



An initiative of the Foreign  
Trade Association (FTA)

Business Social Compliance Initiative

# TOWARDS IMPROVED WORKING CONDITIONS IN FACTORIES AND FARMS WORLDWIDE



ANNUAL REPORT 2012  
BUSINESS SOCIAL COMPLIANCE INITIATIVE

### Page 7 - Continuous Improvement

#### ADDING VALUE TO THE SYSTEM THROUGH AUDIT INTEGRITY

“The BSCI audit integrity programme provides the tools to continuously monitor and steer performance of BSCI-approved auditing bodies, ensuring professional audits that accurately reflect the true situation at a factory or farm as much as possible.”

**Aldin Hilbrands**  
Senior Manager - Royal Ahold

### Page 9 - Continuous Improvement

#### PROVIDING QUALITY TOOLS TO INCREASE AWARENESS OF SOCIAL COMPLIANCE ISSUES

“After two years of intense work with the database Working Group, the first stage of the BSCI Platform was launched in 2012. I have been very pleased to represent our company in this group and have had the opportunity to shape these important tools to the needs of the BSCI community.”

**Reidar Magnus**  
Senior Manager Corporate Social Responsibility / Supply Chain - Intersport

### Page 9 - Collaboration

#### SUPPORTING PARTICIPANTS AT THE LOCAL LEVEL

“In the past years, there has been an increase in the number of national NGO campaigns. Through BSCI's network we have been able to connect with other companies through National Contact Groups (NCGs) and Working Groups. Together we can develop a coordinated approach to responding to campaigns.”

**Martin Brünig**  
Head of Public Affairs - REWE Group

### Page 14 - Empowerment

#### STRENGTHENING TRAINING FOR BSCI PARTICIPANTS

“BSCI's specific Advanced Workshops and in-house training have provided our staff with additional and specific knowledge to improve the way we manage our audits and how we work with our producers.”

**Lary Brown**  
Social Compliance Manager - Esprit

### Page 17 - Collaboration

#### ALIGNING AND CREATING SYNERGIES WITH OTHER INITIATIVES

“Producers are faced with requests to comply with an increasing variety of standards and systems. The agreement between BSCI, the Rainforest Alliance and the Sustainable Agriculture Network is an important step toward reducing confusion and duplication.”

**Chris Wille**  
Chief of Sustainable Agriculture - Rainforest Alliance



#### A WORLD OF FREE TRADE AND SUSTAINABLE GLOBAL SUPPLY CHAINS

BSCI is an initiative of Foreign Trade Association (FTA). FTA is Europe's premier association for free trade and sustainable supply chains. FTA represents retailers, importers and brand manufacturers in the political arena and in public to promote and defend free trade and supports their international business by providing information and practical solutions. The Association supports its Members to improve sustainability in the international supply chain, through BSCI and is developing the Business Environmental Performance Initiative (BEPI) ([www.fta-intl.org](http://www.fta-intl.org)).

#### ABOUT BSCI

The Business Social Compliance Initiative (BSCI) is a business-driven initiative for companies committed to improving working conditions in factories and farms worldwide. BSCI unites companies, from multinationals to SMEs, around one common Code of Conduct applicable to all sectors and sourcing countries. At the end of 2012, BSCI represented **1039 retailers, importers and brand companies** with over €612 billion turnover.

BSCI strives for global supply chains of factories and farms compliant with national laws and ILO Conventions.

## DEAR READER,



Ferry den Hoed  
FTA President



Looking back over the past 10 years, the story of BSCI has been an incredible success. What had started in 2003 with a handful of participating companies with the wish to improve working conditions in factories and farms worldwide has now grown into a leading initiative with over 1.000 committed retailers, brands and importers.

The crisis that hit Europe reminds us that companies' profitability is key.

Economic performance is fundamental for businesses to sustain their operations. However, the social and environmental performance of companies will continue to play a strategic role, as they bring many benefits from a corporate perspective. Companies can realise cost reduction through increased efficiency; improved social and environmental performance can lead to reputational benefits from both the market and from customers. Another benefit is increased brand value giving the company a competitive advantage and, finally, improved risk management can be achieved through a better overview of supply chain activities.

For a company to fully benefit, the integration of social and environmental improvements must extend downstream from the company. The need to build sustainability into supply chains is a challenge for all companies wanting to sustain their success. BSCI already offers a system to improve social performance in supply chains and the newly-developed Business Environmental Performance Initiative (BEPI) will be launched in 2014. We are very proud of these achievements and we wish to express our sincere gratitude to all of you in FTA who have given your time and your energy to turn what was initially an idea into a flagship initiative, recognised and used worldwide.



Dr. Sibyl Anwander  
Chair of the BSCI  
Steering Committee



The difficult and uncertain economic environment around the world puts labour conditions under pressure. It also underlines the importance of our mission: to improve working conditions in factories and farms worldwide.

In 2012, we welcomed more than 250 new participants, showing that despite the challenging economic situation, companies value their engagement with BSCI.

BSCI takes its companies' commitments seriously; in this regard, 13 companies were dismissed from BSCI in 2012.

BSCI and its participating companies continue to work towards deeper integration of labour conditions into their supply chain management. In this respect, BSCI upgraded its database to offer a platform that holistically manages all BSCI data and activities. This platform includes auditing and capacity-building services as well as interactive communication among the different players.

In order to ensure the quality and accuracy of audits, BSCI continued to train auditors and upgraded its auditing tools. In parallel, BSCI implemented its comprehensive 'audit integrity programme' and installed additional checks for a solid and credible auditing process.

Collaboration with other initiatives is important to reduce costs and efforts for all actors of the supply chain. Participating in the Global Social Compliance Programme's Equivalence Process aims to create more comparability with other initiatives. BSCI also initiated collaboration with the Worldwide Responsible Accreditation Production (WRAP) on its fire safety training programmes, a topic of high concern across the supply chains of our participants.

Since the end of 2012, we have been confronted with several tragic incidents, notably in Bangladesh and Pakistan; highlighting deep concerns about the issue of fire safety and also construction safety of buildings. These incidents have played an important role in shaping BSCI's 2013 activities.

In 2013, BSCI will celebrate its 10 year anniversary and also revise its Code of Conduct towards a new Code serving as a basis for the next decade. This process will include a consultation for both BSCI participants and stakeholders.

**"We look forward to continuing our important work together with you"**

## LIST OF ACTIVITIES IN 2012

Area	Objectives 2012	Measures taken 2012	Level	Page
Auditing	Improve quality of auditing tools	- Launch of Self-Assessment Questionnaires	High	6
		- Launch of upgraded BSCI audit report	High	11
Auditing	Implementation of integrity programme	- 445 Internal Quality cases - 32 Surveillance Audits - 15 Office Audits - 11 Duplicate Audits	High	7
Auditing	Ensure high quality of auditors	- Four auditor training sessions reaching out to more than 65 field auditors in China, Chile and Argentina	Medium	15
		- Two Calibration meetings to keep auditing companies updated with changes in BSCI's auditing process	Medium	15
Capacity Building	Increase support and quality of training services provided to participants	- Revised the training policy	Medium	15
		- An e-learning tool for BSCI participants in the non food sector in progress	Medium	15
Capacity Building	Create partnerships to increase training capacity	- Initiated collaboration with ILO SCORE in China	High	15
Stakeholder Relations	Create synergies with other initiatives	- Initiated the Memorandum of Understanding (MoU) with Rainforest Alliance	Medium	17
		- Finalised the GSCP Equivalence Process for the BSCI Code of Conduct	High	17
Stakeholder Relations	Strengthen role of BSCI Stakeholder Council	- Three new members to the BSCI Stakeholder Council	High	16
Stakeholder Relations	Strengthen dialogue with European stakeholders	- National stakeholder gatherings held in Switzerland and Finland	High	16
		- The Stakeholder Conference gathered around 60 stakeholders and BSCI participants	High	
Stakeholder Relations	Increase dialogue with stakeholders in supplying countries	- Multi-stakeholder gatherings held in Bangladesh (3), India (3), China (2), Thailand (1) and Vietnam (2)	High	16
System	Provide tools to increase knowledge of social compliance issues among BSCI participants	- Launched the new BSCI Platform	High	6
System	Pilot projects	- SME project was not initiated	Low	
		- Public Procurement project will not be continued as it is not part of our core business	N/A	
Communication	Provide tools to enhance visibility at the national level	- Launched a Dutch national website	High	9
		- Translation of BSCI Video into German and Chinese	High	5
Communication	Proactively support participants with NGO and media relations	- Provided regular assistance with media and crisis communication related to BSCI	Medium	
		- Assisted BSCI participants in their communication about BSCI	Medium	

## THE BSCI CODE OF CONDUCT – THE FOUNDATION FOR IMPROVING WORKING CONDITIONS

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 implement the BSCI Code of Conduct as part of their business relations with producers in risk countries. This underlines their engagement to improving working conditions. BSCI provides **two sets of management tools covering all types of supply chains**: one for Industrial Production and one for Primary Production. While the Industrial Production methodology is implemented at factory level, the Primary Production methodology goes further down the supply chain and is implemented at the farm level.



The BSCI Video is now available in English, German and Chinese: [www.bsci-intl.org](http://www.bsci-intl.org)

### 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

### SA8000

SA8000 is an international certification standard for improving working conditions. It was developed by Social Accountability International (SAI), an NGO that promotes human rights for workers. BSCI considers SA8000 as its best practice. If producers of BSCI participants are compliant with the BSCI Code of Conduct, they are encouraged to apply for a SA8000 certificate ([www.sa-intl.org](http://www.sa-intl.org)).



### RISK COUNTRIES

BSCI focuses on working relations in defined risk countries, where violations of workers' rights occur more frequently. The criteria used to determine BSCI's risk countries is based on the United Nation's Human Development Index and the Corruption Perceptions Index of Transparency International ([www.bsci-intl.org/risk-countries](http://www.bsci-intl.org/risk-countries)).



## STRIVING FOR CONTINUOUS IMPROVEMENT

### A COMPREHENSIVE APPROACH TO IMPROVING WORKING CONDITIONS

**A key strength of BSCI is our holistic approach to support companies improving social compliance. Our process offers a combination of audits in global supply chains, training sessions and stakeholder engagement to detect and gradually correct non-compliances at factories and farms. A summary of how we work to achieve our goals is summarised below:**

#### STEP 1: Communicate and Raise Awareness

Before taking steps towards improving the working conditions at producers, participating companies must first join an Information Seminar in order to get familiar with the BSCI process and integrate it into their daily business. It is then essential to communicate the BSCI Code of Conduct to producers and encourage them to participate in BSCI's Awareness-Raising Workshops to understand the requirements of the BSCI Code of Conduct as well as the process of BSCI.

#### STEP 2: Self-Assessment of Producers

Self-Assessments allow producers to evaluate their own performance with regard to BSCI requirements. They also help producers prepare for the BSCI audit in a progressive manner.

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*The BSCI Code of Conduct has enabled us to achieve greater control of the working conditions at our suppliers and take them with us on a journey towards gradual improvements of the working conditions.*

**Pirjo Heiskanen,**  
Quality Assurance Manager, Tuko Logistics

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### BSCI REVISES ITS SELF-ASSESSMENT QUESTIONNAIRES

The aim of this revision was to use the past experiences of BSCI participants, producers and stakeholders in order to shape the Self-Assessment Questionnaires into more practical tools with explanatory sections to help producers better prepare for the BSCI audit ([www.bsci-intl.org/resources/public-resources](http://www.bsci-intl.org/resources/public-resources)).

#### STEP 3: Full Audit

Full Audits are conducted by external independent auditors authorised by BSCI in order to give a first objective insight into the labour conditions at a producers' workplace. These audits are repeated every three years and include an inspection of the site, a thorough examination of company records (e.g. employees' contracts and timesheets) and private interviews of a representative sample of workers.

#### STEP 4: Corrective Action Plans (CAPs)

If a Full 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). The CAPs set a deadline for the corrective actions to be taken. There are two types, one for 'BSCI Mandatory Social Requirements' and if these are met there is another voluntary step for the 'Best Practice'.

### FROM A DATABASE OF AUDITS TO A BSCI PLATFORM FOR SOCIAL COMPLIANCE

In 2012, BSCI launched its new and upgraded Platform; this new tool simplifies managing BSCI in the supply chain by providing a single platform to analyse the auditing and training data of thousands of factories and farms involved in the BSCI Process. Through the Platform, companies are also able to keep abreast of socially-related important issues that could affect their business operations, as well as have close engagement with BSCI activities.

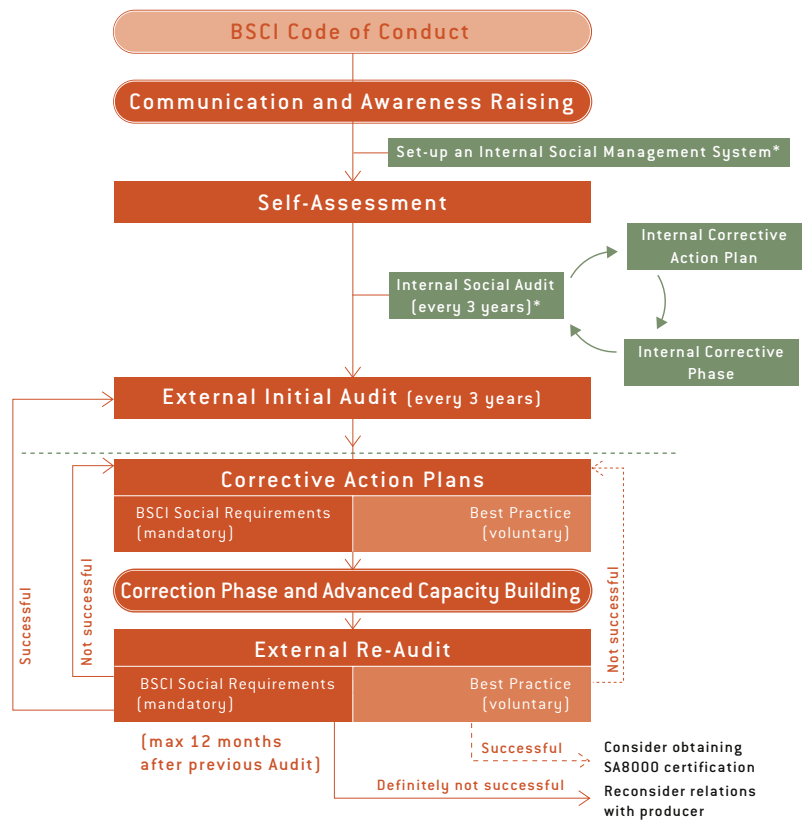
#### STEP 5: Correction Phase and Advanced Training

Many of the required improvements are often due to a lack of knowledge about national labour regulations and lack of management skills. BSCI provides Advanced Workshops in order to guide the producers towards improvements at their workplace. These workshops tackle specific challenges related to their industry and region, such as wages and working hours, management-worker relations and management systems. BSCI also works with a wide range of stakeholders such as governments, trade unions, NGOs, business associations, buyers and producers in order to find sustainable solutions to these challenges.

#### STEP 6: Re-Audit

In order to check that all corrective actions have been implemented, a Re-Audit will take place within a maximum of twelve months. If a producer is still non-compliant, a second Re-Audit can take place. If a producer 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 producer.

### THE BSCI PROCESS



#### AUDIT INTEGRITY PROGRAM

Auditing is an important measurement tool. BSCI has developed a process to safeguard credibility, transparency and integrity of audits:

**Internal Quality Reviews:** A sample of BSCI audit reports are reviewed by BSCI staff to ensure that the data is complete and the questionnaires are filled out correctly. In 2012, 445 Internal Quality Reviews took place. The results of these reviews have helped to shape the new auditing tools as well as the training for auditors.

**External Quality Review:** Carried out by Social Accountability Accreditation Services (SAAS), the external accreditation body for auditing companies. There are three types of external quality reviews:

- **Surveillance Audits:** In 2012, SAAS carried out 32 Surveillance Audits, which assess auditors conducting an actual audit.
- **Office Audits:** In 2012, SAAS conducted 15 Office Audits, which audit a company headquarters to check management systems, auditor qualifications, quality of reports and data storage systems.
- **Duplicate Audits:** In 2012, SAAS conducted 11 Duplicate Audits, which are conducted shortly after an initial audit takes place to ensure that audits were conducted accurately.

## A BUSINESS PLATFORM OF COLLABORATION

### DIVERSE NETWORK OF PARTICIPANTS

BSCI's 1039 participating companies come from a wide scope of sectors such as textiles, shoes, electronics, etc., from countries all over the world, ranging in size from multinational organisations to small businesses.

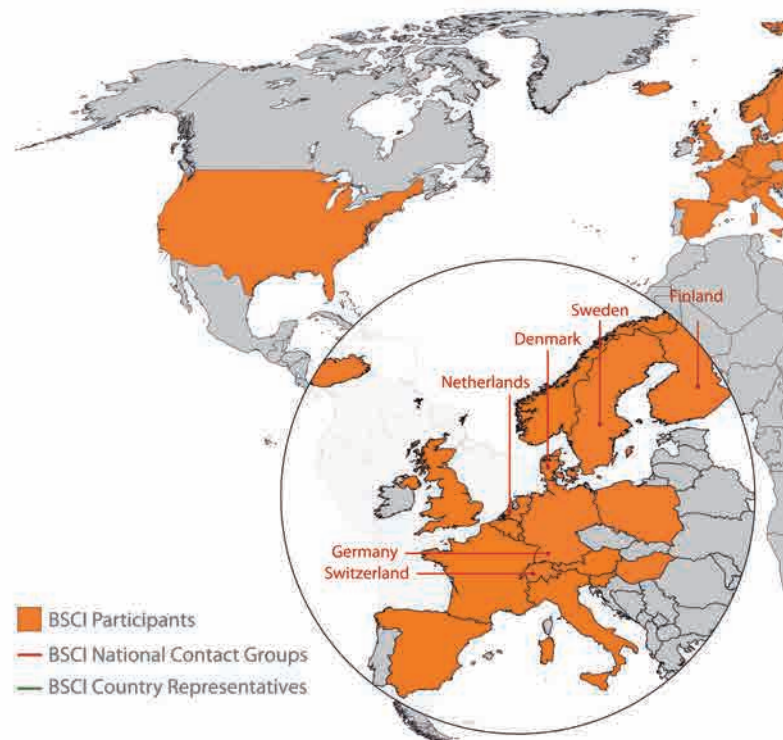
It is essential that BSCI's participating companies work together towards the same mission of improving working conditions across their supply chains. There is only so much one company can do alone. Collaboration is key.

### BSCI STEERING COMMITTEE: PARTICIPANTS' GATEWAY TO SHAPING BSCI

The BSCI Steering Committee is composed of eight company representatives, plus one representative from the BSCI Stakeholder Council; this provides stakeholders with an active voice within this important body of BSCI. The BSCI Steering Committee deals with all BSCI issues including cooperation with other organisations and stakeholders as well as decisions on Working Group proposals and issues related to the BSCI Code of Conduct. The members of the BSCI Steering Committee serve on a three year basis.

#### 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 BSCI Stakeholder Council



### BSCI WORKING GROUPS: OPPORTUNITIES FOR COMPANY INVOLVEMENT

Participating companies 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 also open to stakeholders and external experts.

#### THE WORKING GROUPS FOCUS ON THE FOLLOWING ISSUES:

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



## Country Network



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*The Swiss National Contact Group is a great platform to connect at the local level with other companies working on social compliance issues. Following questions from the finance sector, in December 2012 several members of the Swiss NCG attended a conference to present the key challenges and benefits of implementing BSCI in our companies. Through this network, we were able to highlight how implementing BSCI reduces business risks and improves company reputation.*

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**Jürg von Niederhäusern,**

Chair of the Swiss National Contact Group, Migros, Switzerland

### 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 in 2012 exist in Denmark, Finland, Germany, the Netherlands ([www.bsci-nl.org](http://www.bsci-nl.org)), Switzerland ([www.bsci-ch.org](http://www.bsci-ch.org)) and Sweden.

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*The challenge for my company was to have one tool which simplifies and manages all our CSR activities throughout our supply chain. After two years of intense work with the Working Group, the first stage of the BSCI Platform was launched in 2012. I have been very pleased to represent our company in this group and have had the opportunity to shape these important tools to the needs of the BSCI community. I am convinced that by the end of 2013 the last missing bricks will be in place and the solution will be the comprehensive version we have all waited so long for.*

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**Reidar Magnus,**

**Chair of the System Working Group**

Senior Manager Corporate Social Responsibility / Supply Chain, Intersport International

### BSCI COUNTRY REPRESENTATIVES: REPRESENTING BSCI IN MAJOR SOURCING COUNTRIES

BSCI's Country Representatives work at the local level to facilitate BSCI implementation among BSCI participants based in producer countries. They also act as an interlocutor for the BSCI Secretariat to provide on-the-ground information in their country.

#### BSCI HAS COUNTRY REPRESENTATIVES BASED IN ITS THREE MOST IMPORTANT SOURCING COUNTRIES:

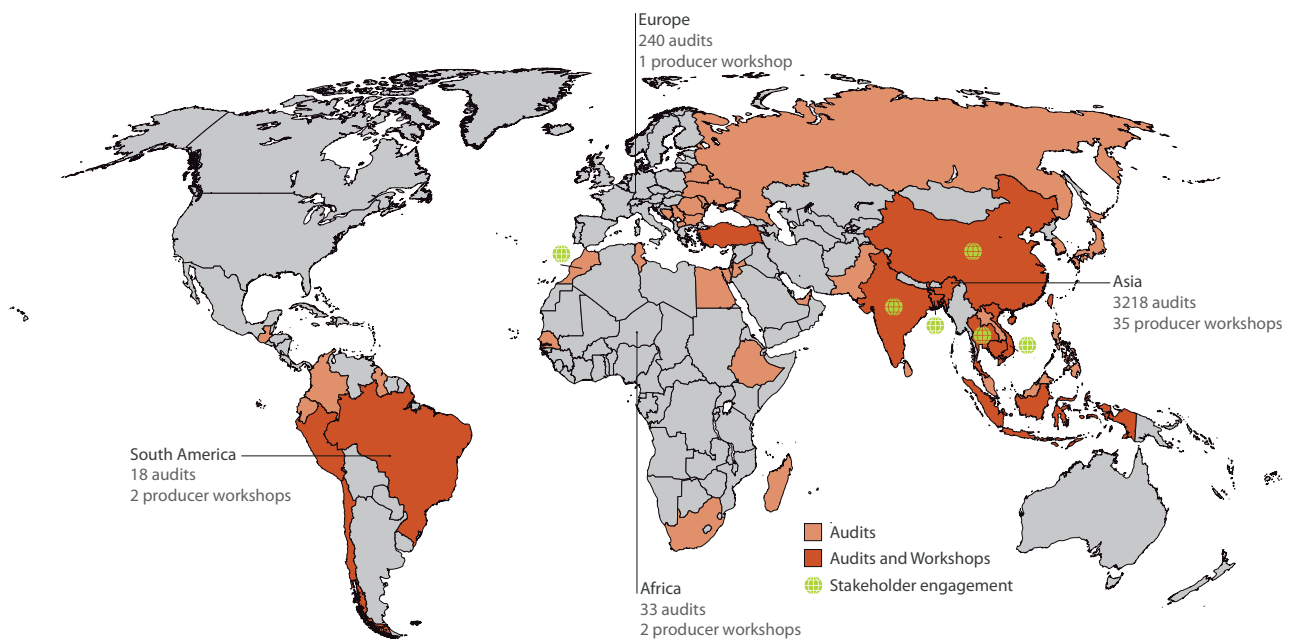
- China: Ms. Joyce Chau
- Bangladesh: Mr. Christian von Mitzlaff
- India: Dr. Dietrich Kobschull

Read more about the work by BSCI Country Representatives on pages 12 - 13.

## ONE YEAR OF CHALLENGES AND RESULTS

The 2012 audit results show that the BSCI system delivers measurable progress in improving working conditions in supplying factories and farms.

### BSCI activities in producing countries



### IMPROVEMENT WHILE REDUCING AUDIT DUPLICATION

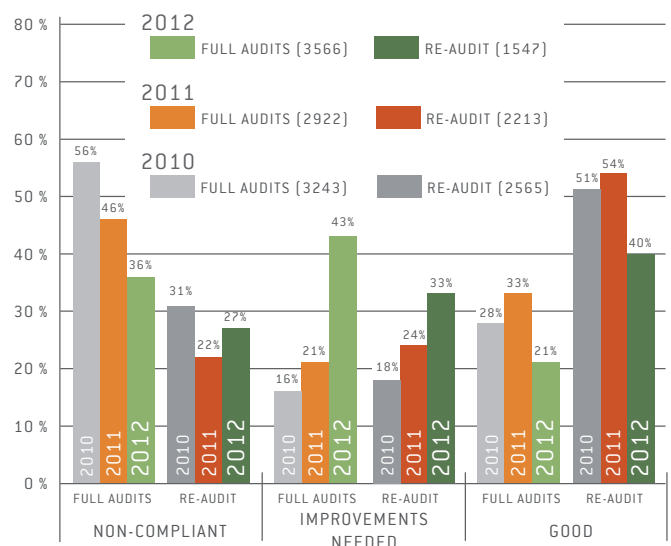
BSCI uses audits to evaluate the social compliance level of factories and farms. One way to assess the effectiveness of the BSCI process is to compare the audit results of producers that have completed one Full Audit and a Re-Audit where applicable. The 2012 audit results show the positive impact of our work:

- The amount of compliant audit results increased from 21% to 40%;
- The number of improvement-needed audit results increased from 24% to 33%;
- The amount of non-compliant audit results decreased from 36% to 27%.

BSCI 2012 data shows that 3.566 Full Audits and 1.547 Re-Audits were conducted over the past year. While the number of BSCI participants increased by 25% in 2012, the number of audits decreased by 14%. One of BSCI's goals is to reduce audit duplication and according to the audit results this has been achieved, showing that collaboration between companies and effective systems for synergies are effective in reducing audit fatigue. An additional reason for the fall

in audits is due to the tendency of BSCI participating companies to focus on fewer but better producers; aiming to reduce the complexity of their supply chain.

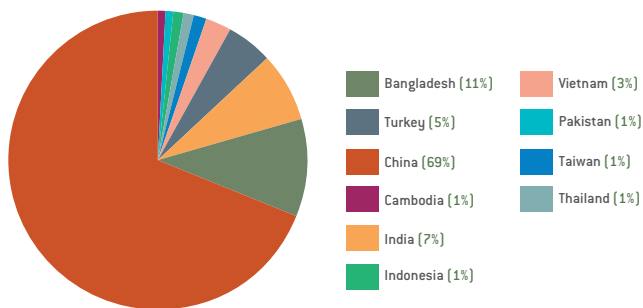
### PRODUCERS IN THE BSCI PROCESS 2010, 2011, 2012



BSCI audit data show the number of factories and farms which were non-compliant on their first Full Audit is decreasing over the years (56% in 2010 to 36% in 2012). This can be due to a general increase in the awareness and implementation of labour rights. However, BSCI data 2012 underline the difficulty to improve the compliance of producers to a 'Good' level (decreasing from 51% in 2010 to 40% in 2012). Many issues can indeed only be solved on a much broader scale than the factory level and therefore require action at the political level.

Since BSCI's initiation, the same non compliances have been reoccurring across all countries; these are Working Hours (22%), Compensation (21%) and Health & Safety issues (6%). These challenges are related to a combination of political, cultural and economic factors which are specific to each country. This is why BSCI develops stakeholder relations and partnerships to address these challenges at the local level.

DISTRIBUTION OF FULL AND RE-AUDITS IN 2012  
BY COUNTRY



### BSCI REVISES ITS AUDIT REPORT

Following an online consultation for BSCI participants and stakeholders, BSCI launched its new online audit report which is available exclusively on the BSCI Platform. Some of the changes that have been made include avoidance of duplicated questions; implementation of a modular approach so that all information is included in the same form; and increased support for auditors with pop-up guidelines for questions. The benefits of the new online format result in minimisation of human error; improved user-friendliness; and avoidance of false audit reports through a secured online system.

### TAKING A COORDINATED APPROACH TO IMPROVING FIRE SAFETY AND CONSTRUCTION INTEGRITY

Following the fires that took place in Bangladesh and Pakistan at the end of 2012, BSCI decided to revise its process in order to strengthen the detection of fire safety issues. From an auditing perspective, several questions related to fire safety were made crucial in the audit report, meaning that audit results are deemed 'non-compliant' if such violations are determined. The BSCI participants linked to the factory with fire safety risks also receive an automatic alert urging to take action. Furthermore, BSCI has planned additional workshops specifically concerning fire safety in Bangladesh for the producers of BSCI participants; these workshops aim to raise awareness of the indicators of fire risks. Fire safety issues and concerns around construction integrity of factories arise, particularly in Bangladesh, often due to poor enforcement of national laws. In 2013, BSCI will continue the dialogue through the stakeholder Round Table with governmental officials for a more proactive approach and stronger implementation of fire safety laws as well as a strengthened construction integrity of buildings.





**FOCUS ON CHINA - FROM BSCI'S  
CHINA REPRESENTATIVE,  
MS. JOYCE CHAU**

Complying with the legal maximum working time is the most predominant challenge in China, and is evident from BSCI's audit results (owning 69% of overall BSCI audits). About 160 million out of 250 million rural workers work as migrants out of their home towns, they therefore want to work longer hours in order to send money back to their families.

However, over the years the young migrant workers have developed an increasing focus on career advancement, social protection beyond wages, improved factory conditions and better access to education. We have seen that this increased awareness has added new challenges for factories; but on the plus-side, this has also put pressure on producers to increase their focus on social responsibility.

Throughout 2012, I worked closely with BSCI participants through online webcasts and Information

Seminars to continue raising the issue of overtime in Chinese factories. It is through improved company buying policies that factories can effectively manage their workload, and in turn, reduce the demand for overtime.

In December 2012, I met with local NGOs, government officials, standards and schemes, trade unions and buyers at the Beijing Round Table. During this meeting, we shared best practices on how to address the migrant workers' needs, who are increasingly launching factory strikes and taking to the streets to protest. It was also highlighted that some of these challenges can also be tackled effectively if buyers and producers improve their partnerships in order to help migrant workers better integrate into their communities.



**FOCUS ON BANGLADESH –  
FROM BSCI'S BANGLADESH  
REPRESENTATIVE,  
MR. CHRISTIAN VON MITZLAFF**

At the end of 2012, Bangladesh experienced yet another tragic factory fire. The severity of fires draws on the need to invest in factory safety and raise awareness of health and safety issues among workers. In my opinion, a contributing factor to fire safety concerns is the drastic rise in product demand from Bangladesh. While positive for the Bangladesh economy, it has affected the volume of work and requests additional production capacities.

We saw in the past that fires did not only take place in old buildings, but also in modern and well equipped complexes. Factory owners and management need a mind change in terms of relevance of workers safety, which stresses the need for a more coordinated approach. BSCI took actions through its three pillars: amending its auditing procedure, adapting its workshops and extending its stakeholder dialogue to encourage stronger implementation of fire safety in Bangladesh (see page 11).







### FOCUS ON INDIA – FROM BSCI'S INDIA REPRESENTATIVE, DR. DIETRICH KEBSCHULL

Over the past few years in India, discussions on the Sumangali scheme have increased. In this practice, which was implemented in spinning mills in Tamil Nadu, the employer retains a part of the monthly wages, which is to be given as a lump sum for marriage expenses at the end of the contract. This scheme has been criticised in recent years for concealing a number of labour issues, mostly compensation and forced labour. As BSCI's Representative in India, I have discussed the labour issues behind the Sumangali scheme at length with stakeholders.

I have been actively involved in the Tirupur Stakeholder Forum. In 2012, BSCI organised a Round Table in Tamil Nadu to further discuss the challenges associated with Sumangali. We have also raised awareness of the labour issues related to the Sumangali scheme among

auditing companies, aiming to highlight some of the poor labour practices that are often overlooked during audits.

While Sumangali is very much a cultural practice and not necessarily a poor practice if implemented correctly, work must be done to eradicate misconduct of the scheme.

Read BSCI's Guidance Paper on Sumangali for more information on BSCI's approach to tackling the poor practices associated with Sumangali: ([www.bsci-intl.org/resources/bsci-positions](http://www.bsci-intl.org/resources/bsci-positions)).



### BSCI MOBILISES ITS COMPANIES TO END CHILD LABOUR IN UZBEKISTAN

In Uzbekistan, one of the leading cotton producers in the world, children are forced by the government to harvest cotton, despite the government having signed the ILO Conventions on child labour and forced labour. In 2012, BSCI continued to work with organisations from the **Cotton Coalition**, notably **Anti-Slavery International**, **Human Rights Watch** and the **Responsible Sourcing**, urging the European Union Special Representative for Central Asia, Ms. Patricia Flor, to take matters forward. BSCI additionally issued a **Guidance Paper** to its participants encouraging companies to make all efforts to stop sourcing cotton from Uzbekistan.



## EMPOWERING THE ACTORS OF THE SUPPLY CHAIN

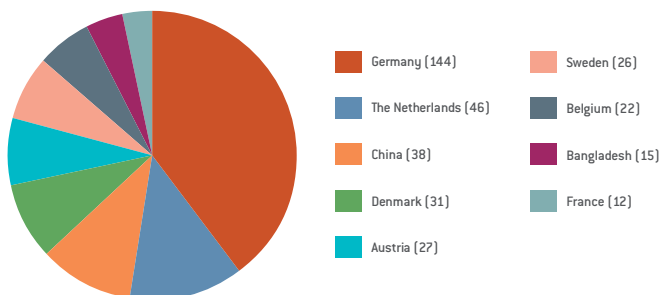
BSCI organises training activities to help participating companies, producers and auditors all work towards the common goal of improving working conditions in factories and farms worldwide.

### TRAINING FOR PARTICIPANTS

#### Information Seminars

Information Seminars introduce the BSCI Code of Conduct and its implementation methodology to all new BSCI participants. In 2012, BSCI conducted **19 Information Seminars** across Germany, the Netherlands, China and Denmark, to name a few. Participating in BSCI has been open to non-European companies, therefore Information Seminars were offered also in China and Bangladesh. In total, over 350 participants were trained in 2012.

INFORMATION SEMINARS 2012 (ATTENDEES)



#### Advanced Training

As the number of more experienced BSCI participants grows, many require more in-depth training on specific supply chain issues. In 2012, BSCI offered its participants an **advanced training on auditing** in order to improve knowledge of the audit process; understand the strengths and limitations of an audit; and learn how to interpret audit findings in order to get a real picture of the factory situation.

#### 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 with a close relationship with producers to

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*At Esprit, we have been a participant of BSCI for 8 years. We have followed basic Information Seminars and required further knowledge of managing social compliance issues in our supply chain. BSCI's specific Advanced Training and in-house training have provided our staff with additional and specific knowledge to improve the way we manage our audits and how we work with our producers.*

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**Lary Brown,**

Social Compliance Manager, Esprit

integrate the BSCI methodology into daily business and decision-making processes. In 2012, BSCI conducted **five in-house workshops**, reaching out to over 230 individuals.

### TRAINING FOR PRODUCERS

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 2012, BSCI trained **more than 2.200 factory and farm staff across eight countries**, predominantly China which owned more than 90% of attendees of BSCI's producer workshops. Due to the increase in food companies participating in BSCI, workshops specifically for companies working in the food sector increased from training 94 farm staff in 2011 to training more than 200 farm staff in 2012. Through BSCI's e-learning tool for primary production an additional 84 individuals were trained; rating the training 'Very Good' or 'Good'.

“

*In 2012, BSR conducted an independent survey among BSCI participants on the value of the training provided for their producers. Feedback from the brands shows that the training program helped increase CSR awareness and improved audit result in their supplying factories. The program helped factories to look into systems such as developing policies and procedures and improved labour conditions to some extent.*

”

**Jason Ho,**

Advisory Services and CTI Manager, Business for Social Responsibility

### BSCI REVISES ITS CAPACITY BUILDING PROGRAMME

Building on the eight years of training experience, BSCI will re-launch its training programme in early 2013. The training will focus on the following:

- All levels of workshops in China, India, Bangladesh, Vietnam and Turkey (sourcing countries for around 90% of BSCI participants);
- Integrate e-learning tools to class room programme;
- Workshops in risk countries will share core content focusing on the BSCI system, Working Hours and Compensation and Health & Safety. Each country will customise its material to reflect its local situation.

### TRAINING FOR AUDITORS

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 2012, BSCI carried out **four training sessions with more than 65 field auditors** in China, Chile and Argentina. Additionally two calibration meetings were held in Belgium for the coordinators at auditing companies in order to keep them updated with changes in BSCI's auditing process.

### BSCI AND ILO COLLABORATE TOWARDS BETTER WORKING CONDITIONS

In 2012, the ILO and BSCI began collaborating to promote improved working conditions and socially responsible business practices among SMEs who supply to BSCI participants. BSCI will roll out the SCORE project exclusively in China. BSCI audits reveal a common pattern throughout the world: most of the factory non-compliances are linked to poor management practices. With this in mind and China as the most important sourcing country of BSCI's participants, BSCI is collaborating with ILO- SCORE to help Chinese producers of BSCI participants improve their management skills.

The training course aims at making Chinese SMEs more sustainable by improving their working conditions, environmental impact, productivity, product quality and efficiency. The approach with producers is holistic, helping them to improve compliance with BSCI's Code of Conduct and international labour standards.

Between 2009 and 2012, more than 250 SMEs, representing approximately 50.000 workers, participated in SCORE training.

BSCI is rolling out the SCORE project with companies in 2013.

“

*COOP implemented ILO's SCORE pilot project in 2012. Eurogroup as local buying office has worked closely with producers with trainings, regular onsite guidance and assessments. We set action plans and goals. The results were clear, according to our producers their production areas were better organised providing more efficient workflow, and a new concept of worker-management relationship was established. While we understand that aspects such as respect and happiness cannot be quantified, we feel that an open dialogue and hands-on approach has clear implications on the working conditions of our supplying factories.*

”

**Karen Au,**  
CSR Advisor, Eurogroup Far East



## WORKING IN COOPERATION TO MAKE CHANGE HAPPEN

BSCI works closely with a wide range of stakeholders, including governments, trade unions, NGOs, business associations, buyers and producers, to identify sustainable solutions to labour rights challenges. BSCI uses dialogue, partnerships and joint capacity building efforts to maximise its impact.

### STRENGTHENING THE ROLE OF STAKEHOLDERS

In 2012, BSCI strengthened its Stakeholder Council by appointing **three new members**: Elisabeth Åberg (Unionen), Mattias Forsberg (Save the Children) and Daria Cibrario (European Federation of Food Agriculture and Tourism Trade Unions - EFFAT). BSCI is pleased to have representatives from trade unions involved in the BSCI Stakeholder Council. Trade unions play a crucial role in raising the awareness of workers on their rights. In addition, freedom of association and collective bargaining are important tools to improve labour conditions.

### ENCOURAGING LOCAL OWNERSHIP

BSCI Round Tables provide platforms to discuss labour issues with national key players in producer countries, while stakeholder meetings are channels for BSCI participants to engage with their local stakeholders in

Europe. In 2012, Round Tables were held in Bangladesh, China, India, Vietnam and Thailand. Stakeholder meetings in participants' countries took place in Finland and Switzerland.

#### MEMBERS OF THE STAKEHOLDER COUNCIL 2012

- Chair: Marieke Weerdesteijn (Solidaridad)
- Elisabeth Åberg (Unionen)
- Susan Bird / Thomas Dodd – observers (European Commission)
- Daria Cibrario (European Federation of Food Agriculture and Tourism Trade Unions - EFFAT)
- Mattias Forsberg (Save the Children)
- Luc van Liedekerke (European Business Ethics Network)
- Alice Tepper Marlin (Social Accountability International - SAI)
- Simon Pickard (The Academy of Business in Society - EABIS)
- Christian Rousseau (Test-achats)
- Fabrice Warneck (UNI Europa Commerce)

Date	Country	Location	Focus Issue
15 February 2012	India	New Delhi	Experience and views of exporters and buyers with social compliance
22 March 2012	Bangladesh	Chittagong	Occupational Health & Safety and environmental impacts
21 May 2012	India	Tirupur	What steps to be taken to keep Tirupur in Business, how to safeguard business in Tirupur with the help of partnership with BSCI
06 June 2012	China	Beijing	Sustainable buyer-supplier partnerships: finding positive ways to help enterprises invest in building sustainable partnerships across supply chains
18 July 2012	Bangladesh	Chittagong	A healthy industry - contribution to productivity, the means of incentives and income benefits
20 September 2012	Thailand	Bangkok	Minimum wage, fair wage, living wage: challenges and opportunities for improvement of worker's lives and business competitiveness
26 - 27 September 2012	Vietnam	Hanoi / Ho Chi Minh City	Two Round Tables held: The development of harmonious labour relationships and CSR in Vietnam
14 November 2012	Bangladesh	Dhaka	Bangladesh garment industry, the second world exporter - versus the expressed concerns on working conditions - a stretch for sustainability?
05 December 2012	China	Beijing	Sustainable buyer-supplier partnerships: integration of migrant workers into the community
07 December 2012	India	Kolkata	Working hours, overtime, wages and staying competitive: awareness raising for social compliance in the West Bengal

### PUSHING FORWARD WAGE DEBATES IN THAILAND

In 2012, BSCI gathered 50 local and international stakeholders in Bangkok to discuss the topic of wages in Thailand. Experts from trade unions, civil society and the ILO elaborated on challenges such as insufficient increase in minimum wages in Thailand; unequal treatment of migrant workers and local workers; and the low bargaining power of Thai workers. The outcome of the Round Table put forward approaches such as increased and improved skills development for workers; the development of a clearer wage structure at the company and industry level along with awareness raising and empowerment of workers to improve bargaining power. BSCI will follow up on implementation through more Round Tables in Thailand in 2013.



### BUILDING PARTNERSHIPS WITH OTHER INITIATIVES

BSCI actively seeks partnerships with other initiatives to create more synergies as well as support joint auditing, capacity building and stakeholder relations activities.

BSCI and Rainforest Alliance share a common objective to improve working conditions in producing countries. While the two organisations have different systems and procedures to reach this objective, they also share some commonalities. Both use social audits to monitor the working conditions at farms. In 2012, following a comparison of methodologies, BSCI and Rainforest Alliance agreed to work together on social audit projects. This collaboration aims to increase efficiency for both companies and producers.

Several joint members of BSCI and Rainforest Alliance will now implement this joint project at their supplying farms.

### CREATING SYNERGIES WITH OTHER INITIATIVES

BSCI seeks to create synergies with other social compliance organisations. One focus has been to work towards the mutual recognition of schemes. SA8000 is BSCI's best practice and SA8000 certificates have been fully accepted in BSCI's methodology since its creation.

In 2012, BSCI completed the Global Social Compliance Programme's (GSCP) Equivalence Assessment Process for the BSCI Code of Conduct. The GSCP is a global cross-industry platform to promote comparability and transparency between existing social compliance and environmental compliance systems. The Equivalence Assessment will provide valuable information for BSCI's Code revision in 2013 and will allow BSCI to enhance its ability to link up with other social compliance systems, such as Rainforest Alliance.

“

*Producers are faced with requests to comply with an increasing variety of standards and systems. The agreement between BSCI, the Rainforest Alliance and the Sustainable Agriculture Network is an important step toward reducing confusion and duplication of efforts. This allows farmers and us NGOs to increase our attention on the real objectives of ensuring a safe and healthy working environment for workers, improving livelihoods, conserving natural resources and protecting ecosystems and wildlife.*

”

**Chris Wille,**  
Chief of Sustainable Agriculture at Rainforest Alliance

## OUR FINANCES

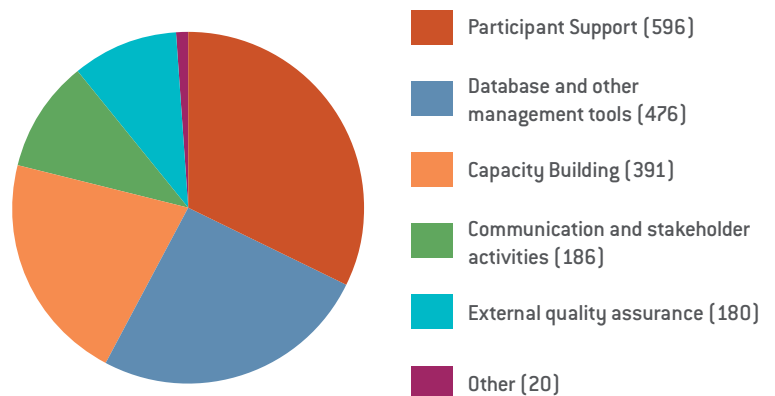
### INCOME

The total income in 2012 was 5.503.000€ coming from two sources: participating companies (92%) and audit fees (8%).

### EXPENDITURES

In 2012, the majority of BSCI expenses were company support, the BSCI Platform, capacity building, communications and stakeholder relations. A key share of the expenditures was attributed to the BSCI Platform and other management tools.

### EXPENDITURE



## JOIN US!

### ADVANTAGES OF JOINING BSCI

By joining the BSCI, you will:

- Take steps towards improving working conditions in the risk countries of your global supply chain
- Reduce costs and save time by sharing audit information in the BSCI platform
- Boost your producers' 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 Platform
- Support the improvement process of producers by involving them in capacity building activities
- Be active in the 'BSCI life' i.e. participate in Working Groups, National Contact Groups, etc.
- Actively co-operate with other BSCI companies in taking urgent measures
- Communicate about your involvement

Details on how to become a BSCI participant can be found on the BSCI website: [www.bsci-intl.org](http://www.bsci-intl.org)



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c/o FTA - Foreign Trade Association  
Avenue de Cortenbergh 172  
1000 Brussels - Belgium  
info@bsci-intl.org - www.bsci-intl.org

261 new companies  
joined in 2012

Over 5000 BSCI audits  
performed in 2012

Continuous  
Improvement

Over 950 auditors  
carrying out  
BSCI audits

# BSCI IN 2012

Over 2200  
suppliers trained

2.3 million  
workers reached through  
BSCI companies' supply chains

Collaboration

13 Stakeholder  
Round Tables  
and meetings  
worldwide

1039

participating  
companies with a  
total turnover of  
€612 billion

Empowerment



**BSCI**

An initiative of the Foreign  
Trade Association (FTA)

Business Social Compliance Initiative