



An initiative of the Foreign
Trade Association (FTA)

Business Social Compliance Initiative

TOWARDS IMPROVED WORKING CONDITIONS IN FACTORIES AND FARMS WORLDWIDE



ANNUAL REPORT 2011
BUSINESS SOCIAL COMPLIANCE INITIATIVE

About BSCI

The Business Social Compliance Initiative (BSCI) is a leading business-driven initiative for importing companies committed to improving working conditions in their international supply chain. From multinationals to SMEs, BSCI unites companies around one common Code of Conduct applicable to all sectors and sourcing countries. At the end of 2011, BSCI represented 778 retailers, importers and brand companies with over €593 billion turnover.

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

BSCI FOCUS: PRODUCERS IN RISK COUNTRIES

Companies participating in BSCI focus on implementing the BSCI Code of Conduct in 'risk countries' where workers' rights are most vulnerable. The criteria used to determine risk countries is based on the United Nation's Human Development Index and the Corruption Perceptions Index of Transparency International, as well as the field experience of sourcing companies. Based on audit results, BSCI Participants' main sourcing countries are: China, Bangladesh, India, Turkey and Vietnam (see www.bsci-intl.org/risk-countries).



The BSCI Video is now available on the website: www.bsci-intl.org

The BSCI Code of Conduct is a set of 10 principles built upon the most important international conventions protecting workers' rights, notably the International Labour Organization's (ILO) core labour Conventions and Recommendations.

All BSCI participating companies commit to implementing the BSCI Code of Conduct as part of their business relations with producers in risk countries. This underlines commerce's engagement to improve working conditions at supplying factories and farms.

BSCI provides two sets of management tools to implement the BSCI Code of Conduct: one for Industrial Production and one for Primary Production.



FOREIGN TRADE ASSOCIATION

BSCI is an initiative of the Foreign Trade Association (FTA). The FTA is an association of European and international commerce that defends the value of free and sustainable trade. It brings together retailers, importers, brand companies and national associations to improve the political and legal framework for trade. Furthermore, FTA seeks to improve sustainability in the international supply chain (see www.fta-intl.org).

INTRODUCTION

DEAR READER,

2011 has been a challenging year for BSCI due to economic insecurity across Europe and in many sourcing countries. In addition, BSCI was faced with the complex task of restructuring under the roof of the Foreign Trade Association (FTA). Despite this, we are glad to say that BSCI has continued to flourish, as shown by the ongoing commitment and growth of its network.

The new structure of our initiative considerably improves efficiency for all levels of the organisation and its operational activity. The restructuring resulted in a new BSCI Steering Committee, which in October 2011 appointed the members of the BSCI Stakeholder Council. Stakeholders now have a permanent seat on the BSCI Steering Committee and are more directly involved in decision-making processes.

Global economic insecurity has imposed many challenges around the world. China, the main sourcing country of BSCI Participants, has experienced an increase in labour and commodity prices, causing a shift in production, notably towards Bangladesh. This shift has led to increased awareness of the non-compliances in factories, especially regarding wages and working hours. The global economic and financial crisis throughout Europe has also resulted in challenging conditions for retailers, as many face reduced demand.

Despite these challenges, BSCI enjoyed another year of growth in membership, welcoming 134 new companies. BSCI's capacity building and stakeholder engagement activities increased significantly, supporting the efforts of our 778 participating companies. This continued growth, coupled with our new organisational structure, has strengthened BSCI's ability to enhance transparency and improve the working conditions in sourcing factories and farms worldwide.

Accomplishments in 2011 include: conducting over 6.000 audits, which are available to BSCI Participants; organising training sessions that reached out to more than 4.500 factory and farm managers; and working closer than ever with stakeholders at the local and international level in order to establish collaborative training activities and develop a common understanding of labour issues. BSCI also provided guidance to companies on supply chain issues such as sumangali and sandblasting.

We invite our members and other interested importing companies to join BSCI's efforts towards improving working conditions in factories and farms worldwide.



S. Anwander
Dr. Sibyl Anwander
Chair of the BSCI
Steering Committee



Olga Orozco
Dr. Olga Orozco
BSCI Managing Director,
Operations



Lorenz Berzau
Mr. Lorenz Berzau
BSCI Managing Director,
Strategy and
Stakeholder Relations

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 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 participating companies are required to communicate the BSCI Code of Conduct to their producers.

Additionally, participating companies are encouraged to have their producers attend Awareness-Raising Workshops, to introduce producers to the principles and process 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.

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“The BSCI Code of Conduct is widely known by the Bangladesh garment industry and I continue to contribute in strengthening this system to support our participants and stakeholders.”

”

**Christian von Mitzlaff,
BSCI Representative Bangladesh**

A SHARED DATABASE OF AUDITS

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

STEP 2: Self-Assessment

Prior to the audit, BSCI participating companies ask their producers in risk countries to complete a Self-Assessment questionnaire. The objective of the Self-Assessment is threefold:

- Collect initial information on the producer for the BSCI participating company and the auditor;
- Introduce the producer to the practicalities of the BSCI Code; and
- Prepare the producer for the initial BSCI audit.

STEP 3: External Initial Audit

Companies start the audit process by selecting one of the BSCI-approved audit companies. The initial BSCI audit aims to assess the performance of a producer 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 or farm. The initial BSCI audit also assesses whether the producer 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.

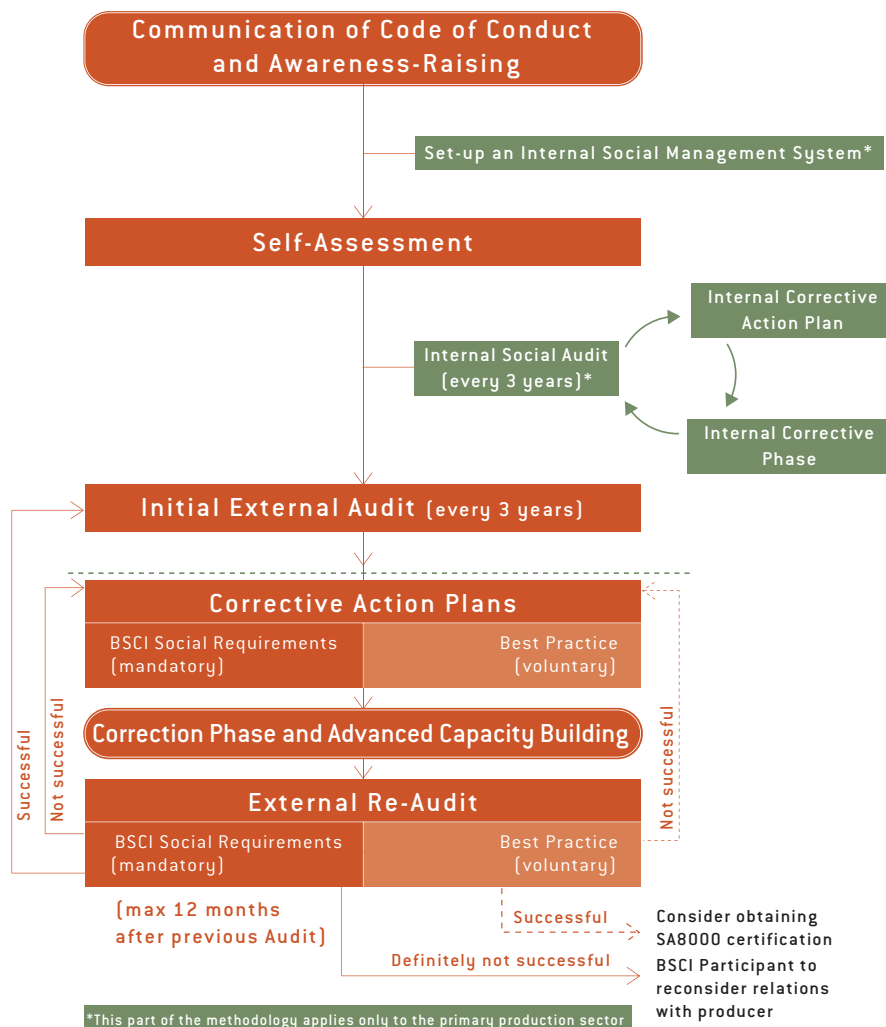
STEP 5: Correction Phase and Advanced Capacity Building

During the Correction Phase, producers focus on correcting identified non-compliances. Advanced Workshops are offered during this phase to help producers 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

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, BSCI Participants are recommended to reconsider their relations with that supplier.

THE BSCI PROCESS



ACCESS TO A GLOBAL NETWORK

DIVERSE NETWORK OF PARTICIPATING COMPANIES

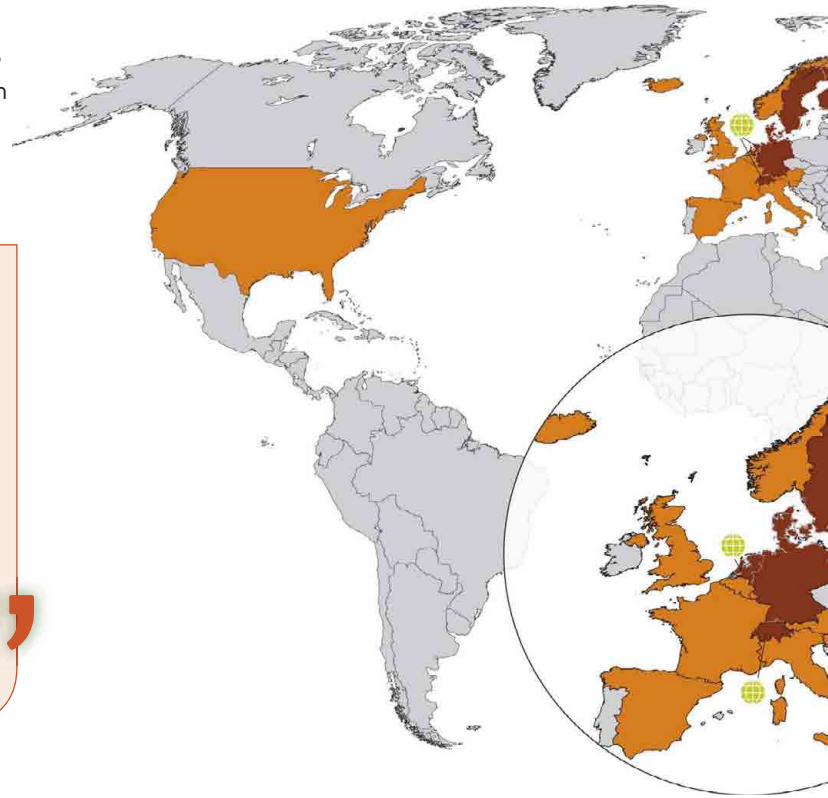
BSCI participating companies come from a wide scope of sectors from all over the world, ranging in size from multinational organisations to small businesses.

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It was important for Systembolaget, an alcohol monopoly in Sweden, to participate in an established international network that works in a very concrete way, together with stakeholders, to improve working conditions within companies' supply chains. We joined the BSCI in January 2011 and receive strong support to start engaging our wine, beer and liquor producers towards sustainable improvements of working conditions.

Lena Rogeman and Nina Johansson,
CSR Managers - Systembolaget, Sweden

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BSCI STEERING COMMITTEE: PARTICIPANTS HAVE A STRONG VOICE IN BSCI

The new BSCI Steering Committee is currently composed of eight company representatives, plus one representative from the BSCI Stakeholder Council; this provides stakeholders with an active voice within BSCI.

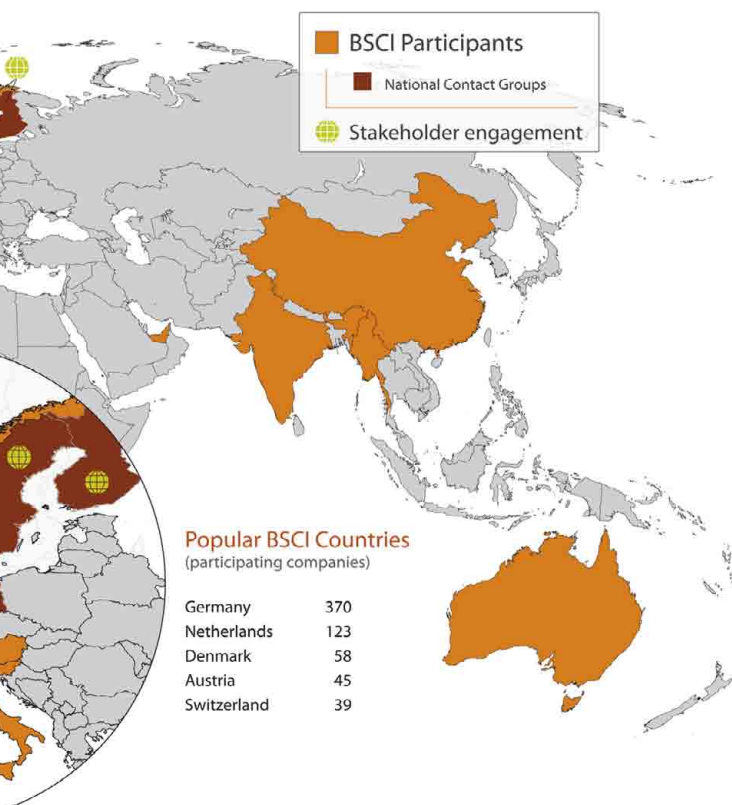
The BSCI Steering Committee is commissioned to deal with all BSCI issues as delegated by the FTA Board. Convening on average every other month for a full day, its main responsibilities include: running BSCI's activities; cooperating with other organisations and stakeholders; and deciding on issues related to the implementation of the BSCI Code of Conduct. The members of the BSCI Steering Committee are appointed by the FTA Board of Directors and serve voluntarily on a three year basis.

In order to provide a smooth flow of information between overall FTA activities and BSCI, Dr. Sibyl Anwander and Mr. Herman Poelmann are also members of the FTA Board.

MEMBERS OF THE BSCI STEERING COMMITTEE

Chair: Dr. Sibyl Anwander (COOP - Switzerland)
Mr. Bernardo Cruza Martos (El Corte Inglés - Spain)
Ms. Anita Falkenek (Axstores - Sweden)
Ms. Anja Grote Westrick (ALDI Süd - Germany)
Ms. Pirjo Heiskanen (Tuko Logistics - Finland)
Mr. Hans Jürgen Matern (Metro Group - Germany)
Mr. Herman Poelmann (Pole Group - The Netherlands)
Ms. Lea Rankinen (SOK - Finland)
Ms. Marieke Weerdesteijn (Solidaridad - the Netherlands): Representative from the Stakeholder Council

ork of Companies



BSCI WORKING GROUPS: OPPORTUNITIES FOR COMPANY INVOLVEMENT

Participating companies can help to shape BSCI's activities by joining Working Groups; these groups aim to ensure BSCI's activities and tools reflect the needs of companies. Currently, there are five Working Groups involving over 60 active BSCI companies. Working Groups are voluntary; participants meet on average four times per year and aim to ensure BSCI activities and tools reflect the needs of all BSCI participating companies. Working Groups are also open to stakeholders and external experts.

THE WORKING GROUPS' TASKS INCLUDE:

- Systemic issues and database platform
- Auditing policy and quality
- Capacity building
- Food and primary production
- Communication

“

Metro Group works with over 4.000 producers; it is important for our producers to receive effective training and gain a good understanding of the BSCI Code of Conduct. I therefore joined the Capacity Building Working Group in 2010 to shape these activities. I have been pleased with the 2011 achievements: expanded activities to new countries with new themes; initiated online training and developed the producer starter kit. I look forward to continuing this work in 2012!

”

Margaret Chan, CSR Manager
Metro Group, Hong Kong

NATIONAL CONTACT GROUPS: CONNECTING COMPANIES AT THE NATIONAL LEVEL

BSCI Participants share best practices, build relationships with local stakeholders and the media, and develop country-specific activities through National Contact Groups (NCGs). BSCI actively supports these NCGs which currently exist in Denmark, Germany, the Netherlands, Switzerland and Sweden.

SUPPORTING COMPANIES AT THE NATIONAL LEVEL

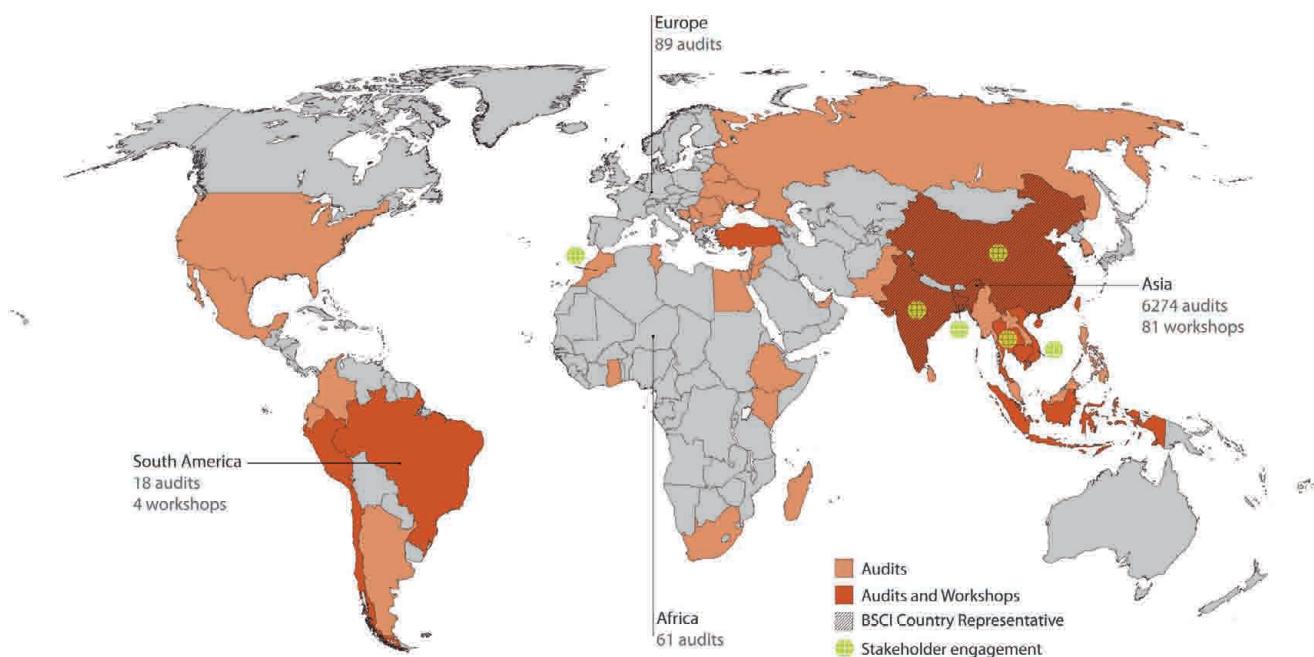
BSCI created tools to support participating companies at the national level such as:

- A Swiss website – www.bsci-ch.org – the first in a series of national websites in local languages;
- An overview of social compliance organisations to better understand standards and initiatives working alongside BSCI;
- An online forum for Dutch-speaking Participants; and
- Translations of brochures and FAQs into Dutch, German and Swedish for increased visibility of BSCI at the national level.

IMPROVING WORKING CONDITIONS IN SUPPLY CHAINS

The 2011 audit results show that the BSCI system delivers measurable progress in improving working conditions.

BSCI activities in supplier countries



DELIVERING MEASURABLE PROGRESS

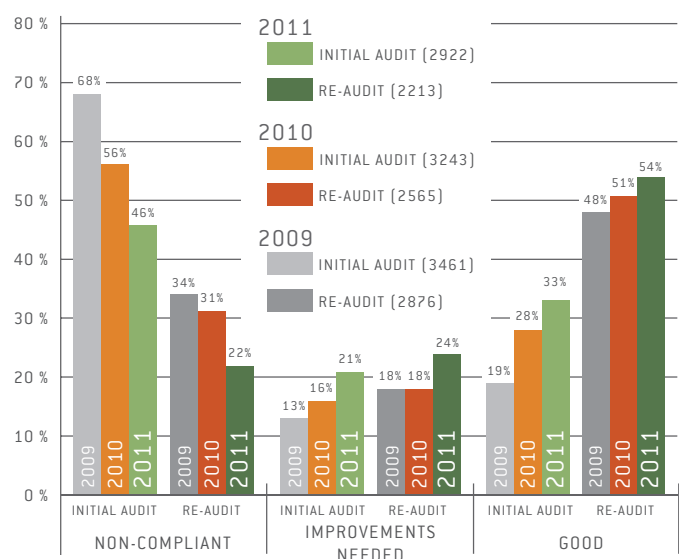
BSCI uses audits as a first step to provide transparency on the social compliance level of factories and farms. One way to assess the effectiveness of the BSCI process is to compare the audit results of producers that have completed one initial audit and a re-audit where applicable. The 2011 audit results demonstrate the positive impact of our work:

- The amount of compliant companies increased from 33% to 54%.
- The amount of non-compliant companies decreased from 46% to 22%.

Initial audits rated as “Good” have increased from 28% in 2010 to 33% in 2011.

BSCI 2011 data shows that 3.893 initial audits and 2.549 re-audits were conducted over the past year. The majority of audits were performed at non-food suppliers in China, however for the food supply chain, the number of audits increased from 121 in 2010 to 297 in 2011.

The 2011 audit results reveal that across all countries, Working Time (34%), Compensation (32%) and Health & Safety issues (11%) are the most prominent non-compliances found in factories and farms.



The issue most commonly raised by suppliers, Participants and auditors in China (the main sourcing country for BSCI), is the difficulty of complying with the legal maximum working hours. In China, the regular weekly hours are 40 and the maximum allowance of overtime hours is 36 per month, therefore, the total legally allowed per week is less than the 60 hours permitted by the BSCI Code. The challenge of overtime is particularly difficult to capture in audits, as revealing workers' true working hours is often difficult. In addition, migrant workers often prefer to work overtime so they earn additional money to send back home to their families.

Read about how BSCI is committed to maintaining the high quality of its auditing system on page 14.

EMPOWERING PRODUCERS THROUGH CAPACITY BUILDING

BSCI conveys its Code of Conduct and expected social requirements with concrete, issue-specific and country-specific workshops for the producers of its participating companies. In 2011, BSCI rolled out 85 producer workshops reaching over 4.500 factory and farm managers across the world. Workshops were conducted in five new countries including Indonesia, Cambodia, Taiwan, Peru and Chile. In response to increased production in Bangladesh, the number of individuals trained in Bangladesh increased from 364 to 1.058. Our 2011 workshops included:

- 22 Awareness-Raising Workshops, including two for food producers.
- 63 Advanced Workshops, including training focused on Health & Safety and Internal Management Systems.

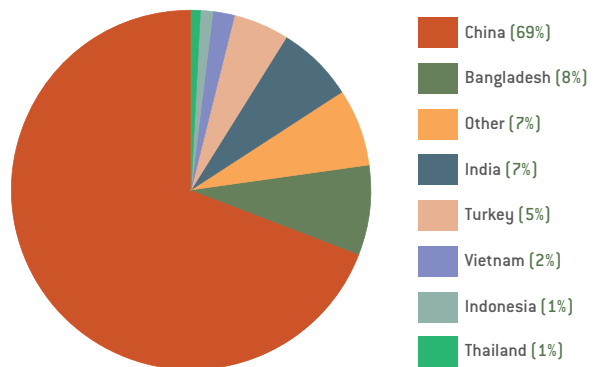
THE PRODUCER STARTER KIT

The Producer Starter Kit is a new tool that compiles all resources needed to effectively introduce producers to the BSCI process. It is available in English, Hindi, Bangla and Mandarin.

BSCI-REGISTERED CONSULTANTS

BSCI has contracts with 16 training companies that deliver up to 100 workshops per year, reaching out to more than 4.500 factory and farm managers. Prior to working with BSCI, all training consultancies must undergo a strict evaluation to ensure that they possess the required skills and expertise.

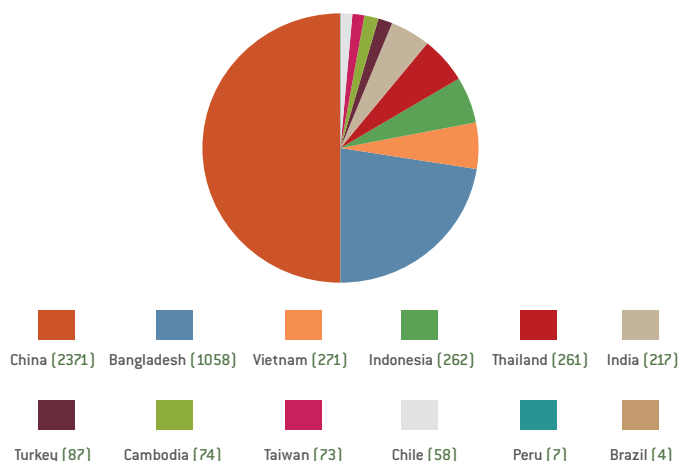
DISTRIBUTION OF INITIAL AND RE-AUDITS IN 2011 BY COUNTRY



BSCI'S COMPLAINT MECHANISM

BSCI's complaint mechanism aims to maintain control and transparency by providing a mechanism for workers, NGOs and stakeholders to raise issues in their local language. In countries with BSCI Representatives such as China, India and Bangladesh, the BSCI Code of Conduct includes a complaint hotline for workers to report poor working conditions via phone or email. In addition, complaint cards are distributed to workers during BSCI audits. Unfortunately, in many cases, it is difficult to extract enough detail from the complaints to launch an investigation. In 2011, 31 reports by workers were addressed in coordination with BSCI Participants.

BSCI PRODUCERS TRAINED PER COUNTRY IN 2011 (ATTENDEES)



BUILDING THE CAPACITY OF BSCI COMPANIES

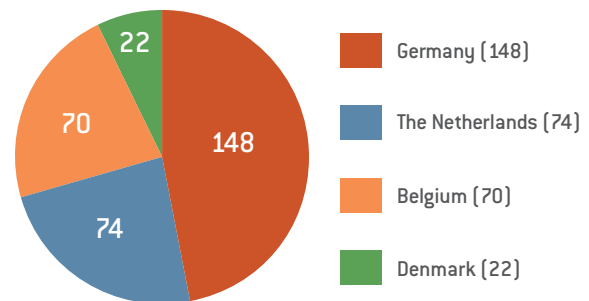
BSCI organises capacity building activities to help participating companies build the necessary knowledge, skills and leadership to achieve sustainable improvements in working conditions at their supplying factories and farms. BSCI's key activities are summarised below.

INFORMATION SEMINARS

Information Seminars introduce the BSCI Code of Conduct and its implementation methodology. These seminars are an essential training for all new BSCI Participants. In addition to offering five Information Seminars at the headquarters in Brussels, BSCI conducted eleven Information Seminars in Germany, the Netherlands and Denmark, training over 300 attendees.



INFORMATION SEMINARS 2011 (ATTENDEES)



RESOURCES FOR THE FOOD SECTOR

Companies implementing BSCI in the Food Sector aim to improve the working conditions of their suppliers both at industry and farms. In addition to the BSCI industrial audit methodology, BSCI provides companies with a specific approach that covers two tiers: packing houses and farms supplying to the packing house. In 2011, BSCI developed new resources to support BSCI Participants working in the Food Sector.

RISK ASSESSMENT MATRIX:

The Risk Matrix provides a sharing platform to exchange information on potential risks that may lead to human rights violations in certain producing countries.

FOOD IMPACT ASSESSMENT:

In 2011, BSCI released a new study conducted by an external party, which examines the impact of BSCI in the food sector during the period 2008-2010. Key findings confirmed that BSCI provides greater transparency in the supply chain, minimises risks, increases efficiency and improves credibility. In addition, BSCI Participants saw improvements in their food supply chain, especially related to human resource policies and greater productivity. [The study is publicly available on our website.](#)



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Danper has been involved in BSCI since 2009. BSCI has reinforced the effectiveness of Danper's Social Responsibility Policy. Our employees have developed greater capacities; gaining a better understanding of their own labour rights. Furthermore, we have generated better productivity; reducing personnel turnover and labour absenteeism. Implementing BSCI requires a serious commitment, but it has also resulted in many benefits with regard to our business growth, value and success.

Rosario Bazán, General Manager,
Danper Trujillo, Peru

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TRAINING FOR BUYERS

Time and cost pressures can make it challenging for buyers to ensure that producers properly implement the BSCI Code of Conduct. BSCI's Training for buyers helps staff who have a close relationship with producers to integrate the BSCI methodology into daily business and decision-making processes. In 2011, BSCI conducted five in-house workshops, reaching over 85 buyers.

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HEMA sources from over 1200 suppliers across the world and is looking to expand to more countries in Eastern Europe. Our social compliance and buying team received an in-house training to explain national laws in Eastern Europe and prepare us to carry out our own internal audits, in addition to BSCI audits. We were very pleased with the training; our team gained practical knowledge of the process towards ensuring high quality monitoring at our suppliers.

Fleur Meerman, CSR Advisor
HEMA, The Netherlands

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FOOD CONFERENCE

In June 2011, BSCI held its second annual Food Conference, which united BSCI participating companies and food sector experts in order to share best practices and explore the challenges of improving working conditions of producers at the farm level.

COMMUNICATION WORKSHOP

In December 2011, BSCI held its second Communication Workshop, which provided companies with practical advice on communicating their Corporate Social Responsibility efforts. The workshop addressed both internal and external communications, covering topics such as engaging employees, buyers and NGOs.



KEEPING COMPANIES INFORMED OF SUPPLY CHAIN ISSUES

It is important to keep our Participants informed of issues that could affect them in their supply chains. In 2011, BSCI worked with its companies to guide them on several issues:

SUMANGALI IN INDIA: BSCI IS ENGAGED

Sumangali is a practice mostly found in Southern India; employers of female workers retain a part of the workers' monthly wage which is then paid as a lump sum for marriage expenses (dowry) at the end of the contract. Sumangali can be associated with a number of labour abuses including issues of overtime, compensation and forced labour. BSCI has raised this issue with its participating companies and developed [a guidance paper](#) to help companies manage this practice in their supply chains. BSCI is also working closely with the [Ethical Trading Initiative \(ETI\)](#) to tackle issues related to Sumangali.

SANDBLASTING: BSCI RECOMMENDS A BAN

Sandblasting is a manufacturing technique used to create a faded look on jeans by spraying them with sand. Recently it has drawn attention from NGOs and the media because of the potential health dangers it can inflict on workers. While sandblasting can be performed safely with the appropriate use of personal protective equipment, BSCI recognises the serious risks associated with the practice. Therefore, BSCI recommended companies to ban sandblasting in their supply chains; [a guidance paper](#) also outlines actions companies can take to address this issue.



STAKEHOLDERS ARE IMPORTANT

STRENGTHENING THE ROLE OF STAKEHOLDERS

BSCI works closely with a wide range of stakeholders, including governments, trade unions, NGOs, business associations, buyers and suppliers, to identify sustainable solutions to labour rights challenges. BSCI uses dialogue, partnerships and joint capacity building efforts to maximise its impact and give local ownership in terms of political, economical or cultural issues back to stakeholders. This is essential as it is beyond the reach of any individual company.

In 2011, BSCI strengthened the role of stakeholders by appointing a new BSCI Stakeholder Council, which acts as a key advisor to the BSCI Steering Committee.

ENCOURAGING LOCAL OWNERSHIP

BSCI utilises a range of strategies to engage stakeholders and encourage local ownership of labour issues. This includes Round Tables as a platform to discuss labour issues with local key players and stakeholder meetings and as a channel for BSCI Participants to engage with their local stakeholders. BSCI regularly organises stakeholder Round Tables; in 2011 the Round Tables were held in Bangladesh, China, India, Vietnam, Morocco and Thailand. Stakeholder meetings in Participants' countries took place in the Netherlands, Finland, Switzerland and Sweden.

Below are examples of the issues discussed and tackled in Round Tables and Stakeholder Meetings.

TOWARDS IMPROVED WORKER-MANAGEMENT RELATIONS IN BANGLADESH: DHAKA, 24 NOVEMBER 2011

Industrial relations particularly in the Bangladesh garment industry are poorly developed; dialogue between factory workers and management is often inefficient leading to poor worker representation. Furthermore, the trade union movement is highly fragmented; there are 29 union federations and very few workers are properly organised in factories. In 2011, BSCI organised a Round Table in Bangladesh which aimed to tackle this issue together with representatives from buyers, suppliers, trade unions and NGOs, diplomatic missions and Members of Parliament. Participants discussed ways of increasing trust between workers and management through structured communication channels. It was decided that a pilot project would be initiated aiming to address worker-management dialogue in factories and build workers' negotiation capacity. BSCI will support the development of this project in 2012.

MEMBERS OF THE STAKEHOLDER COUNCIL 2011

- Chair: Marieke Weerdesteijn (Solidaridad)
- Simon Pickard (EABIS)
- Christian Rousseau (Test-achats)
- Alice Tepper Marlin (Social Accountability International (SAI))
- Fabrice Warneck (UNI Europa Commerce)
- Luc van Liedekerke (European Business Ethics Network)
- Susan Bird / Thomas Dodd - observers (European Commission)



Solidaridad believes that stakeholder involvement is key in an initiative such as BSCI and we welcome the fact that in the new BSCI governance structure the role of stakeholders has been strengthened. We are enthusiastic to be part of the new Stakeholder Council, but we also realise that in the period to come it is important to further expand and strengthen the Council to ensure all key stakeholder groups are represented, so that well balanced input can be provided to the BSCI Steering Committee.

Marieke Weerdesteijn, Solidaridad
Chair of the BSCI Stakeholder Council



STAKEHOLDER ENGAGEMENT IN SWEDEN: STOCKHOLM, 30 NOVEMBER 2011

In 2011, the Swedish National Contact Group (NCG) held a stakeholder meeting in order to better inform local stakeholders about BSCI and to define areas for future cooperation. BSCI Participants and local organisations discussed many issues including the increased demand on traceability and how to approach local policy-makers in sourcing countries to encourage improvements in working conditions. Swedish BSCI Participants and stakeholders saw possibilities for continued dialogue and welcomed the invitation for further cooperation in 2012.

BUILDING PARTNERSHIPS WITH INITIATIVES

BSCI actively seeks partnerships with other initiatives to support joint capacity building activities. In 2011, we engaged with Made-By and Fair Wear Foundation (FWF) to jointly roll out sustainable fibre master classes which aimed to support the introduction of sustainable fabrics into fashion brand collections. BSCI also engaged with the Fair Labor Association (FLA) to implement its Awareness-Raising and Advanced Workshops in Turkey; three workshops took place over two days in October.

As part of the Public Private Partnership; "Scaling up Indian CSR initiatives" with the Deutsche Gesellschaft für Internationale Zusammenarbeit (German Agency for International Co-operation, GIZ) and Social Accountability International (SAI), BSCI organised 11 workshops from September until November 2011. The workshops aimed at building the capacity of factory managers in India in order to manage social performance and provide decent working conditions for their workers. BSCI also engaged in discussions with stakeholders to tackle issues linked to Sumangali in supply chains through the Tirupur Stakeholder Forum.

CREATING SYNERGIES WITH OTHER INITIATIVES

BSCI seeks opportunities to create synergies with other organisations that are working to tackle social compliance issues in the global supply chain. One focus has been to work towards the mutual recognition of social compliance schemes. For example, SA8000 certificates are BSCI's best practice and have been fully accepted in BSCI's methodology since its creation. In 2011, BSCI continued to work on cross-audit projects in order to evaluate commonalities with Rainforest Alliance and CSC9000T of the China National Textile and Apparel Council.

BSCI's relationship with the Global Social Compliance Initiative (GSCP) was further developed in 2011. GSCP provides a global cross-industry platform to promote the exchange of knowledge and best existing practices in order to build comparability and transparency among existing social compliance systems. BSCI is participating in GSCP's Equivalence Process, a benchmarking process that incorporates the GSCP Reference Code and other tools.

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BSCI's involvement in the GSCP Equivalence Process shows the importance it places on building synergies in social compliance systems and in turn reducing audit duplications. We look forward to further developing our relations in 2012 when BSCI will join the GSCP's new Partner Organisations Network.

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Claudine Musitelli, Director,
Global Social Compliance Programme (GSCP)



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2011 is the beginning of the 12th Five Year plan of the Chinese government that marks a tipping point of many new strategies including social development. The two Beijing Round Tables on social compliance supported by BSCI have focused on current issues tied in with the national progression such as the ongoing challenges of excessive working hours and the new social security law. These interactive dialogues have provided valuable food for thoughts to our stakeholders pursuing sustainable development.

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Joyce Chau, BSCI Representative China

ENSURING THE QUALITY OF BSCI SERVICES

BSCI implements a range of measures to ensure that its auditing system is accurate and reliable.

BSCI-REGISTERED AUDITORS

BSCI has contracts with 16 external and independent auditing companies that are accredited by Social Accountability Accreditation Services (SAAS).

TRAINING AUDITORS IN THE BSCI METHODOLOGY

A key priority is to work closely with the 950+ auditors conducting BSCI audits in order to ensure that they are fully trained and knowledgeable of the BSCI requirements and system. In 2011, BSCI carried out six training sessions with over 150 field auditors in India, China and Turkey and held two calibration meetings in Belgium and Italy for the coordinators at auditing companies.

BSCI AUDIT QUALITY PROGRAM

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

INTERNAL QUALITY REVIEWS: Internal quality reviews involve taking a sample of completed BSCI audit reports from the BSCI supplier database. Staff members review the audit samples to ensure that the data is complete and the questionnaires are filled out correctly. In 2011, 346 Internal Quality Reviews took place, compared to 159 in 2010.

EXTERNAL QUALITY REVIEWS: Three types of BSCI external quality reviews are conducted by Social Accountability Accreditation Services (SAAS):

- **SURVEILLANCE AUDITS:** In 2011, BSCI carried out 48 Surveillance Audits (compared to 36 in 2010), which assess auditors conducting an actual audit.
- **OFFICE AUDITS:** In 2011, BSCI conducted 18 Office Audits (compared to 13 in 2010), which audit a companies' headquarters to check management systems, auditor qualifications, quality of reports and data storage systems.
- **DUPLICATE AUDITS:** In 2011, BSCI conducted eight Duplicate Audits, which are conducted shortly after an initial audit takes place to ensure that the first audit has been conducted correctly.

PUBLIC INPUT ON BSCI AUDIT TOOLS

In 2011, BSCI initiated a public review process of BSCI's audit tools, receiving feedback from more than 115 internal and external stakeholders. BSCI's Self Assessments and Audit Questionnaires were reviewed; feedback will be integrated into the next version of the tools.

OTHER AUDIT DEVELOPMENTS

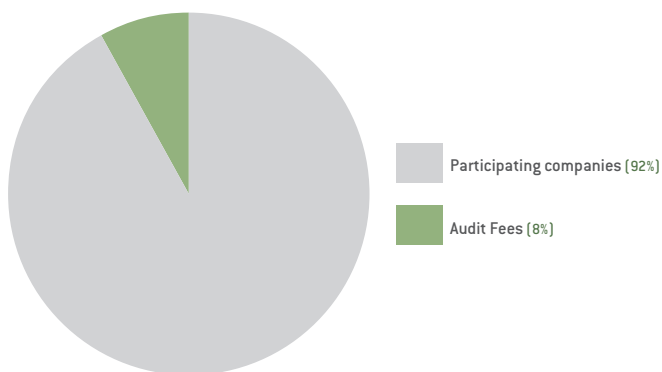
In 2011, BSCI recommended that participating companies conduct unannounced re-audits at their supplying factories and farms. In addition, the auditing procedure was adjusted to ensure that auditors do not evaluate compliance with BSCI's best practice SA8000 until the basic BSCI social requirements have been fulfilled. This adjustment allows the auditor and the producer to focus on basic corrective actions before complying with best practice standards.



FINANCES

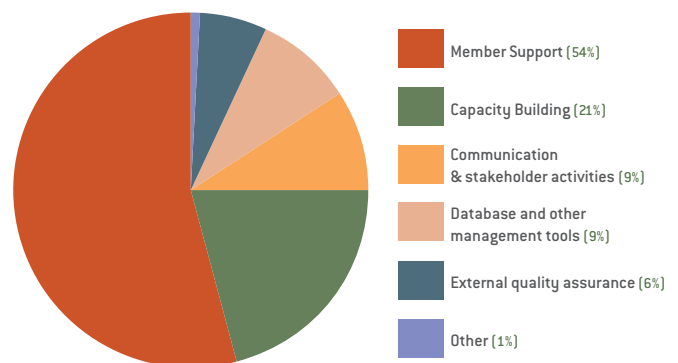
INCOME

The total income in 2011 was 4.454.000€ coming from two sources: participating companies and audit fees.



EXPENDITURE

In 2011, the majority of BSCI expenses went on company support, capacity building, communications and stakeholder relations. A key share of the expenditures were external audit quality assurance, the supplier database and other BSCI tools.



WE ARE 778 PARTICIPATING COMPANIES STRONG!

ADVANTAGES TO JOINING BSCI

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 OBLIGATIONS

To participate in BSCI means you need 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 supplier database
- Support the improvement process of producers by involving them in capacity building activities
- Be active in the "BSCI life"
- Actively co-operate with other BSCI companies in crisis situations
- Communicate about your involvement

Details on how to become a BSCI Participant can be found on the BSCI website: www.bsci-intl.org

134 new companies
joined in 2011

Over 6000 BSCI audits
performed in 2011

Monitor

Over 4500
suppliers trained

Over 950 auditors
carrying out
BSCI audits

BSCI IN 2011

85 capacity-
building workshops

in 12 sourcing
countries

2.3 million
workers reached through
BSCI companies' supply chains

Engage

14 Stakeholder
Round Tables
and meetings
worldwide

778

participating
companies with a
total turnover of
€593 billion

Empower



BSCI

An initiative of the Foreign
Trade Association (FTA)

Business Social Compliance Initiative

c/o FTA - Foreign Trade Association
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