

Global Social Compliance Programme

Reference tool on Supply Chain Social Performance Management Systems

January 2013



About the GSCP

Global Social Compliance Programme

/ GSCP objectives and scope

The Global Social Compliance Programme is a business-driven programme for the continuous improvement of working and environmental conditions in global supply chains. The GSCP was created by and for global buying companies (manufacturers and retailers) wanting to work collaboratively on improving the sustainability (social and environmental) of their often-shared supply base. To this end, these companies seek to harmonise existing efforts to deliver a shared, global and sustainable approach.

The scope of the Programme encompasses:

- social and labour practices,
- site-specific environmental practices (not product related).

The Programme can be applied at all levels of the supply chain.

The Programme is neither a monitoring initiative, nor a substitute to existing systems. **The GSCP will not undertake accreditation or certification activities** as it must remain a non-aligned, neutral reference framework.

/ The GSCP Reference tools

To drive convergence, the GSCP has developed a set of Reference tools and processes that provide a common interpretation, based on best existing practice, of fair labour/social and environmental requirements and their implementation in the supply chain.

/ Users & usage

These tools are openly available for all to use. Users can include GSCP member and non-member buying companies, suppliers and employment sites. Multi-Stakeholder Initiatives, auditing bodies and other scheme owners can and are encouraged to also use the GSCP Reference tools.

The Reference tools can voluntarily either be:

- integrated by users into their respective systems; or
- utilised by users as a reference against which to compare their existing tools through the GSCP Equivalence Process¹.

/ Responsibility

The GSCP does not monitor nor audit in any way the compliance by a user's supply chain with the GSCP Reference tools or any standards.

The adoption of part or all of one or more Reference tools cannot be put forward as a proof of adequate due diligence. The responsibility of the implementation of these tools, of the monitoring of the user's supply chain's compliance and of any due diligence linked to it, resides with the user. Any use of the GSCP name or logo has to follow the terms established by the GSCP. These terms are available on the GSCP website (www.gscpnet.com).

1. The Equivalence Process is a mechanism by which a social and/or environmental compliance scheme is objectively benchmarked against the requirements defined in one or more GSCP Reference tools, to determine their level of equivalence. Through the Equivalence Process, the GSCP enables the comparison of various standards and schemes against the GSCP Reference tools, aiming at bringing convergence in requirements and approaches and building mutual recognition.

The Consumer Goods Forum

The GSCP is housed by The Consumer Goods Forum, a retailer and manufacturer parity industry body, driven by its members². It brings together retailers, manufacturers and suppliers to collaborate across the value chain to enrich shopper and consumer value in all markets. It supports processes and practices that optimize the value chain as an interrelated whole, in accordance with all anti-trust laws.

2. For more information, please visit www.theconsumergoodsforum.com

Acknowledgments

Thank you to those who contributed to this Reference tool

This Reference tool has been developed by supply chain experts from GSCP member companies, with input from key stakeholders, including other brands and retailers, initiatives and international organisations, auditing and certification bodies and civil society representatives. The GSCP would like to thank all those who have helped with the development and continuous improvement of this Reference tool.



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ABOUT THE REFERENCE TOOL ON SUPPLY CHAIN SOCIAL PERFORMANCE MANAGEMENT SYSTEMS

Definition of a Social Performance Management System | SPMS

For the purposes of this tool, a supply chain Social Performance Management System (SPMS) is understood as a formal programme including policies, procedures, and activities designed:

- to help prevent, detect and remedy violations of labour standards within a supply chain, including domestic laws

and standards, international labour laws and standards and human rights law and standards;

- to identify best existing practices to ensure buying organisations are continuously improving working conditions for their suppliers.

Objectives of the Reference tool

The GSCP Reference tool on supply chain Social Performance Management Systems (SPMS) has been developed by and for **buying organisations** (retailers and manufacturers) to support them in monitoring and improving social compliance performance in the whole supply chain.

The Reference tool is based on best existing practices, common approaches and shared standards, and is designed to reflect and be aligned with relevant international standards and in particular with the UN Guiding Principles on Business and Human Rights. It can be used either to provide a general framework for an organisation wishing to create a SPMS, or as a benchmark for an organisation seeking to improve or develop an established SPMS.

The GSCP recognises that many organisations have existing systems for managing social performance within their supply chains and this Reference tool is not designed to replace these systems. Instead, it is intended as a reference framework which provides ideas and resources about how an efficient and effective SPMS can be built and improved. Also, as a reference framework, it has been created to be used across different sectors and by organisations with different supply chain structures, including vertically integrated companies and those with external supply chains. It does not include detailed or specific information relevant to particular structures, sectors or geographical regions.

Scope of the Reference tool

The Reference tool applies to an organisation's entire supply chain and covers labour practices and human rights. Reference to the term 'social' within this tool (e.g. in relation to 'social performance' and 'social performance management') relates to the issues and standards covered by the *GSCP Reference Code*, namely:

- forced, bonded, indentured and prison labour;
- child labour;
- freedom of association and the effective recognition of the right to collective bargaining;
- discrimination, harassment and abuse;
- health and safety;
- wages, benefits and terms of employment;
- working hours.

The *GSCP Reference Code* is based on compliance with national laws and respect for internationally-agreed standards, including the *ILO Declaration on Fundamental Principles and Rights at Work*¹. These standards are also

endorsed in the *ILO Tripartite Declaration of Principles Concerning Multinational Enterprises and Social Policy* and the *OECD Guidelines for Multinational Enterprises* and as such, this Reference tool refers to these too.

In addition, the tool is aligned with the *UN Guiding Principles on Business and Human Rights*, which were endorsed by the UN Human Rights Council in 2011, and are mirrored in the OECD Guidelines for Multinational Enterprises, as well as the ISO 26000 Guidance on Social Responsibility. The UN Guiding Principles set out the corporate responsibility to respect human rights as a basic expectation that all companies in all situations should avoid infringing on the human rights of others and should address any adverse human rights impacts with which they are involved. They encompass all internationally recognised human rights including, but not limited to, labour rights. The Reference tool supports this broad approach, while recognising that the most significant human rights risks for buying organisations will typically be risks to the rights of workers in their supply chains. For this reason, this tool focuses mainly on these rights.

1. These are listed in full at [http://www.gscpnet.com/gscpfiles/GSCP_Reference_Code_V2_April_2010.pdf]



Users of the Reference tool

The Reference tool on SPMS can be applied by all types of buying organisations, regardless of their size, sector, geographical location, governance and organisational structure, and the maturity of their existing social performance management systems and processes. It can be used by any organisation that wishes:

- to establish a supply chain SPMS based on best existing practice;

- to review the robustness of its existing supply chain SPMS;
- to internally identify gaps and areas for enhancing performance within its well established supply chain SPMS;
- to identify gaps within their supplier audit and engagement programmes, that may present on the one hand a risk to workers within its supply chain, or, on the other hand, development opportunities for the organisation.

Key themes: convergence, collaboration and stakeholder engagement

There are several cross-cutting themes running through the Reference tool. The first is the need for **convergence** between organisations' standards and operational activities to avoid both duplication of efforts and placing conflicting demands on suppliers. An important method of achieving convergence is to utilise existing guidelines and methodologies developed by peer organisations, international bodies and collaborative initiatives. The GSCP itself is such an initiative and, in addition to this document, has a number of *other Reference tools* available that provide best existing practice and guidance on other aspects of managing social performance. These include the GSCP Reference Code, Social Audit Process and Methodology and the Reference tool for Auditing Competence, and should be used in conjunction with this tool, as appropriate.

Additionally, there is a variety of other sources of information and good practice that can be utilised, some of which are listed in the Appendix.

The second theme is **collaboration**. This is also important for supporting convergence of standards and processes, along with promotion of shared understanding and best practice. Collaboration can be developed with other buying organisations, suppliers and stakeholders. The GSCP provides such a forum for collaboration, and there is a variety of other sectoral and multi-stakeholder bodies that work on social performance and offer opportunities for collaboration.

The third theme is **stakeholder engagement**. While the operation of any management system is the responsibility of executive staff within an organisation, relevant stakeholders can bring valuable insights and support for the design/development and/or implementation of the SPMS.

The objective of this engagement is to help ensure workers' rights are fully respected and that they enjoy fair and decent working conditions.

Stakeholders can include:

- Non-Governmental Organisations and other external stakeholders such as national and regional governments and industry associations with expertise on supply chain labour issues or which advocate workers' rights and interests and/or represent communities impacted by supply chain operations.
- Trade Unions and/or freely elected worker representatives, to fully reflect workers' priorities in the conception and operation of the SPMS. When Trade Unions are recognised representatives of workers at the supplier's workplaces, they have a particular position and task as defined in core International Labour Conventions and normally integrated into national legislation which will then guide the application of these principles.

Engagement with stakeholders can occur at international, national or site level, depending on the nature of the issue being discussed. For example, it is appropriate to consult these organisations at an international level for a better understanding of global standards and alignment of the company's approach for its global supply chain, whereas developing an approach to a particularly challenging issue in one region will involve engagement with locally-based organisations.

Workers have the right to freely elect their representatives, or to decide to be represented by proper Trade Union structures. Promoting engagement with workers and their representatives – where applicable – improves the sustainability of management systems by embedding workplace dialogue and industrial relations processes into these systems.

Stakeholder engagement can lead to more effectiveness, accountability and legitimacy, and a specific section of this Reference tool is dedicated to activities involving stakeholders [[see Section A.5 on Stakeholder Engagement](#)].



Structure

The Reference tool is organised into two main sections: the first covers the buying structure's internal organisation; the second section is focused on how the buying organisation goes about interacting with suppliers.

Each section is divided into chapters covering the key elements of a robust SPMS, such as strategy and policy

development, leadership and commitment, roles and responsibilities, training and communication, monitoring and support for suppliers and engagement with stakeholders. As noted above, these sections should be seen as a reference framework that can be adapted according to an organisation's own circumstances.



This sets out the main purpose of the chapter.

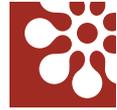


This sets out the high level requirement in terms of procedures that should be in place in order to achieve the objective.



These set out the particular requirements that underpin the Overall Reference requirement. They are structured in terms of types of procedure and activity. They are also structured by level of activity, from **Fundamental** to **More advanced**.

KEY PROCESS	FUNDAMENTAL STEPS	MORE ADVANCED STEPS
N° Type of process	<ul style="list-style-type: none"> These may be viewed as the basic building blocks of a Social Performance Management System 	<ul style="list-style-type: none"> These represent procedures and processes for organisations that are more experienced in managing their supply chain social performance, and which will lead to more sustainable improvements in labour conditions and respect for human rights



Key stages for implementation

They are designed to provide a practical roadmap for putting the requirements into practice and are structured as follows:

	Stage 1	Next stage	Next stage
FUNDAMENTAL	<ul style="list-style-type: none"> The basics to consider for key processes Ideas for implementation 	<ul style="list-style-type: none"> First procedures to implement Following activities suggested 	<ul style="list-style-type: none"> Additional elements of the process Monitoring aspects and activities
ADVANCED	<ul style="list-style-type: none"> More advanced elements and further steps 	<ul style="list-style-type: none"> More advanced elements and further steps 	<ul style="list-style-type: none"> More advanced elements and further steps



Implementation guidance

This section provides examples to illustrate particular operational activities or to explain more about particular issues.



Self-assessment questions

Finally, each chapter ends with a set of **Self-Assessment questions** which can be used to identify process gaps or areas that need attention and development within the SPMS. Designed for internal use, the Self-Assessment questions are provided to help the organisation in overseeing the efficient implementation of the SPMS but are not intended to ensure compliance or to be used for external monitoring purposes.



INTERNAL ORGANISATION

1. Commitment and strategy

This section sets out the various stages that should be followed in developing and embedding commitment to improving supply chain social performance. This is the first step in the development of a Social Performance Management System. **Commitment** and leadership from the top are essential. The highest level of management should ensure the definition of **clear aims** on social performance.

These have to be shared across the organisation and integrated with and supported by wider business objectives. The organisation can then establish a **strategy** which reflects these high level aims and build a clear and comprehensive set of **policies** and **procedures** that support the strategy, setting out specific objectives, targets, indicators and a defined methodology for their achievement.

Steps to achieve an efficient SPMS





Implementation guidance

Recognising responsibility for human rights

The *United Nations Guiding Principles on Business and Human Rights*, adopted in 2011, are widely recognised as the authoritative global reference point with regards to the responsibility of all businesses to respect human rights.

The Guiding Principles also set out the duty of States to protect against human rights abuse by third parties, including businesses, and address the need for improved access to remedy when human rights impacts occur.

They describe the basic process requirements for businesses to know and to show that they are respecting human rights, including labour rights, in the context of both their own activities and their business relationships.

These are summarised in Guiding Principle #15, which states that:

In order to meet their responsibility to respect human rights, business enterprises should have in place policies and processes appropriate to their size and circumstances, including:

- a. a policy commitment to meet their responsibility to respect human rights;
- b. a human rights due diligence process to identify, prevent, mitigate and account for how they address their impacts on human rights;
- c. processes to enable the remediation of any adverse human rights impacts they cause or contribute to.

Staff within an organisation who oversee and are responsible for the development of its SPMS can benefit from familiarising themselves with the UN Guiding Principles.

The UN Office of the High Commissioner for Human Rights has published an Interpretive Guide that provides further background explanation of the intent behind those Guiding Principles that address the corporate responsibility to respect human rights, and how they should be interpreted in practice.



1.1 Senior management commitment



OVERALL OBJECTIVE

To ensure leadership and commitment from the top of the organisation and the system's incorporation into organisational governance.



OVERALL REFERENCE REQUIREMENTS

The most senior management level (e.g. board of directors, CEO, organisation owners) formulates, commits to and endorses a clear vision for the SPMS. This vision is widely communicated within and outside the organisation.



DETAILED REFERENCE REQUIREMENTS

KEY PROCESS	FUNDAMENTAL STEPS	MORE ADVANCED STEPS
1.1.1 Strategic leadership	<ul style="list-style-type: none"> The most senior management level provides strategic leadership for the development and operation of the SPMS 	<ul style="list-style-type: none"> The most senior management level regularly reviews the strategic direction behind the SPMS
1.1.2 Endorsement of standards, policies and processes	<ul style="list-style-type: none"> The most senior management level provides written endorsement of key commitments (e.g. Code of Conduct) and approves the main SPMS processes [see below Section 1.2 on Social Performance Strategy] The most senior management level ensures that its endorsement is communicated internally, including to commercial functions, and is also communicated externally 	<ul style="list-style-type: none"> The most senior management level regularly reviews policy and processes It is pro-active in communicating the organisation's commitment and activities, internally and externally The most senior management level drives innovation and continuous improvement
1.1.3 Responsibility at senior level	<ul style="list-style-type: none"> A board member, senior manager or senior committee has responsibility for overseeing the operation of the SPMS They have the authority to allocate resources and to determine policy 	<ul style="list-style-type: none"> The board member or senior manager reinforces their own understanding of the issues, reviews and drives improvement while ensuring resources for implementation are being allocated
1.1.4 Accountability	<ul style="list-style-type: none"> The most senior management level receives regular information on the operation of the SPMS and understands its role in driving implementation 	



Key stages for implementation

	Leadership	Endorsement	Communication of commitment	Monitoring
FUNDAMENTAL	<ul style="list-style-type: none"> Board takes lead in setting strategy Senior manager has designated responsibility Resources are allocated for the operation of the SPMS 	<ul style="list-style-type: none"> Board signs off on main policy commitments Board understands and endorses main implementation processes 	<ul style="list-style-type: none"> Additional elements of the process Monitoring aspects and activities 	<ul style="list-style-type: none"> Establish regular reporting format to the board on SPMS results
ADVANCED	<ul style="list-style-type: none"> Board considers key social performance issues in the supply chain and takes initiatives 	<ul style="list-style-type: none"> Board ensures regular review of key processes 	<ul style="list-style-type: none"> Senior managers take lead in promoting the organisation's commitments and activities 	<ul style="list-style-type: none"> Review if senior managers are getting the right information Review quality of decision-making on SPMS



Implementation guidance

Top level leadership

Organisations will have different governance structures, but it is important that the most senior level of management (such as the CEO or the board of directors) has ownership of the SPMS and drives the organisation's commitment. This is essential for the credibility and effectiveness of the process throughout the organisation and ensures accountability for the implementation of the policy. Examples of how this can be achieved include:

- ensuring the board regularly considers and endorses the organisation's social performance policy (e.g. Code of Conduct) and the associated processes. This could be part of the assessment of business risk;
- ensuring the board receives regular reports on the operation of the SPMS, and periodically discusses important issues arising;

- ensuring social performance issues are tackled whenever possible in site visits undertaken by board members;
- encouraging supply chain social performance issues to be included in internal and external presentations by senior managers (e.g. in staff briefings, at industry events, to investors...) and within key documents (corporate responsibility/sustainability reports).

Overall, the most senior management level has to be committed to change and ensure social performance is continuously improved and monitored, supporting corresponding targets and reporting on key performance indicators showcasing successes and possible issues for which work remains to be done [\[see Section 6 on Monitoring and Improvement and Section 7 on Reporting Supply Chain Social Performance\]](#).



Senior responsibility

Depending on wider governance and management structures, responsibility can be allocated to:

- an individual;
- a board committee;
- an executive committee;
- a management committee.

Whichever way, the individual or committee must have sufficient seniority or executive responsibility to drive the SPMS throughout the organisation. The responsibilities and reporting lines should be clearly defined and formally included in the committee constitution and relevant job descriptions.

The appointed individual or committee should take responsibility for the Social Performance Management System, in particular for:

- defining the scope of the management system;
- setting objectives and targets;
- ensuring appropriate consultation with social partners and other stakeholders [[see Section 5 on Stakeholder engagement](#)];
- ensuring adequate commitment; and
- allocating resources.



Self-assessment questions

- Is the policy agreed upon at the most senior level possible within your organisation?
- Has a particular individual or committee been assigned responsibility for the delivery of the SPMS?
- Is there a main board director with responsibility for ensuring the policy and procedures are implemented?
- Is your board of directors informed of the nature and implications of the social performance policy?
- Is there a process for allocating resources to the SPMS?
- Has the senior management level received a presentation on the key components of the SPMS?
- Does senior management undertake periodic reviews and updates of the SPMS?
- Does senior management receive information that enables them to understand risks and key outcomes from the SPMS?
- Are there processes in place to communicate internally and externally the organisation's commitment and activities on social performance?



1.2 Social performance strategy



To develop a clear strategy for managing social performance in the supply chain.



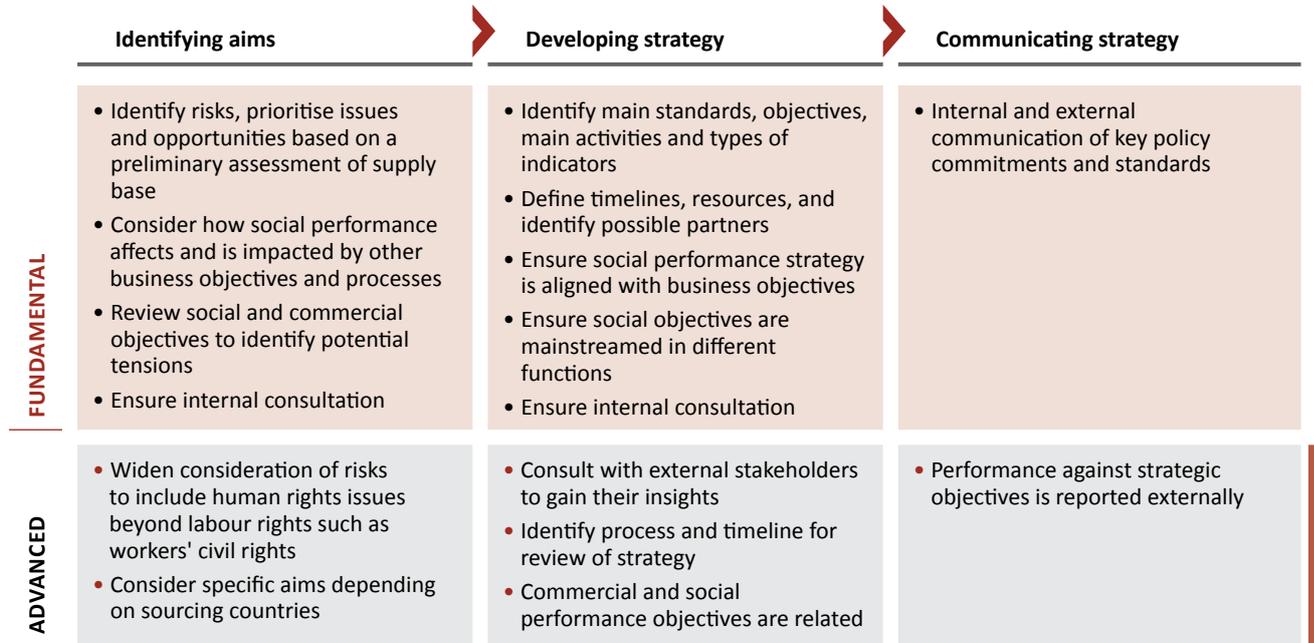
The organisation has a clear strategy for addressing social performance in its supply chain which is based on an assessment of the risk of adverse human rights impacts, and is integrated into the broader business strategy.



KEY PROCESS	FUNDAMENTAL STEPS	MORE ADVANCED STEPS
1.2.1 Standards	<ul style="list-style-type: none"> • There is a policy statement on social standards, aligned with the GSCP Reference Code or equivalent, which emphasises continuous improvement in labour conditions • The policy is developed in consultation with internal stakeholders and endorsed at the most senior level 	<ul style="list-style-type: none"> • Standards are regularly reviewed, in consultation with stakeholders, in light of developments and increasing knowledge about risks in the supply chain
1.2.2 Strategy	<ul style="list-style-type: none"> • There is a strategy for managing responsibilities towards employment and working conditions in the supply chain • Strategy encompasses major strategic objectives, timelines and expected outcomes. This is developed in consultation with internal stakeholders (such as managers and workers' representatives) and is endorsed at the most senior level • The strategy is sufficiently robust to uphold the organisation's standards and meet the reasonable expectations of all stakeholders 	<ul style="list-style-type: none"> • The strategy is extended to include wider human rights impacts in the supply chain, beyond labour rights alone • Strategic objectives and performance against these objectives are regularly reviewed • Development of strategy involves consultation with key external stakeholders • The strategy and performance against it are publicly reported
1.2.3 Risk assessment	<ul style="list-style-type: none"> • The organisation develops and uses tools to identify risks to workers, particularly risks to workers' rights, safety and welfare as defined in the GSCP Reference Code or equivalent • Assessment of risk covers at least first tier or direct suppliers • Risk assessment takes account of the views of key stakeholders 	<ul style="list-style-type: none"> • The organisation undertakes wider human rights impact assessments within its supply chain • Wider stakeholder views are considered • Risk assessment methodologies are deepened and widened in order to identify more difficult and intractable issues, at lower levels of the supply chain
1.2.4 Integration with business objectives	<ul style="list-style-type: none"> • There is alignment between the social performance strategy and the organisation's broader commercial and business objectives, as well as the policies and processes of other departments that are relevant to the success of the SPMS (notably purchasing) • Training on the SPMS is provided to all relevant staff [see Section 3 on Roles and Responsibilities and Section 4 on Internal Engagement and Training] 	<ul style="list-style-type: none"> • The organisation ensures close collaboration and integration between commercial (especially purchasing) and social functions, including in the joint development or review of relevant policies and practices • Commercial teams are incentivised to reward business to suppliers with higher labour standards • Business objectives are related with social performance objectives and redefined accordingly



Key stages for implementation

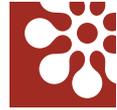


Implementation guidance

Risk assessment methods

The methods used to identify and assess risks can include the following:

- regional, national or local research on prevailing socio-economic and environmental issues relating to the supply chain/manufacturing/sourcing;
- technical research relating to specific products, materials or production processes (e.g. seeking to identify any which are harmful, in breach of regulations or that have a negative environmental impact);
- engagement with Trade Unions and informed NGOs at local, regional, national or even global level;
- information from technical and buying staff who have relationships with suppliers;
- supplier self-assessments – often used to establish initial risk levels;
- site audits.



Understanding types and levels of risk

Understanding risk is a key component in developing strategy. Risks may be understood in various ways. The first – and most important – is in terms of the risk of adverse impacts on workers within supply chains. Such risks may be generic (such as those related to lack of laws that reflect international standards in sourcing countries) or they can be specific to a production site

or a particular manufacturing process. The second type of risk relates to potential adverse impacts on the organisation from exposure to external factors. This includes commercial risks, risk of supply chain disruption or reputational risks. Once these risks are understood, a strategy to address each may be developed.

High-level risk

Examples of high level risk include:

- country-level risks associated with legal or regulatory deficiencies such as inconsistency of the national law with international standards or lack of state enforcement;
- risks associated with types of sectors, such as smallholder agriculture or manufacturing sectors involving chemical or mechanical processes;
- risks associated with certain types of common employment practices such as the use of temporary workers or homeworkers;
- risks associated with workers employed through agencies;
- risks associated with the organisation’s own practices such as short lead times, order changes, seasonal buying;
- reputational risks for iconic products strongly associated with the organisation’s image;
- risks related to products purchased and sold in large quantities by the organisation.

Site-level risk assessment

Risk assessment of suppliers and sites of employment may include some or all the following:

- employment site location, function, size and age;
- ownership structure;
- products and services provided and associated production processes;
- volumes purchased by the organisation;
- employment patterns (migrant, casual labour etc.);
- level and nature of any subcontracting (including sub-suppliers, contractors, home workers etc.);
- other customers supplied by the site (i.e. to determine whether there may be ongoing social performance programmes with other customers);
- quality and delivery performance;
- level of supplier commitment and/or previous audit results to provide a social compliance performance history;
- the quality (or absence) of self-assessment or risk assessment information provided.



Developing a strategy

Organisations will have diverse ways of developing strategies for different aspects of their business, and the detail of an organisation's strategy will depend on its circumstances. Some aspects to consider when developing a strategy to underpin the SPMS will be:

- ensuring that the strategy addresses all elements of the GSCP Reference Code or equivalent;
- the social performance challenges that need to be addressed and how these vary by country and supply chain tiers;
- external factors that influence the organisation, its supply chain and its social performance. These could be risk factors [\[see Section 6 on Monitoring and Improvement\]](#) or opportunities;
- the degree of severity of the risks of adverse human rights impacts in the supply chain²;
- how social performance objectives relate to the business' other objectives and how these can be integrated;

Consultation with stakeholders

Stakeholders affected by the organisation's operations or the supply chain can provide valuable insights into supply chain conditions and potential strategies. Consultation should take place in relation to the formulation of standards, the development of strategy and policy and subsequent reviews of these [\[see Section 5 on Stakeholder engagement\]](#).

Stakeholders that can be consulted include:

- senior members from other functional areas within the organisation;
- workers' representatives and Trade Unions from within the organisation or at external suppliers, when appropriate;
- key suppliers;

- the main thematic objectives that comprise the SPMS strategy (e.g. improved worker awareness of their rights). These objectives could relate to processes (e.g. more staff training) or objectives related to social performance outcomes (e.g. reduction in excessive overtime);
- whether there is a clear justification for each objective;
- whether the general process that can be used to address each objective can be identified;
- indicators that can be used to measure performance;
- the best ways of consulting internal and external stakeholders on strategy development [\[see Section 5 on Stakeholder engagement\]](#);
- whether the strategy can be clearly communicated to stakeholders.

- external stakeholders who can provide an understanding of the social context, risks and challenges in its supply chain (e.g. Trade Unions (at international, national and local levels), NGOs and organisations working on specific issues, international bodies, development organisations, governments, regional governments, industry associations);
- investors or shareholders;
- employees more generally may be surveyed to assess their attitude towards the organisation's social performance – the survey should be done in cooperation with Trade Unions and/or workers' committees when available.

2. The UN Guiding Principles for Business and Human Rights (Principle 14) states: The responsibility of business enterprises to respect human rights applies to all enterprises regardless of their size, sector, operational context, ownership and structure. Nevertheless, the scale and complexity of the means through which enterprises meet that responsibility may vary according to these factors and with the severity of the enterprise's adverse human rights impacts. In addition, the UN Guiding Principles for Business and Human Rights (Principle 24) states: Where it is necessary to prioritise actions to address actual and potential adverse human rights impacts, business enterprises should first seek to prevent and mitigate those that are most severe or where delayed response would make them irremediable.



Ethical Codes of Conduct

Most organisations communicate their overall commitment to supply chain social performance through a supplier ethical Code of Conduct which sets out the social performance standards expected of suppliers.

The main purpose of such a code is to set out the organisation's requirements and expectations relating to the safety, welfare and human rights of, and working conditions for, workers. The organisation usually bases such a code on established international standards and conventions (see Introduction). It is common to adopt an existing code or standard developed by a sectoral or multi-stakeholder body. The *GSCP Reference Code* acts as a common interpretation of labour requirements, based on best existing practices.

The content and scope of the supplier ethical Code of Conduct is reviewed regularly in consultation with stakeholders to ensure it is relevant and responsive to changes and developments in the organisation's vision, strategic approach, as well as external developments and stakeholder expectations.

The ethical Code of Conduct should be communicated to all suppliers. The organisation requires the supplier to communicate in an understandable manner the content of the Code of Conduct to their workers as well as to their own supply chain including contractors, agencies and homeworkers.

The organisation should clearly communicate to suppliers the commercial significance of the supplier ethical Code of Conduct, in particular how positive alignment or non-alignment can affect the commercial relationship. The ethical Code of Conduct should be included in the terms and conditions of supply and contractual agreements with the supplier [\[see Section 8 on Communication with suppliers\]](#).

An organisation may choose to build into the supplier ethical code of conduct the following good practice elements:

- how social performance within the supply chain forms an integral part of the organisation's brand, culture and strategy;
- reference to international standards and conventions on which the code is based;
- how the organisation actively engages with its key stakeholders as part of the development and/or review process. Such stakeholders may include suppliers, Trade Unions, Non-Governmental Organisations and the organisation's peer group;
- how the code or policy (and the commitment to social performance) is made public;
- a commitment to report progress also to external stakeholders;
- a clear commitment to align the content with already existing Codes of Conduct and peers' practices that uphold international standards to ensure:
 - / a common message is sent to the global supply chains;
 - / multiple and conflicting demands are avoided.



Self-assessment questions

- Is there a strategy for addressing supply chain social performance?
- Has it been driven and endorsed at the highest management level?
- Does it identify clear thematic areas, strategic objectives and the main activities?
- Has an assessment on common sector/industry/supply chain labour and human rights risks been performed to clearly understand what is at stake?
- Have relevant stakeholders been consulted?
- Has the strategy been widely communicated within the business including to workers and workers' representatives, and externally to stakeholders?
- Are there a timeline and a procedure for review of the strategy?
- Is the social performance strategy aligned with the organisation's values and is it aligned with the organisation's procurement and sourcing objectives?



2. Implementation through policies and procedures

This section addresses how strategy and policies on social and labour compliance are defined, formulated and disseminated.



OVERALL OBJECTIVE

To develop a framework of operational policies and well-resourced procedures to put strategy into practice.



OVERALL REFERENCE REQUIREMENTS

There are operational processes and procedures in place to ensure delivery of the organisation's strategy on social performance. These processes are adequately resourced. There are targets which can be used to assess the effectiveness of processes and progress towards strategic objectives.



DETAILED REFERENCE REQUIREMENTS

KEY PROCESS	FUNDAMENTAL STEPS	MORE ADVANCED STEPS
<p>2.1 Processes and procedures</p>	<ul style="list-style-type: none"> There are internal operational processes and procedures in place to ensure implementation of the organisation's strategy on social performance. Buying processes are reviewed so that they are consistent with the aims of the SPMS 	<ul style="list-style-type: none"> Processes are strengthened and enhanced following initial implementation and as the programme develops Suppliers are actively involved in reviewing processes for the SPMS
<p>2.2 Relationship with other systems</p>	<ul style="list-style-type: none"> Comparable management systems, process standards and best practice produced by other organisations and collaborative initiatives are considered to identify possible alignment and joint approaches for better fulfilment of the objectives of the SPMS 	<ul style="list-style-type: none"> The organisation actively aligns its processes with relevant external management systems and participates in joint initiatives to contribute to continuous improvement of working conditions in global supply chains
<p>2.3 Resources</p>	<ul style="list-style-type: none"> The organisation allocates resources (staff, financial resources, practical resources) to the SPMS so that the aims and objectives of the system can be met and to enable the implementation, maintenance and continuous improvement of the system 	<ul style="list-style-type: none"> Resource allocation is reviewed and expanded as needed Resources are made available for collaborative projects with suppliers and stakeholders
<p>2.4 Targets</p>	<ul style="list-style-type: none"> The organisation develops a set of indicators and targets to manage and report on its supply chain social performance Performance is measured against targets, which are amended to drive continuous improvement 	<ul style="list-style-type: none"> Targets are widened to include issues identified as the SPMS develops



Key stages for implementation

	Identifying key processes	Setting up processes	Setting targets
FUNDAMENTAL	<ul style="list-style-type: none"> Identify processes needed to implement strategy Identify relevant external process standards and assess their usefulness Identify if processes are new or amendments to existing ones Review how buying processes can be used to strengthen the SPMS 	<ul style="list-style-type: none"> Utilise relevant processes developed by collaborative initiatives Identify responsibilities and reporting lines Allocate budgets Develop internal written procedures Communicate to all relevant staff Utilise external advice or training Expand processes to integrate commercial teams 	<ul style="list-style-type: none"> Identify indicators of success Set targets and milestones Measure and report internally on performance
ADVANCED	<ul style="list-style-type: none"> Review if processes are effective 	<ul style="list-style-type: none"> Expand resources to address more difficult issues 	<ul style="list-style-type: none"> Report externally against key targets Review and amend targets as necessary



Implementation guidance

Types of internal processes

The necessary processes at the core of the SPMS will depend on the strategy adopted.

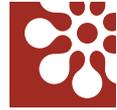
For on overtime levels from suppliers, or amending buying practices to provide suppliers with more notice of orders.

If an objective is to ensure 100% audit coverage of suppliers, the relevant process will relate to the delivery of monitoring.

Examples of SPMS processes and procedures can include:

- internal information-sharing procedures;
- risk assessment processes regarding suppliers;
- purchasing practices and critical path monitoring;
- internal tracking system for buying teams to see how suppliers are performing;

- internal reporting mechanism to top management and board responsible for the SPMS;
- training processes for staff;
- processes for contracting with suppliers;
- processes for monitoring suppliers;
- processes that provide support to suppliers;
- processes for communicating and engaging with workers;
- stakeholder engagement processes.



Collaboration and recognition of other external standards and collaborative initiatives

With due recognition of the importance of compliance with antitrust laws (as in the US) and competition laws (as in the EU), collaboration is an important element in successfully addressing social issues within the supply chain. The GSCP provides a forum for such collaboration, as do other sectoral and multi-stakeholder bodies. Collaboration can legitimately include:

- **sharing best practice:** sharing knowledge about approaches and improvements that organisations have found to be successful. As a result of this type of collaboration, groups of collaborating organisations often create joint tools, programmes or training;
- **joint standards:** creating consistency among organisations' programmes and systems. As a result of this type of collaboration, organisations collaborate to create a shared supplier ethical code of conduct, engage suppliers together

and work on collaborative training, workshops and capacity building for suppliers;

- **implementation:** notably through capacity building and remediation actions for suppliers. These can also be part of collaborative initiatives with peers.

In recognition of this, the organisation may seek to develop protocols within its SPMS for:

- recognising aspects of other types of external management systems (e.g. other organisations' audit processes);
- sharing social performance management data (ensuring confidentiality issues are considered and responsibly managed);
- collaborating with other organisations or participating in joint initiatives on social performance management issues.



Self-assessment questions

- Are there clear procedures to follow to implement strategic objectives?
- Have these been communicated to all relevant staff and more widely within the organisation?
- Are responsibilities and reporting lines clear?
- Are there adequate resources to ensure that processes can be implemented?
- Does the management system encompass measurable targets and objectives?
- How will performance be assessed?



3. Roles and responsibilities



OVERALL OBJECTIVE

To identify and effectively engage the key people and functions that will participate in the running of the Social Performance Management System.



OVERALL REFERENCE REQUIREMENTS

Roles and responsibilities for the various elements of the SPMS are defined and allocated to identified staff or functions. These responsibilities are reflected in incentives, job descriptions, objectives or terms of reference as appropriate.

There is a procedure in place to ensure active co-ordination between operational functions relevant to different aspects of the SPMS.



DETAILED REFERENCE REQUIREMENTS

KEY PROCESS

FUNDAMENTAL STEPS

MORE ADVANCED STEPS

3.1 Allocation of responsibilities

- Roles and responsibilities for the various elements of the SPMS are defined and allocated to identified staff or functions. Some functions may be undertaken by existing staff roles, while others may require new posts

- Functions and staffing levels are reviewed as the SPMS develops
- SPMS responsibilities are fully embedded and visible in staffing structures

3.2 Development of job descriptions and Terms of Reference

- Responsibilities are reflected in job descriptions, personal or departmental objectives or in terms of reference for committees, depending on how responsibilities are allocated
- Incentives linked to achievement of SPMS targets are being developed

- Objectives linked to the achievement of SPMS targets are reviewed and upgraded
- Job descriptions for specific functions (buyers/merchants) are amended to include responsibility for social compliance objectives, in relation with corresponding incentives

3.3 Clear lines of accountability

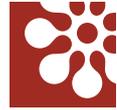
- There are clear lines of accountability and reporting to ensure that responsibilities and functions are being carried out

- Internal reporting on the SPMS is embedded within management structures

3.4 Integration of functions

- There is a process or structure to ensure active co-ordination between operational functions working on different aspects of the SPMS. This applies both between staff working primarily on the SPMS, and also with staff who have only partial or occasional responsibility for the system
- Staff involved in selecting suppliers, such as buyers and technical staff, are integrated into the operation of the SPMS, and have a clear understanding of their roles. The ways in which purchasing and commercial practices impact on suppliers' social performance are analysed, and amendments are made to processes as appropriate

- Effectiveness of co-ordination is reviewed and processes strengthened as necessary
- Departments related to SPMS operations have their respective objectives and corresponding staff incentives aligned with social performance targets



Key stages for implementation

	Identifying functions and staff roles needed to deliver SPMS	Setting job descriptions and objectives	Ensuring co-ordination between functions
FUNDAMENTAL	<ul style="list-style-type: none"> Identify managerial and operational functions Assess if existing staff can take on SPMS functions Assess training needs Assess if new posts are needed Identify resources needed Consider how other functions within the organisation have a role to play or are affected by the SPMS 	<ul style="list-style-type: none"> Discuss additional or changed functions with staff affected Identify clear responsibilities and reporting lines Identify clear objectives and timescales Consider incentives to support objectives Ensure buying staff understand how their jobs impact on the SPMS and their role 	<ul style="list-style-type: none"> Consider cross functional committees or teams Set up information sharing processes
ADVANCED	<ul style="list-style-type: none"> Review job roles and staffing levels 	<ul style="list-style-type: none"> Review performance against objectives Review if incentives are appropriate and supporting the right outcomes 	<ul style="list-style-type: none"> Ensure information flows are embedded in all functions Review effectiveness of co-ordination



Implementation guidance

Separating management and operational functions

It may be useful to think about the different functions required to implement the SPMS and to categorise these in terms of management or operational functions.

Examples of management functions	Examples of operational functions
<ul style="list-style-type: none"> Strategic decision-making: Define policies, codes and standards; set objectives and priorities; Organising: Define roles, responsibilities and authority for the system; support the development of procedures, tools and training materials; 	<ul style="list-style-type: none"> Risk management: Undertake risk assessments within the supply chain, including new suppliers and the re-assessment of existing suppliers;
<ul style="list-style-type: none"> Integrating: Raise profile, awareness and buy-in for the SPMS throughout the organisation; ensure the establishment of systems and procedures to integrate social performance with other functions such as buying; define hierarchy of decision-making; 	<ul style="list-style-type: none"> Implementation: Implement systems and processes; develop communications and training; implement programmes;
<ul style="list-style-type: none"> Reporting: Report progress to the most senior level of management; 	<ul style="list-style-type: none"> Data management: Record and analyse risk assessment and performance data;



Examples of management functions

- **Management review:** monitor the system requirements and procedures to make sure the SPMS is being implemented effectively
- **External reporting:** oversee reporting to external stakeholders

Examples of operational functions

- **Internal communicating and engagement:** report on progress and challenges
- **Monitoring:** ensure the effectiveness of remedial programmes and track performance:
 - / follow up audit findings and monitor reported issues;
 - / develop remediation plans and programmes and ensure that remediation plans are improving labour standards; and
 - / investigate underlying causes behind recurrent issues
- **Communication with suppliers:** ensure policies and procedures are communicated to all suppliers
- **Stakeholder engagement:**
 - / engage with stakeholders on formulating policy and strategy;
 - / communicate the organisation’s Social Performance Policy requirements, procedures and management system requirements to relevant stakeholders;
 - / act as the primary point of contact for questions or concerns
- **Remediating:** monitor progress on corrective actions and overall improvements in working conditions
- **Supporting suppliers:** develop materials and programmes to help suppliers comply with the requirements of the SPMS

Non-specialist functions with an impact on the SPMS

Apart from staff whose main focus is on implementing the SPMS, personnel within a number of other functions can play a part in the success of the SPMS.

Other functions that have a direct impact on the success of the system may include:

- sourcing;
- branding;
- product development;
- purchasing (see below);
- procurement;
- legal;
- human resources;
- health & safety and environment;
- information technology;
- communication;
- external affairs;
- quality management.

All these other functions should:

- understand their role in maintaining the SPMS and how it impacts upon their business activities;
- understand how their job affects social performance and how they can have a positive impact, and are aware of their responsibilities for meeting social performance objectives and targets;
- engage with the manager(s) responsible for the SPMS to alert them to any situations or issues that may affect supply chain social performance;
- ensure that social performance is built into all aspects of supplier relationships, including selection, assessment and contract terms, placing of orders and payment terms;
- monitor with suppliers the SPMS impacts and reflect positive benefits of raising labour standards.



Purchasing practices and the role of buying staff

There is a key role to be played by buying, sourcing and procurement staff as:

- they have relationships with suppliers and communicate with them regularly;
- they often have knowledge about conditions at sourcing which is relevant to risk assessments of suppliers;
- their operational activities can impact on the ability of suppliers to achieve improvements in social performance.

The key role played by purchasing practices in affecting how suppliers can manage their workers and meet social performance standards is increasingly recognised. For example, short lead times, sudden volume changes,

certain product specifications and amendments to orders can significantly impact on working patterns at suppliers, often by affecting overtime.

Organisations should review their own purchasing practices to understand these impacts and should involve their buying staff in the operation of the SPMS to ensure that purchasing practices support social performance, and that buyers' knowledge and relationships with suppliers are being utilised to promote SPMS objectives.

Many organisations also hold customised training sessions for buying staff to improve their understanding of social issues at stake and of their role in implementing the SPMS.

Gaining commitment

A successful and effective SPMS relies heavily on the commitment and involvement of all management and non-management roles that contribute to the system.

This includes personnel involved in design, sourcing, buying, procurement, technical development, quality and other supply chain-related functions. The SPMS should be, ideally, communicated to the whole personnel and attempt to involve as much staff as possible.

Commitment is achieved through positive and regular explanation and communication about the operation of the SPMS which emphasises its purpose and progress.

Formal commitment can be underlined through objective setting, management appraisal, and incorporating social performance elements within staff development.

Particular attention can be given to developing an incentive structure that will support SPMS objectives. This is most relevant for SPMS staff, but can be extended to other staff. At the very least, other staff incentives should be reviewed to ensure that they do not conflict with or undermine the achievement of SPMS objectives.



Self-assessment questions

- Have the main roles and responsibilities been defined?
- Has there been adequate internal consultation and agreement to gain buy-in?
- Have any training needs or additional resources been identified?
- Have staff objectives and incentives been considered and identified?
- What is the process for ensuring responsibilities are fulfilled and objectives met?
- What processes are there to ensure co-ordination and information-sharing between different functions?
- Are incentives or rewards with respect to social performance given to staff involved with implementing your social performance procedures?
- Has the role of buying staff been integrated into the SPMS?



4. Internal engagement and training



OVERALL OBJECTIVE

To build the necessary awareness, skills, experience and behaviours across the organisation to deliver improvement in social performance in the supply chain.



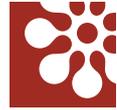
OVERALL REFERENCE REQUIREMENTS

The commitment to supply chain social performance is communicated widely within the organisation. Staff with responsibility for implementing the SPMS are given appropriate means and resources to meet their obligations.



DETAILED REFERENCE REQUIREMENTS

KEY PROCESS	FUNDAMENTAL STEPS	MORE ADVANCED STEPS
<p>4.1 Communication to staff</p>	<ul style="list-style-type: none"> The organisation's commitment to supply chain social performance is clearly communicated to relevant staff, including commercial functions 	<ul style="list-style-type: none"> The commitment is communicated widely within the organisation to raise awareness among all staff Key results from the SPMS are reported internally [see Section 3 on Roles and Responsibilities]
<p>4.2 Training for relevant staff</p>	<ul style="list-style-type: none"> Staff with responsibility for implementing the SPMS receive appropriate means and resources to meet their obligations. They receive training that includes some generic components, but is tailored to ensure that it is specific to the roles and business activities they undertake The organisation provides focused awareness raising or training for staff involved in purchasing and selecting suppliers, to assist them in understanding social issues at stake and their role in implementing the SPMS, and the impact of their decisions on suppliers' abilities to improve social performance 	<ul style="list-style-type: none"> As well as initial training to introduce the SPMS, the organisation provides periodic refresher training to update and train staff on updated policies and developments An in-depth training needs analysis is led for staff involved directly and indirectly in the operation of the SPMS as per requirement 4.4
<p>4.3 Inclusion in induction</p>	<ul style="list-style-type: none"> All people moving into supply chain related roles receive appropriate training on the SPMS 	<ul style="list-style-type: none"> The organisation incorporates appropriate reference to the SPMS into induction training for all new employees
<p>4.4 Training review</p>	<ul style="list-style-type: none"> There are periodic reviews to ensure that staff have received the necessary support and developed the corresponding skills 	<ul style="list-style-type: none"> There are processes for assessing the usefulness and effectiveness of training. Courses and content are modified in light of feedback and reviews Training reviews allow for the definition of new objectives for staff involved directly or indirectly with the implementation of the SPMS



Key stages for implementation

	Communication	Identifying training needs	Delivering training and induction	Reviewing impact of training
FUNDAMENTAL	<ul style="list-style-type: none"> Identify key messages and commitments Identify communication channels to main relevant staff Involve Trade Unions or consultative committees 	<ul style="list-style-type: none"> Identify key functions that require training Identify the training content and protocols Ensure that budget is available Assess training and awareness-raising needs for buying staff 	<ul style="list-style-type: none"> Ensure all SPMS staff have received training within target timescale Ensure training is customised according to functions Use training to capture existing good practice 	<ul style="list-style-type: none"> Ensure trainees provide feedback on training Assess if training has changed behaviour or processes
ADVANCED	<ul style="list-style-type: none"> Develop messages on SPMS for all staff Report on results and developments 	<ul style="list-style-type: none"> Review training gaps and new issues 	<ul style="list-style-type: none"> Include SPMS in all staff induction 	<ul style="list-style-type: none"> Modify training as needs and programme develop



Implementation guidance

Basic training content

The content of training will depend on the nature of the organisation and the elements of the SPMS. However, SPMS training for personnel in supply chain related roles may include:

- human rights, international labour standards, and the responsibilities of buying organisations for working conditions throughout their supply chains;
- labour legislation and existing collective agreements in sourcing countries;
- social performance vision, strategy and related policies;
- overview of supply chain social performance;
- how supply chain social performance relates to business goals;
- the main components of the SPMS and how these interact with the various functions;
- key responsibilities within the organisation;
- the availability and use of SPMS procedures and tools;
- how supply chain social performance impacts on decision-making and job roles; and
- how the overall organisation benefits from driving higher social performance.



Training elements

Practical examples of types of support provided for core business functions may include:

- issue-based training (e.g. wages and overtime, freedom of association, discrimination);
- country-specific training;
- training focused on different tiers within the supply chain, or different product sectors;
- communication and engagement skills (e.g. handling labour relations, dealing with factory management, engaging with unions, interviewing workers);
- communication procedures with the social performance management team at headquarter level;
- start-up procedure which details the social requirements for new supply chain sources (i.e. initial assessment, contract agreement, commitment to improvement, implementation schedule);

- basic questions and things to look out for in terms of social performance that can be used during supplier visits or correspondence;
- examples of good and bad practice;
- joint training for suppliers and buyers at the corporate offices or at supplier's site;
- risk procedure; explaining what to do if serious risks are found during supplier visits;
- creating social performance 'champions' within the organisation;
- information on relevant stakeholders that can provide a valuable contribution to the understanding of social issues at stake;
- information about external consultants who can be called on for specific inputs.



Self-assessment questions

- Have general training needs been identified?
- Are there specific needs in particular functions?
- Have budgets been allocated?
- Is the training progressive, so that employees can learn the basics quickly and then develop further skills?
- Is there a means of evaluating if training has been successful and the key points understood and translated into the daily work of those trained?
- Have training modules been amended in light of experience and feedback?



5. Stakeholder engagement



OVERALL OBJECTIVE

To engage positively with organisations and individuals (stakeholders) to improve knowledge and awareness of issues and to seek collaborative solutions to difficult challenges.



OVERALL REFERENCE REQUIREMENTS

The organisation identifies and engages with key stakeholders, in particular Trade Unions and expert NGOs, to develop a better understanding of the social context, risks and challenges in its supply chain. It develops collaborative relationships with stakeholders.



DETAILED REFERENCE REQUIREMENTS

KEY PROCESS	FUNDAMENTAL STEPS	MORE ADVANCED STEPS
5.1 Stakeholder mapping	<ul style="list-style-type: none"> The organisation has an understanding of the key internal and external stakeholders relevant to the SPMS 	<ul style="list-style-type: none"> The organisation develops a deeper understanding of the perspectives of stakeholders impacted by its activities
5.2 Stakeholder engagement	<ul style="list-style-type: none"> The organisation seeks information from stakeholders and consults them about its strategic aims The organisation has a commitment to engaging with Trade Unions and workers' representatives when they are present 	<ul style="list-style-type: none"> The organisation actively seeks feedback on the operation of the SPMS from external stakeholders, including Trade Unions when possible, and gathers their views of the organisation's activities Processes are implemented to ensure outcomes from stakeholders' engagement are communicated [see Section 7 on Reporting supply chain social performance]
5.3 Collaboration	<ul style="list-style-type: none"> The organisation identifies stakeholders with whom to build partnerships The organisation starts to develop practical partnerships 	<ul style="list-style-type: none"> The organisation works systematically with stakeholders, including Trade Unions and expert NGOs to help identify local issues and develop practical, workable and sustainable local solutions to develop constructive labour relations and resolve social performance issues



Key stages for implementation

	Identifying stakeholders	Engagement	Collaboration
FUNDAMENTAL	<ul style="list-style-type: none"> Identify stakeholders affected by the business and representatives of impacted groups (e.g. owners, Trade Unions or community organisations) Identify organisations with expertise 	<ul style="list-style-type: none"> Solicit views on performance and impact from suppliers and share challenges faced Gather information and views from stakeholders and consult them about policy Inform stakeholders regularly on activities and issues Engage with Trade Unions nationally and internationally Conclude collective agreements and engage in social dialogue with Trade Unions locally 	<ul style="list-style-type: none"> Identify issues and challenges to benefit from collaboration Identify possible stakeholder partners Set up some pilot collaborative projects or join projects initiated by others
ADVANCED	<ul style="list-style-type: none"> Consider wider groups of stakeholders 	<ul style="list-style-type: none"> Involve stakeholders in development of strategy and in key processes Consult workers and/or their representatives about actual or potential impacts and the approach to addressing them 	<ul style="list-style-type: none"> Establish collaborative approaches and projects Ensure collaboration becomes a systematic approach



Implementation guidance

Types of external stakeholders

In general, relevant external stakeholders:

- have an impact on or are impacted by the organisation's activities;
- have knowledge and expertise in labour rights and workplace issues;
- are well informed about local issues and understand their root causes;
- are aware of emerging issues and development opportunities that need to be taken into consideration in supply chain relationships.

Stakeholders may be identified at a local level in terms of stakeholders with an interest in a particular supplier or production site, and those operating at a national or international level.

Workers and their representatives and Trade Unions have a special position based on International Labour Standards and should be considered as *internal* stakeholders [[see Section 8 on Communication with Suppliers and their Workers](#)].

Stakeholders such as Trade Unions (at international, national and local level), Non-Governmental Organisations, national and international bodies and public authorities, development organisations, industry associations and local social support organisations can provide specialist knowledge and also opportunities for partnership in addressing challenging issues.



Stakeholder engagement

There is a variety of key steps in engaging with stakeholders. These include:

- mapping all possible stakeholders and determining which ones are affected by the organisation's operations, as well as those that are most suited to helping the organisation promote improvement in Supply Chain Social Performance;
- reviewing the type of engagement best suited to each stakeholder group (i.e. assessment of impacts, reporting of performance, involvement in strategy, participation in auditing or programmes, partnerships, etc.);
- developing partnerships to address particularly challenging issues;
- building relationships with stakeholders that broaden the organisation's awareness of social context, the risks and the challenges in its supply chain. This may include membership of multi-stakeholder organisations/initiatives or formal agreements with stakeholders (such as Global Framework Agreements);
- identifying and engaging with the Trade Unions which are representative of the workers in the company, and establishing procedures based on International Labour Conventions for the recognition of other Trade Unions, when applicable.



Self-assessment questions

- Have you identified all the stakeholder groups who may have an impact on, or be impacted by your activity, or your business relationships?
- Have you identified potential partners who can help in dealing with specific social performance issues? (e.g. grievance mechanisms, training of workers, etc.)?
- Have you considered how best to engage with relevant stakeholders and developed a process to do this?
- How well is your organisation able to engage with these stakeholders? Do you have the right skills, attitudes, information, personalities and experience?
- How prepared are you to share details of your issues and performance with an external organisation?
- Do you have examples of collaborative projects with stakeholders or see opportunities for such collaboration?



6. Monitoring and improvement



OVERALL OBJECTIVE

To develop and implement a continuous cycle of monitoring, review and improvement that will keep the SPMS active and effective.



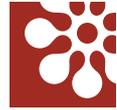
OVERALL REFERENCE REQUIREMENTS

The organisation develops effective means of critically evaluating and monitoring the SPMS so that it can evolve and adapt to changing business needs and risks within the supply chain.



DETAILED REFERENCE REQUIREMENTS

KEY PROCESS	FUNDAMENTAL STEPS	MORE ADVANCED STEPS
6.1 Monitoring	<ul style="list-style-type: none"> Information to monitor the implementation of the SPMS is available and responsibility for monitoring is allocated Information is reported to senior levels 	<ul style="list-style-type: none"> Information flow and quality is improved to take account of identified needs and developments in the SPMS There is a centralised review of monitoring activities and reports to ensure consistency in methodology, structure and content
6.2 Review	<ul style="list-style-type: none"> The operation of the SPMS is periodically reviewed to assess its effectiveness Reviews are conducted regularly and the results reported internally 	<ul style="list-style-type: none"> Reviews of purchasing practices are undertaken to identify impacts on the SPMS Results are benchmarked against comparable organisations Stakeholders and suppliers are consulted as part of reviews
6.3 Improvement	<ul style="list-style-type: none"> After reviews of the SPMS, improvements are made to the SPMS to strengthen the system and to improve the organisation's supply chain's social performance 	<ul style="list-style-type: none"> Improvements in the SPMS are integrated with improvements in other business functions



Key stages for implementation

	Monitoring	Reviewing	Improving
FUNDAMENTAL	<ul style="list-style-type: none"> • Ensure performance data and other information is available • Allocate responsibility for monitoring • Identify process for changing procedures, if necessary 	<ul style="list-style-type: none"> • Identify process and responsibility for review • Identify performance and assessment benchmarks • Assess results and recommendations • Ensure results are reported internally 	<ul style="list-style-type: none"> • Amend indicators and targets • Amend job descriptions and incentives • Improve information flows • Amend processes • Amend activities • Consider resources
ADVANCED	<ul style="list-style-type: none"> • Improve information flows to take account of changes and developments 	<ul style="list-style-type: none"> • Consult stakeholders and suppliers • Compare results with other organisations • Share outcome of review with suppliers and external stakeholders 	<ul style="list-style-type: none"> • Ensure there are changes in other business functions as necessary



Implementation guidance

Monitoring and review

Active monitoring of the system may be carried out through a combination of informal reviews and formal audits. These may be conducted by the organisation itself or by a specialist third party. They may be conducted on the SPMS as a whole to look at overall implementation, maintenance and effectiveness, or may be conducted on specific elements of the system. The body carrying out the audit should ideally

report directly to the senior management body responsible for the SPMS.

Informal reviews may be undertaken by managerial or operational staff responsible for the system. For additional rigour, these may be accompanied by an independent reviewer.

Continuous improvement

To ensure continuous improvement in performance and responsiveness to emerging issues, risks and opportunities, the organisation may consider improvements or changes to:

- the scope, targets, objectives, indicators or system components;
- data capture and collation processes to ensure that these processes are transparent and robust and that the data collected is reliable, accurate, comparable, etc.;

- training, guidance and procedures;
- internal resources;
- purchasing practices that impact on social performance;
- the criteria used for employee appraisal and reward.



Self-assessment questions

- How often do you need to review the SPMS? Who is best suited to carry out the review?
- Is it important for your organisation to formally review the SPMS e.g. via internal or external audit?
- Who is the audience for the review and what processes are there to implement recommendations?
- What parallel processes are in place to capture improvement opportunities on a day-to-day basis?



7. Reporting supply chain social performance



OVERALL OBJECTIVE

To develop trust and communicate performance through the internal and external communication of progress, challenges and issues.



OVERALL REFERENCE REQUIREMENTS

The organisation regularly reports its social performance along with its objectives and targets, using measurable indicators to help stakeholders assess the success of the SPMS.



DETAILED REFERENCE REQUIREMENTS

KEY PROCESS	FUNDAMENTAL STEPS	MORE ADVANCED STEPS
7.1 Internal reporting	<ul style="list-style-type: none"> The organisation regularly and routinely reports high level progress, performance, risks and opportunities to senior management Commitments, targets and performance are communicated internally to staff that contribute to the SPMS 	<ul style="list-style-type: none"> Performance is reported widely within the organisation to underline key commitments
7.2 External reporting	<ul style="list-style-type: none"> The organisation reports publicly on its commitments and main activities 	<ul style="list-style-type: none"> The organisation regularly reports externally on progress against supply chain social performance management targets and objectives. Feedback from suppliers and stakeholders is included in reports



Key stages for implementation

	Monitoring	Reviewing
FUNDAMENTAL	<ul style="list-style-type: none"> Identify the information needed by the various business functions to make informed decisions Identify internal reporting channels to quickly elevate significant risks to an appropriate level of management Ensure key results from the SPMS are regularly reported internally to relevant staff 	<ul style="list-style-type: none"> Consider legal and regulatory reporting requirements Report on commitments to social performance in the supply chain Report main processes and activities Consider best format (e.g. web, section in CR report) and frequency
ADVANCED	<ul style="list-style-type: none"> Report key messages to all staff Survey staff to get feedback on information disseminated 	<ul style="list-style-type: none"> Identify indicators and metrics Review the format, scope and content of reports to ensure that they meet the expectations of various stakeholder groups Invite comment from suppliers and stakeholders Report openly on challenges and lessons learned, as well as case studies Benchmark reports against other organisations



Implementation guidance

Reporting on case studies and best practice

As well as the formal reporting of risk and performance, an organisation may choose to capture and report case studies that illustrate good practices found within the supply chain, the outcomes of successful programmes or key lessons learnt, etc. If communicated to the supply chain it can also provide a powerful inspiration for other suppliers and create an effective catalyst for improvement. Such reporting can

be used by the organisation's external communications, marketing or brand management functions.

However, care should be taken to ensure that challenges being addressed or which remain to be addressed are also clearly reported.

External reporting

Organisations with established corporate responsibility or sustainability reporting often include supply chain social performance within this scope alongside their overall social, economic, ethical and environmental responsibilities.

Other organisations report their supply chain social performance separately through a specific report, or via dedicated sections of their website. Standardised formats, such as the Global Reporting Initiative (GRI) can help by providing a framework for reporting, and enabling comparability and benchmarking between reports. Reporting to pre-determined formats can form part of the membership requirements of joint initiatives or certification bodies.

The choice of whether to report externally is driven largely by a combination of legal and regulatory requirements, the organisation's culture and values, and the expectations

of its stakeholders in terms of disclosure.

External reporting should meet the following objectives:

- to demonstrate transparency that will build trust with stakeholders;
- to provide vital information to investors and stakeholders impacted by or with an interest in the organisation;
- to meet legal and regulatory requirements;
- to communicate strategy, policy, operational activities and outcomes to reassure customers and consumers; and,
- to promote internal continuous improvement via an annual public statement of the organisation's supply chain social performance.



Self-assessment questions

- How do you intend to report progress internally and externally?
- Which audiences do you want to reach and what are the best options for reporting?
- How well do you understand what information your internal stakeholders (managers, functions etc.) need, how often they need it and what communication format they would prefer?
- Are there any legal or regulatory obligations to report social performance?
- If you are not ready to report externally, can you establish a timeline and set a commitment to do so?



WORKING WITH SUPPLIERS

8. Communication with suppliers and their workers



OVERALL OBJECTIVE

To develop clear communication with suppliers and their workers to build a common understanding and to ensure social performance objectives are shared and can be implemented.



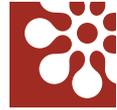
OVERALL REFERENCE REQUIREMENTS

The organisation engages with suppliers to understand their perspectives, communicates its social performance policy and system requirements to all its suppliers and their workers, and ensures that they have understood and accepted the requirements.



DETAILED REFERENCE REQUIREMENTS

KEY PROCESS	FUNDAMENTAL STEPS	MORE ADVANCED STEPS
<p>8.1 Engagement on policy</p>	<ul style="list-style-type: none"> Suppliers are consulted during the development of standards such as a Code of Conduct and policies 	<ul style="list-style-type: none"> The organisation has processes for encouraging feedback from suppliers about its own commercial practices and the operation of the SPMS
<p>8.2 Communication on standards and processes</p>	<ul style="list-style-type: none"> There is clear communication to suppliers both of standards required, the processes suppliers must follow under the SPMS, and the support they can expect The organisation communicates how supplier performance is assessed, how improvement actions are managed and the process that will be followed if suppliers do not share its commitment to continuous improvement or fail to improve over a reasonable period of time There is regular reinforcement of key messages to suppliers through multiple channels, including by buyers 	<ul style="list-style-type: none"> The organisation requires suppliers to communicate the organisation's requirements (or equivalent, notably if suppliers have their own code and requirements) to their own supply chain, including to contractors, agencies and homeworkers
<p>8.3 Communication with workers</p>	<ul style="list-style-type: none"> The organisation requires that suppliers communicate the contents of the Code of Conduct to their workers' representatives and all workers at production site 	<ul style="list-style-type: none"> The organisation works collaboratively with other companies, with suppliers and with their workers and their representatives to ensure workers understand their rights and that those rights are actionable
<p>8.4 Validation of communication</p>	<ul style="list-style-type: none"> There is a formal record that suppliers have received and understood the requirements of the Code of Conduct and the SPMS, including when these documents are changed or re-issued 	<ul style="list-style-type: none"> The organisation records how and when the contents of the Code of Conduct have been communicated to their workers and their representatives within the supply chain. It assesses the effectiveness of communication and levels of workers' awareness, through worker interviews for example



Key stages for implementation

	Policy formulation	Communication with suppliers	Communication with workers
FUNDAMENTAL	<ul style="list-style-type: none"> • Consult suppliers on formulation of policy • Engage with Trade Unions at suppliers when appropriate • Ensure policy commitments are communicated prominently and widely inside and outside the company • Ensure translation into main local languages 	<ul style="list-style-type: none"> • Ensure clear communication of processes and link to commercial relationship • Ensure new suppliers are aware of requirements at early stage • Reinforce messages to ongoing suppliers • Use buying process to underline requirements • Record communication with suppliers 	<ul style="list-style-type: none"> • Use representative structures to communicate about standards, policies, developments • Require suppliers to communicate standards to their workers • Check on worker awareness during audits and visits
ADVANCED	<ul style="list-style-type: none"> • Seek feedback from suppliers on SPMS operation • Consult on changes to policy • Translate into minority languages 	<ul style="list-style-type: none"> • Ensure suppliers communicate requirements to their suppliers/sub-contractors • Seek supplier feedback on good practices • Organise supplier seminars and training to underline messages 	<ul style="list-style-type: none"> • Assess additional information that workers at supplier sites need on their rights • Develop collaborative projects with suppliers, Trade Unions, NGOs to deepen awareness



Implementation guidance

Phased engagement process for new suppliers

A phased engagement process can be used to introduce standards to a new supplier and develop their social performance and can include the elements listed below. Best practice is to translate and issue all important communications in the local languages.

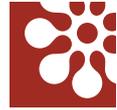
- **Pre-qualification:** the organisation includes questions relating to social performance, capability and potential for improvement as part of the initial due diligence carried out on new suppliers. This could for example use a short questionnaire, an online survey, a site visit, or a combination of these. A risk assessment can also be conducted using third party information or input from Trade Unions and NGOs;
- **Agreement on standards:** the organisation communicates the standards and processes relating to the SPMS to the supplier in a formal letter. The supplier is asked to sign and return a copy of the supplier ethical Code of Conduct and agree to comply with the requirements of the SPMS. They are also asked to communicate the supplier code to their workers at sites of employment;
- **Agreement on buying practices:** the organisation sets out its usual buying practices and discusses with the supplier about any potential negative impacts on social performance, and considers amendments as necessary;
- **Contractual agreement:** the requirements of the supplier ethical Code of Conduct and SPMS are included in the terms and conditions of the commercial contract;

- **Self-assessment:** suppliers complete a social performance self-assessment questionnaire which the organisation reviews. Self-assessments are commonly online and many are shared with other organisations via data exchange websites;
- **Validation:** social performance audits are carried out. Scale, frequency and type will depend on the requirements of the SPMS;
- **Capacity building:** based on the data collected from the self-assessment, audits, buyer visits or other sources, the organisation identifies areas where the supplier requires support (e.g. guidance, advice or training). The organisation then works with the supplier to set up capacity building programmes, possibly working with stakeholders or specialist organisations. The results of such programmes are closely monitored via ongoing visits, data monitoring and assessments;
- **More detailed presentations** can be held at supplier workshops or presentations where a group of existing or new suppliers are brought together to receive training on the SPMS. These can include workers' representatives;
- **Anonymous supplier surveys** can assess the suppliers' level of satisfaction in the way the organisation communicates with them and provides support;
- The buying company may choose to communicate and **promote best practice** through speeches at supplier events or via newsletters etc.

Methods for communicating to suppliers and validating their understanding

Methods include:

- ensuring buying staff highlight SPMS requirements during negotiations and visits;
- translation of key documents into local languages and special consideration for illiteracy issues;
- conferences and workshops where suppliers can seek information/clarifications and hear leading suppliers showcasing benefits of engaging into continuous improvement;
- ensuring specific sign-off from suppliers that they have received and understood their responsibilities under the SPMS;
- public issue of key documents via the organisation's website or via a specific supply chain online portal;
- confirmation through worker interviews, supervisor interviews, engagement with Trade Unions, worker representatives and NGOs, audits and site visits that suppliers have communicated the organisation's social performance requirements to workers throughout their sites of employment e.g. via worker briefings, individual distribution or by posting on notice boards;
- inclusion in formal terms and conditions of contract of the requirement to communicate to lower tiers of the supply chain and to production site workers.



Communicating the consequences of non-compliance

Sanctions are used as a last resort, after all reasonable efforts have been made to elevate the supplier or site of employment to a minimum acceptable level of performance and when there seems no prospect of commitment to improvement. Suppliers should be aware of the action that will be taken if they do not make every effort to comply with minimum standards.

Where sanctions are to be used, the organisation should:

- explain the consequences of failing to act;
- explain exactly when the continued non-compliance or poor performance will result in commercial sanctions.

The use of escalation process is common. An example is as follows:

- a rating system on social performance is established and communicated to all suppliers;
- the rating system, and any potential sanctions, are proportionate to the severity of the issues;
- in the event that a supplier receives a rating that might result in commercial sanctions, notifications are sent internally to the people responsible for the SPMS and formal contact is made with the senior management of the supplier;
- a corrective action plan or performance improvement programme can be developed together with the supplier, accompanied by training and support where needed;
- there is review of the action plan and any progress made;
- in the event that there is clear lack of commitment to improve on the part of the supplier, and the issue is of sufficient severity, business is suspended or terminated;

- the supplier is given the opportunity, and the support, to make subsequent improvements and to become an approved supplier in the future.

The organisation should establish clear guidance, training and protocols for personnel responsible for managing the supplier termination process, to ensure that it is undertaken in a transparent and responsible manner, including the anticipation and mitigation of negative impacts on the supplier's workforce. The responsible personnel should be aware that termination is only used as a last resort, and be provided with tools to ensure negative impacts on the supplier's workforce are identified, listed, evaluated and that possible mitigation measures are proposed and implemented.

Practical examples of situations where a supplier relationship may be terminated include:

- when critical issues are not resolved despite repeated notifications;
- when the supplier shows no interest in improving its performance in spite of support proposed by the buying organisation to remediate;
- in cases where zero tolerance findings have been identified;
- once the organisation has made, in good faith, every effort to support the supplier in addressing critical issues without positive results;
- when a supplier knowingly provides inaccurate/misleading information or withholds information relating to important aspects of its social performance.



Self-assessment questions

- How well do suppliers, and their staff at all levels, understand social performance standards and what is required of them?
- Are your standards and processes communicated prominently and clearly to suppliers?
- Are your standards communicated and reinforced by buyers during visits?
- Do suppliers understand the consequences of lack of compliance and escalation processes?
- How sure are you that your suppliers have communicated the organisation's supplier ethical code of conduct to production sites and workers?
- Have you considered methods of communicating with workers?
- How likely are suppliers to contact the organisation to ask for help or to report a problem?



9. Monitoring supplier performance



OVERALL OBJECTIVE

To develop an efficient means of gaining essential information on supply chain performance that can be used to identify risks to workers and establish the causes of these risks.



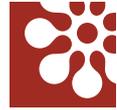
OVERALL REFERENCE REQUIREMENTS

There are effective processes for monitoring suppliers' performance against the required standards, and for identifying risks to workers. Information is analysed to identify priority issues. Processes that empower workers to provide feedback on their conditions are supported.



DETAILED REFERENCE REQUIREMENTS

KEY PROCESS	FUNDAMENTAL STEPS	MORE ADVANCED STEPS
<p>9.1 Basic information</p>	<ul style="list-style-type: none"> The organisation gathers information on suppliers and production sites which enables a basic assessment of risk 	<ul style="list-style-type: none"> The organisation integrates information from buyers and other staff visiting sites, and from workers, workers' representatives, Trade Unions and other stakeholders to build its knowledge
<p>9.2 Monitoring processes</p>	<ul style="list-style-type: none"> The organisation has processes, such as auditing, for assessing labour conditions and levels of compliance with local law and with the organisation's supplier ethical Code of Conduct at production site Processes involve workers and – where applicable – Trade Unions and workers' representatives at site level 	<ul style="list-style-type: none"> There are processes for improving quality and consistency of audits, notably through third party verification for second-party audits The organisation works collaboratively to develop assessment processes, involving Trade Unions and workers' representatives and other stakeholders, which can identify less visible issues
<p>9.3 Grievances and complaints</p>	<ul style="list-style-type: none"> The organisation establishes or collaborates in creating effective opportunities for workers to raise concerns relating to working conditions 	<ul style="list-style-type: none"> The organisation works with suppliers and with workers' representatives and Trade Unions (when applicable) to create sustainable and transparent mechanisms at site level, that empower workers to raise grievances and enable these to be addressed External mechanisms (e.g. Hotline/toll free numbers...) ensuring confidentiality for users are set up to ensure complaints are dealt with and integrated for continuous improvements of working conditions
<p>9.4 Analysis</p>	<ul style="list-style-type: none"> Data on labour conditions and compliance is analysed to identify priorities for operational activities or sourcing/purchasing decisions Information from stakeholders is collected and analysed to augment audit data, and informs decision-making 	<ul style="list-style-type: none"> Each complaint raised is recorded and leads to an appropriate action



Key stages for implementation

	Basic information	Monitoring processes using audits	Monitoring outside the audit process	Analysis
FUNDAMENTAL	<ul style="list-style-type: none"> Use information from buyers and technical staff about suppliers Use supplier self-assessments Compare results with other similar sites to identify inconsistencies and weaknesses in methodology 	<ul style="list-style-type: none"> Commission audits based on risk Use GSCP Reference tools on auditing (or equivalent) to support consistency and high standards Ensure workers are interviewed effectively Compare and benchmark audit results between different auditors and sourcing countries 	<ul style="list-style-type: none"> Support site-level complaints mechanisms Ensure workers have safe means to raise issues with the auditing organisation (e.g. hotline) Expand information gathering to integrate knowledge from commercial teams 	<ul style="list-style-type: none"> Analyse audit results to identify anomalies and patterns Identify some key recurrent issues for focused attention
ADVANCED	<ul style="list-style-type: none"> Develop messages on SPMS for all staff Report on results and developments 	<ul style="list-style-type: none"> Undertake shadow audits alongside auditors to understand their processes and assess quality Pilot different audit methodologies to improve rigour, such as focused visits, multi-stakeholder visits 	<ul style="list-style-type: none"> Engage with Trade Unions and NGOs to involve them in assessments and gather information Support site-level workers' representative structures 	<ul style="list-style-type: none"> Use data from complaints and grievances to enhance understanding of labour risks Work with the supplier and external stakeholders such as NGOs to identify the root causes



Implementation guidance

Self-assessments by suppliers

Self-assessments can be used as a first step in gathering information on suppliers and labour risks.

They can also be used to survey suppliers' needs for training, guidance and support and to survey other aspects of the buyer/supplier relationship that impact on social performance.

By expanding the self-assessment in this way, it can become an effective piece of consultation that can provide information on areas such as:

- capacity building for remediation and development opportunities (e.g. training/workshops to support performance improvement);
- the strength and effectiveness of the organisation's relationship with its suppliers and the effectiveness of supply chain management processes;
- understanding of standards and expectations; and
- the impact of purchasing practices and where these could be strengthened to support improved social performance.



Audits

Audits are commonly used by organisations to assess conditions in supply chains, and are mandated by some collective initiatives. Audits conducted to specific standards are also required by certification schemes in order to assess whether products and/or workplaces have reached the requisite standard. Where the type of audit is not mandated, they can be carried out by the organisation's own employees, by a specialist audit company, by an NGO or by a combination of these.

It should be recognised that, while audits can be effective in identifying some non-compliances with the law and with standards, they are subject to limitations:

- some labour issues are less visible to audits (e.g. discrimination, freedom of association);
- audit fraud can be widespread in some countries;
- often they reveal the symptoms rather than the underlying cause of the problem;
- they are only as good as the auditor on the day, and the terms of reference provided.

For these reasons, alternative ways of gathering information should be considered, such as grievance mechanisms (see below). Nonetheless, audits can be a useful tool, so long as they are implemented thoroughly and consistently by trained professionals. *The GSCP Reference tool on Audit Process and Methodology* and *GSCP Reference tool for Auditing Competence* provide reference guidance on methodology, and best existing practices.

Key elements of the audit process include:

- the organisation selects internal or external auditors that are competent and appropriately qualified/trained and therefore able to undertake assessments professionally, responsibly and to the standards required by the organisation;
- the organisation provides clear guidance to the supplier on the purpose, scope and focus of an audit and how the outcomes of the audit are used, including corrective actions that can support continuous improvement in social performance;
- the organisation provides guidance for suppliers on the required frequency of audits, as well as providing guidance on the required timeframe for completion of corrective actions and the arrangement of any follow-up audits;

- the organisation provides guidance to auditors on the length of an audit. Typically this includes reference to the number of workers on site. The audit length is expressed in terms of auditor days i.e. a smaller site may require 1 auditor for one day whilst a large site may require two auditors for 2 days (4 auditor days). Further guidance on this aspect is available with the *GSCP Reference tool for Auditing Competence*;
- the organisation prioritises audits at suppliers and sites considered to be high risk on the basis of risk assessment, self-assessment or other sources of information.

There are a number of audit tools and processes used by organisations to support their audit programmes:

- **Audit process:** best practice guidance regarding the minimum requirements for the audit process (before, during and after the audit);
- **Self-assessment questionnaire:** used to enable suppliers or sites to provide information about the employment site, how it manages social compliance issues and its performance against local law and labour standards;
- **Pre-audit employment site profile:** a form or tool sent by an auditor in advance of an audit. This collects general information about the location, size, workforce profile and production processes of the employment site;
- **Audit checks:** a form or tool providing auditors with the minimum requirements of the audit methodology;
- **Alert notification:** used to communicate a 'critical' non-compliance to the organisation (or other audit requestor) as soon as it is identified;
- **Audit report guidance:** provides a structure and guidance on the content of an audit report;
- **Supplementary audit information:** a form or tool to report information considered to be too sensitive for the audit report i.e. concerns which cannot be substantiated through evidence and/or interviews; general management attitude etc.;
- **Summary of findings and corrective actions:** a form or tool providing a structure for the audit findings and a format for corrective action plan to address non-compliances found during the audit;
- **Set of Key Performance Indicators:** allowing to monitor ongoing performance;
- **Balanced scorecard:** to recognise higher performance against the KPIs.



Analysis of monitoring data to identify trends and issues

Data from audits or from worker complaints often reveal the symptoms of a problem rather than its cause. It is important to use data to try and identify the underlying factors behind non-compliances.

Poor social performance within the supply chain can be caused by a wide range of underlying problems e.g. inadequate management systems at the supplier, poor legislation or inadequate implementation of legislation by government authorities, inefficient purchasing practices by the buying company, or local, social, political or cultural contexts. Without addressing these underlying problems, the non-compliance or risk is likely to reoccur.

In order to help the supplier overcome these issues, various approaches can help. These include:

- work on purchasing practices within the buying company;
- organise awareness raising workshops and seminars for suppliers to understand issues;
- work with suppliers to develop focused projects on key issues;
- collaborative work with other buying companies, with suppliers and with external stakeholders such as Trade Unions and NGOs to identify and address the root causes.

Grievance mechanisms for workers

Buying organisations should support the implementation of grievance mechanisms that operate at site level, to empower workers and promote dialogue between management and workers.

This allows for a more sustainable way of identifying and remedying issues than auditing alone. An effective grievance mechanism provides an important means for capturing concerns about working conditions and also acts as a channel for remedying problems.

Often, this mechanism will reveal issues that are not identifiable by audits. Where Trade Unions are present, they can provide the channel for communication of grievances. Mechanisms that enable workers to raise issues directly with the buying organisation (such as hotlines) should also be in place.

With suppliers, or at production site level, methods for collecting and addressing complaints and grievances include:

The identification and analysis of root causes consists in asking questions and digging deeper behind the superficial problem. The following example shows the importance of the “5 whys” i.e. asking the same question at a minimum of three (and maybe more) different levels to find the root cause. In this example we are looking into the reasons for excessive overtime in a site of employment.

Q1 Why is there a non-compliance?

A1 Because we have excessive overtime.

Q2 Why is there excessive overtime?

A2 Because our workforce needs to stay late to make the products we sell.

Q3 Why can't you make the products without your workforce doing overtime?

A3 Because we need to meet customer orders on time.

Q4 Why can't you meet order deadlines without overtime?

A4 Because the raw materials always arrive late.

Q5 Why can't you get raw materials delivered earlier?

A5 Because we have to pay for them in advance and we don't have the cash to do this.

In this example, the questioning would continue to explore this in more detail and also to explore other possible reasons for overtime.

- a hotline which may be resourced by independent trained interviewer;
- complaints and suggestion boxes;
- a web-based mechanism, or postal box /address where to post concerns;
- appointed representatives within the workforce who are tasked with receiving grievances and assisting in ensuring they are resolved;
- recognising Trade Unions that can represent their members' complaints;
- creating a worker-management committee to discuss grievances and workplace issues;
- listening groups with senior managers;
- contacts with local stakeholders who are working on sector or country-specific grievance mechanisms and gather worker views and complaints about their conditions.



There is detailed guidance on grievance mechanisms in *the UN OHCHR's Interpretive Guide on The Corporate Responsibility to Respect Human Rights*. This also makes clear the need for a mechanism to do more than just provide trusted means for registering complaints, but also to provide predictability of the process that will follow, transparent communication and engagement with complainants about complaints, and fair processes. It underlines the need to avoid mechanisms that undermine the role of legally-constituted Trade Unions and industrial relations processes.

It is important that any grievances raised are dealt with in a confidential manner by designated and trained managerial staff. The organisation should ensure that staff at suppliers handling complaints have appropriate training

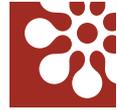
and support and that protection of the complainant is guaranteed. This means ensuring that there are no negative consequences (e.g. discrimination, disciplinary action) for workers, organisation personnel, suppliers or other external stakeholders for reporting concerns.

In relation to complaints from suppliers, the organisation may also consider a supplier's "ombudsman" system, whereby suppliers are provided with a phone number and e-mail through which they can directly contact a senior person within the buying company who deals with all grievances. However, it is important to look at how grievance mechanism addresses grievances and not simply how it gathers them.



Self-assessment questions

- Do you analyse self-assessments and compare them with audit results?
- Does your organisation have a mechanism for prioritising and scheduling audits?
- Does your organisation provide clear guidance to the supplier organisation on the purpose, scope and focus of an audit?
- Does your organisation provide guidance for suppliers on the required frequency of audits?
- Does your organisation provide clear guidance to the supplier organisation on how the outcomes of the audit process is used to determine best practice measures and corrective actions that can support continuous improvement in social performance?
- How well do you understand the recurrent and endemic issues within the supply chain, including at a country level, and their root causes?
- Do you involve other staff with knowledge of suppliers (such as buyers) in assessing and monitoring suppliers?
- Are you confident that audits are undertaken consistently?
- How do you assess audit quality?
- Have you considered mechanisms for assessing suppliers outside of the audit context?
- What procedures are there for understanding worker concerns?
- How do you support suppliers in implementing worker grievance processes?



10. Data management



To hold data relating to supply chain social performance accurately and securely so that it is in a form that can be easily accessed by those who need it.



There are data management processes that enable accurate information on supply chain social performance to be gathered, maintained, analysed and shared.



KEY PROCESS	FUNDAMENTAL STEPS	MORE ADVANCED STEPS
10.1 Visibility of suppliers	<ul style="list-style-type: none"> • There is process that maintains up-to-date identification of all primary suppliers and their production sites 	<ul style="list-style-type: none"> • Suppliers at lower levels of the supply chain are identified and mapped • Information on homework locations is also available
10.2 Supplier status	<ul style="list-style-type: none"> • There is a data management process that provides a clear and real-time picture of labour conditions in the supply chain, and the status of individual suppliers in terms of social performance • Data is used to track the status of individual suppliers and is analysed to inform strategic objectives 	<ul style="list-style-type: none"> • Data on supplier social performance at lower tiers of the supply chain is maintained
10.3 Integration with commercial data	<ul style="list-style-type: none"> • Data on supplier social performance is shared with commercial teams 	<ul style="list-style-type: none"> • Data on supplier social performance is integrated with commercial and technical data related to the supplier relationship
10.4 Data sharing	<ul style="list-style-type: none"> • The organisation explores how it can share social performance data such as audits with other buying organisations 	<ul style="list-style-type: none"> • The organisation actively shares its data, subject to confidentiality and commercial restrictions



Key stages for implementation

	Supplier visibility	Supplier status and improvements	Analysis
FUNDAMENTAL	<ul style="list-style-type: none"> Ensure all suppliers are visible to SPMS team Link purchasing system to SPMS 	<ul style="list-style-type: none"> Set up system for real-time data collection Ensure data on improvements is available Ensure system allows tracking of timelines and priorities 	<ul style="list-style-type: none"> Produce tracker reports Share with commercial teams
ADVANCED	<ul style="list-style-type: none"> Enforce visibility of lower tiers of the supply chain 	<ul style="list-style-type: none"> Ensure system produces useful and relevant information Consider mechanisms for sharing data 	<ul style="list-style-type: none"> Identify trends and endemic issues Consider how these affect focused activities and strategic objectives



Implementation guidance

Data management

Good data management can enable performance to be monitored and measured in a transparent, robust and comparable way. It can support the review and reporting of supply chain social performance and help measure progress against objectives and targets. Data management methods can include:

- ensuring information from purchase/order monitoring systems is available to SPMS staff to promote visibility of suppliers;
- creation of a social performance database (or for smaller organisations a spreadsheet file) to manage data on suppliers' and sites' social performance;
- ensuring data provides real-time information on supplier status, as well as information on improvement actions recommended and undertaken, along with timelines;
- use of an external data monitoring system that collects audit information;
- recognition of certification schemes that list suppliers that have reached required standards;
- creation and internal circulation of regular tracking reports on supplier status;
- ensuring buying teams have visibility of supplier status, and enabling them to input information into the system;
- creation of periodic overview reports highlighting trends on social performance.



Self-assessment questions

- Is SPMS staff able to identify all supplier sites? How far down the supply chain is there visibility of supplier sites?
- How up to date is information you hold on suppliers' social performance?
- Can you track improvements undertaken at individual supplier sites?
- How well does the system enable analysis of trends across the supply base, or by country or sector?
- How well is SPMS data integrated with commercial, technical or quality data held on suppliers?
- Do you share supplier data with other organisations (subject to appropriate confidentiality and commercial restrictions)?



11. Supporting improved supplier performance



OVERALL OBJECTIVE

To provide assistance to suppliers to enable them to move beyond compliance and achieve sustainable improvements in their social performance.



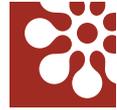
OVERALL REFERENCE REQUIREMENTS

The organisation offers practical information and support to suppliers to develop their understanding and capacity to implement improvements in social performance.



DETAILED REFERENCE REQUIREMENTS

KEY PROCESS	FUNDAMENTAL STEPS	MORE ADVANCED STEPS
11.1 Guidance on standards	<ul style="list-style-type: none"> The organisation provides guidance to suppliers to enable them to understand how to comply with its requirements 	<ul style="list-style-type: none"> There are online resources which are updated regularly and customised for different contexts and issues
11.2 Assistance with remediation	<ul style="list-style-type: none"> Corrective action plans are developed in consultation with suppliers and other relevant parties Plans have timelines, are followed up and improvements are verified Termination of suppliers is applied only as a last resort when there is no prospect of improvement 	<ul style="list-style-type: none"> The organisation provides systematic and practical assistance in a variety of ways to suppliers to help them implement improvements
11.3 Capacity building	<ul style="list-style-type: none"> The organisation develops capacity building programmes or tools for suppliers 	<ul style="list-style-type: none"> The organisation systematically provides support, tools and training for suppliers to build sustainable solutions on social compliance The organisation provides support on improving management and HR systems at suppliers Support for workers is provided to enable them to realise their rights
11.4 Collaboration	<ul style="list-style-type: none"> The organisation works with groups of suppliers to identify and implement solutions 	<ul style="list-style-type: none"> The organisation works with other buyers, and facilitates collaboration between suppliers to reach common solutions to problems The organisation encourages feedback from suppliers about the impact of the organisation's own practices on working conditions
11.5 Incentives	<ul style="list-style-type: none"> The organisation provides incentives and support for suppliers who make a commitment to improving social performance 	<ul style="list-style-type: none"> The organisation provides incentives and rewards for suppliers that demonstrate higher social performance



Key stages for implementation

	Guidance	Remediation	Capacity building
FUNDAMENTAL	<ul style="list-style-type: none"> • Provide guidance documents on the meaning of requirements • Ensure suppliers have a clear explanation of processes • Provide guidance on improvements during audits • Ensure buyers and other staff visiting suppliers can provide guidance 	<ul style="list-style-type: none"> • Involve supplier management and workers in remediation plans • Ensure improvement actions are followed up • Provide tools, manuals, examples of best practice to illustrate improvements • Create clear incentives for suppliers to achieve improved performance 	<ul style="list-style-type: none"> • Identify some key issues and groups of suppliers to work with • Develop programme of support for groups of suppliers • Develop training modules on key issues
ADVANCED	<ul style="list-style-type: none"> • Produce guidance documents suited to different countries and sectors • Collaborate with other buyers on common guidance 	<ul style="list-style-type: none"> • Ensure widespread take-up of tools • Ensure tools are available in local languages • Recommend experts who can provide specialist assistance • Bring suppliers together to share experience and best practices 	<ul style="list-style-type: none"> • Invite feedback from suppliers on their requirements for capacity building • Provide support on improving management systems • Offer training for management and workers on dialogue and partnership • Hold supplier events to facilitate learning and networking • Encourage suppliers to participate in collaborative initiatives • Create collaborative projects with other buyers, and involve Trade Unions and NGOs



Implementation guidance

Guidance for suppliers on implementing corrective actions

Suppliers in many sectors may require substantial help to understand how to implement social improvement and particularly they often need clarification on the details of the standards set out in supplier ethical code of conducts and other documents.

Practical examples of how organisations provide ongoing guidance to their suppliers include:

- developing performance improvement programmes (or corrective action plans) which have clearly defined priorities, timeframes and stages, in consultation with suppliers;
- defining a roadmap for incrementally improving performance;
- advice on how to implement improvements is provided by auditors or other staff during audits;
- advice on improvements available shared by visiting staff (such as buyers or technical staff);
- manuals or other guidance materials, often in local language, which may be issued or made available via the organisation's website or supplier online portal;
- clarification of local employment law via website links or specific guidance materials;
- e-learning and online training;
- practical case studies and examples of good practice.



Remediation

Non-compliances identified during audits are generally remedied through a corrective action plan or similar. This should be developed in consultation with the site management so that they have buy-in to the plan. Dialogue at this stage also provides the opportunity for discussion about possible support the supplier may need to implement the plan, and also the underlying reasons for the problem.

Remediation should also be seen as a process whereby those affected by the problem are consulted and agree with the proposed outcome. For this reason, workers' representatives should also be involved in these discussions so that they can support and monitor ongoing improvements.

The *GSCP Reference tools on Audit Process and Methodology* provide reference guidance on corrective action plans.

Building capacity at supplier level

Often, social performance issues arise from a lack of understanding or deficiencies in management systems and in human resource practices. Guidance may not be sufficient to address these, and more focused and intensive capacity building activities can be considered. These should be developed collaboratively with suppliers and with other stakeholders, as appropriate. Examples include:

- promoting supplier ownership of its improvement plan, with regular two-way engagement to ensure issues are resolved and to identify where support from the organisation or other parties may be needed;
- introducing the supplier to established programmes and initiatives that the supplier can participate in, or learn from;
- facilitating and promoting collaborative working by groups of suppliers to share best practice;
- social performance management training which allows the organisation to present and explain its requirements, emphasise the business case for improved performance and also invite the suppliers to interact and exchange ideas and best practices;

- management training for suppliers on improvements in human resource systems;
- training for supplier management on engaging with Trade Unions;
- joint awareness-raising with management and workers on particular key or challenging issues;
- joint management-worker training on dialogue and conflict resolution;
- identifying expert consultants or local civil society organisations (e.g. NGOs) who can support suppliers on specific issues;
- recommendation of external agencies/consultants who can offer supplier coaching and support.



Addressing challenging issues

Some non-compliances and poor conditions are the result of deep-seated practices within organisations, legal and administrative weaknesses or cultural and social conditions. The organisation uses the SPMS to understand and address such challenging issues. Many of these issues require an approach which involves suppliers, other buyers, workers and other stakeholders [\[see section 10 on Data Management above\]](#).

Examples of ways to address these issues include:

- engaging with workers and stakeholders to understand emerging issues, regulatory developments and new standards to heighten awareness of supply chain social risks and challenges, and the impacts that they may have on workers within the supply chain;
- discussing the practical application of the supplier ethical code of conduct with suppliers and developing a timeline

for improvements that is realistic, achievable and agreed by both parties;

- analysing data e.g. non compliances, from the supply chain to identify recurring or persistent issues i.e. issues that remain after several audits/visits. This may involve the analysis of issues common to a particular sector, category or geographical area;
- sharing information about challenges and issues, and adopting a collaborative approach (where appropriate) to solving them, with other organisations and suppliers;
- organising supplier and stakeholder workshops/trainings to discuss and tackle issues and share ideas;
- developing and sharing guidance materials/best practices to support suppliers in improving social performance.



Self-assessment questions

- Is there information such as documents or web pages for all suppliers which both explain the standards required and provide ideas, suggestions and guidance on methods for achieving compliance? Are these documents customised to take account of different countries and product sectors?
- Does your organisation provide incentives to suppliers to reward good social performance and compliance?
- Does your organisation engage in collaboration with other buying organisations and stakeholders, as appropriate?
- Have buyers and other staff that visit suppliers been trained to offer guidance on key labour and social issues?
- Is the guidance you provide co-ordinated with other buying organisations or derived from other schemes or initiatives?
- Are corrective action plans discussed with suppliers?
- Do you provide support on implementing corrective actions such as manuals, training, best practice, toolkits?
- Do you know when corrective actions have been implemented? How do you verify this?
- Do you provide longer term support to suppliers to enable the implementation of improved systems and processes? What level of resource do you put into this work?
- Do you work with suppliers and workers to promote dialogue?
- Do you encourage suppliers to work together and to get involved in collaborative initiatives?
- How do suppliers benefit commercially if they achieve improved social performance?

Glossary of terms

B

Buyer

Buyer of products, goods and/or services from third parties.

Buying organisation (Organisation)

Organisations that source their products, goods and/or services from third parties and that may also have production operations themselves.

C

Comply /compliance

To meet local labour laws and regulations, collective agreements (where they exist), applicable codes of conduct, international labour standards, including aspects of human rights that extend beyond the bounds of labour standards.

Components of the social performance management system

The various elements (systems, processes, policies, procedures etc.) which combine to form the social performance management system.

Continuous improvement

An operational philosophy based on the premise that performance improvement is the ongoing responsibility of everyone in the organisation. Within this document it refers to the recurring process of enhancing the social performance management system in order to achieve improvements in overall performance consistent with an organisation's social performance policy.

Corrective Action Plan

A plan established to remove the causes of an existing non conformity or undesirable situation. The corrective action process is designed to prevent the recurrence of nonconformities or undesirable situations. It tries to prevent recurrence by eliminating causes. Corrective actions address actual problems.

D

Due diligence

Comprehensive, proactive process to identify the actual and potential negative social, environmental and economic impacts of an organisation's decisions and activities over the entire life cycle of a project or organisational activity, with the aim of avoiding and mitigating negative impacts.

E

Effective/effectiveness

Effectiveness refers to the degree to which a planned effect is achieved. Planned activities are effective if these activities are realised. Similarly, planned results are effective if these results are actually achieved. For example, an effective process is one that realizes planned activities and achieves planned results. Similarly, an effective set of characteristics or specifications is one that has the potential to realise planned activities and achieve planned results.

(Ethical) Code of Conduct (also referred to as a Supplier ethical Code of Conduct)

A set of standards concerning labour practices, and may extend to ethical and governance issues as well as human rights, adopted by an organisation and applied to its suppliers, employment sites and subcontractors.



External stakeholder
.....

An external party (individual, group or organisation) that is either impacted by the organisation, or that impacts upon the organisation.

F

First party audit
.....

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

Framework
.....

Broad overview, outline, or skeleton of interlinked items which supports a particular approach to a specific objective, and serves as a guide that can be modified as required by adding or deleting items.

G

Grievance mechanism
.....

The channel of communication (and associated processes) available to individuals or organisations to report concerns, within a formal process that offers them protection from retribution.

H

Homeworker
.....

A person who is contracted by the organisation or by a supplier, sub-supplier or subcontractor, but does not work on their premises.

Hotline
.....

A telephone line that gives quick and direct access to a source of information or help.

Human rights risks
.....

Any risks that an organisation's operations may lead to one or more adverse human rights impacts. They therefore relate to its potential human rights impacts. In traditional risk assessment, risk factors in both the consequences of an event (its severity) and the probability of it occurring. In the context of human rights risk, severity is the predominant factor. Probability may be relevant in helping prioritise the order in which potential impacts are addressed in some circumstances. Importantly, human rights risks are separate from any risks to the enterprise that may derive from its

involvement with human rights impacts. However, the two are increasingly related.

As defined by *the Corporate Responsibility to Respect Human Rights: an Interpretive Guide*

I

Incentive
.....

Inducement or supplemental reward that serves as a motivational device for a desired action or behaviour.

Indicator
.....

Is 'clear, informative, practical, comparable, accurate, credible and reliable', the qualitative aspects of which may include more subjective forms of monitoring such as 'interviewing, observing and other techniques for evaluating behaviour and commitments.

Internal stakeholder
.....

An internal party that is either impacted by the organisation, or that impacts upon the organisation. Usually this relates to employees and their representatives, executive and non-executive directors, but can be extended to other parties who are contracted to work on behalf of the organisation.

K

Key Performance Indicator (KPI)
.....

A key performance indicator (KPI) is a metric or measure. KPIs are used to quantify and evaluate organisational success. They measure how much success you've had and how much progress you've made relative to the objectives you wish to achieve. KPIs are also used to set measurable objectives, evaluate progress, monitor trends, make improvements, and support decision making. KPIs should be quantifiable and appropriate and should collect information that is useful to the Organisation and relevant to the needs and expectations of interested parties.

L

Labour standards
.....

Principles, rights and obligations founded on the Conventions and Recommendations of the ILO which regulate - including in relation to freedom of association, discrimination, child and forced labour, decent working conditions and health and safety at work.



M

Management function
.....

A group of employees dedicated to a specific management discipline e.g. human resources, finance, legal, procurement, etc.

Management system
.....

A management system is a set of interrelated or interacting components that Organisations use to implement policy and achieve objectives.

As defined by ISO 9000, 9001, AND 9004 QM Definitions

Material (i.e. non-financial) issues/risks
.....

Non-financial risks and issues (e.g. HSE and social issues relating to labour conditions) identified by an organisation in relation to its supply chain that are considered to be significant or high risk to the reputation of the business.

N

Non-compliance
.....

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

Non-conformity/Non conformance
.....

Nonconformity refers to a failure to comply with requirements. A requirement is a need, expectation, or obligation. It can be stated or implied by an Organisation, its customers, or other interested parties. There are many types of requirements. Some of these include quality requirements, customer requirements, management requirements, product requirements, and legal requirements.

Non-financial reputational risk
.....

The risk of damage to the reputation of an organisation from non-financial issues, activities and practices (e.g. across the spectrum of HSE, Labour, Social (Community), Human Rights and other Sustainability topics).

O

Organisation
.....

Within the context of this document, 'organisation' refers to the buying organisation that commissions products or services from suppliers and/or sites of employment.

Organisation's strategy
.....

The organisation's strategy is the roadmap towards attainment of the long-term targets and objectives of an organisation.

Organisational infrastructure
.....

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

P

Procedure
.....

A procedure is a defined and repeatable way of carrying out a process or activity. A procedure may or may not be documented. Documented procedures can be very general or very detailed, or anywhere in between. While a general procedure could take the form of a simple flow diagram, a detailed procedure could be a one page form or it could be several pages of text. A detailed procedure defines and controls the work that should be done, and explains how it should be done, who should do it, and under what circumstances. In addition, it explains what authority and what responsibility has been allocated, which inputs should be used, and what outputs should be generated.

Definition based on ISO 9000, 9001, AND 9004 QM

Process
.....

A process is a set of activities that are interrelated or that interact with one another. Processes use resources to transform inputs into outputs. Processes are interconnected because the output from one process becomes the input for another process. In effect, processes are "glued" together by means of such input output relationships. Organisational processes should be planned and carried out under controlled conditions. An effective process is one that realises planned activities and achieves planned results.

As defined by ISO 9000, 9001, AND 9004 QM



Procurement
.....

The process of sourcing, developing, negotiating and transporting products and services.

R

Remedy/remediation
.....

Both the processes of providing remedy for an adverse impact and to the substantive outcomes that can counteract, or make good, the adverse impact. These outcomes may take a range of forms, including apologies, restitution, rehabilitation, financial or non-financial compensation and punitive sanctions (whether criminal or administrative, such as fines), as well as the prevention of harm through, for example, injunctions or guarantees of non-repetition.

As defined by *the Corporate Responsibility to Respect Human Rights: an Interpretive Guide*

Review
.....

A review is an activity. Its purpose is to figure out how well the thing being reviewed is capable of achieving established objectives. Reviews ask the following question: is the subject of the review a suitable, adequate, effective, and efficient way of achieving your Organisation's objectives?

As defined by ISO 9000, 9001, AND 9004 QM

Requirement
.....

A requirement is a need, expectation, or obligation. It can be stated or implied by an Organisation, its customers, or other interested parties. A specified requirement is one that has been stated (in a document for example), whereas an implied requirement is a need, expectation, or obligation that is common practice or customary. There are many types of requirements. Some of these include quality requirements, customer requirements, management requirements, product requirements, and legal requirements.

Risk assessment
.....

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

S

Social
.....

Reference to the term 'social' within this tool pertains to the key topics covered by GSCP's Reference Code in relation to fair labour requirements and their implementation, namely Forced, bonded, indentured and prison labour; Child labour; Freedom of association and the effective recognition of the right to collective bargaining; Discrimination, harassment and abuse; Health and safety; Wages and benefits; Conditions of Employment and Working hours.

Social audit
.....

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

Supplier Code, also referred to as a Code of Conduct or an Ethical Code of Conduct
.....

A set of standards concerning labour practices, and may extend to ethical and governance issues as well as human rights, adopted by an organisation and applied to its suppliers, employment sites and subcontractors. Other equivalent references to Ethical Standards/Business Principles may include Responsible Sourcing Requirements, Corporate Responsibility requirements, etc.

Social Policy (also referred to as Social Performance Management Policy)
.....

A documented set of broad guidelines, formulated after an analysis of all internal and external factors that can affect an organisation's objectives, operations, and plans.

Social Performance Management System (SPMS)
.....

A formal programme specifying an organisation's policies, procedures, and actions within a process to help prevent and detect performance issues associated with violations of labour laws, collective agreements, international labour standards and regulations, human rights violations within its supply chain, poor labour conditions and practices.

Social impacts
.....

Social outputs, outcomes, or impact of an intervention, programme, or organisation.



Social compliance

.....

Within the context of this document 'social compliance' relates to alignment with applicable laws, regulations and standards, including those contained in the organisation's supplier ethical Code of Conduct and also alignment with the expectations of stakeholders.

Social performance

.....

The performance of an organisation in relation to its social performance management system.

Stakeholder

.....

A person with an interest or concern in the organisation, site or project. Stakeholders can include (but not necessarily be limited to): employees, Trade Unions, the Board, non-executive directors, shareholders, other financial backers, host governments, regulators, customers, suppliers, expert and representative NGOs, the local community, etc.

Strategic decision-making

.....

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

Strategy

.....

A strategy is a logically structured plan or method for achieving long term goals.

As defined by ISO 9000, 9001, AND 9004 QM definitions

Supplier/ Subcontractor

.....

Any contract partner who supplies the retailer/brand with goods or services. (An organisation which provides the organisation with goods and/or services integral to and utilised in or for the production of the organisation's goods and/or services - *As defined by SA8000 definitions*).

Sub-supplier

.....

A business entity in the supply chain which, directly or indirectly, provides the supplier with goods and/or services integral to and utilised in or for the production of the supplier's and/or the organisation's goods and/or services.

As defined by SA 800 definitions

Supply chain

.....

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

System

.....

Set of detailed methods, procedures, and routines established or formulated to carry out a specific activity, perform a duty, or solve a problem.

T

Third party audit

.....

An external audit that it conducted by an independent organisation upon another organisation to evaluate conformity with procedures, organisational requirements, standards, etc.

Transparency

.....

Openness about decisions and activities that affect society, the economy and the environment and willingness to communicate these in a clear, accurate, timely, honest and complete manner.

As defined by ISO 26000

V

Vision

.....

An organisation's vision describes what it wants to be and how it wants to be seen by interested parties.

Adapted from ISO 9000, 9001, AND 9004 QM Definitions

W

Worker

.....

Person who performs work, whether an employee or someone who is self-employed.

As defined by ISO 26000

Sources of additional information

International bodies

- **UN:** UN Global Compact
- **OHCHR:** The Corporate Responsibility to Respect Human Rights, an Interpretive Guide
- **UNHRC:** Guiding Principles on Business and Human Rights
- **ILO:** Tripartite Declaration of Principles Concerning Multinational Enterprises and Social Policy
- **ILO:** Declaration on Fundamental Principles and Rights at Work
- **OECD:** Guidelines for Multinational Enterprises www.oecd.org/dataoecd/43/29/48004323.pdf
- **OECD:** The Corporate Responsibility to Respect Human Rights in Supply Chains: Discussion Paper

Collaborative and certification initiatives

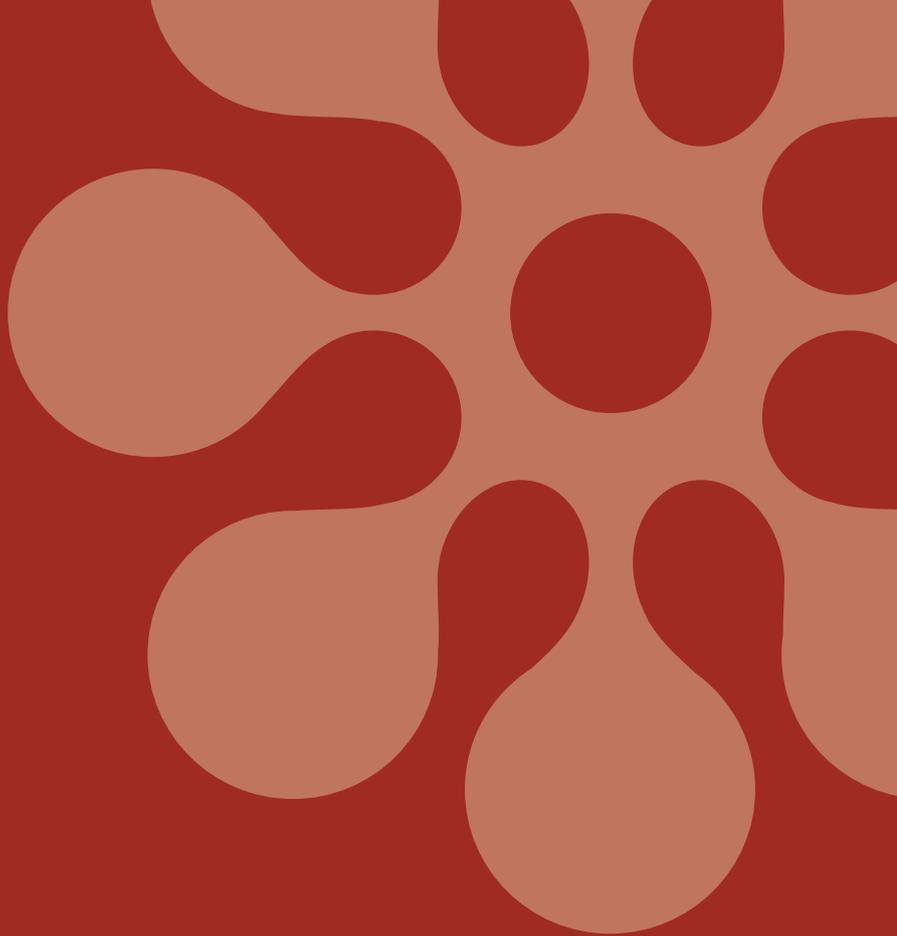
- **Better Cotton Initiative** www.bettercotton.org
- **Business for Social Responsibility** www.bsr.org
- **Business Social Compliance Initiative (BSCI)** www.bsci-intl.org
- **EICC - Electronic Industry Citizenship Coalition / GeSI** www.eicc.info
- **ETI - Ethical Trading Initiative** www.ethicaltrade.org
- **Fair Labor Association** www.fairlabor.org
- **Fair Wear Foundation** www.fairwear.org
- **GSCP** www.gscpnet.com
- **Global Reporting Initiative** www.globalreporting.org/CurrentPriorities/SupplyChain
- **ICS - Initiative Clause Sociale** www.ics-asso.org
- **ICTI CARE Foundation** www.toy-icti.org
- **IDH** www.idhsustainabletrade.com/en/about-idh
- **ISEAL Alliance** www.isealalliance.org
- **Rainforest Alliance** www.rainforest-alliance.org
- **Social Accountability International (SAI)** www.sa-intl.org
- **Social Accountability Accreditation Services (SAAS)** www.saasaccreditation.org
- **Worldwide Responsible Accredited Production (WRAP)** www.wrapcompliance.org

Data sharing

- **Sedex** www.sedex.org.uk
- **Fair Factories Clearinghouse** www.fairfactories.org

Other

- **United Nations Global Compact Supply Chain Portal:** <http://supply-chain.unglobalcompact.org>
- **Portal for Responsible Supply Chain Management** www.csr-supplychain.org



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