

TACKLING THE CHALLENGES OF RESPONSIBLE SOURCING



ANNUAL REPORT 2010
BUSINESS SOCIAL COMPLIANCE INITIATIVE

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The BSCI is an initiative of the Brussels-based Foreign Trade Association (FTA). FTA is the association for European commerce that focuses on foreign trade issues, informing and supporting members in their commitment to free trade ([➔ www.fta-eu.org](http://www.fta-eu.org)).

TRANSPARENT REPORTING

The structure and content of this report is inspired by the Global Reporting Initiative (GRI), which sets forth globally applicable guidelines for sustainable reporting.

More information is available on:
[➔ www.globalreporting.org](http://www.globalreporting.org)

INTRODUCTION

DEAR READER,

2010 was another significant year for BSCI as 232 additional retailers, brands and importers joined our initiative. Along with our growing membership came the opportunity to improve the lives of thousands more workers worldwide. However, our growth also provided us with a challenge: to reach more suppliers and tackle the complex issue of responsible sourcing in a difficult, post-recession economy.

In 2010, our three-pronged approach to implement the BSCI Code of Conduct (monitor, empower and engage) reached more than two million workers, improving the day-to-day working conditions at factories and farms. Our audit data 2010 demonstrates our impact, as the number of compliant suppliers increased from 28% to 51%.

Monitoring social compliance continues to be a key pillar of our work. Last year our members conducted almost 7000 audits. To maintain a high level of audit quality, we opened more than 150 cases for review and maintained a comprehensive quality programme for audit companies.

However, we know audits alone do not create change. A key emphasis in 2010 was **empowering** BSCI members and their suppliers. We did this by providing 61 capacity-building workshops across 16 countries, which supported suppliers and members to make tangible progress.

Through our Stakeholder Board, Round Tables and ad-hoc stakeholder meetings around the globe, BSCI is also **engaging** in a change process at the policy level. We believe that by creating dialogue and building solid relationships between business and stakeholders, in Europe and supplier countries, we can identify and achieve sustainable solutions.

The BSCI Supervisory Board played an important role in achieving all this progress. We are grateful for all the support received.

To continue our progress in 2011, we have many tasks planned in the coming months, including:

- Striving for high audit quality
- Building the capacities among our members' suppliers to improve social compliance; and
- Broadening and improving stakeholder dialogue and cooperation at different levels
- Reshaping our governance to make BSCI more efficient in the framework of FTA.

This annual report 2010 provides an overview of our activities and our impact. We invite you to join us in our efforts to confront the challenges to social compliance.



Ferry den Hoed
Chairman



Jan A. Eggert
CEO

OVERVIEW OF 2010

ACHIEVED A REAL IMPACT

By performing almost 7000 audits in the global supply chain in 2010, our work reached over 2.2 million workers, improving labour conditions at factories and farms worldwide. In 2010, for companies that went through an initial audit and a re-audit if necessary, the number of compliant suppliers increased from 28% to 51% and the number of non-compliant suppliers decreased from 56% to 31% (➔ p. 12).

STRENGTHENED THE BSCI SYSTEM

A notable accomplishment in 2010 was extending the members' commitment to cover primary production. The commitment now applies to both food and non-food consumer goods, including primary production. We also simplified our system by creating one unified risk country list to help companies map their supply chain (➔ p. 13).

INCREASED MEMBERSHIP, DIVERSITY AND RESOURCES

We increased the diversity of our membership, adding 232 new members, including many new Small and Medium Enterprises (SMEs) and large companies from the food sector. To support our growing membership, we assigned one new country representative in Bangladesh and added three new staff to the team (➔ p. 14).

ENHANCED MONITORING

External and unbiased audits are an important component of the BSCI process. To improve the quality of our audits, we continued audit quality review and almost doubled the number of surveillance audits compared to 2009. To ensure long-term improvement of the quality of audits, we identified the need to implement more training sessions for auditors (➔ p. 15).

EMPOWERED BSCI MEMBERS AND THEIR SUPPLIERS

We expanded our infrastructure to deliver more capacity-building workshops to our members and their suppliers, delivering 61 workshops to more than 2800 people in 16 countries. We also launched an e-learning tool for primary producers in risk countries (➔ p. 16).

BUILT STRONGER RELATIONSHIPS WITH STAKEHOLDERS

We built stronger relationships with stakeholders in Europe and supplier countries by initiating a dozen stakeholder Round Tables and meetings, as well as ad-hoc dialogues where we listened to stakeholder perspectives on how to improve our system and worked collaboratively to address non-compliances (➔ p. 17).

IMPROVED COMMUNICATIONS

A key accomplishment in 2010 was the launch of a new, refreshed BSCI website. We also increased our media exposure at the international and country level. In addition, we continued to support members communicate about their efforts to create a more sustainable supply chain (➔ p. 18).

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While 2010 was a year full of challenges, I am proud to be part of a leading initiative that is constantly developing and innovating to respond to members' needs. BSCI is the ideal partner for companies seeking to tackle the ambitious goal of improving working conditions in risk countries of their supply chain

Pirjo Heiskanen

Quality Assurance Manager
Tuko Logistics

Member of the BSCI Supervisory Board

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THE GLOBAL CONTEXT OF OUR WORK

The Business Social Compliance Initiative (BSCI) is a business-driven initiative for companies committed to improving working conditions in the global supply chain. It unites hundreds of companies around one common Code of Conduct and supports them in their efforts to build an ethical supply chain. We provide companies with a step-by-step, development-oriented system applicable to the supply chain of all consumer goods.

In the context of globalisation and international competition, many companies source labour-intensive goods from developing and newly industrialised countries.

However, working conditions in these countries often do not comply with basic labour standards such as those established by the International Labour Organization (ILO). To address this issue, many companies and associations have created individual codes of conduct and monitoring systems.

The proliferation of individual codes, varying audit procedures and diverging approaches have resulted in audit duplications within the same factories. This redundancy leads to unnecessary efforts, confusion about requirements, lack of transparency, lack of accountability and higher costs for companies, as well as for their suppliers.

BSCI works to tackle these challenges by offering a system that provides a single and comprehensive methodology for the entire food and non-food supply chain. Our initiative is open to retailers, importers and brands aiming to engage in sustainable sourcing. Our methodology applies to all sectors and all types of goods.

BSCI membership provides tangible business value, including cost savings, better relations among supply chain actors, greater competitive advantage and enhanced reputation with investors and consumers.

By the end of December 2010, 644 member companies had committed to implement the BSCI Code of Conduct and system in their supply chains.

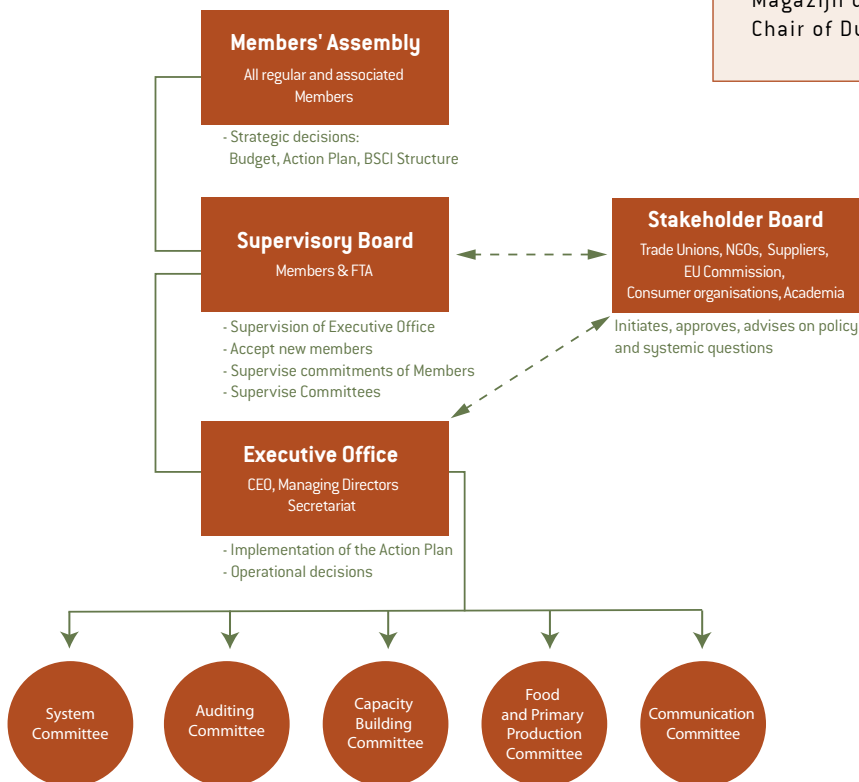
WE FOCUS ON RISK COUNTRIES

BSCI members focus on implementing the BSCI system in risk countries where workers' rights are most vulnerable. The criteria used to qualify risk countries is based on the Human Development Index of the United Nations and the Corruption Perceptions Index of Transparency International, as well as the field experience of sourcing companies (see www.bsci-intl.org/risk-countries). The main BSCI sourcing countries, based on audits performed, are China, Bangladesh, India, Turkey and Vietnam



OUR GOVERNANCE

All members can provide input into strategic issues through participation in the Members' Assembly, the core governance body of BSCI. Specific technical questions are dealt with at Committee level. In 2011, in response to the strong growth of our membership, we will adapt our governance structure in order to ensure a high level of service, enhance efficiency, and increase stakeholder inclusion.



The Dutch NCG allows me to access committed businesses and stakeholders working together to solve the challenges of social compliance. At our meetings, Dutch members come together to share their experiences and concerns. We reach out to local stakeholders to share knowledge on best practices and find ways to engage in joint capacity building efforts and stakeholder dialogue in sourcing countries.

Norma A. Snell
Project Manager CSR
Magazijn de Bijenkorf BV
Chair of Dutch National Contact Group

MEMBER-DRIVEN GROUPS AT COUNTRY LEVEL

National Contact Groups (NCGs) gather BSCI members on a country basis to discuss common issues of concern, share best practices and enhance local stakeholder dialogue and local media visibility. NCGs exist in Denmark, Finland, Germany, Sweden, Switzerland and The Netherlands.

The BSCI is very useful for me, through workshops I learnt how to implement BSCI and the questions and discussions gave me very valuable knowledge. This has helped me implement my work in a very effective way, following best practices for social compliance.

Md. Alamgir Hossain Polash
Manager HR & Compliance
A one BD Ltd.,

BSCI CODE OF CONDUCT

ONE CODE. ONE SYSTEM.

The BSCI Code of Conduct is built upon the most important international conventions protecting workers' rights, notably the International Labour Organization's (ILO) core labour Conventions and Recommendations.

All BSCI member companies commit to implement the BSCI Code of Conduct as part of their business relations with suppliers, showing a willingness to improve the working conditions in their supply chain.

We provide two sets of management tools to implement the BSCI Code of Conduct: one for suppliers involved in industrial production and one for suppliers in primary production.

BSCI is a great resource for companies struggling with suppliers' social responsibility in risk countries. The BSCI Code of Conduct provides a framework that we are gradually implementing across our supply chain worldwide. For all our suppliers of hard and soft products, including processed food, we use the BSCI management tools for industrial products. For fresh food suppliers, we implement the primary production methodology that allows us to check the conditions at the farm level. BSCI is the only existing system for social compliance that offers such a broad scope.

Henrik Kirketerp
Director
Dansk Supermarked

GOALS OF BSCI CODE OF CONDUCT



freedom of association and the right to collective bargaining are respected



no discrimination is practised



child labour is prohibited



legal minimum and/or industry standards wages are paid



working hours are compliant with national laws and do not exceed 48 hours regular + 12 hours overtime



there is no forced labour and disciplinary measures



the workplace is safe and healthy



the environment is respected



there is a policy for social accountability



there is an anti-bribery and anti-corruption policy

Majland is the leading Christmas tree seedling company in Europe. It is important that seeds and seedlings used to make Christmas trees, a symbol of family, joy and sharing, has been grown and harvested in a socially responsible manner. We joined the BSCI for its primary production module, which supports us to produce Christmas trees seedlings that reflect our ethical values.

Kasper Vedsted Andersen
Group Marketing Manager
Majland

HOW WE WORK

WE MONITOR. WE EMPOWER. WE ENGAGE.

A key strength of BSCI is our holistic approach to improving social compliance. Our process offers a combination of audits, training programmes and stakeholder engagement to detect and gradually correct non-compliances at factories and farms. Our process is summarised below.

STEP 1: Communicate and Raise Awareness

As a first step, BSCI members are required to communicate the BSCI Code of Conduct to their suppliers.

Additionally members are encouraged to have their suppliers attend Awareness-Raising Workshops, to introduce suppliers to the principles and processes of BSCI.

We also hold information seminars and tailor-made training sessions for social compliance managers and buyers to help companies integrate the BSCI system into daily business and decision-making processes.

“At BSCI's in-house training for buyers, we were exposed to the potential impact purchasing practices can have on the labour conditions at factories. I learned specific, simple strategies that can have a very positive impact on workers' lives.”

Ben Davies

Corporate Responsibility Manager
DELHAIZE Group

A DATABASE OF OVER 20,000 AUDITS

Audit results are shared in a common database among BSCI's member companies. This disclosure avoids multiple audits along with unnecessary costs and time spent for the companies and the suppliers. It is also an essential tool to track identified non-compliances.

STEP 2: Self-Assessment

Prior to the audit, members ask their suppliers in risk countries to complete a Self-Assessment questionnaire. The objective of the Self-Assessment is threefold:

- Collect initial information on the supplier for the BSCI member and the auditor;
- Introduce the supplier to the practicalities of the BSCI Code; and
- Prepare the supplier for the initial BSCI audit.

STEP 3: External Initial Audit

Members start the audit process by selecting one of the BSCI-approved audit companies. The initial BSCI audit aims to assess the performance of a supplier against the BSCI Code of Conduct. It is repeated every three years and includes an inspection of the site, a thorough examination of company records (e.g. employees' contracts and timesheets) and private interviews of a sample of employees to better understand the daily situation in the factory. The initial BSCI audit also assesses whether the supplier has complied with voluntary industry best practices.

STEP 4: Corrective Action Plans

If an initial audit reveals non-compliances or shows that certain improvements are required in order to comply with the BSCI Code, the auditor prepares Corrective Action Plans (CAPs), one for the "BSCI Social Requirements" and one for the "Best Practice".

SA8000

SA8000 is an international certification standard for improving working conditions. It was developed by Social Accountability International (SAI), a NGO that promotes human rights for workers through the implementation of their SA8000 standard. BSCI considers SA8000 as its best practice. When suppliers are in compliance with the BSCI Code of Conduct requirements, they are encouraged to apply for a SA8000 certificate (➔ www.sa-intl.org).



The CAPs describe the needed improvements and set a deadline for each requirement to be completed. The implementation of corrective actions for the "Best Practice" remain voluntary.

STEP 5: Correction Phase and Advanced Capacity Building

During the Correction Phase, suppliers focus on correcting identified non-compliances. Advanced Workshops are offered during this phase to help suppliers tackle specific challenges related to their industry and region, such as wages and working hours, labour contract law, management-worker relations and management systems.

STEP 6: External Re-Audit

Within twelve months after the initial audit, a re-audit will take place to check that all corrective actions have been implemented. If a company is still non-compliant, a second re-audit can take place. If a company continues to be non-compliant after a second audit and

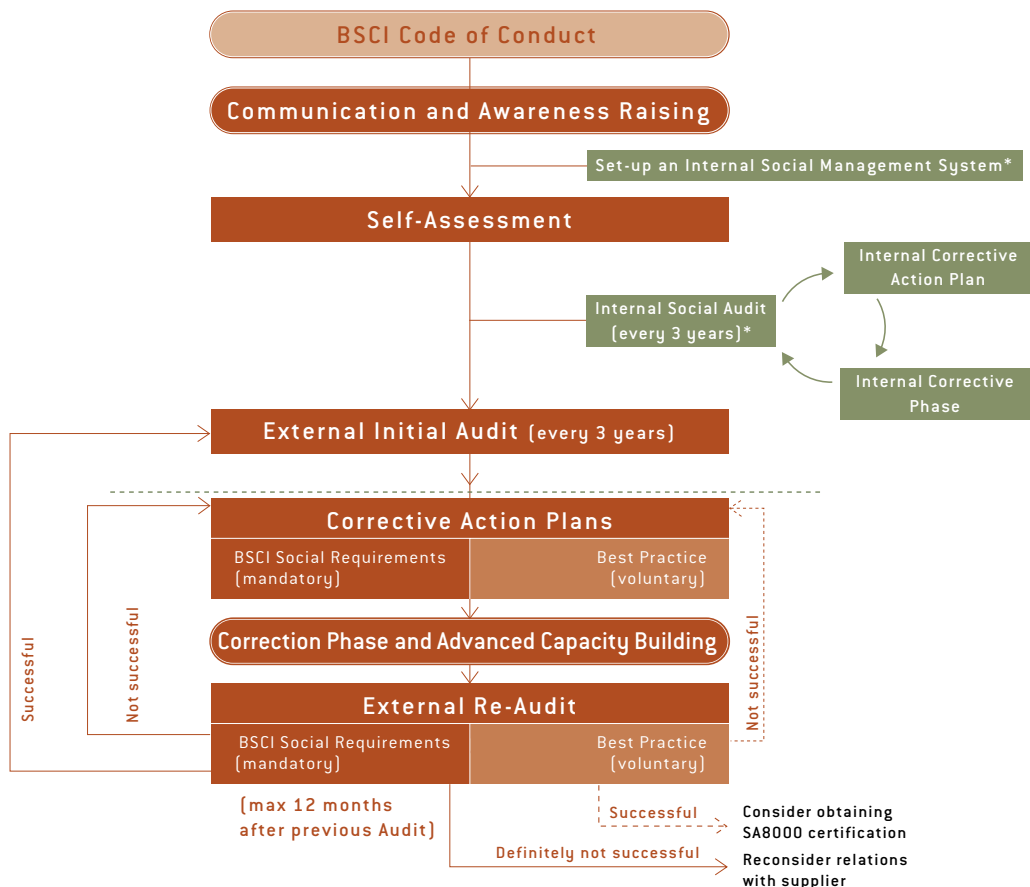
no measurable improvement is visible, members are recommended to reconsider their relations with that supplier.

All suppliers who successfully comply with "Best Practice" are encouraged to apply for SA8000 certification, which BSCI considers as its best practice.

See the [on-line version of our Annual Report](#) for details on the audit evaluation process.

I attended the Advanced Workshops on working time and wages and enjoyed them very much. The trainer was very knowledgeable and created enthusiasm and interaction among the participants. It is just a perfect gathering for CSR managers, BSCI members and suppliers in Vietnam.

Kha Le Manh
Group CSR Senior Manager
Scancom Vietnam



*This part of the methodology applies only to the primary production sector

INTERNAL SOCIAL MANAGEMENT SYSTEM (ISMS) IN THE FOOD SUPPLY CHAIN

Prior to the initial BSCI audit, the BSCI methodology for primary production requires the set-up and implementation of an Internal Social Management System (ISMS) at supplier level to identify and correct non-compliances with the BSCI Code of Conduct at processing units and farms.

For primary production, the implementation of the ISMS involves four steps: development of an internal social policy, conducting an internal social audit, development of an internal Corrective Action Plan and implementation of a corrective phase. This system ensures that processing units and farm activities are consistent with the BSCI Code of Conduct.

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BSCI promotes effective management systems at the producer level and creates synergies with existing systems that focus on improving working conditions in the agriculture sector. We believe this is the best way to create long-term impact in the food sector, particularly at the primary production level. The partnership approach followed by BSCI members has generated a solid process towards improvements.

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Jürg von Niederhäusern

Head of Standards & Social Compliance
MIGROS



ENGAGING WITH STAKEHOLDERS

BUILDING SOLID WORKING RELATIONSHIPS

Since our inception, we have welcomed input and dialogue with NGOs, trade unions, business associations, governmental organisations, academia and others. We believe it is important to hear the experience and views of others who share our objective: to improve social compliance in the global supply chain. Stakeholders are valued partners for identifying critical trends and issues, implementing improvements and increasing credibility.

FOUR WAYS WE ENGAGE STAKEHOLDERS

- **The Stakeholder Board:** The Stakeholder Board is part of our governance and plays a central role in our stakeholder engagement strategy. It is a body to seek advice and feedback from stakeholders on BSCI activities, hold constructive discussions and initiate projects on topics they deem important.
- **Round Tables:** Our experience has shown us that many social challenges can be more effectively dealt with on the national level in supplier countries. Local stakeholders have the necessary expertise about national laws and respective political, cultural and economic issues to help identify and implement concrete solutions.

Organised locally, Round Tables are a forum for promoting stakeholder dialogue and exchange of best practices in supplier countries. They involve governmental organisations, business associations, trade unions, NGOs and academia on social compliance issues.
- **Ad-Hoc Stakeholder Meetings:** In addition to the Stakeholder Board and Round Tables, we hold regular meetings and open discussions with key players in Europe and in supplier countries.
- **Synergies with other initiatives:** We seek to create synergies by cooperating with other organisations working to tackle social compliance issues in the global supply chain. By cooperating with other schemes, we can reduce multiple audits at the same factory and join forces in building capacity in supplier countries.

MEMBERS OF THE STAKEHOLDER BOARD

Susan Bird (observer)	European Commission
Alke Boessiger	Uni Europa Commerce
Erbil Cihangir	Istanbul Textile & Apparel Exporters' Association (ITKIB)
Thomas Dodd (observer) ..	European Commission
Luc Van Liedekerke	European Business Ethics Network (EBEN)
Munir Ahmad	International Textiles and Clothing Bureau (ITCB)
Simon Pickard	European Academy of Business in Society (EABIS)
Nico Roozen	Solidaridad
Christian Rousseau	Test-Achats
Alice Tepper Marlin	Social Accountability International (SAI)

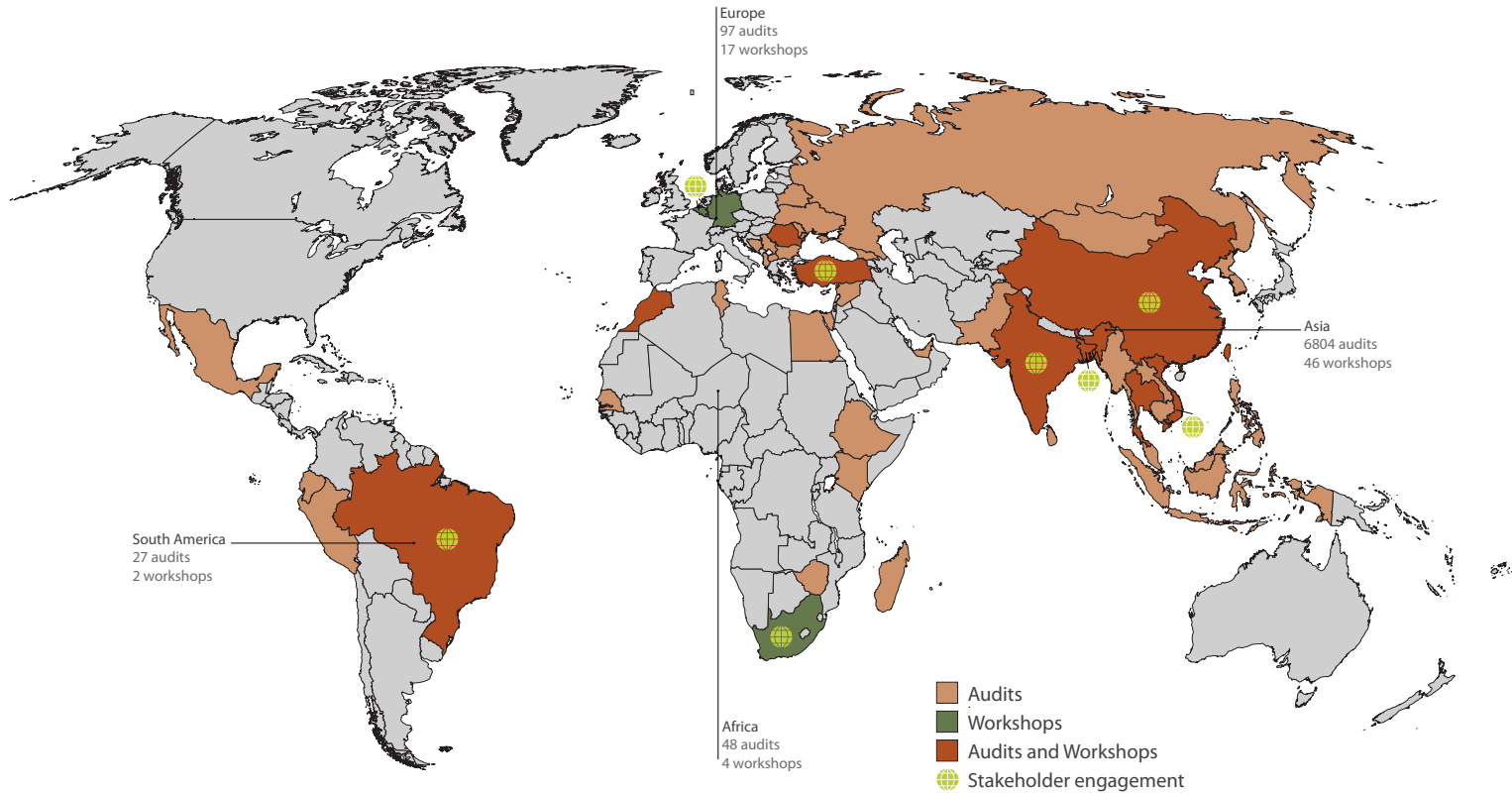


United Nations Global Compact

At the International level, we participate in the UN Global Compact, which sets ten universally accepted human and labour principles to be implemented by corporations all over the world ([➔ www.unglobalcompact.org](http://www.unglobalcompact.org)).

A REAL IMPACT ACHIEVED

Global BSCI activities performed in 2010



The 2010 audit results show that the BSCI system delivers measurable progress on improving working conditions.

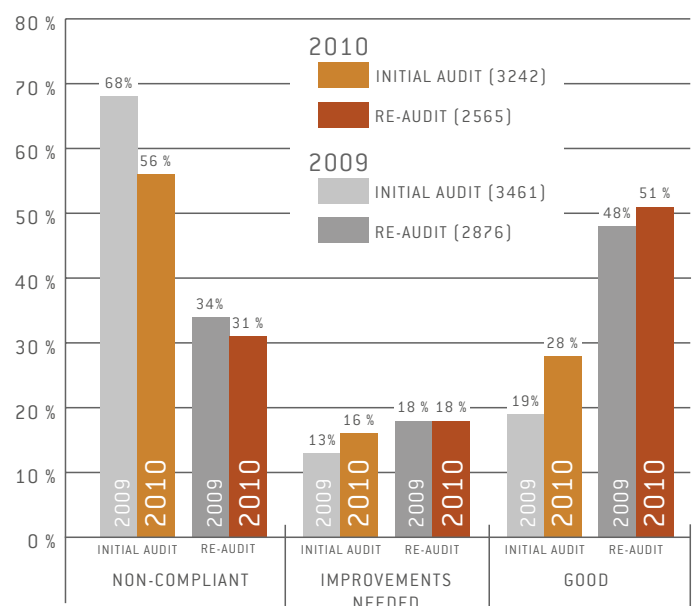
One way to assess the effectiveness of the BSCI process is to compare the audit results of suppliers who have completed one initial audit and re-audit if necessary. The audit data we received in 2010 shows the positive impact of our work:

- The number of compliant companies increased from 28% to 51%.
- The number of non-compliant companies decreased from 56% to 31%.

Compared to 2009, initial audits rated as “Good” have increased (28% in 2010 compared to 19% in 2009). Our process also offers benefits that are difficult to measure, such as increased supplier awareness of social compliance and stronger stakeholder collaborations.

For details on our audit evaluation process and results per country, see [the online version of our Annual Report](#).

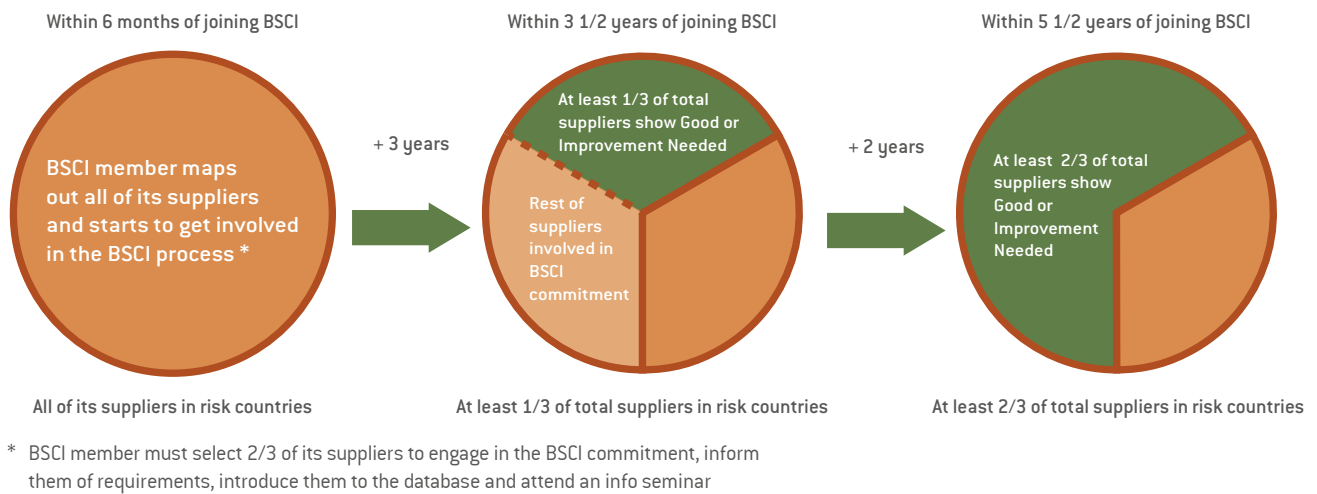
SUPPLIERS IN THE PROCESS IN 2009 AND 2010



STRENGTHENED BSCI SYSTEM

A STRONGER BSCI

INDUSTRIAL PRODUCTION COMMITMENT FORMULA



PRIMARY PRODUCTION COMMITMENT FORMULA

BSCI members in primary production shall involve 10% of buying volume or 15 primary food producers in risk countries in the improvement process and be audited using BSCI's primary production methodology (first audit) within 3 1/2 years of joining BSCI.

The new industrial production commitment formula, which requires members to reach qualitative goals within a specific timeline, has only been implemented since 1st January 2010. Therefore, it is too soon to fully assess its impact. However, we expect the new commitment formula will be essential in accelerating labour improvements for workers.

A notable accomplishment was the extension of the commitment formula to processed food and primary food production, making it applicable to all kinds of suppliers in risk countries as of 1st January 2011.

We also increased our follow-up on implementation of the Code of Conduct. We suspended 46 companies and finally terminated the membership of 18 companies who did not adequately fulfill their commitment.

Another substantial accomplishment in 2010 was the creation of one unified risk country list that relates to both food and non-food suppliers (→see www.bsci-intl.org/risk-countries for updated list).



INCREASED MEMBERSHIP DIVERSITY

MORE MEMBERS. GREATER IMPACT.

A major success was increasing the diversity of our membership. We added 232 new members, ranging from small SMEs to large food companies.

We have reached 644 members at the end of 2010, representing over 480 billion € turnover and 1.7 million direct employees (see our website for a complete list of members: www.bsci-intl.org). We welcomed several large retail companies, notably from the food sector, department stores, a leading supermarket and many SMEs, most notably importers.

To better serve our growing membership, Bangladesh became the third country, after China and India, to have a BSCI country representative.

Finally, we supported six National Contact Groups (NCGs), providing members a forum for interacting at the country level. BSCI's biggest NCGs are in Germany and the Netherlands.

BIG CORPORATIONS AND SMEs' COMMITTED TO THE SAME GOAL

Sustainable sourcing is often seen as solely the domain of the big retailers who have the resources and system in place to develop an ethical sourcing approach. BSCI membership is composed of 57% SMEs' engaged in implementing the BSCI Code of Conduct in their supply chain. We are glad that our system is flexible and adaptable to the needs of SMEs. Therefore, we will continue developing tailored advice, easy-to-use tools and case studies to support small businesses.

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Bangladesh has a vibrant garment sector with hard-working and skilled workers. However, the communication between the workers and top management is non-existent or marginal, thus generating frustration and unrest. As BSCI's Bangladesh representative, alongside supporting BSCI members and suppliers, I will facilitate a dialogue and common approach between local key stakeholders.

Christian von Mitzlaff

BSCI Bangladesh Representative

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ENHANCED MONITORING

MORE AUDITS. BETTER AUDITS.

In 2010, our member companies monitored almost 7000 suppliers worldwide through 3455 audits and 3521 re-audits, thus reaching out to 2.2 million workers.

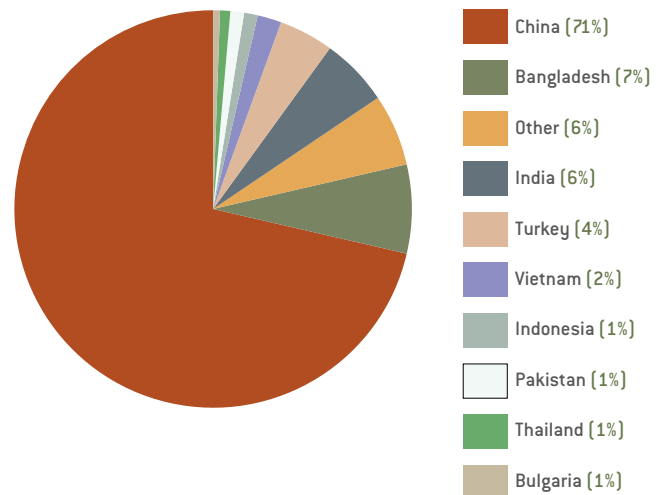
The majority of audits were performed at non-food suppliers in China, but we also reached out to several other countries. In addition, we increased audits in the food supply chain, auditing 126 food suppliers in 26 countries, with the majority in the fruit and vegetable sector. Almost 75.000 workers in the food and agricultural industries of risk countries are already benefiting from the implementation of BSCI.

To meet the demands of our growing membership, we contracted with an additional auditing company; members can now select from a total of 16 accredited bodies and 950 qualified auditors to perform BSCI audits. In 2010, we ran five calibration meetings and training sessions for auditors in Europe and in supplying countries such as China, South Africa, Brazil and Bangladesh.

In 2010, we increased our efforts towards further enhancing audit quality, opening 159 cases for quality review. The findings initiated 48 surveillance audits, covering each major supplying country. The field surveillance audits found fewer non-compliances than in the past, and their severity also significantly decreased.



DISTRIBUTION OF INITIAL AND RE-AUDITS BY COUNTRY IN 2010



ENSURING THE QUALITY OF OUR AUDITS

To ensure high-quality audits, we implement an audit quality program based on two types of measures:

Internal Quality Review: Internal quality review involves taking a sample from the completed initial BSCI audit reports uploaded on the BSCI database of suppliers. We review the sample of audits and check to ensure the audit reports are complete, the data is consistent with the database information and the questionnaires are filled out correctly.

External Quality Review: All BSCI-approved audit companies are accredited by Social Accountability Accreditation Services (SAAS), as SA8000 certification bodies. In addition to the accreditation process, we have an agreement with SAAS to conduct two types of surveillance audits to ensure that BSCI auditing protocols are being followed:

- **Witness Audit:** Also known as a 'field surveillance audit', this audit is a one or two day assessment of the auditor performing an actual audit.
- **Office Audit:** During an office audit, the auditing company's performance is assessed. SAAS visits the office of the audit company and checks the management systems used to control the auditors, their qualifications, the quality of the reports, storage of data, etc.

EMPOWERED BSCI MEMBERS AND THEIR SUPPLIERS

DELIVERED 61 CAPACITY-BUILDING SESSIONS, REACHING 2887 MEMBERS AND SUPPLIERS FROM 16 COUNTRIES

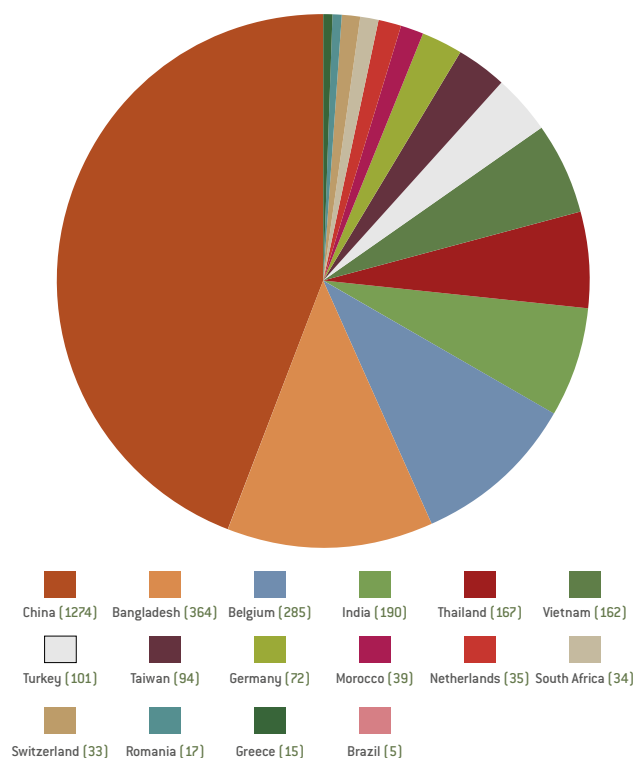
In 2010, we continued to expand our infrastructure to deliver more capacity-building workshops to our members and their suppliers. We launched new web-based, capacity-building tools and organised 61 workshops, reaching more than 2800 members and their suppliers. The workshops were well attended and received positive evaluations, with over 80% of the participants rating them as very good or good.

The workshops in 2010 included:

- 14 Information Seminars and in-house trainings for members
- 21 Awareness-Raising Workshops, including three for food suppliers
- 26 Advanced Workshops, including one focused on primary production in Morocco

In addition to these activities, in response to the huge demand for high-quality trainings, we organised 3 specific workshops to train 19 trainers to conduct capacity-building workshops.

BSCI SUPPLIERS AND MEMBERS TRAINED PER COUNTRY IN 2010 (PARTICIPANTS)



BUILDING CAPACITY IN THE FOOD SECTOR

In 2010, we implemented a range of programs to increase the knowledge and awareness of suppliers in the food sector to improve social compliance, including:

- In-house trainings for members who are beginning to implement BSCI in the food sector
- Three Awareness-Raising Workshops for food suppliers (South Africa, Brazil and China) and one Advanced Workshop focused on the Internal Social Management System for primary production (Morocco)
- New on-line training tool for food primary producers in five languages
- New handbook for primary producers

TWO-LEVEL TRAINING IN CHINA AND THAILAND

BSCI implemented a two-level training model in China and Thailand in 2010, reaching out to the main suppliers of our member companies. The model included an Awareness Raising Workshop aimed at suppliers who have not yet engaged in any audits and an Advanced Workshop focused on the most common points of non-compliance, including standards and working hours. The workshops were successfully implemented in partnership with CNTAC in China and Verité in Thailand. Suppliers' sub-contractors were also invited to attend, following positive feedback we are encouraged to continue reaching out to the sub-contracting level of the supply chain.

BUILT STRONGER STAKEHOLDER RELATIONSHIPS

MAXIMISING IMPACT THROUGH JOINT EFFORTS

Stakeholders are valued partners for identifying critical trends and issues, implementing improvements and embarking on common projects. In 2010, we strengthened our engagement with stakeholders in Europe and supplying countries.

Two new members joined our Stakeholder Board (page 9) and a stakeholder relations project manager joined the BSCI team in order to support members with stakeholder engagement. We organised two Stakeholder Board meetings, nine Round Tables and three stakeholder meetings to promote dialogue and the exchange of experiences. Topics included: living wage/the Asia Floor Wage Campaign, working hours, cooperation among stakeholders in times of conflict and effective worker representation.

Many buyers and suppliers are concerned about the proliferation of different codes of conduct. BSCI is committed to creating synergies and cooperation with other schemes and initiatives. In 2010, we engaged with Rainforest Alliance, the Ethical Trading Initiative, Sedex, Fair Wear Foundation, GRASP, Global Social Compliance Programme, Initiative Clause Sociale and the ICTI Care Foundation to increase cooperation and work towards reducing audit duplication.

The Round Table in China was quite a success. We discussed a wide range of topics such as labor shortage, rights of workers in the new Chinese Labor contract law, resources and capacity of SMEs, among many topics. The intensive discussions led to a strong mutual understanding of some of the more complex issues, which we find very encouraging for the future.

Rolf Dietmar
CSR Project Director
Deutsche Gesellschaft für
Internationale Zusammenarbeit (GIZ) GmbH

STAKEHOLDER DIALOGUES IN 2010

- Stakeholder Board:
24 February 2010, Brussels, Belgium
6 October 2010, Brussels, Belgium
- Round Tables:
23 March and 12 October, Beijing, China
3 March, 9 August and 26 October 2010, Dhaka, Bangladesh
18 March and 23 September 2010, New Delhi, India
17 June 2010, Istanbul, Turkey
6 September 2010, Hanoi, Vietnam
- Stakeholder Meetings:
22 February 2010, Cape Town, South Africa (Fresh fruits Sector)
26 May 2010, San Paulo, Brazil (Food Sector)
6 October 2010, Brussels.

WORKING FOR A DECENT WAGE

In light of the Asia Floor Wage Campaign, BSCI continues to promote the concept of the living wage as a voluntary element among its Code of Conduct criteria. In 2010, the topic of wages was on the agenda of several Round Tables in supplying countries, notably in India, as well as a key topic at a BSCI stakeholder meeting on 6 October in Brussels.

Participants at the stakeholder meeting included representatives from international organisations (ILO, UN Global Compact), other social compliance initiatives (SAI, ETI, Sedex, ICTI, Made-by, Dutch Sustainable Trade Initiative, Fair Wear Foundation), trade unions, CSR networks and business associations/companies.

Participants expressed support for the concept of a living wage and stressed that it is important for legal wages to be regularly reviewed. However, the big challenge that remains is how to implement the payment of living wages, while at the same time avoiding major disruptions in the competitive position of exporting industries' (and even countries') competitive position.

“

At the Stakeholder Round Table meeting in Vietnam, the dialogue focused on working hours, wages and how to integrate Code of Conducts into a company's business strategy. It was obvious from the discussions that there is a widespread interest to resolve these difficult issues. With the support of meetings such as the Round Table, we are inspired to work together and accelerate improvements in Vietnamese factories.

”

Mdm. Dang Phuong Dung

Vice Chairperson
Vietnam Textile and Garment Association

JOINING FORCES FOR FREEDOM OF ASSOCIATION

In October 2010, we were made aware of a case of non-compliance related to freedom of association, found in a textile factory in Turkey. The clients of the factory included brands affiliated with BSCI and/or Dutch textile associations RND/VGT and Modint, as well as the Fair Wear Foundation.

Working together, we sent a clear signal to the factory and shared tools to address the problem. The Fair Labor Association (FLA) conducted an investigation through a lead auditor on behalf of this consortium of initiatives and associations.

A few months later, we collaborated with FLA to organise Awareness Raising and Advanced Workshops in Turkey to build suppliers' internal capacities to improving working conditions. The training sessions focused on improving compliance related to freedom of association and the right to collective bargaining. Each workshop provided more than 80 participants with an opportunity to learn and exchange with each other. These experiences reminded us that joining forces with strategic partners provides us more leverage for positive change.

IMPROVED COMMUNICATIONS

ENGAGING WITH THE MEDIA AND IMPROVING COMMUNICATION CHANNELS

BSCI is a major player in the social compliance field. We continue to increase our visibility among key stakeholders, including media, in order to create greater awareness of the issue of working conditions and to demonstrate the impact of our activities.

To reach out to our stakeholders, we distributed the BSCI Echo, which updates over 2600 people worldwide on our latest developments and activities. We also developed communication tools in German and Dutch, thus increasing our local visibility in Germany and the Netherlands.

A key accomplishment for 2010 was the launch of the updated BSCI website. The new, distinctive site provides more user-friendly access to information and offers on-line communication tools to support two-way dialogue.

We conducted significant outreach and marketing, participating in many international and country-level conferences and events. In addition, our member companies have promoted BSCI when speaking about their social compliance policy at local events.



THIS IS THE BSCI IN 2010

Area	2010 objectives	Measures taken	Level
System	Strengthen the commitment of members	Created a unified list of risk countries Implemented a qualitative commitment formula Inclusion of all products (food and non-food) into commitment formula	High
	Optimise the monitoring of suppliers' improvement	Designed and initiated development of the new BSCI supplier database	Medium
	Strengthen complaint procedures	Tackled representation and complaint mechanism in Bangladesh	Medium
Membership	Expand infrastructure to support members	Welcomed three new staff for Executive Office Supported six National Contact Groups Improved online registration system for new members	High
	Expand membership and increase diversity of members	Welcomed 232 new members Added many new SMEs and large companies from the food sector	High
Auditing	Improve audit process, capacity and tools	Contracted with one new auditing company 950 qualified auditors available Increased implementation of BSCI monitoring system in the food supply chain	Medium
	Improve quality of audits	Created new audit report format and guidance documents for SAAS auditors Conducted internal quality audit reviews on 159 cases Increased the number of SAAS surveillance audits	High
	Organise training for auditors	Organised five calibration meetings for auditors Organised three training sessions for auditors in the food and primary production methodology	Medium
Capacity Building	Improve quality of member services improve tools	Organised BSCI Information Seminars for members reaching out to 400+ CSR managers and equivalent Training materials for suppliers customised for location and integrated case studies	High
	Build capacity of suppliers	Trained 2400+ suppliers Organised 21 Awareness Raising Workshops and 26 Advanced Workshops in supplying countries Specific trainings for food and primary production suppliers Training materials updated and upgraded Launch online training material and	High
	Train the trainer	Launch of service provider directory Trained 19 trainers to BSCI system	High

Area	2010 objectives	Measures taken	Level
Stakeholder Engagement	Cooperate with other initiatives	Ran a joint workshop with Fruit South Africa Ran joint workshops with FLA in Turkey Initiated benchmarking with Rain Forest Alliance and Disney Collaborated with FLA and Fair Wear Foundation on investigation of complaint in Turkey Exploring capacity build	High
	Pilot projects	Pilot projects not started for SMEs Public Procurement Project not started	Low
	Enhance impact of Stakeholder Board	Added 2 new members to Stakeholder Board Organised 2 Stakeholder Board meetings Hired a Stakeholder Project Manager	Medium
	Continue dialogue with other European stakeholders	Organised ad-hoc Stakeholder meetings and several bilateral meetings with various relevant stakeholders Stakeholders engaged at National Contact Group meetings Discussions with other initiatives, such as GSCP	Medium
	Strengthen stakeholder dialogue in supplying countries	Supported and initiated Round Tables and other stakeholder meetings Designated a representative in Bangladesh	High
Communications	Increase BSCI's external communication	Launch an upgraded version of the BSCI website Structured local communication activities in Germany and the Netherlands Start building media relations in Germany and the Netherlands Generate press coverage at international and local levels Published BSCI Echo	High
	Increase BSCI's presence at Conferences and events	Ensure BSCI's direct participation through sponsorship of events and speaking opportunities	Medium
	Encourage members to communicate about BSCI	Organised two workshops to train members in communicating their BSCI membership Launch a Communication Manual on membership communication	High
	Expand communications to members	Published BSCI News monthly Created two-way dialogue functionality on web site Enhanced members-only section of web site	High

**SOME OF THE KEY CHALLENGES WE FACED
IN 2010 ARE HIGHLIGHTED BELOW:**

- **BSCI is challenged by growth:** Over the past two years, our membership has increased dramatically. BSCI is a highly efficient business-driven organisation, but this growth has presented challenges. In 2011, changes will be made to our governance to increase efficiency and improve member representation.
- **Explain the three pillars of the BSCI to stakeholders and the media:** We are the largest business initiative for social compliance in the supply chain. Our members are clearly at the forefront of good social practices, demonstrating measurable commitment to social compliance in their supply chain. We need to continue explaining to stakeholders the uniqueness of our development-approach and encouraging them to join us in our efforts.
- **Increase stakeholder involvement to tackle specific and complex non-compliance challenges:** A key, on-going challenge we face is building our capacity to generate even more significant improvement at suppliers' factories and farms. We need to continue to help suppliers overcome specific and complex non-compliance challenges in four key areas: working time, compensation, health and safety and management practices. This can only be achieved through a large-scale, systemic shift that will require mobilising all concerned stakeholders, including governments and consumers.
- **Supporting specific needs of SMEs:** A growing percentage of our new members are SMEs. These members, largely small importers, face specific challenges in implementing the BSCI system due to a lack of human and financial resources, little knowledge in the field of social compliance and less leverage with suppliers than members with large buying volumes. We find that these members need additional support during the implementation phase, which puts the BSCI system under strain.
- **Piloting innovation:** In 2010, we aimed to pilot two projects, one related to supporting SMEs and the other to engage public entities. Due to limited resources and competing priorities, these projects were not successfully launched, but we aim to make more progress on both these topics in 2011 and 2012.



INCREASE IMPACT

Our long-term objectives to increase BSCI's impact include:

- Increase the level of compliance by reaching 1/3 of «Good» or «Improvement Needed» audited suppliers in risk countries by 2013
- Implement the new BSCI supplier database
- Strengthen the quality of audits and increase auditor trainings
- Improve tools for members and auditors
- Develop partnerships with other systems
- Increase external visibility through improved communications
- Ensure a smooth communication flow with members
- Expand membership to capture increased synergies

With the support of our member companies and Stakeholder Board, our expanded staff and newly installed country representatives in Asia, we are well positioned in 2011 to make progress towards these objectives.

BROADEN STAKEHOLDER ENGAGEMENT

In the long run, we want to strengthen our working relationships with stakeholders and achieve:

- A strong and representative Stakeholder Board
- An active network of solid Round Tables
- Productive stakeholder dialogues leading to strategic collaborations

BUILD CAPACITY

Building the capacity of BSCI members, suppliers, auditors and trainers is a key pillar of the BSCI long-term strategy. Our goal is to:

- Create a strong network of service providers
- Increase training capacities in producing countries
- Deliver more advanced trainings for suppliers
- Enhance capacity-building programs in the food sector
- Create more on-line tools

PILOT INNOVATION

For 2011 and 2012, we aim to make progress on two areas worthy of pilot projects:

- **SMEs:** Launch a pilot project that develops innovative approaches to meet the needs of SMEs and provides them with a tool to implement the BSCI smoothly and easily.
- **Public Entities:** BSCI has also identified the need among public entities (e.g. public authorities and publicly-owned companies) for a tool that enables them to implement CSR in their supply chain. Since public procurement programs must adhere to specific rules, different from those of a business, BSCI plans to pilot a project that will determine how such organisations can use BSCI as a tool for improving social compliance.

EFFICIENT GOVERNANCE

In order to ensure efficiency and a more clearly defined decision-making process, a specific structure for BSCI will be established within the FTA. A BSCI Steering Committee, also represented in the FTA Board, will be elected and run all BSCI activities. It will aim to ensure high level of service and increase stakeholder inclusion within BSCI.



WE ARE 644 MEMBERS STRONG!

ADVANTAGES TO BSCI MEMBERSHIP

By joining the BSCI, you will:

- Take steps towards improved working conditions in the risk countries of your global supply chain
- Reduce costs and save time by sharing audit information in the BSCI supplier database
- Boost your supplier productivity and competitiveness
- Increase your credibility and company's reputation for fairness
- Be part of an effective and well-established platform of companies devoted to the same goal

BSCI MEMBERSHIP OBLIGATIONS

To be a BSCI member means to:

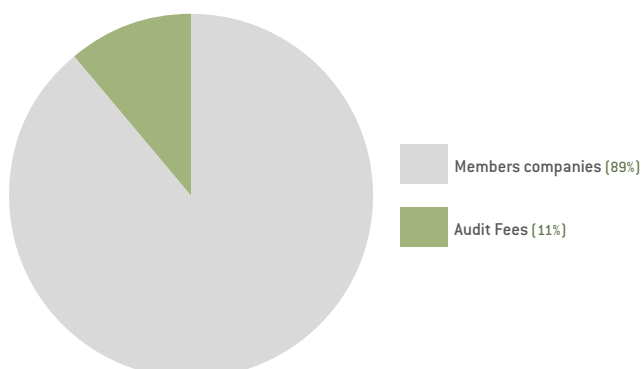
- Commit to the implementation of the BSCI Code of Conduct in the risk countries of your supply chain
- Share audit results in the BSCI database of suppliers
- Support the improvement process of suppliers by involving them in capacity-building activities
- Be active in the "BSCI life"
- Communicate about your involvement

Details on how to join BSCI can be found on our website: www.bsci-intl.org

2010 FINANCES

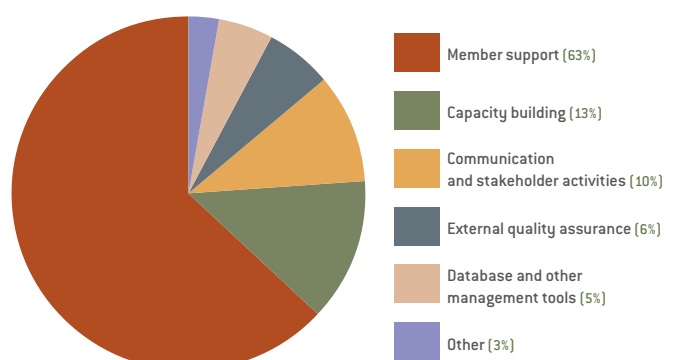
INCOME

Our total income for 2010 was 3,186,000 € and came from two sources: participating member companies and audit fees.



EXPENDITURES

In 2010, the majority of our expenses went to member support, capacity building, communications and stakeholder relations. The next most important expenditures were external audit quality assurance, the database and other BSCI tools.



EVALUATION PROCESS

THE AUDIT EVALUATES THE SUPPLIERS AGAINST THE BSCI CODE OF CONDUCT

The suppliers of BSCI members are evaluated in a three-part questionnaire:

- **Part A (“Master Data”)** gathers information about the structure of the company, such as the location of production units and number of sites, sub-contractors and sub-suppliers. It also gathers data about business activities and revenue, production and employment structure.
- **Part B (“BSCI Social Requirements”)** translates the requirements of the BSCI Code into concrete questions. The assessment and implementation of Part B is mandatory.
- **Part C (“Best Practice for Industry”)** is based on the criteria of our best practice, SA8000. It 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. During a BSCI audit, the auditor has to assess if the supplier has complied with the more ambitious criteria of Part C; however, the implementation of Part C is not mandatory.

All suppliers who are able to satisfy part B and part C of the audit questionnaire are encouraged to apply for the SA8000 certification. Many suppliers face challenges complying with the more stringent requirements of SA8000. However, 175 suppliers of BSCI members are SA8000 certified.

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

The implementation of each social requirement is assessed through a set of questions. A subset of the questions is considered crucial - if suppliers do not pass a crucial question, they will be rated overall as “Non-Compliant”.

For example, crucial questions include:

- B.1 Management Practices: Is there a procedure to recruit subcontractors based on their ability to meet social requirements?
- B.3 Working Time: Do employees receive one free day following six consecutive days of work?
- B.4: Compensation: Is overtime paid at the individual hourly rate?

THE EVALUATION GRADING SYSTEM

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

- **Good (G):** The factory audit shows no deviation or only minor deviations from the BSCI requirements. In addition, full protection of employees is given in regards to implementation of the ILO Core Conventions. An auditor can assess an audit as good, if there are not more than two deviations in non-crucial points. If a factory is rated as “Good”, it does not require a re-audit. Even when a factory is graded as “Good” in many categories, it will be in non-compliance if it fails to pass a crucial requirement.
- **Improvements Needed (IN):** The factory audit shows that there is fulfillment 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. This is mainly the case related to dormitories.

OVERALL AUDIT RESULTS

WE SEE REAL PROGRESS, BUT STILL FACE SUBSTANTIAL CHALLENGES

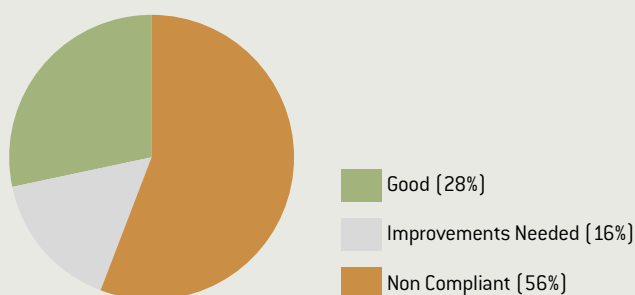
To assess the improvement that implementation of the BSCI process brings to factories and farms, we need to compare the results of those suppliers who completed an initial audit and a re-audit if necessary. In 2010, 3242 initial audits were conducted at factories; of these, 2565 required re-audits. The charts included in this section summarise the results of the initial audits and re-audits by country.

While the social conditions at factories are improving, there is still work to do to improve results in working time (B.3), compensation (B.4), management practice (B.1) and health and safety (B.11). Tackling these issues will require shifting systemic, economic and politically sensitive issues. We work to address these issues through our on-going stakeholder dialogues and advanced trainings for suppliers.

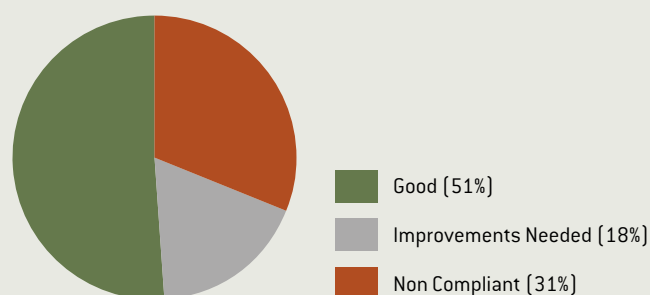
The re-audit figures are sometimes lower than the number of initial audits because if a factory is rated as “Good”, it does not require a re-audit. In other instances, the number of re-audits is higher than the initial audits because more than one re-audit was conducted at some factories. In addition, while the bar charts may show high rankings in many categories, a factory’s overall ranking will be “Non-Compliant” if it does not pass one of the crucial questions (see box above on Part B for details).

SUPPLIERS IN THE PROCESS IN 2010

INITIAL AUDIT RESULTS (3242)



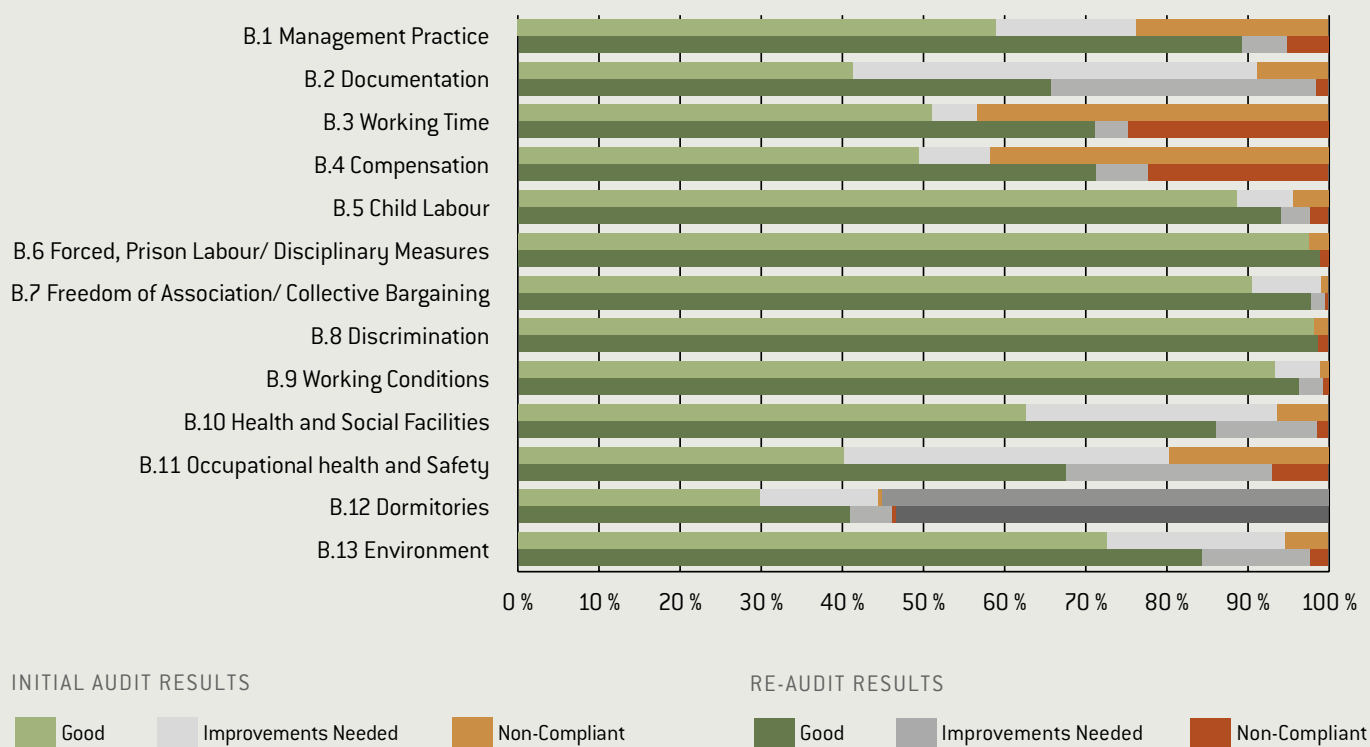
RE-AUDIT RESULTS (2565)



Audit Overview 2010: Overall Results for All Countries

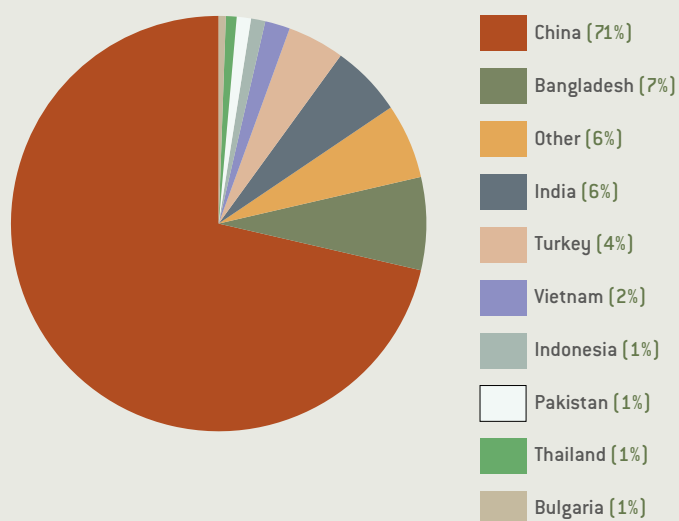
	Audits	Re-Audits
Suppliers in the three year cycle	10025	5079
Suppliers having completed an initial audit and re-audit in 2010	3242	2565

OVERALL AUDIT AND RE-AUDIT RESULTS FOR ALL COUNTRIES - PART B



PROGRESS PER COUNTRY

DISTRIBUTION OF INITIAL AND RE-AUDITS BY COUNTRY IN 2010



CHINA

China is clearly the most important supplying country of our members (71% of audits conducted). While China continues to suffer the effects of the economic crisis, its contribution to global growth has continued to increase exponentially, from 12% in 2000 to 30% in 2010. China's economic cycle is increasingly influenced by and induces fluctuations in the rest of the world.

At social level, 2010 saw a steady rise in minimum salaries across Chinese cities and provinces instigating a common wage increase in many main cities.

Throughout 2010 the Chinese government encouraged a shift of new production bases and factories inland towards mid and east of China, in order to facilitate the growth in rural areas. Social compliance issues are therefore predicted to be displaced to inland factories, which are less accustomed to such issues. In general, social compliance issues are increasingly recognised by the Chinese central government and provincial governments. Young rural workers are also a dynamic force pushing for better labour conditions in China. According to the BSCI 2010 audit results, a total of

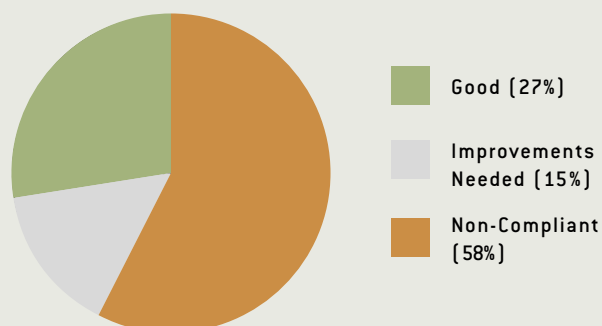
2439 initial audits were conducted in China, 27% rated as "Good" and 58% as "Non-Compliant". This shows significant improvement compared to the initial audit results from 2009 (18% rated as "Good" and 71% rated as "Non-Compliant"). The reasons for this improvement could be due to increased importance and recognition of social compliance at legislative level. Following a further 1971 re-audits, "Non-Compliance" was significantly reduced to 30% and "Good" increased to 54%.

In 2010 the BSCI increased its activities in China through workshops and training sessions and initiated two Round Tables of stakeholders. The BSCI audit results show that compensation (B.4), working time (B.3), management practices (B.1) but also health and safety (B10) are sensitive areas in China. Our workshops in 2010 focused primarily on management systems and employee management, while workshops for 2011 have increased focus on health and safety in order to tackle this issue.

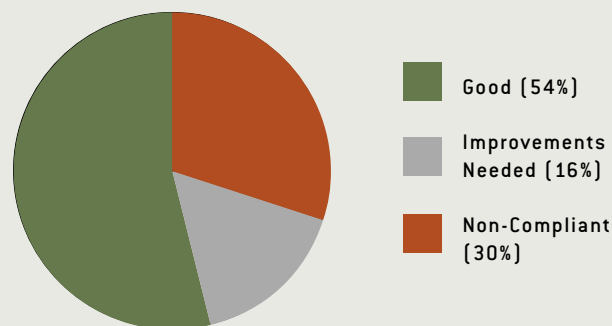
Audit Overview 2010

	Audits	Re-Audits
Suppliers in the 3 year cycle	6936	3796
Suppliers having completed an initial audit and re-audit in 2010	2439	1971

TOTAL RESULTS INITIAL AUDITS



TOTAL RESULTS RE-AUDITS



CHINA

Capacity Building 2010	Participants	Workshops	Dates	Location
Awareness Raising Workshops	624	9	24 March 25 March 12 August 13 August 14 October 15 October 16 November 18 November 30 November	Dongguan Taipei Ningbo Wuhan Fuzhou
Advanced Workshops	650	12	24 March (x2) 25 March (x2) 12 August (x2) 13 August (x2) 14 October (x2) 15 October (x2)	Dongguan Ningbo

Round Tables 2010

23 March and 12 October, Beijing, China

BANGLADESH

Bangladesh remains a poor, overpopulated country, having difficulties implementing the necessary economic reforms. Although more than half of GDP is generated through the service sector, 45% of Bangladeshis are employed in the agriculture sector, with rice as the single-most-important product.

The Bangladesh ready-made garment (RMG) sector contributes to three quarters of the total foreign earnings at US\$ 12.6 bn. Exports increased by 15.6% in 2009 and 4.6% in 2010 and during the first two months of the financial year 2011 almost 29%.

With a favourable commercial outlook, the socio-economic situation of the 3 million garment workers remains difficult. Violent labour unrest cumulated during first half of 2010 have accelerated the overdue re-fixation of the minimum wage for the Ready Made Garment industry, which resulted to an average of 80% increase. Steady and sharp increase of food price, housing rent and cost for education over past 12 months has already eaten up part of this recent wage rise. The proper implementation of the new minimum wage structure is a concern, BSCI is becoming aware of and ready to monitor.

With the tragic fire accidents in 2010, safety at work continues to be a high risk in this industry and fire safety regulation rightly needs actively be addressed. On sector political level, BSCI welcomes the development of the established 'Bangladesh Round Table on Social Compliance' and continues initiating and contributing to their regular sessions.

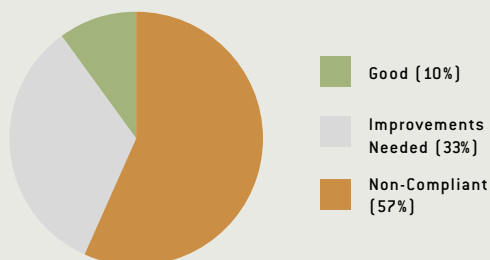
According to the auditing results, about 7% of our audits are conducted in Bangladesh.

The most significant reoccurring social issues are related to compensation (B.4), working time (B.3), management practices (B.1) and health and safety (B.11). In 2010, we implemented two Awareness Raising Workshop sessions and four Advanced Workshops with a particular focus on working hours and health and safety. Alongside training courses, BSCI also initiated three Round Tables which were a useful platform to discuss sensitive issues, such as compensation. Following the audit results, in 2011 BSCI has increased the number of Awareness and Advanced Workshops and has strengthened its focus on the most significant areas affecting non-compliance in Bangladesh.

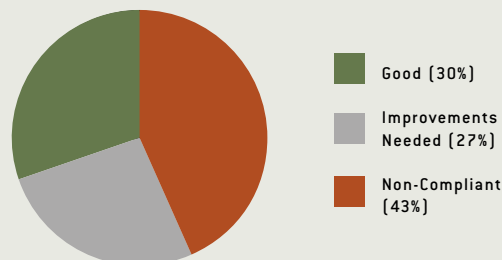
Audit Overview 2010

	Audits	Re-Audits
Suppliers in the three-year cycle	564	344
Suppliers having completed an initial audit and re-audit in 2010	181	166

TOTAL RESULTS INITIAL AUDITS



TOTAL RESULTS RE-AUDITS



Capacity Building 2010

	Participants	Workshops	Dates	Location
Awareness Raising Workshops	170	2	27-28 September	Dhaka
Advanced Workshops	194	4	29 September 30 September	Dhaka

Round Tables 2010

3 March, 9 August and 26 October 2010, Dhaka, Bangladesh

INDIA

India's economic liberalization serves to accelerate the country's growth. India's economy is diverse and encompasses traditional farming, modern agriculture, modern industries, and a multitude of services, including IT services. More than half of the work force is in agriculture, but services are the major source of economic growth, accounting for more than half of India's output, with only one-third of its labor force.

In 2010, the Indian economy rebounded robustly from the global financial crisis - in large part because of strong domestic demand. Merchandise exports, which account for about 15% of GDP, returned to pre-financial crisis levels. An industrial expansion and high food prices fueled inflation, which peaked at about 11% in the first half of 2010, but has gradually decreased. India remains the second largest supplying country of BSCI members [6% of audits conducted].

On the social level, India's challenges include widespread poverty, inadequate social infrastructure, limited employment opportunities and insufficient

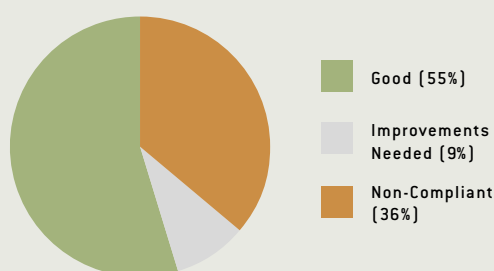
access to basic and higher education. Over the long-term, a growing population and changing demographics, where the working age population is growing faster than the total population, make it urgent to enforce existing social, economic and environmental legislation.

Regarding the BSCI auditing results, by the end of 2010, a total of 187 initial audits had been conducted, with 55% rated as "Good" and 36% as "Non-Compliant". Following 96 re-audits, "Non-Compliant" was significantly reduced to 25% and "Good" increased to 54%.

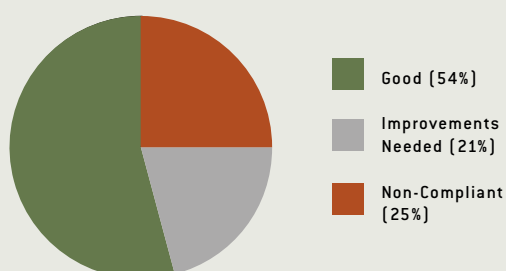
While the reduction of «Non Compliant» results in the re-audits is remarkable, we still observe non-compliances in terms of compensation (B.4), working time (B.3), health and safety (B.10) and discrimination (B.8). In 2010, BSCI focused its capacity building activities in the areas of management practice such as working hours and compensation. 2011 will see additional training activities with a new focus on aquaculture in food and primary production, as this sector continues to grow in India.

Audit Overview 2010	Audits	Re-Audits
Suppliers in the 3 year cycle	703	214
Suppliers having completed an initial audit and re-audit in 2010	187	96

TOTAL RESULTS INITIAL AUDITS



TOTAL RESULTS RE-AUDITS



Capacity Building 2010	Participants	Workshops	Dates	Location
Awareness Raising Workshops	113	2	15 March 16 March	New Delhi
Advanced Workshops	77	2	17 March	New Delhi

Round tables 2010

18 March, 23 September 2010, New Delhi, India

TURKEY

The economy of Turkey is increasingly driven by its industry and services, although its traditional agriculture sector still accounts for about 30% of employment. A privatisation program has reduced state involvement in basic industry, banking, transport and an emerging middle-class entrepreneurs is adding dynamism to the economy. Turkey's traditional textiles and clothing sectors still account for one-third of industrial employment, despite stiff competition in international markets that resulted from the end of the global quota system. Other sectors, notably the automotive, construction, and electronics industries, are rising in importance and have surpassed textiles within Turkey's export mix.

On the social level, Turkey is facing booming unemployment in a country where people under the age of 28 represent half the population. By 2010 the Turkish economy had started to bounce back, to the extent that by the beginning of 2011, concerns were raised over whether the boom was sustainable.

Most BSCI suppliers in Turkey come from the garment sector. A total of 131 initial audits were conducted in

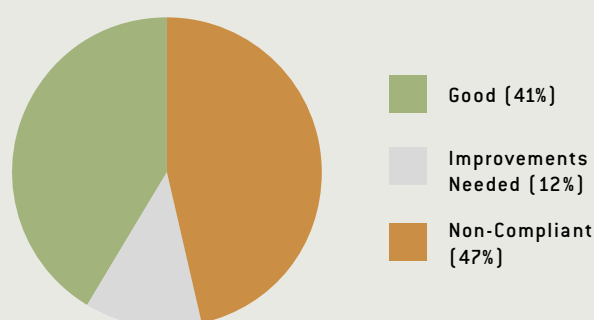
2010, with 41% rated as "Good" and 47% as "Non-Compliant". We observed a significant increase in the initial audits of suppliers rated as "Good" (41% in 2010 compared to 21% in 2009). This could be due to Turkey's recent economic success fueling business growth, along with increased importance of social compliance at supplier level.

After 89 re-audits, "Non-Compliant" was reduced to 37% and "Good" increased to 51%. Most non-compliances are related to working time (B.3), compensation (B.4), management practices (B.1) and health and safety (B.10). Even though audits are not always showing violations regarding discrimination and freedom of association, experience shows that more efforts have to be undertaken to improve compliance in this field. This is notably the aim of our Stakeholder Round Table in Turkey. Our training activities in Turkey during 2010 focused on internal management systems. Training activities for 2011 will increase in Turkey with an increased focus on trade unions in order to manage challenges related to freedom of association encountered there.

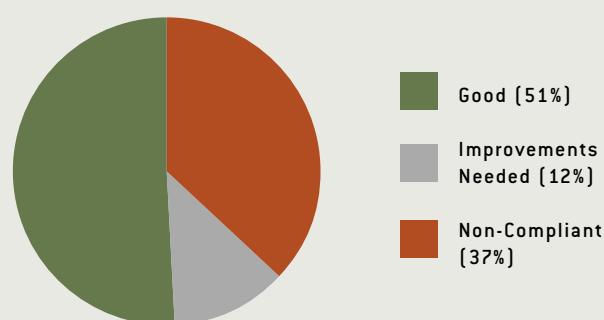
Audit Overview 2010

	Audits	Re-Audits
Suppliers in the three year cycle	465	198
Suppliers having completed an initial audit and re-audit in 2010	131	89

TOTAL RESULTS INITIAL AUDITS



TOTAL RESULTS RE-AUDITS



Capacity Building 2010

	Participants	Workshops	Dates	Location
Advanced Workshop	101	1	15 December	Istanbul

Round Tables 2010

17 June 2010, Istanbul, Turkey

VIETNAM

Vietnam is a densely-populated developing country whose economy remains dominated by state-owned enterprises (SOEs), that still produce about 40% of GDP. However, there is a move towards economic liberalization and international integration in order to modernize the economy and to produce more competitive export-driven industries.

Vietnam is making a move towards industrialisation where GDP is represented in the following sectors; agriculture 20.5%, industry 40.2%, services 39.2%. The unemployment rate in 2010 stood at 6.4%. However, deep poverty has declined significantly and Vietnam is working to create jobs to meet the challenge of a labor force that is growing by more than one million people every year. The global recession has hurt Vietnam's export-oriented economy, with GDP in 2009-10 growing less than the 7% per annum average achieved during the last decade. In 2010, exports increased by more than 25% but the trade deficit remained high.

Vietnam adopted most of ILO Conventions on human rights and labor rights. The labor law and trade union laws have been revised in 2010 and should be approved in 2011. Violations of labor practices are

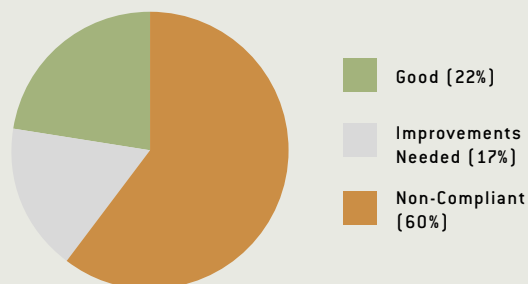
therefore due to the lack of enforcement and deficit of communication between government agencies. Since 2005, when the BSCI Code started to be implemented in Vietnam, the awareness of workers on their rights has dramatically improved and most of workers today understand their rights and benefits. This has made great impact to the implementation of labor practices in Vietnam.

Most suppliers in Vietnam come from the garment sector. A total of 58 initial audits were conducted, with 22% rated as "Good" and 60% as "Non-Compliant". After 50 re-audits, "Non-Compliance" was significantly reduced to 32% and "Good" increased to 46%. Most non-compliances are linked to working time (B.3) compensation (B.4), health and safety (B.11) and freedom of association (B.7). In 2010, the BSCI initiated a fruitful stakeholder Round Table meeting focusing on working time notably. We also delivered two Awareness Raising Workshop sessions and four Advanced Workshops with a particular focus on working hours and compensation. These workshops will increase in 2011 with increased focus on health and safety.

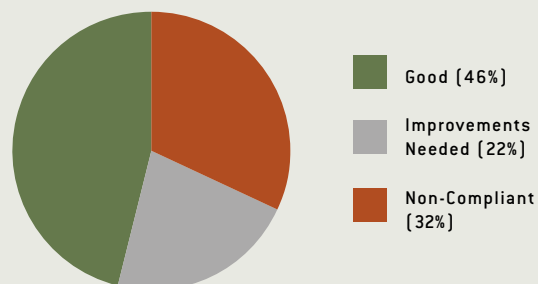
Audit Overview 2010

	Audits	Re-Audits
Suppliers in the three year cycle	238	119
Suppliers having completed an initial audit and re-audit in 2010	58	50

TOTAL RESULTS INITIAL AUDITS



TOTAL RESULTS RE-AUDITS



Capacity Building 2010

	Participants	Workshops	Dates	Location
Awareness Raising Workshops	66	2	7-8 September	Ho Chi Minh City
Advanced Workshops	96	4	7-8 September	Ho Chi Minh City

Round Tables 2010

6 September 2010, Hanoi, Vietnam

CONTACT

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Over **20,000** BSCI audits
performed and accessible in the
database of suppliers

7 years
expertise improving
working conditions
in supply chains
worldwide

Monitor

232 new member
companies

Over **2,800** suppliers
and members trained
at 61 capacity-building workshops
in 16 countries

THE BSCI IN 2010

A total of 644 members with over
480 billion € turnover and
1.7 million employees

285 SA8000
certified suppliers

2.2 million
workers reached via BSCI
audits

16 auditing
companies and 950
auditors experienced in BSCI
audits

Empower

Engage

A membership network of **950 contact**
persons dedicated to BSCI implementation

12 Stakeholder
Round Tables and meetings
worldwide



An initiative
of the Foreign Trade
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