Setting up an effective monitoring system for your company's supply chain
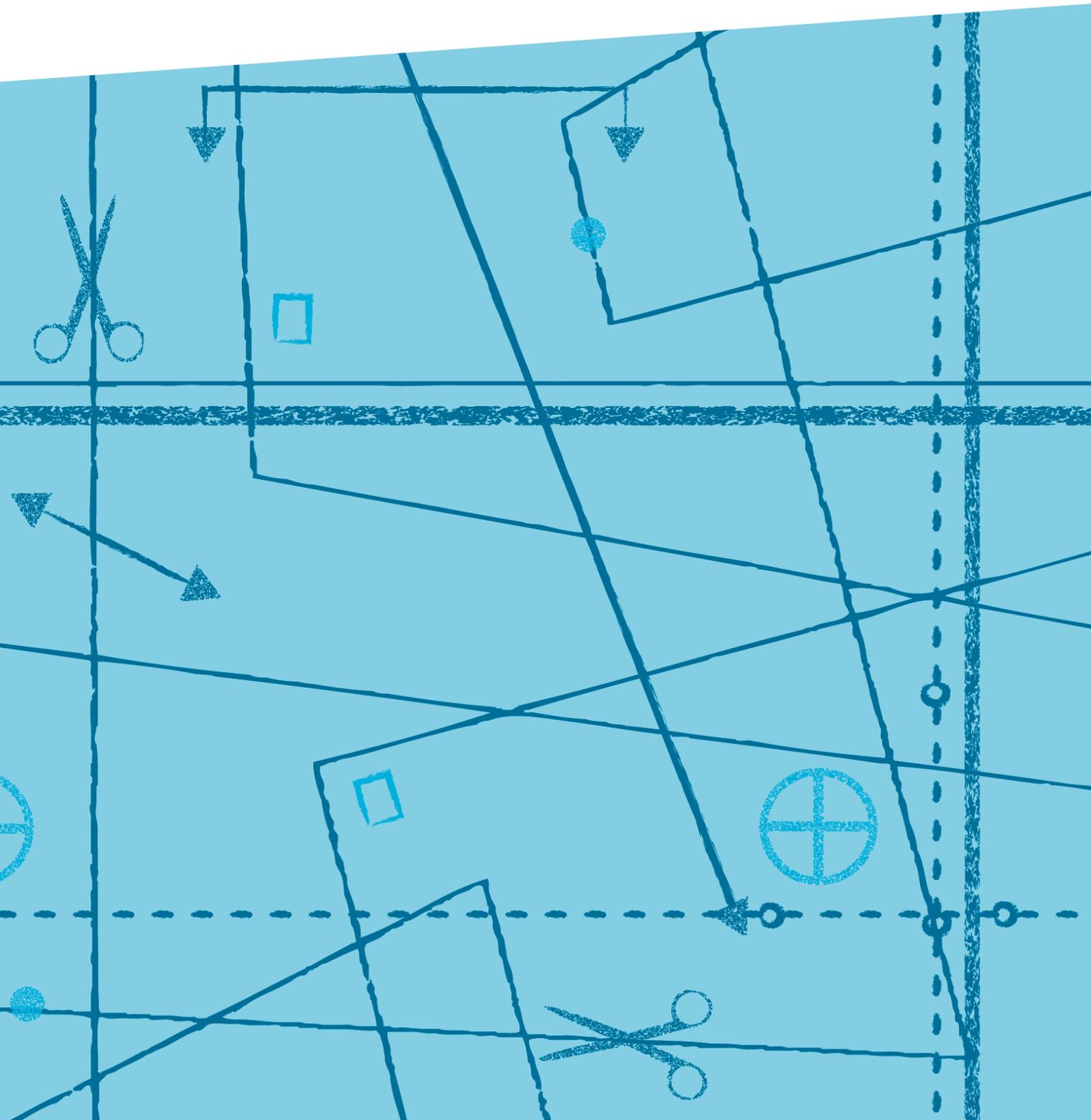
Understanding and implementing due diligence obligations

Contents

Foreword

An effective monitoring system helps companies implement social and environmental objectives in the supply chain and communicate progress to external stakeholders. These guidelines provide interested companies with suggestions for introducing or improving a monitoring system in the supply chain. They include a wide range of subjects, including internal prerequisites, progress measurement indicators, various monitoring instruments and ways of handling violations of agreements. The information is accompanied by a range of practical examples.

1 Introduction

Starting in 2019, all brands, retailers and manufacturers in the Textile Partnership are expected to introduce an effective system they can use to review and monitor their own measures for improving social and environmental conditions in the supply chain.

Moreover, from 2020 brands, retailers and manufacturers as well as the German Government and standards organisations must establish a procedure for dealing with violations of provisions committed by business partners and producers.in their own organisation.

POLICY
STATEMENT

REPORTING AND
COMMUNICATION

IDENTIFICATION OF OWN
RISKS AND IMPACTS

MEANINGFUL
STAKEHOLDER
ENGAGEMENT

COMPLAINTS AND
REMEDIATION

EMBEDDING AND
INTEGRATION

MONITORING AND
VERIFICATION

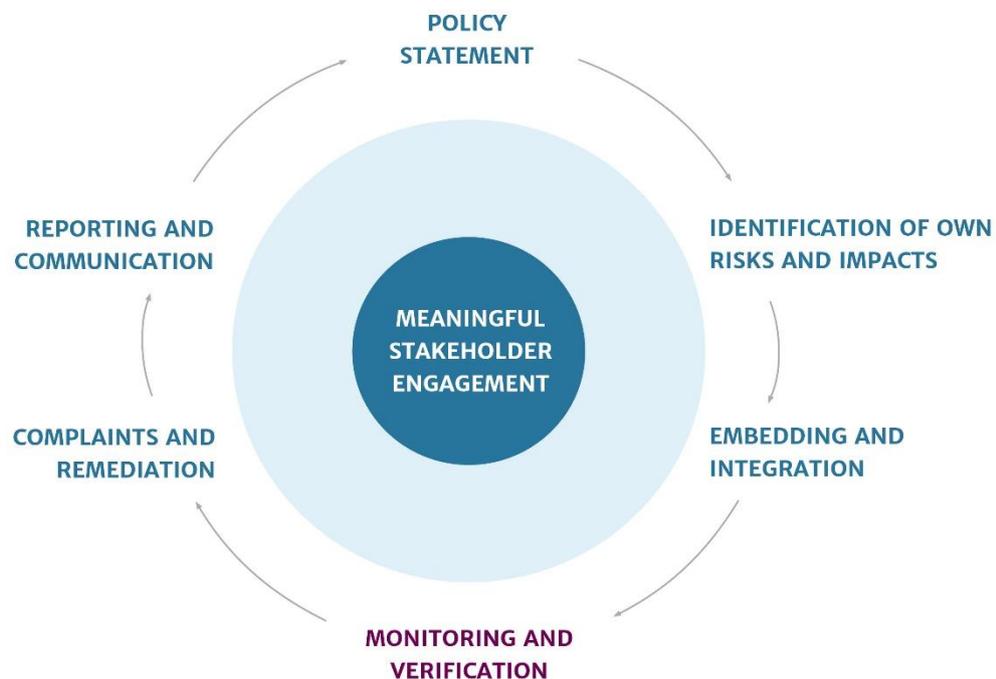Figure 1: ELEMENTS OF THE DUE DILIGENCE PROCESS

1.1   Why are effective monitoring systems important?

Effective monitoring systems in the supply chain are important for companies for the following reasons:

1. to verify **whether social and environmental requirements imposed on business partners, producers and the deeper supply chain**[1] and fundamental legal requirements at production level are complied with;

2. to evaluate the **extent to which their own supplier management contributes to the implementation of the company's social and environmental goals in the supply chain** and in order to be able to improve their own processes in this respect if needed;

3. to **collect data** that provides evidence of their own progress in implementing sustainability goals vis-à-vis the general public and other key stakeholders such as consumers.

Relevant frameworks such as the National Action Plan on Business and Human Rights (NAP) and the OECD Due Diligence Guidance for Responsible Supply Chains in the Garment and Footwear Sector also call for regular monitoring of the effectiveness of companies' own measures for preventing negative social and environmental impacts in the supply chains.

1.2   What is a monitoring system?

In general, a distinction is made between **sporadic monitoring** for compliance with specifications and **ongoing monitoring**:

- **Sporadic monitoring**, such as that involving an audit, checks whether specifications are being complied with at a certain point in time. This includes, for example, whether on the day of the audit appropriate protective clothing is worn, whether fire protection provisions are adhered to, and whether regular and proper wage payments are documented.

- **Ongoing monitoring** describes the continuous surveillance of the development of a supplier or of the company's own organisation over a longer period. It is geared towards specific risks and measures key performance indicators (KPIs) over a longer period in order to achieve long-term improvements. An ongoing monitoring system builds on sporadic monitoring instruments such as audits or self-assessments and evaluates the results. Other information sources such as complaints mechanisms, tips from quality personnel or feedback from training courses, etc. can also be taken into account. Unlike sporadic monitoring, ongoing monitoring provides a more comprehensive picture of the situation.

Ideally, a monitoring system includes **capacity building measures** that support suppliers as well as employees in the company's own organisation with step-by-step development as and when needed. In the medium to long term, this will reduce the need for ongoing monitoring.

The company's own management systems and measures can be evaluated using information acquired during a monitoring process. For example, statistics on work-related accidents over a longer period can provide insights into whether training on occupational health and safety has been able to contribute to preventing work-related accidents. Information on excessive overtime can help understand the possible impacts of the companies' own sourcing and purchasing practices and adapt these as needed.

Deuter: Reducing overtime at a producer

Deuter has worked with a producer in Viet Nam for decades. After a growth phase, an excessive number of overtime hours came to light. In response, Deuter undertook a number of measures. The company offered the producer a low-interest loan to help it expand production capacity and guaranteed set purchase quantities. In addition, Deuter expanded warehouse capacity and deliberately shifted production from the high season to the low season, which resulted in a significant reduction of overtime at the production site.[2]

1.3   What characterises an effective monitoring system?

An effective monitoring system aims to do the following:

■ work to achieve continuous development and improvement of the social and environmental performance of business partners, producers and the deeper supply chain;

■ improve the company's own supplier management and, if applicable, sourcing and purchasing practices based on the acquired information.

It therefore contributes to reducing and preventing negative social and environmental impacts in the supply chain.

Risk-based monitoring

An effective system should build on the results of the company's risk-analysis processes. This means that the company sets priorities with respect to the order and intensity of monitoring measures on the basis of a risk assessment. Where high risks are identified, for instance if the risk analysis shows that cases of child labour or forced labour have been revealed in a region, greater efforts should be undertaken to exclude potential negative impacts on suppliers. This can be done by carrying out more frequent and more intensive audits, for example, that include information from local trade unions or civil society organisations, and by capacity building or promoting good local complaints mechanisms (see section 2.3). Suppliers with a low risk of negative impacts can largely be covered by using self-assessments, following an initial check. The resources that are saved in this way can help improve the monitoring of high-risk suppliers. The results of the risk analyses can thus be used to employ available resources more effectively.

There are various options for conducting risk analyses in the supply chain. Two examples are presented below:

■ Risks can be analysed along raw material or product supply chains in order to identify risk hot spots and possible courses of action (for instance, cooperating with other companies to tackle risks) in the deeper supply chain.

■   Risks can be considered with respect to potential and existing business partners and producers and the next level of the supply chain. In doing so, both information on regional risks (for example, countries with weaker environmental legislation or poor implementation of statutory occupational health and safety legislation) and on suppliers' existing management capacities can be used.

Adidas: Risk-based monitoring with capacity building

Adidas' monitoring programme has a risk-based structure. Producers who demonstrate a robust management system can acquire a self-governance status, which dramatically reduces the audit frequency. At the same time, in 2016 Adidas restructured its Social and Environmental Affairs (SEA) team, dividing it into a Monitoring team and an Advisory team. While the Monitoring team now has increased capacity for carrying out painstaking audits, the Advisory team can conduct targeted training sessions, hold meetings at various levels of the company and thus support producers with implementing remedial measures and address improvements.[3]

2   Assistance for companies

This section presents starting points for developing an effective monitoring system for your organisation or for adapting a system already in place. The following introductory information will be discussed below:

1.   Internal prerequisites for an effective monitoring system

2.   Objectives and indicators for measuring progress

3.   Various monitoring instruments such as audits, self-assessments, capacity building and complaints mechanisms

4.   Options for dealing responsibly with violations revealed by your monitoring system

2.1.   What prerequisites have to be put in place for monitoring to be effective?

As a first step, set internal targets

The prerequisite for an effective monitoring system entails specific objectives towards which the monitoring system is geared and which set the direction for the desired improvements. These objectives should be laid down in a policy or another document such as the Textile Partnership Roadmap and should be worded as clearly as possible. Wherever possible, they should define specific objectives for improvement for a certain period of time (see next section).

Translate objectives into KPIs and measures

When it comes to the implementation, it is important to take the set objectives into consideration when determining the content of monitoring measures and KPIs for the company's own organisation or for suppliers. The information and data gathered by means of monitoring processes must enable a statement as to whether the objectives have been achieved or not.

Especially when objectives also concern business partners, producers or where applicable the deeper supply chain, they should be clearly communicated. Your suppliers may possibly require clarification or support with implementation.

Puma: Sustainability targets

In its 2017 Annual Report, Puma developed for its company's sustainability strategy corresponding target indicators that shall be achieved by 2020. The targets include human rights, social compliance, health and safety.
One such target is 'Compliance with industry standards/ ILO Core Conventions for all core suppliers, including suppliers of finished goods, components and materials'. Planned action for 2018 includes the following:

- 'No zero tolerance issues not dealt with at the end of the year.'

- 'Increase percentage of shared audits to 50%.'[4]

Clarify internal responsibilities

A systematic monitoring process requires clear internal responsibilities and resources. The way monitoring results are assessed and used should also be defined. With respect to the company's own business partners and producers, it makes sense to determine a clear process for dealing with any identified violations of agreements or legal provisions (see also section 2.4).

Use results to measure the effectiveness of the company's own processes

Monitoring results should continue to be used to evaluate the effectiveness of the company's own processes, for example on the basis of the following questions:

- Do existing risk-analysis processes capture the appropriate information for assessing where more in-depth monitoring measures or capacity building are needed?

- Do the local employees have access to effective complaints mechanisms? Can this be fostered by means of incentives or more specific requirements for suppliers?

- Do the company's business practices have to be adapted to mitigate or prevent adverse impacts in the supply chain (such as excessive overtime, lack of living wages)?

Communicate monitoring results

Many larger companies report proactively about the scope, results and effectiveness of their monitoring processes in the supply chain. This enables them to furnish evidence to investors, consumers and the media of their progress with implementing social and environmental goals.

Individual initiatives compare the activities of larger companies and rate them according to their progress. Examples with a focus on social topics include **Know the Chain**[5] and the **Corporate Human Rights Benchmark.**[6] The results of the **Fair Wear Foundation (FWF) Brand Performance Checks,**[7] which evaluates the management processes of the individual members, are publicly accessible on the FWF website.

2.2   Monitoring indicators: What are good KPIs?

A good monitoring process includes specific indicators of success (KPIs) that help you understand whether your company or your business partners and producers are achieving the goals they have set. A distinction is made between input, output and outcome KPIs.

- **Input KPIs** measure the resources expended for a certain production step or a certain objective.
- **Output KPIs** measure the results of a process.

Progressive monitoring is geared towards measuring actual improvements, or **outcome KPIs**. Unlike output KPIs, outcome KPIs do not consider whether a measure such as a training course on handling chemicals or the introduction of a complaints mechanism has been implemented or not. Rather, they focus on the outcome, for instance whether the handling of chemicals has indeed improved owing to the training or whether employees have the impression that complaints mechanisms are actually a legitimate and accessible instrument in their company. **In many cases, outcome KPIs cannot be measured directly, but require indirect indicators and/or qualitative (descriptive) data to be collected.** The table below presents an overview of possible objectives and KPIs on social and environmental risks in the supply chain and in your own company.

Lidl: Progress control and monitoring of producers with Lidl's own dashboard

Lidl is currently implementing a project to improve chemical and environmental management in 80 factories in China and Bangladesh. Initially, employees will be trained in joint workshops on topics such as chemicals, waste management and wastewater management for a period of nine months. In the next step, the set objectives will be implemented and the process will be supported and monitored with monthly on-site visits. To monitor individual progress, Lidl uses a project dashboard into which it feds data on KPIs for each factory. Since the project launch in 2017, significant savings in CO_2 emissions and water use have already been achieved.[8]

	Objectives and time frame	Input KPIs	Output KPIs	Outcome KPIs
Social	- Own sourcing and purchasing practices: raising purchasers' awareness of responsible procurement management in year x	- Number of training sessions for purchasers	- Number/percentage of purchasers who have completed training sessions	- Presentation of the change in sourcing and purchasing practices (for example with respect to order times, prices, forms of cooperation)
	- Complaints mechanism: improved access for workers at producers	- Notification about an existing back-up complaints mechanism in x factories of producers	- Number of complaints submitted via complaints mechanism (increasing numbers are rated positive)	- Overall increase in complaints received (as a percentage) and topics of the complaints
	- Occupational health and safety: reduction of accident rates at first- and second-tier producers by x per cent in year x	- Number of capacity-building projects on building safety and fire protection	- Number of occupational health and safety measures conducted (e.g. evacuation plans)	- Number and type of accidents and average injury rate per producer in year x
Environ-mental	- Energy: boost energy efficiency at own sites by 10 per cent	- Provide a management system manual on energy efficiency and training of employees	- Appoint a management officer for energy efficiency	- Increased energy efficiency as a percentage
	- Wastewater: increase the number of producers in textile finishing with best practices for wastewater treatment by year x	- Specifications for best practice standards and guideline documents	- Producers for whom the implementation of best practices on wastewater treatment has been appraised and results (as a percentage)	- Presentation of the test results for compliance rates with benchmarks by substances
	- Chemicals: reducing the failure rate for (M)RSL tests to less than 5 per cent of producers	- Specification and communication of (M)RSL to producers	- Number of (M)RSL tests conducted at producers	- Percentage of failed (M)RSL tests at producers and reasons for not passing

TABLE 1: Examples of different social and environmental KPIs
(**blue: in own company**/grey: in the supply chain).

2.3. What instruments can be used for effective monitoring?

2.3.1 Monitoring measures – audits

What kinds of audits are available?

Audits are a widely used monitoring instrument. They are used to check whether standards and agreements among business partners, producers and the deeper supply chain or in your own organisation are complied with. Audits in the supply chain generally aim to determine whether suppliers have appropriate management systems at their disposal for dealing with social and environmental risks or for complying with quality standards. By means of protected interviews with workers, audits can also be a way of learning about the perspectives and problems of the workers on site.

In practical terms, a distinction is made between a self-assessment (also referred to as a 'first-party audit') and audits by a second party (for example, suppliers audited by brand-holders and retail companies) or a third party (audited by an independent certification agency).

Audits may be conducted unannounced or announced. Announced audits offer the advantage that the supplier can provide relevant information in advance. The disadvantage is that the supplier can deliberately manipulate information or conditions. For example, workers can be trained to respond in a certain manner in an interview situation. A commonly used compromise between the two methods involves conducting semi-announced audits, for which only a possible time frame of several weeks, for example, is defined.

What do audits entail?

In addition to visiting the production site, verification of documentation is a key element of audits. Documents relating to contracts and agreements, salaries and working hours, etc. are verified during this procedure. When it comes to environmental and chemical management, audits gather data on matters such as the use of prohibited chemicals and proper chemical management, occupational health and safety and wastewater and sludge management.

Good practices in auditing also include interviewing workers to verify information. Ideally, such interviews are conducted outside the company being audited so that workers can report on their experiences as freely as possible and without the fear of negative repercussions. If recruitment agencies are involved in recruiting workers, it is especially important to check that they do not violate the specified standards of the company through practices such as retaining personal documents, making deductions from wages or charging placement fees.

Lululemon: Information on auditing processes

Lululemon reports that its audits entail meetings with management, on-site visits, document reviews and interviews with employees at all levels of the organisation. The documents reviewed include contracts, payment records, wage slips, information on contracts with recruiters, and complaints and disciplinary measures. Worker interviews include questions on the recruitment process, contract terms, identification documents and more general questions on human rights and working conditions. A typical audit comprises interviews with at least 20 workers.[9]

What happens when violations are detected?

If an audit detects violations, depending on the severity, a corrective action plan (CAP) is usually drawn up with measures aimed at improving social and environmental performance, and subsequently implementation of the CAP is in turn reviewed. Additional support is offered as needed, for example, through training courses. See section 2.4 for more information on this topic.

Challenges associated with using audits in the supply chain

The number of standards and audits has greatly increased in the past two decades. Despite this, the social and environmental conditions in the textile supply chain have improved only marginally. The widespread use of audits is expensive and time-consuming for suppliers and purchasers. In addition, audits entail the following challenges:

- Audits often cover only the first tier of the supply chain. However, the gravest social and environmental impacts (for example, in conjunction with home-based work) often occur in the deeper supply chain.

- The quality of the audits is heavily dependent on how well qualified the auditors are. In addition, in many cases only 'visible' problems are revealed, while issues such as sexual harassment or discrimination are not detected.

- Workers who are interviewed are intimidated and do not disclose their actual problems and challenges.

- Suppliers lack the capacities they need to resolve the problems that have been revealed and remedy them.

- There are no incentives for suppliers to improve their own processes.

- Local problems are associated with the sourcing and purchasing practices of the procuring companies. The results of audits are not linked to the clients' management processes.

Making better use of audits in the supply chain – current trends

Many companies, including Partnership members, have adapted their monitoring systems in the supply chain in view of the above-mentioned challenges. Audits are increasingly understood as a component of effective monitoring. Training courses, self-assessments and improved dialogue with suppliers supplement and replace audits in practice.

In order to use audits more effectively, companies and relevant multi-stakeholder and standards organisations have adopted the following measures:

- Sensitised and multifaceted auditor teams are deployed (especially in high-risk countries).

- Auditors are given a clear mandate to escalate risks and consult experts if needed.

- Corruption risks are considered.

- Audit results are shared with local workers' representatives as standard practice and feedback on the planned improvement measures is obtained.

- Audit results are verified by third parties or are compared with the results of complaints mechanisms or other monitoring instruments.

- A clear process for subsequent measures is communicated. Suppliers receive support to help implement improvement measures if needed.

Companies continue to work proactively to reduce the number of audits conducted – and in turn, reduce the costs for the clients and suppliers – by taking the following steps:

- Audit results are shared with other companies via exchange platforms such as the Fair Factories Clearinghouse Platform[10]or the ZDHC Wastewater Platform.[11]

- Audit results from other companies are recognised or joint audits are conducted.

- Audits are conducted only at high-risk suppliers; resources thus freed up are used for capacity building or for auditing suppliers in the deeper supply chain.

VF: Auditing in the deeper supply chain

VF includes subcontractors such as cutting services, embroiderers, screen printers, laundries and transport service-providers in its audits. In addition, most of its producers purchase from manufacturers recommended by VF, which are covered in VF's audit process. VF's complaints mechanism is communicated to workers in the second and third tier of the supply chain. Suppliers are encouraged to provide their own effective complaints mechanisms.[12]

You can find additional specific suggestions for improving your own audit processes in the Global Social Compliance Programme publication Reference Tool on Supply Chain Social Performance Management Systems.[13]

2.3.2 Monitoring measures – self-assessments

Self-assessments of the company's own management systems using pre-defined questionnaires are increasingly being used instead of or to supplement audits as a monitoring instrument in order to understand the development of suppliers' management capacity over time.

Arguments in favour of self-assessments

Self-assessments can be used to obtain information about the social and environmental performance of suppliers once an initial review or audit has established that the suppliers' risk of negative social or environmental impacts is low. As a partnership-based approach, self-assessments strengthen the suppliers' own responsibility and ensure that data on the companies' progress and problems is regularly conveyed to the clients.

Harmonised questionnaires enhance comparability

Self-assessments also play a central role in more recently established multi-stakeholder initiatives. The Social and Labour Convergence Project[14], established in 2015, aims to develop a universal ('converged') assessment framework for social risks in the supply chain that is judgment-free and standard agnostic. The currently piloted approach focuses on producers' self-assessment or a joint assessment by producers and an external authority. The Sustainable Apparel Coalition's[15] Higg Index developed in 2012 also comprises modules for brands, retailers and producers for self-assessment of management capacities for dealing with common social and environmental risks. Using harmonised questionnaires that are used by multiple clients can reduce the suppliers' efforts and simultaneously enhances the comparability and in turn, the usefulness of the collected data.

H&M: Self-assessments as a component of effective monitoring

H&M's monitoring measures are geared towards evaluating country-specific risks and the overall development of the suppliers. For all high-risk and new commercial partners and producers, H&M performs an on-site check at least once a year. If the business partner achieves a high score on the audit, the supplier must use a self-assessment to regularly review its own management capacities, rather than undergoing an audit. The self-assessment is based on the SAC Higg Index[16] and other criteria.

2.3.3   Capacity building in the supply chain

Many companies in the textile sector are increasingly pursuing a partnership-based approach in their cooperation with suppliers. The focus lies no longer solely on monitoring the facilities. Instead, the aim is to enable suppliers – generally, the producers – to tackle social and environmental risks in their own company and their own supply chain independently by means of targeted incentives and support with developing their management systems. The following arguments speak for a partnership-based approach from the perspective of these companies:

- Longer-term business relationships and support via capacity building boost incentives for suppliers who want to improve their own processes.

- When suppliers receive support to implement social and environmental requirements, this improves productivity and the work environment on the ground and ultimately also the quality of the goods manufactured.

- Social and environmental performance in the supply chain improves. Reputational risks and high costs of audits and remedial measures are avoided or reduced.

- The improved dialogue with suppliers creates trust. On this basis, it is often easier to identify reasons for deficiencies and tailor measures more specifically.

- The approach enables monitoring of more complex indicators such as life-cycle analyses that entail a certain level of know-how. A life-cycle analysis measures the environmental impacts of a product from raw material extraction to recycling.

> The Textile Partnership has also formulated two specific goals for capacity building: since 2018, producers have been supported with implementing the Partnership's social goals and with improving 'good housekeeping'.

Capacity building for suppliers can take various forms. In conventional terms, companies support their suppliers with developing, conducting and/or covering the cost of **training** on dealing with social and environmental risks and efficient workflows. Target groups can comprise both the management level and the employees on site. Work with the local employees often focuses on raising awareness about basic rights and empowering workers to communicate problems. Companies also regularly share their technical expertise with suppliers (**technology and/or knowledge transfer**) in order to design workflows to be more efficient. The support may include regular phone calls, meetings with local personnel and the provision of resources such as online tools, etc.

The Members' Area of the Textile Partnership provides a range of materials such as guidelines for handling chemicals (in German, English and Mandarin) that may help you with developing capacity building measures for suppliers. The UN Global Compact[17] publication "Designing Effective Human Rights Training" provides a general overview of different training approaches (with a focus on human rights).

Aldi: Strengthening the partnership with producers through knowledge transfer and capacity building

Aldi supplements its audit programme in Bangladesh with the Aldi Factory Advancement Project, which helps enhance communication between workers and management in order to resolve identified problems. Workers and managers meet to jointly develop plans of action for improving working conditions in various areas, such as fire protection, occupational health and safety, communications and dialogue, remuneration and productivity. In the participating factories, productivity has increased, and the employees' working conditions and overall communication between management and workers have improved. [18]

Tchibo and REWE: Establishing a local trainer network

Tchibo and REWE have teamed up to raise the awareness of textile producers in China and Bangladesh of responsible environmental and chemical management and train them in these fields in order to substitute hazardous chemicals in wet processes and introduce sustainable production measures. The collaboration aims to establish qualified local training structures. In the context of this cooperation, local experts are trained as trainers who then train and advice workers in the factories in workshops held on site. Together with the workers, they then develop plans for remedial measures and implement the improvements step by step.[19]

2.3.4 Effective complaints mechanisms

Complaints mechanisms for workers in the textile supply chain are key elements of effective monitoring in the supply chain, for various reasons:

1. The only way to ensure that workers are aware of resources for dealing with problems or in the worst case, with severe human rights violations, without fear of repercussions is if effective complaints mechanisms are in place. Complaints mechanisms have an important preventive function and can help problems to be addressed early on, ranging from dissatisfaction with the conduct of individual superiors to life-threatening safety deficiencies. They are an important part of good risk management and part of the requirements for common frameworks in the textile sector and beyond.

Functioning mechanisms are characterised in particular by the fact that they are accessible to workers and are predictable and can provide remedies for problems within a foreseeable time frame. **This means that in the context of audits or other assessments, the existence and effectiveness of local complaints mechanisms and remedies undertaken should be elicited as a standard question.**

2. Many companies communicate back-up mechanisms to workers in the supply chain that take effect when local mechanisms do not operate effectively or are not used. These may be the company's own mechanisms or mechanisms offered by international trade unions or multi-stakeholder initiatives. **The complaints brought forward to the company using these mechanisms may supplement information from audit processes or other monitoring instruments and may help to obtain a more comprehensive picture of the actual situation on the ground.**

3. **Audits themselves may serve as a sort of grievance channel for workers in the supply chain.** Abuses in the supply chain can be recognised and addressed by asking specific questions. This requires auditors who are sensitised and qualified and an environment for the interviews with workers that does not intimidate them.

Bierbaum-Proenen: Complaints mechanisms as part of good monitoring

Bierbaum-Proenen (BP) is a member of the Fair Wear Foundation (FWF) and has an established monitoring system for suppliers. FWF's complaints mechanism, which complements the suppliers' local mechanisms, is proactively communicated to all suppliers. The subject and outcome of the complaints received are published on the FWF website, as is the case for all FWF members. Through the FWF complaints mechanism, BP regularly learns about problems or challenges that were not identified in the course of audits or other checks. This permits BP to undertake targeted intervention in order to keep the problems from escalating in the local context.[20]

For further information and numerous case studies on effective complaints mechanisms, please see the **Textile Partnership's publication on complaints mechanisms and remedies.**

2.4 How to deal with violations by business partners and producers?

Communicate clear processes for dealing with violations

One aim of an effective monitoring system is to oversee the extent to which requirements for business partners and producers are implemented and to promote continuous improvement. This entails a clear process for the event that violations of agreements are identified. Violations can be brought to the attention of the client through monitoring mechanisms such as audits, through complaints channels, and through external stakeholders such as local civil society organisations or even the media.

Clients should clearly communicate to business partners and producers what constitutes a violation and what consequences this has for the supplier in question. This includes the description of clear escalation levels and – if desired – a statement of zero-tolerance issues that can result in immediate termination of the business relationship. Ideally, it will also be communicated how the business partner or producer will be supported as needed with remedying the situation and dealing with problems.

Understanding reasons

If a violation is identified or reported, it is advisable to start by seeking to **understand the reasons for the situation**. Perhaps the specifications were unclear, there was not enough time to implement them and/or the client's purchasing or procurement processes led to the failure to comply. For example, last-minute order changes or time-consuming sampling processes substantially increase the time or cost pressure on suppliers.

Dealing with violations

After the analysis and possible remedying of the reasons for the identified problems, companies basically have a number of options for action to choose from. The options can also be combined. They may include, for example:

- joining with the business partner or producer to draw up a corrective action plan and supporting them with remedying the violation;

- in the case of low capacity utilisation on the part of the producer, joining forces with other purchasers to increase the probability of remedying the violation;

- including relevant stakeholders (trade unions, NGOs, labour inspectors) to initiate improvements, and/or;

- terminating the business relationships in a responsible manner.

Terminating a business relationship can have extremely negative impacts on the workers' situation on site, who may lose income or even their job. This option should therefore only be considered in the event of grave violations and should be well thought-out. A termination should not be considered until all other options have been exhausted and/or the company's reputation would be severely compromised if the business relationship were to be continued.

Patagonia: Remedy in cases of forced labour and human trafficking

Patagonia has published detailed guidelines for suppliers that lay out what steps Patagonia will take if cases of forced labour, human trafficking or modern slavery are discovered in Patagonia's supply chain. This includes a process for investigating the incidents, a corrective action process with a focus on protecting the victims and, finally, an escalation policy. The policy clearly states what will happen if the supplier in question does not cooperate in the implementation of remediation measures. [21]

The **Fair Wear Foundation Responsible Exit Strategy Guidelines** list reasons for ending a business relationship with suppliers in a responsible manner. The process always involves taking the social impacts created by the decision on the local workers into account and keeping these as low as possible. [22]

Amfori BSCI has developed a detailed **zero-tolerance protocol for issues** coming to light in the course of an audit. It includes a description of possible topics, recommendations for action and specific steps that must be taken by Amfori BSCI members in order to quickly create remedies in acute cases and to protect affected individuals. [23]

3 Footnotes

1   In the footnotes below, the term 'supplier' is used if the reference can apply to business partners, producers and the deeper supply chain. Otherwise, the terms 'business partners', 'producers' and/or the 'deeper supply chain' are expressly mentioned.

2   A short video presents a compilation of the measures: https://www.youtube.com/watch?v=sJvaxMV6Ohk .

3   https://www.adidas-group.com/media/filer_public/08/7b/087bf055-d8d1-43e3-8adc-7672f2760d9b/2016_adidas_sustainability_progress_report.pdf

4   https://annual-report-2017.puma.com/en/company-overview/sustainability/, p. 5

5   https://knowthechain.org/benchmarks/comparison_tool/3/

6   https://www.corporatebenchmark.org/2018-assessment

7   https://www.fairwear.org/brands/. To access the results of the latest brand performance checks, click on the specific company.

8   The Members' Area contains a presentation by Lidl with more information on the project. https://portal.textilbuendnis.com/files/5b5ebba07a53d461db9da58a

9   https://knowthechain.org/wp-content/plugins/ktc-benchmark/app/public/images/benchmark_reports/KTC_A&F_ExternalReport_Final.pdf, p. 26

10 https://www.fairfactories.org

11 https://www.roadmaptozero.com/index.php?id=125&ADMCMD_cooluri=1

12 https://knowthechain.org/benchmarks/comparison_tool/3/?company=60

13 https://www.theconsumergoodsforum.com/wp-content/uploads/2018/01/GSCP_Reference_Tools_SPMS_interactive.pdf

14 http://slconvergence.org/wp-content/uploads/2017/11/Public-consultation_Slide-deck-for-presentation_2-Nov-FINAL.pdf

15 https://apparelcoalition.org/the-higg-index/

16 https://about.hm.com/content/dam/hmgroup/groupsite/documents/masterlanguage/CSR/reports/2017%20Sustainability%20report/HM_group_SustainabilityReport_2017_FullReport.pdf

17 https://www.unglobalcompact.org/library/4781

18 https://unternehmen.aldi-sued.de/fileadmin/fm-dam/documents/Verantwortung/Broschuere_ALDI_Factory_Advancement_Project.pdf

19 https://www.rewe-group.com/de/newsroom/stories/detox-schulungen

20 For information on BP's monitoring system, see the FWF's brand performance check: https://www.fairwear.org/wp-content/uploads/2018/09/bierbaum-proenen-gmbh-co-kg-performance-check_2018.pdf. Information on complaints lodged: https://www.fairwear.org/?s=complaints+bierbaum-proenen

21 https://www.patagonia.com/static/on/demandware.static/-/Library-Sites-PatagoniaShared/default/dwb48d6b02/PDF-US/human_trafficking_child_labor.pdf

22 https://www.fairwear.org/wp-content/uploads/2018/05/Responsible-exit-strategy-Guidelines-180221_May-2018.pdf

23 https://www.amfori.org/sites/default/files/Annex%205%20How%20to%20follow%20the%20Zero%20Tolerance%20Protocol.pdf