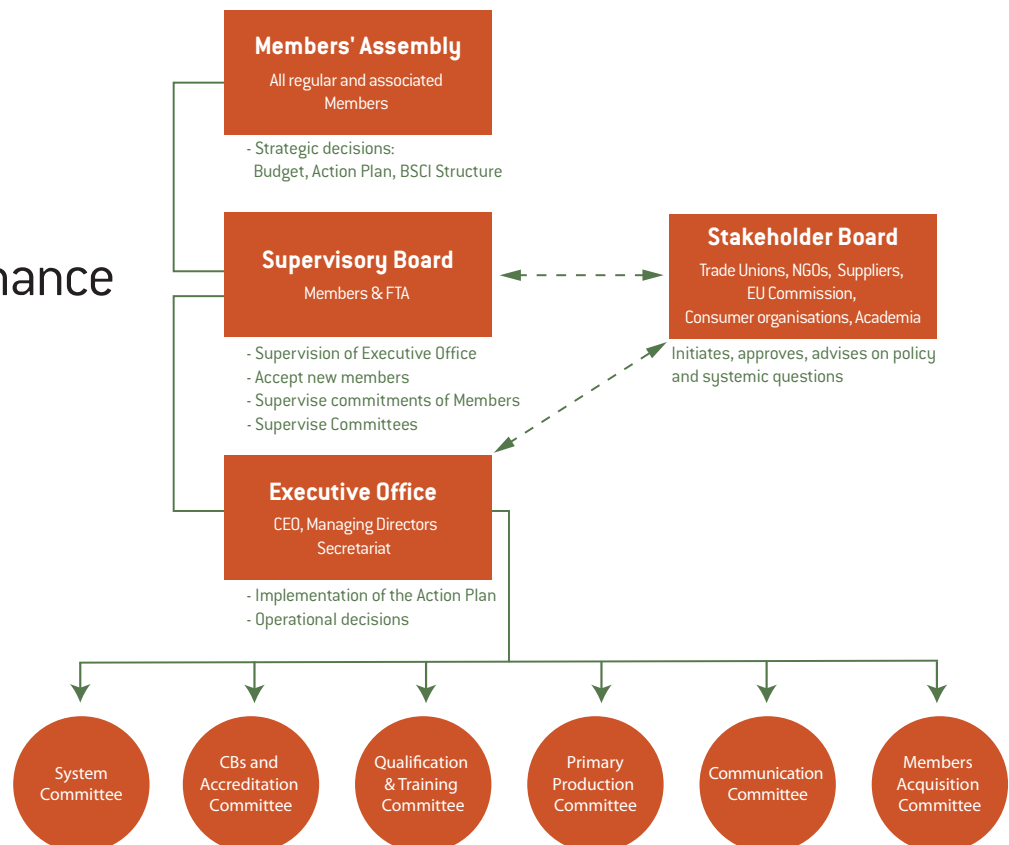
5. SA8000 AS OUR BEST PRACTICE

We consider the standard SA8000, developed by Social Accountability International (SAI), as our best practice. Therefore suppliers who meet all BSCI requirements are encouraged to apply for SA8000 certification. Those suppliers who already have a valid SA8000 certificate are not involved in the BSCI process.

6. FOCUS ON RISK COUNTRIES

The BSCI focuses on those important sourcing countries which are known for their risk of workers' rights violations and non-compliance with local labour law and international labour standards. Therefore, the focus lies mainly on developing and newly industrialised countries in Asia for non-food products and Africa and the Americas for agricultural products. The list of risk countries was updated in 2008 to reflect the latest economical and social development of the countries concerned. BSCI members are free to decide on an individual basis to implement the BSCI system in non-risk countries. The latest list of risk countries is available on www.bsci-eu.org.

The BSCI Governance



BUILDING CAPACITY

After five years of experience, our greatest challenge is to support suppliers in adapting changes for sustainable improvement. We need to convince the suppliers of the benefits of improving the working conditions in their factories. Then we need to motivate them to tackle the issues found during the audit and help them to rectify the non-compliances.

In 2008, we have reviewed our training policy based on our experience to offer three different capacity building activities.

GENERAL AWARENESS RAISING WORKSHOPS

We regularly organise awareness raising workshops to introduce the background, principles and process of the BSCI and explain its requirements based on ILO Conventions and national labour legislation. These workshops are arranged for suppliers and subcontractors who have not yet been audited.

In 2009, we will continue to develop training sessions as they represent the BSCI basic tool to understand and appropriately prepare for the initial audit.

TRAINING THE BUYERS IS THE KEY TO SUSTAINABLE SOURCING PRACTICES

BSCI members are recommended to participate in training sessions tailor-made for social compliance managers and buyers. We believe time and cost pressure can prevent suppliers from implementing the BSCI Code of Conduct. These seminars help to integrate the idea of the BSCI into daily business and decision making processes, especially of those staff members who - like the buyers - have a close relationship with suppliers. In 2008, the BSCI organised several training sessions for buyers at the headquarters of BSCI members. We have also worked in partnerships with organisations such as Social Accountability International and other experts to offer such training sessions. The training sessions help buying organisations to avoid day to day friction and lead to a long term improvement of the quality and performance at competitive costs.

ADVANCED TRAINING SESSIONS

We also organise advanced training projects to provide the middle management of the suppliers with the knowledge, skills and the tools to successfully fulfil the BSCI requirements. These training sessions typically take place after an audit and focus on specific social issues that are particularly problematic in a certain area or among certain suppliers.

Advanced training sessions can also help towards building a social management system: an important element in the BSCI primary production module is the necessity for the supplier to build a social management system to check the working conditions on the farms.

Many organisations, including governmental organisations, trade unions and NGOs, are already running programmes to deal with specific local labour-related issues. Where possible, the BSCI is promoting such programmes, engaging suppliers in local activities or cooperating to develop the necessary local skills.

In 2009, we will develop a series of advanced training activities notably in China and India. We believe those specific training sessions are a critical tool to help those suppliers who failed to comply with the BSCI Code and need to implement the corrective action plan before being re-audited.

WORKER TRAINING SESSIONS

In the long run, we wish suppliers to take over their social responsibility and be more independent. Thus the BSCI intends to organise, with the help of appropriate stakeholders, training activities to increase workers' knowledge about their social rights. The objective is to help them influence their own situation. These training sessions will focus on those issues where workers also have a responsibility to ensure good and safe working conditions. We will also pay particular attention to give recommendations on how to build a constructive dialogue within the company. To ensure the efficiency of those training activities, it is crucial to organise management training sessions at the same time.

WORKING WITH A SOLID NETWORK OF TRAINERS

In 2009, we will build up a pool of external trainers and consultants to provide qualification services. We define requirements for trainers and for consultants to which all applicants have to comply. The approved trainers and consultants will be eligible to conduct training activities for BSCI, for our member companies and suppliers.

"The S Group is one of the biggest retail companies in Finland. Our consumers and customers are increasingly interested in product safety as well as the production and working conditions of the products they buy. Intrade Partners Oy, as the S Group's purchasing company for consumer goods, considers the BSCI as an impartial, widely supported and well known model for ensuring CSR buying from risk countries. In practice the BSCI model is an important part of the buying criteria in our sourcing process and is integrated into Intrade Partners Oy's daily use."

Jouko Nieminen,
Managing Director
INTRADE PARTNERS OY



OUR MEMBERS

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THEY ARE ALL MEMBERS OF BSCI !

Abeko _____	SE	Crecon _____	DE	Gudrun Sjödén Design _____	SE
Adam Matheis _____	DE	Croenert _____	DE	Gueldenpfennig _____	DE
Adolf Sauter _____	DE	Crystal Trading _____	NL	H&P _____	DE
Accessu fashion _____	DE	Dan Group Textile _____	DK	H. Utoft _____	DK
Ahold _____	NL	Dansk Supermarked _____	DK	Hamm-RENO-Group _____	DE
Aldi Nord _____	DE	Dario _____	DE	Hansen Textile _____	DK
Aldi Süd _____	DE	Daytex Mode _____	DE	Happy Horse _____	NL
Alltrade Topo _____	DE	De Bijenkorf _____	NL	Helge Rasmussen Textiles A/S _____	DK
Amefa _____	NL	Deichmann _____	DE	Hellenic Trading _____	SE
A&M Holmberg _____	FI	Difrax _____	NL	Hema _____	NL
AQ Fashion _____	NL	Distra Warenhandels _____	DE	HSM Schuhmarketing GmbH _____	DE
Arcandor _____	DE	Dorel Europe _____	NL	Heunec _____	DE
Arnold Kock Textil _____	DE	Dömer-Clarysse _____	DE	H&H Handelsgesellschaft _____	DE
Atlas Krawatten Hitschler _____	DE	Drogas _____	LV/LT	Honos Verlag _____	DE
Auluna _____	DK	DW-Shop _____	DE	Holub Fashion GES.m.b.H _____	AT
A.S. Watson _____	HK	Eberle _____	DE	Hopp _____	DE
A-TEX _____	DK	Eco Ehrlichster _____	DE	Hoss Intropia _____	ES
AVE _____	DE	El Corte Ingles _____	ES	HPH _____	CH
Balancia-Midania _____	SE	Emile Nölting _____	DE	Hudora GmbH _____	DE
Baumhueter International _____	DE	Eros Heimtextilien _____	DE	Hunkemöller _____	NL
B&C _____	BE	Esgano-Schuhe _____	DE	H.Wittmann & Sohn _____	AT
Berendsen Sourcing _____	SE	Esprit _____	DE	IBENA Interior Textil GmbH _____	DE
Bierbaum Wohnen _____	DE	Etam _____	FR	ICA _____	SE
Björn Borg _____	SE	Eternity Clothing _____	UK	IC Companys _____	DK
Björnkälder _____	SE	Euretco _____	NL	ICI Paris XL _____	BE
Bravington _____	UK	Eurogloves _____	SE	Iduna _____	SE
Bremel Import/Export _____	AT	Falke _____	DE	IIC-Intersport International _____	CH
Bremtex Groep B.V _____	NL	Fashion Team _____	AT	Impex-Trading _____	DE
BMÖ _____	AT	Filtral _____	DE	Inex Partners _____	FI
BSB-Obpacher GmbH _____	DE	Fipo Group _____	DK	Intercoop _____	HK
Calida _____	CH	Florett Textil _____	DE	Intrade Partners _____	FI
Celio _____	BE	R. Franchetti _____	SE	ISA-Traesko Group _____	DE
Charles Vögele _____	CH	Friedola Gebr Holzapfel _____	DE	I. Schroeder - non food _____	DE
Claudia Sträter _____	NL	Mundus Design _____	DK	ISM-Kraemer _____	DE
Clothing Partners _____	DK	GEBRA nonfood Handels _____	DE	Jänig GmbH Direkt _____	DE
Cohen & Chapman C&C Bed&Bath _____	UK	Ginatricot _____	SE	JC _____	SE
Concept _____	BE	Gildhouse _____	SE	JE Bijouterie A/S _____	DK
Continental Handels _____	CH	GGE (Global Imp- Export) _____	DE	JOY _____	SE
Comazo _____	DE	Globus _____	CH	Juslink _____	UK
Connex Warenhandel _____	DE	Grohmann Schuhimport _____	AT	J. van Zanten B.V. _____	NL
Contrast _____	DK	GTI Golf Textil _____	DE	JYSK Group _____	DK
Coop _____	CH	Grausam Handels _____	AT	Kaiserfashion _____	DE

KappAhl	SE	Perry Sport	NL	Telstar Trading	NL
Karl Rieker	DE	PKZ	CH	Texco	NL
K.E. Leisure	DK	Playgro Europe	NL	Tex Idea	DE
Kesko	FI	P.M.T. Koepchen	DE	Textilimportörerna	SE
Koninklijke van Kempen & Begeer	NL	Polarn O. Pyret	SE	The Perfume Shop	UK
Kreissig	DE	Prénatal	NL	Thule Organization Solutions	HK
Kruidvat	NL	Promiss	NL	Ticket to Heaven	DK
Leineweber	DE	Promptex Group	DE	Tom Tailor	DE
Leinss	DE	Reindl	AT	Trade Wind	DK
LIDL	DE	Rewe Group	DE	Trafic	BE
Lindex	SE	Richard Behr & Co	DE	Trekpleister	NL
Londré-Hatten	SE	Rossman	DE	Trere Innovation	IT
M & S	NL	Royalbeach Spiel-		Trudel	CH
Macintosh Retail Group Shoes	NL	& Sportartikel Vertriebs	DE	Tuko Logistics	FI
Madison Hosiery	UK	Rueff	AT	Unibrands	SE
Markslöjd	SE	Saddler	SE	Unikatti d.o.o.	SI
Marionnaud	FR	Sandryds Handels	SE	Unique Fashion	DE
Maxeda DIY Group	NL	Sarlini Modeaccessoires B.V.	NL	Van der Erve	BE
Meister-Werkzeuge	DE	Saver	UK	Veldhovengroup	NL
Merx Markenprodukte	DE	SBB(Schweizerische Bundesbahnen)	CH	Versteegh	NL
Metro Group	DE	Scancom International	DK	VGS	NL
Migros	CH	SCHILD	CH	VOG AG	AT
Miles Fashion	DE	Scorett	SE	Vroom & Dreesmann	NL
Millenium 2000 Hegener&Weiner	DE	Seidensticker International Ltd	HK	Wachsmuth & Krogmann	DE
Miro Radici	DE	Simba-Dickie-Group	DE	Walser	AT
Miss Etam	NL	Sissy-Boy	NL	WE	NL
MQ	SE	s.Oliver	DE	Wehkamp	NL
Multifort	CH	Speidel	DE	Wink Accessories	NL
Mundia	NL	Spektr Group	RU	Wolly & Co	DK
Nanso Group	FI	Sport 2000	DE	Wonderful Earth	HK
NCC Purchasing Group	CN/SE	Springhill Textile	SE	Wilh. Wülfig	DE
Nilson Group	SE	S&R Textil Handels	DE	W.K.Tex	DE
N.I. Teijin Shoji europe	DE	Starco	NL	Yuppie	DE
Novi Footwear	SG/CH	Stockmann	FI		
OBI	DE	Streetlife Music	DE		
OLYMP Bezner GmbH &Co.	DE	Strellson	CH		
Oriental	DK	Strumpffabrik Schaefer	DE		
Otto Group	DE	Suntex	DK		
Ovibell	DE	Superdrug	UK		
Paks	NL	Sutari	DE		
Paré	NL	Svenska Glitter Logistik AB	SE		
Peek & Cloppenburg	DE	TAA Mosgen	DE		

Members of BSCI as of 31st December 2008. The latest list of BSCI Members is available on our website.

WHAT DOES IT MEAN TO BE A BSCI MEMBER ?

BSCI membership offers companies many advantages, such as the use of an efficient and credible system for social compliance with comprehensive management tools and the possibility to reduce costs and time by sharing audit information. It also offers the opportunity to share experience with many other importing companies and the possibility to involve suppliers in training workshops and projects. However, membership also brings obligations.

INTEGRATE THE BSCI CODE OF CONDUCT IN THE CORE BUSINESS

All BSCI members accept that the BSCI Code of Conduct becomes part of their sourcing activities and is adopted in their buying practices. This measure effectively ensures that they commit to implement the Code in their supply chain.

DEMONSTRATE CONCRETE INVOLVEMENT OF SUPPLIERS

Our members commit themselves (→ p.8). This commitment is regularly controlled by the Supervisory Board. A strict disciplinary procedure applies for those companies which do not fulfil their obligation. Above all, the members are responsible for supporting the improvement process of their suppliers.

SHARE AUDIT RESULTS

The BSCI database contains information about BSCI audit results which are shared exclusively between BSCI members. In order to protect suppliers' and members' core business data, access is restricted. The database avoids multiple auditing of the same suppliers and helps to track non-compliances found in audits. It simultaneously indicates where capacity building for suppliers is needed.

ENGAGE TIME AND EFFORT WITH THE BSCI

The member companies top management has to back the entire approach of the commitment to social compliance and set responsibilities among staff members such as buyers. Buyers play a key role and have to take into account the social performance of suppliers as well as price, quality and delivery time.

Decision-makers within the BSCI member companies have to sign the declaration of membership to show their support. In 2008, several activities in Europe and in China took place to encourage top management of companies to support the BSCI approach. (→ p.19)

BE ACTIVE IN BSCI LIFE

The representatives of BSCI member companies are shaping the BSCI through their active participation in the BSCI Members' Assembly and Committees. This guarantees that the BSCI reflects their needs and takes their input into consideration in the decision-making process. In several countries, National Contact Groups have been formed by the members to exchange experiences with other members on local aspects of the BSCI membership and specific CSR discussions on their respective national level.

COMMUNICATE ABOUT THE INVOLVEMENT

The BSCI encourages its members to actively communicate their BSCI engagement. Transparency is a key for credibility - this involves information about how social compliance is improved in the supply chain, but also which concrete measures have been taken.



"The Otto Group has been a pioneer in the field of developing and harmonizing social standards for the supply chain ever since the 90s. Since its inception, we have therefore strongly supported the Business Social Compliance Initiative. Today's world is changing rapidly, posing new challenges to all of us. We are confident that together with our BSCI partners we will be able to successfully develop ever new, continually improved and sustainable solutions for the welfare of the people and our planet."

Andreas Streubig,
Division Manager - Corporate Responsibility
OTTO GROUP



OUR STAKEHOLDERS

THE STAKEHOLDER BOARD

The BSCI has conducted discussions with stakeholders since its launch in 2003. The exchange with governmental organisations, trade unions, business associations, NGOs, academia and others is important to include the experience and views from those who share our objective: the improvement of social compliance in the global supply chain.

At the European level, we have developed an open dialogue with various stakeholders since 2007. The Supervisory Board meets on a regular basis and provides feedback on our activities and planning. It also initiates discussions and projects on topics they deem important for us to deal with.

MEMBERS OF THE STAKEHOLDER BOARD

Erbil Cihangir	Istanbul Textile & Apparel Exporters' Association (ITKIB)
Thomas Dodd	European Commission
Jan Furstenborg	Uni Europa Commerce
Ahmad Munir	International Textiles and Clothing Bureau (ITCB)
Nico Roozen	Solidaridad
Christian Rousseau	Test-Achats
Alice Tepper Marlin	Social Accountability International (SAI)

Meetings of the Stakeholder Board took place in December 2007 and October 2008 in Brussels. During the meeting in 2008, BSCI stakeholder representatives were informed about the complexity of the challenges that BSCI members face to rectify those non-compliances that are very much linked to sensitive political and economical situations such as working time in connection with migrant workers. Indeed in many countries, people leave the countryside to work in factories and those migrant workers increase their working hours voluntarily to earn more money to send back to their family. The stakeholders also recommended focusing on training activities for suppliers and buyers and to continue developing common training projects such as the project developed with SAI and ITKIB for suppliers and subcontractors in Turkey.



Alice Tepper Marlin,
President and CEO of Social
Accountability
International (SAI)

"BSCI, SAI and ITKIB cooperated as project partners in an innovative training project in Turkey, delivering it in a manner that was collaborative, inclusive, transparent, focused and coordinated. This program tested new approaches to improving compliance at both suppliers and their sub-contractors through targeted capacity building, interactive training and technical assistance. This is a good example of well-working stakeholder collaboration and responding to UN Special Representative John Ruggie's call to scale up initiatives at a more systematic level."

The Stakeholder Board also exchanged views with regard to other social compliance initiatives and the danger of proliferation of additional codes and systems.

In 2009, we will seek contact with more organisations to broaden our dialogue with stakeholders. The goal is to extend the potential of partnerships for capacity building activities, but also to provide a better understanding of the work and the achievements of the BSCI.

INVOLVING THE LOCAL STAKEHOLDERS

Our experience teaches us that many social challenges can be better dealt with on the national level of a supplier country. Indeed local stakeholders have the necessary expertise about national laws and the respective political, cultural and economic environment to help finding concrete solutions.

Thus our strategy consists of regular meetings and open discussions with key actors in supplying countries. We believe social compliance can already be improved if governmental authorities enhance the

implementation of existing legislation and if there is a collaborative social dialogue between employers and employees and their respective organisations.

The stakeholder meetings take place in different supplying countries and when more settled and formalised, such as for example in China, India or Turkey, they are called Round Tables. These meetings are organised by national organisations as we believe it helps them to understand their responsibility for the development of their own country. The BSCI also encourages other initiatives engaged in social compliance to join the Round Tables.

In these meetings, governmental organisations, business associations, trade unions, NGOs and academia engage in a constructive dialogue on social issues whilst at the same time receiving input from the BSCI. Bringing the ownership of the process to local actors is a long term process. In 2009, we will propose that the Round Tables work more on concrete projects with the BSCI to tackle supply chain problems directly.



Gefei Yin,
President of China WTO
Tribune,
Organiser of the Round
Table Beijing

"During the Round Table which met in Beijing in November 2008, participating stakeholders were informed about the very important efforts achieved by the BSCI in promoting a responsible supply chain in China. We agree with BSCI that cooperation, continuous improvement and capacity building in forms of training and qualification is the best way towards sustainable solutions to CSR challenges. We are very glad that more intensive cooperation will soon take place through the Chinese translation of the CSR-Supply Chain Portal, a European website providing supply chain standards and training materials. Obviously, our joint efforts will be more effective to promote responsible global supply chain management at large."

ROUND TABLE CHINA

China is a strategic sourcing country for BSCI members. Despite the adoption of a series of laws in recent years that increase the rights of workers, the true implementation of these laws is still lagging behind. In this context, the BSCI participates at least once a year at a Round Table in China to discuss social challenges which became evident in the BSCI auditing process.

On 19 November 2008, China WTO Tribune hosted a Round Table during which representatives from the Chinese Government (notably from the Ministry for Labour and Social Security), the China Federation of Trade Unions, an employer association, international organisations such as the International Labour Organisation (ILO), academics and several other institutions came together to discuss current social topics.

The participants agreed that enhancing the social compliance of Chinese companies is essential to keep the industry's competitive position and international attractiveness. Chinese manufacturers play a key role in international supply chains, but they more and more face clear demands from buying organisations regarding social compliance. The Chinese suppliers as well as key stakeholders in China have therefore taken an active role in addressing these expectations.

The enforcement of the new Chinese Labour Contract Law that entered into force on 1 January 2008 was the main topic of discussion. Participants have asked the next Round Table to focus again on supply chain and on food issues. It will discuss a methodology to encourage Chinese companies to fulfil CSR objectives and the opportunity to embark on practical projects. Stakeholders have also expressed their wish to involve more Chinese and European companies in the Round Table discussions as their knowledge and feedback from the factory floor are of great value. The BSCI sees the development of the Round Table China as a high priority on its 2009 agenda.

BSCI'S POLICY ON CHILD LABOUR

NO CHILD LABOUR ALLOWED

The BSCI is committed to protecting children from economic exploitation and from performing any work that is likely to be hazardous, interferes with their education, or is harmful to the child's health, physical, mental or moral development. As stipulated by ILO Conventions, a person shall not be admitted to employment or work if younger than 15 years. In some countries on the Indian subcontinent, work is allowed as of 14 years. In those cases, we believe a particular protection must be given.

PREVENTION OF CHILD LABOUR

Even if child labour still exists in many countries, some supplying countries - such as India or Bangladesh- are particularly sensitive in this respect. Child labour is a product and sector related issue. Some products bear a high risk: this is for instance the case with embroideries and other handcrafted accessories in the apparel and footwear sector.

We believe that a thorough implementation of the BSCI auditing and qualification process is a good way to monitor and ensure that no child labour is involved in the production processes. The auditor needs to ensure that the management of the factory is willing and able to detect child

labour. The management must be properly trained to determine the age of job seekers as it is not sufficient to be mindful of the physical appearance of workers. It is also necessary to check the IDs or medical tests if there is no documentation available to prove the child's age. Furthermore, we insist on the importance of requesting suppliers to guarantee a child labour ban in case they subcontract a part of the production or in case they use informal employment (e.g. home workers).

IF CHILD LABOUR IS FOUND, WE LOOK TO THE CHILD'S BEST INTERESTS

If child labour is found, the BSCI insists that a solution is proposed that fits the child's best interests and helps to improve its future. We also demand that the child is removed from production and is returned to the school system immediately. Nevertheless the child's earnings can be a crucial income for the rest of the family and the attendance at school involves indirect costs. Thus we recommend paying the salary until a long term solution is found in order to improve the child's situation. If possible, we also encourage the factory to offer work to an older relative. We also advise that the company contacts local organisations or NGOs for advice how to ensure and improvement of the child's and family's situation.

DEVELOPING SYNERGIES WITH OTHER INITIATIVES

We seek to create more synergies with other companies and organisations having the same objective. These efforts, through sharing of information, tools and combining capacity building activities can lead to reducing costs and avoiding duplication.

EUROPE: CROSS-INDUSTRY EXCHANGE OF BEST PRACTICES

At the European level, BSCI is engaged in the Responsible Supply Chain Laboratory, together with the think-tank CSR Europe and the lead companies HewlettPackard, L'Oréal, Titan and Volkswagen. This laboratory, which has been created under the roof of the European Alliance for Corporate Social Responsibility in 2006, has created a webportal providing an overview on environmental and social compliance related standards and schemes as well as training materials for suppliers and buyers from

various industries. The discussion process in this laboratory has contributed to learning more about the CSR activities of all participants laying the ground for more cooperation and harmonisation across different sectors of business. (➔ www.csr-supplychain.org)

CHINA: AGREEMENT ON MORE COOPERATION

The China National Textile and Apparel Council (CNTAC) represents a major industry in the most important sourcing market of BSCI members. BSCI has cooperated with CNTAC since 2007, conducting supplier awareness workshops and training sessions for companies on specific social issues. On 18 November 2008, both organisations convened the Sino-EU Supply Chain Leaders Summit in Beijing, bringing together top representatives of European and Chinese companies. They discussed the true benefits of embedding corporate responsibility into their business strategies and highlighted the actions still needed to improve social compliance in China.

MORE SYNERGIES WITH OTHER SYSTEMS

BSCI enjoys a longstanding cooperation with Social Accountability International (SAI), as we recognise the SA8000 certification scheme as our best practice. In addition, BSCI has agreed at the end of 2008 to cooperate closely with the International Council of Toy Industries (ICTI), focusing on transparent information sharing and concrete projects aiming at the capacity building in the toy industry.

The China National Textile and Apparel Council (CNTAC) developed the CSC9000T management system for the Chinese textile industry. Although the system does not meet all BSCI requirements, it is a positive step towards the implementation of social compliance in China. The BSCI and CNTAC agreed to increase common capacity building activities for Chinese factories in 2009. Additionally, improved mutual information and cross-audits will be organised in order to assess the similarities and the differences obtained after a BSCI and a CSC9000T audit. The objective of this is to evaluate the comparability of the tools and practices of both systems and to explore the possibilities of mutual recognition.

In the food sector, numerous initiatives focusing on fair trade and environmental issues, but also to improve social compliance, already exist. BSCI held discussions with these in order to avoid duplication and focuses its activities on products or markets where social compliance needs broader enhancement. GlobalGAP has set technical standards for good agricultural practices, and has also created a module containing a documented check on certain social issues. BSCI and GlobalGAP have agreed on a cooperation to ensure a complimentary approach of their systems related to social topics. We are also discussing cooperation possibilities with Rainforest Alliance which works to conserve biodiversity and ensure sustainable livelihoods.

ROUND TABLE INDIA

India is a sourcing country where child labour is still a major challenge. In this context, the Indian Round Table who met on 29 April 2008 and was facilitated by the Federation of Indian Chambers of Commerce and Industry (FICCI) decided to address the issue of Indian children working below the statutory minimum age. Representatives of international authorities such as United Nations Industrial Development Organisation (UNIDO), governmental authorities, several export promotion councils and NGOs expressed their wish to develop concrete projects that could focus on this particular issue. Prof. Shanta Sinha, chairperson of the National Commission of the

Protection of Child Rights of the Government of India, addressed this challenge and underlined the importance that more children attend school for a longer time than current practice shows. She explained that there is a direct link between child labour and education. Many children drop out school before completing their studies and then gravitate towards work. The importance of education has to be better explained in a society which has a rather indifferent attitude towards the problem. The BSCI shared its policy and requirement vis-à-vis child labour with the participants. It was decided to focus again on this challenge during the meeting of 2009.

DIALOGUE WITH POLITICAL LEADERS

IN EUROPE

Leading government representatives in Europe play a key role in addressing the importance of corporate social responsibility in the public and in their discussions with the governments of supplier countries. Therefore, political leaders of the European Union's institutions and member states are important interlocutors for the BSCI.

In order to demonstrate the engagement and motivation of European business, the BSCI invited – in cooperation with CSR Europe – Vladimir Spidla, European Commissioner for Employment, Social Affairs and Equal Opportunities to a meeting with senior representatives of BSCI members. During this occasion, Mr. Spidla pointed out that the Commission does not aim at new standards for social compliance. However, he agreed that progress in the enforcement of existing standards could be more visible. The participants welcomed his readiness to support efforts to create more synergies, dissemination of good practices, the involvement of SMEs, and practical projects.

IN SUPPLYING COUNTRIES

We also address governments in supplier countries which have the main responsibility to ensure the enforcement of existing regulations they have themselves adopted. This dialogue is held in the framework of the Round Tables and other stakeholder meetings. We also address our expectations and concerns also through direct lobbying of national governments.



Vladimir Spidla,
Commissioner for
Employment, Social Affairs
and Equal Opportunities
European Commission

"CSR remains a priority for the European Commission. It is part of a long-term strategy and is about quality of life, which is something that should not be put to one side in an economic downturn. Although there might be pressure on companies to reduce their CSR in the short-term, we hope that they will think about the longer term as well. I welcome the voluntary initiatives of BSCI and its member companies in creating a social standards monitoring system that trains and builds capacities to address human rights weaknesses in producing countries around the world."

COTTON FROM UZBEKISTAN

Uzbekistan is the third biggest exporter of cotton in the world. During harvest time the national authorities requisition free workforce and organise child labour. Although BSCI members do not buy textile fibres, some of their suppliers such as the ones in Bangladesh may source the cotton from Uzbekistan. We decided to address the issue directly to the President of Uzbekistan asking him to ratify the ILO Conventions 138 and 182 about the abolition of child labour and ILO Convention 87 about freedom of association and enforce those texts. In parallel, we asked for the support of several EU politicians.

A few weeks later, under the common pressure of many European and American organisations, Uzbekistan ratified ILO's Minimum Age Convention (C138, 1973) and adopted a law on the guarantees of rights of the child. The ILO will now closely monitor the true implementation of these texts.

"We joined the Business Social Compliance Initiative in 2005 and are now in the process of implementing the BSCI programme with all our corporate brand suppliers in high-risk countries. Our reasons for joining BSCI are that it helps to fulfil our mission for social accountability to build sustainable supply chains founded on our conviction that economic success should be balanced with social and environmental responsibility. Furthermore it is a transparent, credible, uniform and well-documented system that helps to avoid duplication in the supply chain. Also it is one Code of Conduct that applies to all suppliers, regardless of the products they produce, the country in which they operate or the retailer which they supply."

Hugo Byrnes,
Director Product Integrity
ROYAL AHOLD



OUR **4** PROGRESS

GENERAL OVERVIEW

HOW DO WE EVALUATE THE SUPPLIERS AGAINST THE BSCI CODE OF CONDUCT?

The BSCI audit questionnaire consists of three parts:

- **Part A:** contains 89 questions and is called "Master Data". It gathers various information about the business structure of the company such as the number and sites of production units, the number of subcontractors and sub-suppliers. It also contains the requirement to inform about the business activities and the revenue, the production structure and the employment structure.
- **Part B:** contains 232 questions and is called "BSCI Social Requirements". It translates into concrete questions all the requirements from the BSCI Code of Conduct. The assessment and implementation of part B is mandatory for all suppliers.
- **Part C:** contains 28 questions and is called "Best practice for industry". The criteria of part C are based on SA8000 criteria. It mainly concerns questions such as the implementation of a living wage, remediation in case of child labour, full-responsibility for sub-suppliers, the existence of a CSR policy and CSR communication with the factory. The assessment of the suppliers under part C is obligatory but the implementation should follow in a second step after the supplier was already able to meet all requirements of part B.

On the following pages, we will focus on the results under the mandatory BSCI requirements of part B.

The graphics in this progress section show the improvement of those suppliers who have been audited and re-audited under the BSCI process since the beginning of our initiative. Through this methodology, we are able to check the true efficiency of the BSCI social compliance system.

GRAPHIC LEGEND FOR AUDITS AND RE-AUDITS

Initial audits:

G	Good	■	G
IN	Improvement Needed	■	IN
NC	Non compliant	■	NC
NA	Non applicable	■	NA

Re-audits:

G	Good	■	G
IN	Improvement Needed	■	IN
NC	Non compliant	■	NC
NA	Non applicable	■	NA

PART B: BSCI SOCIAL REQUIREMENTS

- B.1 Management Practice
- B.2 Documentation
- B.3 Working Time
- B.4 Compensation
- B.5 Child Labour
- B.6 Forced, Prison Labour/ Disciplinary Measures
- B.7 Freedom of Association/ Collective Bargaining
- B.8 Discrimination
- B.9 Working Conditions
- B.10 Health and Social Facilities
- B.11 Occupational Health and Safety
- B.12 Dormitories
- B.13 Environment

To assess the compliance of the supplier, we use an evaluation grading system based on four rates. The supplier can be:

- **Good (G):** no deviation or only minor deviations from the BSCI requirements have been found during the audit. Additionally full protection of employees is given with regard to the implementation of the ILO Core Conventions. The auditor can assess an audit as good, if there are not more than two deviations in non-crucial points.
- **Improvements needed (IN):** the factory audit shows that there is fulfilment of at least half of the requirements and no deviation on crucial points.
- **Non-compliance (NC):** the supplier is in non-compliance with half of the requirements and/or in crucial points.
- **Non-applicable (NA):** The requirements do not match the company structure. For instance a factory has no dormitory.

PROGRESS PER COUNTRY

CHINA

Over the last few years, China has become the most important supplier of consumer goods. On the social level, a new Labour Contract Law entered into force in January 2008. This new law aims at tightening job security, makes dismissing workers more difficult and guarantees severance pay of one month's salary for each year of employment. Additionally, China adopted new job discrimination laws making it easier to file complaints against employers. The implementation of these laws was a burden on suppliers causing an increase of labour costs which contributed to the inflation of commodity prices and of finished goods. It put certain export sectors – especially the textiles sector – to the test.

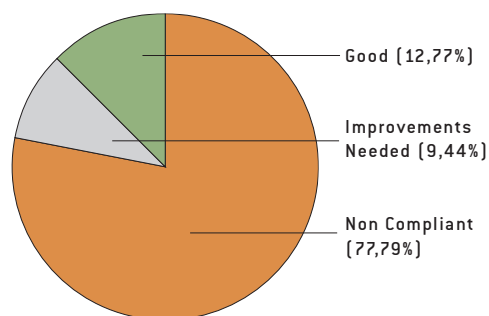
In late 2008, China increasingly faced the consequences of the global economic downturn as foreign demand for Chinese exports fell for the first time in several years. Indirectly, the protection of workers - especially of migrant workers from rural areas - has become a priority in order to avoid extensive social turmoil. In this context, China has drafted a law that could include insurance against work injuries and unemployment. This law could notably favour domestic migrant workers allowing them to pay pension premiums in one city or province and draw money in another if they migrate. This proposal is a positive first step. However, we hope that the economic crisis will not slow down the adoption and the real implementation of the new Chinese social law.

BSCI Activities

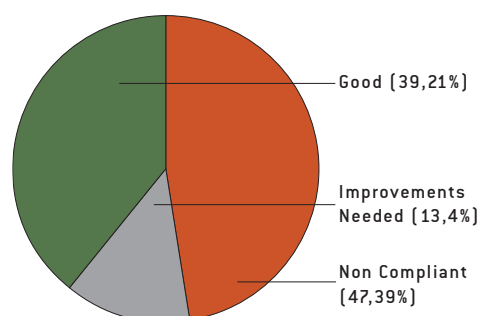
Awareness raising workshops for suppliers
 (19 May 2008, Beijing)
 (20/21 May 2008, Shanghai)
 (23/24 May 2008, Shenzhen)
 Stakeholder Round Table
 (19 November, 2008)
 Sino-EU Supply Chain Beijing Leaders Summit
 (18 November 2008, Beijing)

	AUDITS	RE-AUDITS
Suppliers in the process	3785	1541
Suppliers audited and re-audited	1112	1112

TOTAL RESULTS INITIAL AUDITS



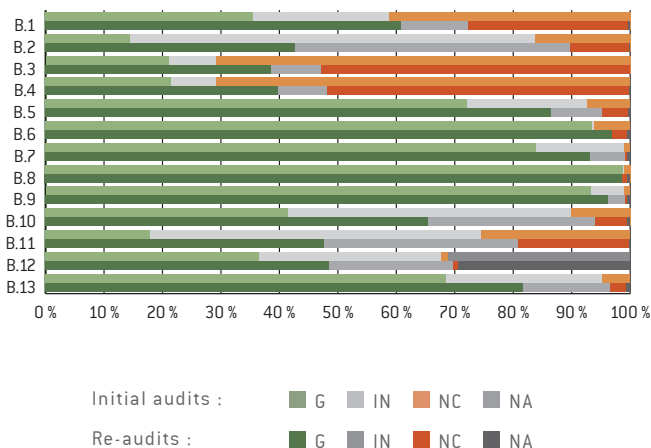
TOTAL RESULTS RE-AUDITS



China is the most important sourcing country for our members. More than half of the audits are conducted there. The results of the re-audits show an improvement of the social situation in the factories involved in the BSCI process. Nevertheless, we observe substantial difficulties creating a sustainable improvement for working time (B3) and compensation (B4).

As independent trade unions do not exist, the BSCI Code requires suppliers to give room for so-called "parallel means" of independent and free organisation of workers to negotiate with the company management. We address these sensitive issues in regular Round Table meetings with stakeholders but also through continuous high-level political contacts. Finally the improvement in management practice (B1) and health and safety (B11) is still lagging behind as re-audits have demonstrated. These non-compliances should be easier to tackle through the development of specific training sessions addressing those particular topics.

TOTAL INITIAL AUDIT AND RE-AUDIT RESULTS



INDIA

After five years of remarkable growth, 2008 saw a decrease in the performance of the Indian economy. The reasons are to be found in the increase of raw material prices and the international financial crisis. Exports, which still weigh heavily in the Indian economy, fell notably owing to a reduced demand for manufactured goods. At the social level, poverty, mainly in rural areas and in big cities, is still a huge challenge. Unemployment is also on the rise as the working age population grew faster than the total population.

However, several improvements have to be noted. India is determined to extend basic social security coverage and to take care of the workers' rights in its huge unorganised sector. Additionally, India has realised that it has one of the largest labour forces in the world but a poor number of skilled workers. So it is putting efforts into improving its educational system and has already adopted a series of measures to eliminate the use of child labour in the export-oriented industries.

India is the second most important sourcing country for our members. The improvement rate in the re-audit results is remarkable and shows the benefits of the implementation of the BSCI Code. However, some non-compliances are particularly important in terms of working time (B3), compensation (B4) and management practice (B1). Indeed, the main causes of strikes in India are linked to wages and working hours. It is worth mentioning the good representation of trade unions at least in the non-agricultural sectors. However, there is a problem of rivalry among those unions which has led to a radicalisation of trade unions.

Finally, child labour (B5) and discrimination (B8) are still big issues but are difficult to track through audits. That is why we address those issues through our on-going dialogue with various stakeholders in the Indian Round Table.



BSCI Activities

Awareness Raising workshops for Suppliers
 (21/22/23 April 2008, Gurgaon)
 (25 April 2008, Tirupur)
 Stakeholder Round Table
 (29 April 2008, New Delhi)

AWARENESS RAISING WORKSHOPS IN INDIA

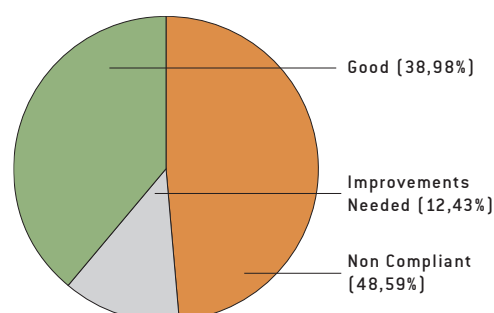
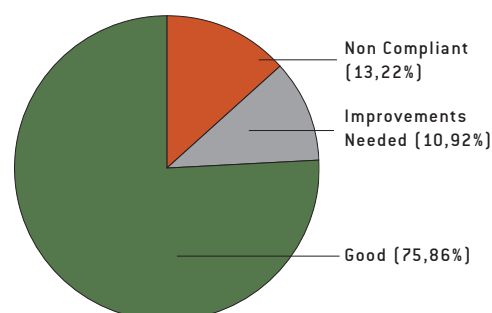
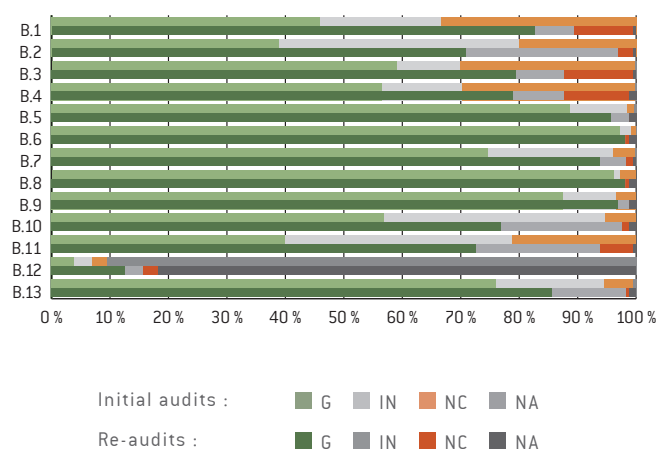
In April 2008, the BSCI organised two series of workshops in Gurgaon and Tirupur dedicated to suppliers' management. BSCI members' representatives from the buying offices in India also participated.

Each session covered the requirements of the BSCI Code of Conduct, the implementation of the BSCI process and the auditing criteria. It also detailed the most important Indian social non-compliances found through the BSCI auditing process and other important trends such as child labour which cannot be found in the audit results but are still critical in Indian factories. Additionally, it was highlighted that the risk of child labour is higher when subcontractors are involved in the production.

Finally, we were happy to learn that there are an increasing number of social compliance officers employed in Indian factories. This reflects the fact that this BSCI requirement on management practices is indeed being implemented more and more.

AUDITS**RE-AUDITS**

Suppliers in the process	564	177
Suppliers audited and re-audited	177	177

TOTAL RESULTS INITIAL AUDITS**TOTAL RESULTS RE-AUDITS****TOTAL INITIAL AUDIT AND RE-AUDIT RESULTS**

TURKEY

Turkey's economy is, owing to its export dependency, vulnerable to external trends. In 2008, the country suffered a slowdown in its economic growth because of the significant fall in exports of manufactured goods.

Many factories had to close, especially in the textile sector. At the social level, the difficulties encountered by Turkey towards EU accession have not encouraged the country to launch the necessary social reforms in various areas such as the fight against corruption, the circumvention of taxes and the rights of the trade unions.

Nevertheless in the context of the loans granted by the International Monetary Fund to Turkey, some important improvements are taking shape. Notably, Turkey adopted in 2008 legislation on social security reform which establishes a new universal health insurance.

Turkey is the third most important sourcing market for our members. The implementation of the BSCI requirements shows a good improvement in the audited factories. Nevertheless key challenges remain in the fields of management practice (B1), compensation (B5) and working time (B3). Additionally, documentation (B2) is also a common reason of non-compliance and is linked to the practice of fraudulent double book-keeping.

BSCI Activities

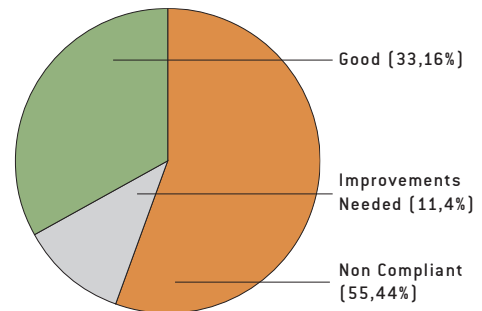
Advanced supplier training sessions
(26 February/ 5 March 2008, Istanbul)

Technical assistance for suppliers
(October 2008, Istanbul)

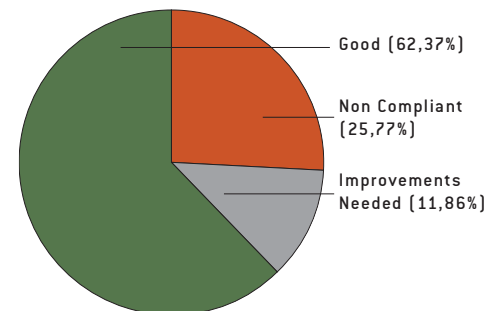


	AUDITS	RE-AUDITS
Suppliers in the process	539	198
Suppliers audited and re-audited	194	194

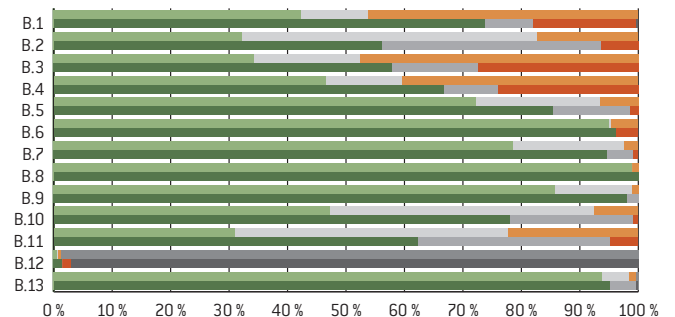
TOTAL RESULTS INITIAL AUDITS



TOTAL RESULTS RE-AUDITS



TOTAL INITIAL AUDIT AND RE-AUDIT RESULTS



Initial audits : G IN NC NA

Re-audits : G IN NC NA

TRAINING ACTIVITIES IN TURKEY

This year we concluded a major three-step training project co-organised with the Istanbul textile manufacturers and exporters' association (ITKIB) and Social Accountability International (SAI) and co-funded by the European Commission. The objective of this project was to evaluate the social improvement of suppliers after having received intense tailor-made social management trainings activities. The training sessions consisted of three main steps:

- 1- The basic training session covered the international and Turkish legal framework on labour rights, the BSCI and also the SA8000 criteria and, above all, how to practically implement these in the factories.
- 2- Half of the participating companies, which had shown improvements in their social performance after the basic training session, joined advanced training courses. It focused on management practices, working hours, compensation and establishing a well functioning dialogue between management and workers in the factories.
- 3- Finally, the five "best in class" each received two days of technical assistance on their company premises, helping to find concrete solutions for the specific challenges these factories were facing.

The innovative element in the project was also to involve subcontractors in the basic and advanced training steps. Indeed, suppliers subcontracting part of their activities within Turkey and also to neighbouring countries, is very common. Among the 73 textile manufacturing companies involved in the project, 26 were subcontractors.

The training sessions were very well received by the suppliers. They notably improved their methodology to select subcontractors which include more social requirements right from the beginning of commercial relationships. They also received useful advice on how to improve dialogue between managers and employees.



Burcu Bagci,
Quality Management Head
Sara Apparel,
Men's Ready-Wear Enterprise

"With both training sessions and social audits made during the project, we determined the fields where we needed to improve the organisation of our factory. Most of the non-compliances which were detected at the first audit have been removed with the help of training. We hope that in less than one year, we will be ready for the SA8000 certification."

SOUTH AFRICA

South Africa is the largest economy on the African continent. For our members, it is a key country for sourcing fruits. The reversal of the seasons in South Africa with respect to Europe is an important competitive advantage. Moreover, its delivery times are much shorter than those of its other competitors of the Southern hemisphere. South Africa supplies our members with citrus fruits (lemons, oranges, grapefruits and mandarins), avocados, prunes and fruit tree harvests (apples, peaches, apricots and pears). The country is also one of the largest global exporters of canned fruits, vegetables and wine.

We started to implement the primary production module in South Africa at the end of 2007 when a stakeholder dialogue as well as an auditor and a supplier workshop were organised. Therefore there is no table of audits and re-audits to report yet. South Africa has ratified all core ILO Conventions and the South African labour legislation is, in certain cases, even more restrictive, such as the legislation on working hours. In general, there is a good level of awareness about corporate social responsibility issues, especially in the field of health and safety. There are already several initiatives that address, to a certain extent, corporate social responsibility and influence working conditions. Nevertheless, some issues still have to be tackled such as the migration of workers, the use of labour brokers for temporary workers, the HIV/Aids problem (18,1% of the population is infected according to UNAids) and the inclusion of small farms into development processes.

In October 2008, we organised a follow-up stakeholder meeting in Cape Town. One of the issues underlined was the need for sufficient audit capacities in Africa, notably SA8000 lead auditors. As a result of the growing requests for social compliance from the retail side, the entire fruit industry in South Africa is discussing the development of a South African social standard based on the current Code requirements of European retailers that would include the BSCI Code. The different steps and players in this project have not yet been finalised but we will monitor the development of this process.

BSCI Activities

Stakeholder meeting
(2 October 2008, Cape Town)



KENYA

Kenya is one of the most dynamic economies of East Africa. The new plan for growth "Vision 2030" was launched in 2007 with the objective to boost the Kenyan economy. However, the country's growth rate declined in 2008 not only as a result of the rising oil price which made imports of any petrol-based products more expensive but also due to political violence.

The Kenyan economy depends strongly on the agricultural sector which employs 80% of the working population and exports products such as tea, coffee, sugar, flowers, fruits and vegetables. Our members buy green vegetables such as peas, beans, baby corn and broccoli in Kenya and also some tropical fruits. They mainly buy cut flowers there. Basically, with 40% market share, Kenya is the principal exporter of cut flowers for Europe. This sector employs 70.000 people directly and more than 1.5m people indirectly. On the social level, Kenya has ratified practically all core ILO Conventions and the level of the national labour legislation offers a protection almost equivalent to BSCI requirements.

In 2008, we organised for the first time a supplier workshop and a stakeholder meeting in Kenya. The participants underlined the necessity to address some social issues such as the existence of child labour, the discrimination towards women and the HIV/Aids problem. Another issue is the participation of smallholders in the improvement process which brings along new communication

challenges as those smallholders are often illiterate. In this context, we have identified the need to develop new tools to improve the understanding of our primary production requirements by smallholders and farmers. Finally, one of the core issues for the suppliers is duplication of audits. In some cases, other retailers already require them to perform self-assessments and social audits in the framework of their own social programmes. The BSCI aims at avoiding duplication and thus will engage in an active dialogue with other retailers to make the platform as broad as possible.

BSCI Activities

BSCI Stakeholder meeting

[6 October 2008, Nairobi]

BSCI Supplier workshop

[8 October 2008, Naivasha]



MOROCCO

In Morocco, the food sector is the main driver of economic growth. The country exports citrus fruits, tomatoes, courgettes and melons but also olive-based products, canned vegetables and fish. Furthermore, Morocco exports textiles, especially to France, Spain and to the United Kingdom. The textiles sector employs 200.000 people and its responsiveness and flexibility makes it possible to accommodate the necessities of the big consumer markets and "fast fashion".

Our members work together with Moroccan companies mainly to source agricultural products, most notably tomatoes. The implementation of the BSCI process started in Morocco in 2007. So far, few audits have been performed. Therefore, there is no table of audits and re-audits in the report. In 2008, we organised a stakeholder meeting in Agadir to follow up on the agreed actions from the last meeting in 2007.

Some of the main social issues identified in the primary production sector are the regulations on strikes and trade union activities, the insurance of temporary workers and the applicability of the Labour Code in agriculture. In 2007, the stakeholder discussions initiated by the BSCI led to an agreement on how to better integrate seasonal farm workers into the social security system by having a mobile office during harvesting season.

In between stakeholder meetings, some of the participants have also been in contact with one another and have discussed social issues, notably the lack of guidance in the Labour Code to regulate strikes and ensure a positive outcome for all

parties. As a result of these various discussions, both within and outside the framework of the stakeholder meeting, there is now a common understanding among the participants that collective agreements between the agricultural producers, the government and trade unions may be the best long-term solution to solve many issues currently related to social dialogue and the applicability of the Labour Code.

BSCI Activities

Stakeholder meeting
(7 April 2008, Agadir)



Said Zaghloul,
Moroccan National
Security Authority (CNASS)

For the Moroccan National Social Security Authority, the stakeholder meeting was a great opportunity to develop the relations and exchange of information with various Moroccan professional federations and trade unions that were present. We took the opportunity of this meeting to explain the social rights of employees in general, especially those working in the agricultural sector. The stakeholder meeting has enabled us to answer the various concerns of the participants and to clarify some ambiguities.



CONCLUSIONS

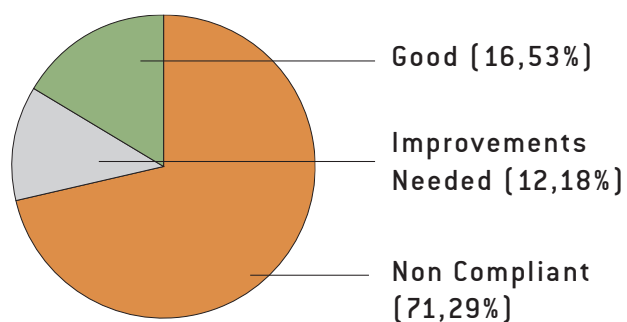
In 2008 our members performed 4989 audits in order to check whether working conditions in the factories of their suppliers comply with the BSCI Code of Conduct. The number of audits available in the BSCI database has therefore more than doubled from 3563 audits performed before the end of 2007 to 8552 performed by the end of 2008 (6121 initial audits & 2431 re-audits). This development reflects the rapid growth of our membership in 2008, which has more than doubled in one year.

Indeed, after a preparation phase of maximum six months, every new BSCI member has to start the BSCI process by organising the initial audits of their suppliers. In 2008 our members conducted 3257 initial audits in all sourcing countries defined as risk countries while only 1732 re-audits were performed. By region, the main sourcing countries are China (62,28%), far ahead India (8,62%) and Turkey (8,47%).

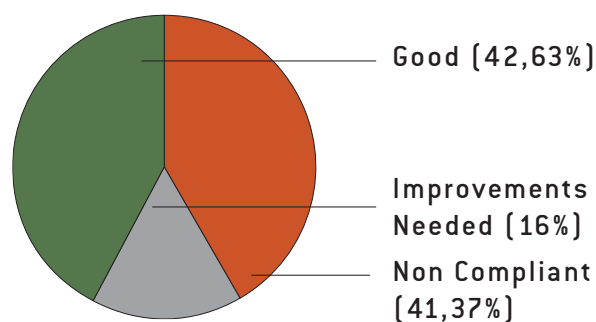
In order to assess the improvement that the implementation of the BSCI process has brought to the factories of the suppliers we need to compare the results of those suppliers which have been audited at least twice (audit and re-audit). The results of the initial audits show that the working conditions in supplying factories were greatly lagging behind the requirements of the BSCI Code (71,29%). The results of the re-audits provide a much more positive picture since the number of compliant companies has increased significantly (42,63%) whereas the number of non-compliant companies has decreased (41,37%). We believe that those results demonstrate progress in performance of suppliers and prove the efficiency of the BSCI system.

	AUDITS	RE-AUDITS
Suppliers in the process	6121	2431
Suppliers audited and re-audited	1839	1839

TOTAL RESULTS AUDITS



TOTAL RESULTS RE-AUDITS



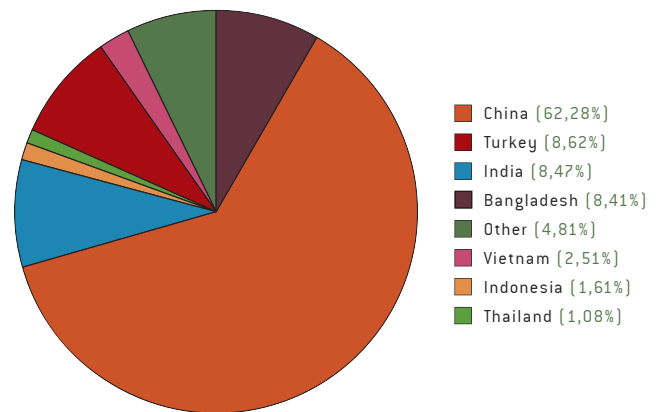
OUR PROGRESS

A more detailed look at the different criteria of the BSCI Code of Conduct helps us to assess where suppliers are doing well and where more efforts are needed. Working time (B3) and compensation (B4) remain the most challenging fields of non compliance. To a certain extent also health and safety issues (B11) remain critical issues. All those non-compliances are linked to lack of good management practice (B1).

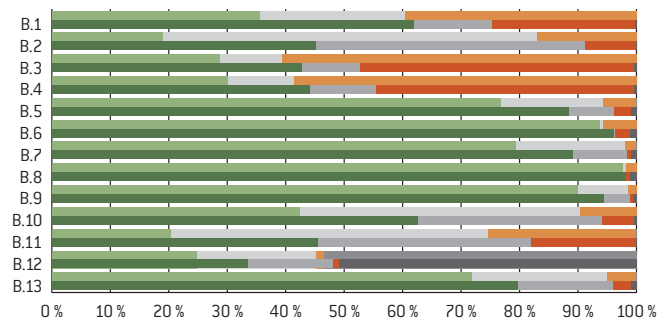
SA8000 is BSCI's best practice which requires further engagement of the supplier in the different criteria. During a BSCI audit it is assessed whether the supplier also complies with these more ambitious criteria (part C). Looking at the results from all audits since the foundation of the BSCI we find that the suppliers have difficulties to comply with the more stringent requirements of SA8000. Nevertheless 120 suppliers of BSCI members are SA8000 certified.

All those findings encourage us to continue developing specific training activities for suppliers and constructive dialogue and projects with local stakeholders. Since the beginning of the BSCI, 2792 suppliers have already participated in BSCI workshops. We plan to continue and extend our offer of trainings for suppliers. We believe our role is to help and encourage them to take responsibility for the improvements of the conditions in their factories and in their own countries.

DISTRIBUTION TOTAL INITIAL AUDITS AND RE-AUDITS



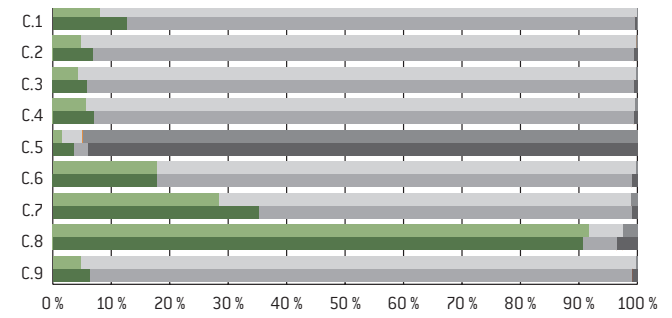
PART B: SOCIAL REQUIREMENTS
TOTAL INITIAL AUDIT AND RE-AUDIT RESULTS



B.1 Management Practice
B.2 Documentation
B.3 Working Time
B.4 Compensation
B.5 Child Labour
B.6 Forced, Prison Labour/
Disciplinary Measures
B.7 Freedom of Association/
Collective Bargaining
B.8 Discrimination
B.9 Working Conditions
B.10 Health and Social Facilities
B.11 Occupational Health and Safety
B.12 Dormitories
B.13 Environment

Initial audits : G IN NC NA
Re-audits : G IN NC NA

PART C: BEST PRACTICE FOR INDUSTRY
TOTAL INITIAL AUDIT AND RE-AUDIT RESULTS



C.1 Policy
C.2 Planning and Implementation
C.3 Management Review
C.4 Control of sub-contractors/
suppliers/sub-suppliers
C.5 Control of homeworkers
C.6 Compensation
C.7 Child Labour
C.8 Evasion
C.9 Outside Communication

GOALS AND PERSPECTIVES 2009

Our members have set clear objectives in the action plan for 2009 in order to achieve the goals of the BSCI.

1. CAPACITY BUILDING

Due to the crucial role of capacity building in the BSCI approach, we will keep our main focus on enhancing the knowledge of suppliers about how their social compliance could be further improved. Awareness raising workshops and specific training sessions are key elements to achieve this objective. These activities are based on BSCI's new Training Policy which the members adopted in 2008.

- Create a network of external trainers and consultants
- Awareness raising workshops for suppliers in Bangladesh, Brazil, China, Peru, Turkey, Vietnam
- Training programs on specific topics for suppliers in China in cooperation with CNTAC
- Cooperate with other initiatives in training programs (e.g. SAI, ICTI, CNTAC)
- Disseminate and expand information of the webportal on Responsible Supply Chain Management.

2. INTENSIFY COOPERATION WITH STAKEHOLDERS

We will seek a closer cooperation with stakeholders, not limiting it to the exchange of experience and views, but also to engage in joint activities. The longstanding partnership with SAI, but also the more recent agreements with CNTAC in China or ICTI as important branch associations are visible examples of practical cooperation with other players. Also the involvement in the Responsible Supply Chain Laboratory connects us with other stakeholders.

We plan to intensify the work with these organisations having different backgrounds, multistakeholder initiatives as well as being business driven. The continuation and the structural strengthening of the dialogue with stakeholders in supplier countries will be the main focus. It is important that stakeholders discuss among each other and with the BSCI on how social compliance can be improved on a broader basis through concrete projects and individual actions.

- Intensify the dialogue in the BSCI Stakeholder Board, identify concrete projects in which the members of this organisational body also take an active role

- Continue the dialogue with other stakeholders in Europe, also in connection with the Responsible Supply Chain Laboratory
- Continue and intensify the dialogue with stakeholders at Round Tables in supplier countries

3. BROADEN THE BSCI IMPLEMENTATION IN DIFFERENT SECTORS

Our process is applicable in the supply chain of all consumer goods. Since the members agreed in 2008 to focus also on hard goods, future efforts will also concentrate on the suppliers of these products. In order to ensure a smooth implementation, relevant sector associations and initiatives will be informed about our plans.

- Invite more hard goods and food suppliers to awareness raising workshops
- Continue and intensify BSCI implementation in the food supply chain
- Continue the dialogue with other initiatives focusing on the primary production in agriculture and other relevant sectors



4. OPTIMISE SUPPORT FOR MEMBERS

Optimising the support for the members is a constant challenge. On one hand this is reached by working on improving existing and developing new tools and processes for BSCI implementation. On the other hand, training of members is important. Increasing synergies by extending the membership is an additional means of raising the level of support.

- Continue strong support for members to ensure a smooth integration into the BSCI
- Arrange more training opportunities for members, organised by the BSCI or in the framework of National Contact Groups
- Continue the training sessions offered by SAI in the framework of the Professional Training Series
- Review and optimise processes
- Continuously ensuring fairplay by close follow-up on members' commitment implementation
- Find more synergies by inviting new members

5. CONTINUE TO OPTIMISE THE BSCI SYSTEM

System development is another important ongoing issue for the BSCI. The auditing instruments have been revised in 2008 while the Code will be revised in 2009, based on the regular 3-year-cycle. Strengthening the auditing structure is equally important as another pillar next to capacity building and stakeholder involvement.

- Revision of the BSCI Code of Conduct
- Adaptation of other BSCI instruments where necessary
- Continuation of close oversight on audit quality through SAAS surveillances and systematic review of audit reports
- Enlarge auditing capacities

6. INTENSIFY COMMUNICATION ACTIVITIES

In 2008, we refreshed our website to offer a modernised and more user friendly communication tool. We also strengthened our dialogue with the media and press. We will further develop our presence across media as we believe it is important to make voluntary business initiatives better known to the public. We want to contribute to a good image of those retailers, brands and importers who invest in a socially compliant supply chain.



CONTACT

Supervisory Board

- Dr Sibyl Anwander Phan Huy (COOP)
- Mr Pierre Brosseau (Celio)
- Mr Hugo Byrnes (Royal Ahold)
- Mr Bernardo Cruza Martos (El Corte Ingles)
- Dr Johannes Merck (Otto Group)
- Ms Lea Rankinen (Inex Partners Oy)
- Mr Jonas Schröder (JYSK Nordic)
- Mr Jean Wagenaar (Balancia Midania AB)
- Mr Ferry den Hoed (FTA President)
- Mr Jürgen Maas (FTA Vice President)
- Mr Åke Weyler (FTA Board Member)
- Mr Jan A. Eggert (BSCI Executive Office)

BSCI Executive Office*

CEO

Jan A. Eggert

Managing Director - Strategy
& Stakeholder Relations

Lorenz Berzau

Managing Director - Operations

Olga Orozco

Communication Advisor

Stéphanie Luong

Project Manager Primary Production

Veronica Rubio

Project Administrator

Dominique Barea

Assistants

Corinne Kasongo

Giovanna Milano

* as of April 2009.

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c/o FTA - Foreign Trade Association
Avenue de Cortenbergh 168 - 1000 Brussels - Belgium
info@bsci-eu.org - www.bsci-eu.org