SEDEX BACKGROUND

Sedex Information Exchange is a unique and innovative platform, helping companies to manage ethical supply chain risk and streamline the challenging process of engaging with multi-tier supply chains.

As the largest collaborative platform for managing ethical supply chain data, Sedex engages with all tiers of the supply chain with the aim of driving improvements and convergence in responsible business practices.

Through a secure online platform, Sedex members can share and manage information related to Labour Standards, Health & Safety, The Environment and Business Ethics. Members also have access to a range of resources and reports, including industry specific questionnaires and market leading risk analysis tools, developed with global risk experts Maplecroft. Additional support services such as supplier engagement, audit management and risk screening are also available through Sedex Information Exchanges’ sister company, Sedex Solutions. For more information, please visit www.sedexglobal.com.

VERITÉ BACKGROUND

Verité is an international not-for-profit consulting, training, and research organisation that has been a leader in supply chain social responsibility and sustainability since 1995. Verité’s holistic approach is based on an extensive, applied understanding of common obstacles and effective strategies for managing supply chain risks. Verité’s programs help companies and other stakeholders fully understand social responsibility issues, overcome the root cause of unsafe, unfair or illegal conditions for workers, and build sustainable solutions into business practices, benefiting companies and workers alike. For more information, please visit www.verite.org.
FOREWORD

Letter from the General Manager of Sedex

I am very pleased to introduce the Sedex Supplier Workbook. This workbook has been co-developed with Verité and is an excellent resource that provides Sedex members and suppliers around the world with useful guidance to help improve labour standards, reduce negative environmental impacts and ensure their businesses operate in an ethical manner—all of which I believe will make our members’ companies more successful, and therefore sustainable, long into the future.

Businesses around the world have a responsibility to protect the rights of their workers and to minimise their impacts on the environment. Today, every business that sells products into the global supply chain—large or small—has to think about how they can meet their responsibilities. Customers who purchase products want to know the product they are buying has been produced in a responsible and ethical way. They trust businesses to do the right thing, and businesses who do not meet their customers’ expectations risk losing their trust, which inevitably impacts the financial performance of the company. Trust once lost is hard to rebuild. We know from many years of experience that the most cost-effective and long-lasting way for suppliers to meet these expectations is to make them an everyday part of their daily operations.

Sedex was launched in 2004 to ease the burden on suppliers facing multiple audits and questionnaires, and to drive a collaborative approach amongst brands and retailers. Since our beginning, Sedex has grown and is now the largest collaborative platform in the world for managing ethical supply chain data. We have more than 28,000 Supplier members and over 500 Retailers and Brands.

Core to our mission is reducing duplication by enabling members to share data and use common approaches for collecting information. We are also committed to helping businesses around the world develop and become even more successful businesses by providing information, training and advice. The Sedex Supplier Workbook is a free resource, providing information and support on key issues and challenges often experienced by our members. It also demonstrates the business benefits that can be gained by successfully addressing such issues.

I trust you will find this resource useful. As always, I would welcome any feedback or comments you have on the workbook, as well as suggestions on other ways Sedex could support you in the future, so please email me at carmel.giblin@sedexglobal.com.

Best regards,

Carmel Giblin
General Manager
Letter from the CEO of Verité

Achieving ethical sourcing requires that knowledge and skills are broadly shared and easily accessible. The wide adoption of this Workbook means that businesses and workers will share in the benefits of sustainable practices at a much greater scale.

It is no longer enough that businesses and their suppliers understand what risks they face. It is essential that we achieve positive and measurable change.

Such change not only benefits workers by providing fair and predictable wages, safe working conditions, and the opportunity to raise concerns with employers; it results in more effective businesses as well—businesses that can count on stable workforces, find efficiencies and build positive profiles for their clients.

Through our extensive involvement with leadership-level social responsibility programming, we have both benchmarked and helped develop best practices in ethical sourcing, program analysis, risk management and supplier engagement. For those efforts and for this Workbook, Verité draws from the expertise and deep experience of our regional teams and network of partners in China, Southeast Asia, India, and Bangladesh, Europe and Latin America. Our programs range from short-term solutions for urgent conflicts at factories and farms, to multi-year, industry-wide partnerships. An underpinning of this work has been our landmark studies on such issues as trafficking and forced labour, excessive overtime, labour conditions in commodity supply chains, and gender equity. Our contributions to a nuanced understanding of the nature and systemic solutions to these issues have been recognised by the 2007 Skoll Award for Social Entrepreneurship, the 2011 Schwab US Social Entrepreneur of the Year Award, and the 2010 Clinton Global Initiative. We’ve been grateful to be able to offer this expertise as a member of the Alliance to End Slavery and Trafficking, and as a Founding Circle member of the Sustainable Apparel Coalition.

We are similarly pleased for the opportunity to collaborate with Sedex, and to share our experience about what businesses can achieve and how they can achieve it.

With all good wishes,

Daniel A. Viederman
CEO
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INTRODUCTION

What is this workbook for?

This workbook is a guide to help suppliers understand what ‘good practice’ looks like when thinking about meeting ETI and other Code requirements, and how you can get there. The following chapters will help you take a systems approach to find and fix the gaps that can lead to social and environmental non-compliances. What this workbook is not is a standard for you to adhere to, or another management system. If you are operating a factory or a farm, you already have a management system, even if it is an informal one.

What we are offering is a practical risk-management tool for building controls into the business processes—for example, hiring and paying your employees—that you are already using. These controls will help you meet your customers’ and your own business, social and environmental responsibility objectives.

Why is it important?

Managing the risk of harm or unfair treatment to your employees or damage to the environment is good business practice. In a world where companies are expected to demonstrate corporate social responsibility (CSR), you are also protecting your company’s reputation. And because your customers must protect their own reputation for ensuring the legal and humane treatment of workers in their supply chains and the minimising of environment impact, you are protecting your business relationship with these customers as well.

Research has shown a direct link for many companies between CSR and other business benefits, such as savings from worker retention and improved productivity from stronger worker-management communication and engagement processes. Our approach recognises this link between the bottom line and a safe and fair workplace.

Who is it for?

This workbook is written for the people in factories and farms who make decisions that have an effect on the working conditions of their employees or the surrounding environment. You may be the owner of a smallholder farm, the human resources director of a large corporation, or the compliance officer of a mid-size factory in charge of making sure your company passes your customers’ social audits. The basic risk-management approach we have described in these chapters applies to businesses of all sizes in all industries.

How was this workbook developed?

Verité has developed this workbook in partnership with Sedex based on over 15 years of experience researching and helping to address the challenges of balancing CSR and business imperatives in global supply chains. We are grateful to the Sedex members who have contributed case studies, feedback and resource documents that are the product of their many years of work on these issues. A number of NGOs served as valuable reviewers and advisors as well. We will list all contributors as soon as the workbook is complete. Even then, this collaboration will continue. We intend this workbook to be a ‘living’ document that will be continuously improved with the learning and feedback of members and other stakeholders over time.

The workbook is available in PDF form on the Sedex website either in sections or individual chapters.

Access and download the full Sedex Supplier Workbook
HOW TO USE THE WORKBOOK

Scope of issues

Each chapter is devoted to a Sedex issue area covered by the Sedex SAQ. As shown by the sample sections below, the chapter defines the issue, lists key standards, and describes an approach to reaching the standards. Common audit findings, best practice suggestions, case studies and resources are offered as well.

Definition of the issue

The definition comes directly from ILO conventions or, in the absence of an ILO definition, is drawn from the broadly accepted understanding of the issue.

Benefits

The workbook lists the possible business benefits of compliance with the Code and international standards relating to the issue.

Requirements

The ETI Base Code provisions as well as other international conventions and standards are listed in this section, with links to more detail.
Achieving and Maintaining Standards

This section outlines the systems approach to reaching and sustaining compliance in each issue area.

Combined with a strong management system (described in detail in the Management Systems chapters), this section gives step-by-step guidelines to help you successfully achieve the standard in:

- Policy
- Procedures
- Documentation
- Monitoring
- Communication and Training

Please note that this list is only a suggested course of action, and is not an exhaustive list.
Other Features

Each chapter includes a sample of audit non-compliances from the Sedex database and a case study provided by Sedex members. The chapters also offer answers to common questions, best practices, resources and guidance, signposts to training, and a glossary of key terms.
Questions, comments, feedback

If you have any questions or comments, please contact content@sedexglobal.com.
PART 1: LABOUR STANDARDS

SEDEX SUPPLIER WORKBOOK
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Chapter 1.1

LABOUR MANAGEMENT SYSTEMS
Labour Management Systems

What does it mean?

A management system is the set of interdependent policies, processes, and procedures that a company uses to achieve its business objectives which include social responsibility.

A management system also serves to continuously improve key business processes and outcomes to meet core strategic goals.

The approach of the workbook is to present an integrated method that helps suppliers balance social responsibility objectives with those of running a successful business.

To be successful in this approach we:

- Describe the possible unintended ‘social’ outcomes of policies and procedures that are meant to achieve business objectives;
- Identify operational controls to manage or avoid these unwanted outcomes; and
- Show how to monitor and measure the effectiveness of your controls to ensure you meet standards.

This section will help you check whether there is a risk of not maintaining essential management system elements in your current business operations, and if so, how to put controls in place to make sure you meet standards.

Benefits

Why should you do it?

Building social responsibility into your business management system will help you stay within the law, avoid penalties and meet your customers’ requirements.

A well designed management system approach also has business benefits such as:

a) Improving your company’s image and reputation.

b) Achieving both your business and social responsibility objectives.

c) Improved labour relations.

d) Less time spent on audits.

e) Cost savings through improvements in system efficiency.

Benefits of a Management System Approach

Effective management systems strengthen your company’s ability to:

- Develop suitable policies and plans
- Implement the appropriate operational control processes
- Ensure that necessary resources are provided
- Continually improve performance
Requirements
What do you need to do?

There is no Management System clause in the ETI Base Code. However, the ETI has established the following Principles of Implementation to set out in detail the management system a company can use to achieve and maintain the Base Code standards:

1. Commitment (policy, communication, resources).
2. Integrating ethics into core business practices (supplier selection, terms of agreements, internal buy-in).
3. Capacity Building (worker awareness, effective industrial relations).
4. Identifying problems in the supply chain (risk assessing and sharing, monitoring and evaluation, worker complaint mechanisms).
5. Improvement actions enabling remediation, time-bound remediation, tackling root causes).
6. Transparency (fair and accurate reporting, response to violations).

Other international guidelines state:

- **ISO 26000** Section 7: In most cases, organisations can build on existing systems, policies, structures and networks of the organisation to put social responsibility into practice.
- **SA8000:** Complying with the requirements for social accountability of this standard will enable a company to:
  - Develop, maintain, and enforce policies and procedures in order to manage those issues which it can control or influence.
  - Credibly demonstrate to interested parties that existing company policies, procedures, and practices conform to the requirements of this standard.

Achieving and Maintaining Standards
How do you do it?

You can best meet standards by using a systems approach. In other words, you add controls to the processes you already use to run your business (like hiring). And you make sure your policies and procedures are designed to ensure that:

- Supervisors and managers are aware of relevant legal and customer requirements.
- Risks in current business processes that could lead to social compliance issues are proactively identified.
- Workers, supervisors and managers know their responsibilities in meeting standards.
- An effective process to verify that all workers and managers are working according to Code and legal requirements.
- Ability to know if your company is meeting standards on an ongoing basis.
- Elimination of root cause to prevent the same compliance issues from occurring again and again.
- Ability to measure system performance and improvement.

It is important that you also regularly monitor your processes and controls to make sure they are working.

A systems approach is ‘self-correcting.’ It will enable to you make sure that all requirements are being consistently met.
Your company should have a policy that includes the following:

- A written statement that clearly defines your company's approach to managing labour issues. This should include commitments to:
  - Implementing the ETI Base Code.
  - Adhering to all customer requirements, including customer-specific codes of conduct.
  - Regulatory compliance.
  - Continual improvement in social responsibility performance.

- The scope of the policy should include all of the labour standards of the ETI Base Code, including:
  - Employment is freely chosen.
  - Freedom of association and collective bargaining.
  - Working conditions are safe and hygienic.
  - Child labour shall not be used.
  - Living wages are paid.
  - Working hours are not excessive.
  - No discrimination is practised.
  - Regular employment is provided.
  - No harsh or inhumane treatment is allowed.

Please refer to the workbook chapters that specifically cover these topics.

- The policy should be signed by the most senior manager of the company.

Your Human Resources and other business function procedures should include:

- Ways to track and understand labour laws and regulations.
- A process to identify the risks in your business processes that could lead to violations of social responsibility standards.
- Written Human Resources procedures that implement your policies in each of the labour standards of the ETI Base Code.
- A formal process to screen and select your suppliers based on their ability to meet your policies and ETI Base Code standards.
- A formal process for workers, managers, suppliers and customers to anonymously report any concerns about the implementation of your company's policies.
Each of the Labour Standards chapters in this workbook describes in more detail the procedures needed for specific labour issue areas.

**Communication and Training**

You should use the following methods to make sure your employees are aware of your labour policies and procedures:

- Provide introductory training for new managers, supervisors, and newly hired workers on your company’s labour policies and procedures.
- Make sure that the training covers all applicable labour laws and regulations.
- Display factory labour policy and local laws and regulations in areas where workers will see them and in a language they understand.
- Communicate your company’s labour requirements, as well as laws and standards to your suppliers using your website, in contract terms and conditions, and periodic meetings.
- Communicate the company’s grievance procedure and explain how to report issues related to how your labour policies are carried out.

**Documentation and Records**

Meeting standards requires proper documentation. You will need to keep the following on file on your company premises:

- Copy of your labour policy signed by senior management.
- Copies of key Human Resources procedures, such as recruitment, selection and hiring, discipline and grievance, termination and others as described in the chapters that follow.
- All applicable laws, regulations and customer codes of conduct and other requirements.
- Copies of internal and third party audit reports, inspection reports by regulatory agencies.
- Corrective action plans and reports.
- The topic-specific documents listed in the other chapters of this workbook.

**Monitoring**

You will need to check if your labour policies are being followed and that the controls to make sure your company is meeting code and legal requirements are effective. The following steps can be used to evaluate and improve the effectiveness of your programs:

1. **Audit your system** to identify actual and potential problems in meeting standards. Audits can be performed by trained and qualified internal staff or by external auditors including from your customers.
   - Self-audits should be performed annually to determine if you are meeting legal and customer requirements.
   - Any identified issues should be evaluated to determine their underlying cause(s) and action plans established to put in place corrective and preventive actions.
2. **Establish and track key performance indicators (KPIs)** to measure how well your management processes and procedures are working on an ongoing basis.

   - Regularly survey workers to measure their satisfaction with workplace policies and practices.
   - Track such things as; staff turnover rate, rate of absence from work, grievances and other indicators that could point to problems with policy implementation.
   - Determine if changes in social responsibility KPIs are linked to changes in business performance measures. For example, is worker satisfaction related to productivity or quality?

3. **Investigate problems and analyse why they occurred.** When a situation arises that indicates the existence of a non-conformance with company labour policies and customer code(s) of conduct, the company should investigate the *root causes* not just the condition, and what can be done to address them.

   - If your internal audit finds the same or similar issues over and over again it could mean that your process to identify root causes and assign responsibility for putting in place corrective and preventive actions is not working.
   - Similarly, if you have taken action, but you are still not meeting standards, it could mean that the corrective actions (controls) themselves are not effective or need to be improved to better address the root cause(s) of the issue.

4. **Work with other departments to identify reasonable solutions.** Take care to develop solutions so that the problem does not recur and the solution itself does not create other problems.

   - Often, more than one function is responsible for social responsibility issues. In the case of excessive working hours, Human Resources, Sales and Production must work together to find an appropriate solution that meets standards but does not prevent the company from meeting its business objectives.

---

**Best Practice Example**

A company has a business objective to be the ‘employer of choice.’ It chooses the targets for this objective to be a staff turnover of 1% per month and a worker satisfaction survey score of 90%.

**The site manager and her staff evaluate their progress each quarter in a management review meeting. Based on the review, they make changes to their policies and procedures if they find issues that are damaging their ability to achieve their goal.**

---

**Why do management systems fail?**

- Lack of senior management sponsorship and commitment.
- Failure to assign a senior manager with responsibility and accountability for implementing the system.
- Companies try to create a system that is more complicated than their current business management system.
- Management believes that the social compliance objectives of the system will conflict with business objectives.
- The system creates extra or duplicate work that management believes does not add any value and is not integrated into day-to-day operation of the business.
- Senior management fails to regularly measure and review the effectiveness of the system and make necessary improvements.
Common Questions

Do I need a separate management system for social responsibility?

No. The most efficient way to apply a management system approach to meeting labour standards is to use your current business management system. For example, every company needs to hire workers. In order to avoid child labour, discrimination, forced labour and other issues in hiring, you should evaluate your current processes for recruitment, selection and hiring of workers to make sure you have the right controls in place.

Of course, once you have put the necessary controls in place you will need to do regular checking (monitoring) to be sure they are effective.

Won’t a management system require a lot of documentation and other complexity?

This is a very common concern, but a labour management system does not need to be any more formal or complex than the system you use to manage your business. For example, a procedure can be as simple as a short list of what is to be done, by whom, and how often.

As for records, you only need to maintain items that are needed to verify that you are meeting standards, such as proof of age documents, working hours and payroll. Such records are commonly required in most countries to meet local legal requirements.

My company has a certified Quality Management System. Can we use this system for labour?

Yes. In fact, any company that has a formal management system, like ISO 9000 or ISO 14001, should also use it to manage compliance to labour standards rather than creating a separate labour management system. The risk assessment, regulatory tracking, training, communication, auditing, corrective action, and other elements of these systems can very easily be adapted for labour management.

What is Plan-Do-Check-Act?

Plan-Do-Check-Act is a way of describing a management system to show how risks are controlled and processes and performance are continually improved.

Plan means to identify requirements (laws and standards), evaluating risks that may prevent you from meeting those standards, and establishing objectives and processes needed to meet standards and achieve objectives.

Do means assigning responsibilities, implementing your policies and procedures, and training and communicating.

Check is making sure that you are achieving your objectives and meeting standards. This involves measuring performance using KPIs, performing audits, surveying workers, and other ways to evaluate how you are doing.

Act is taking corrective and preventive actions when your results are different from your goals, such as when audits find non-compliances. This step also includes a regular review by senior management of the suitability and effectiveness of your overall system. Outcomes and decisions from that review are used to Plan system improvements.

Common Audit Non-compliances from the Sedex Database

The following are the most common non-compliances against this issue. If properly implemented, the guidance in this chapter can help reduce the incidence of these problems:

- Inconsistent records.
- No general management systems in place.
- Failure to provide proof of legally required company/factory licences.
- Isolated failures in operating systems.
- Lack of employee or management awareness of the company’s social standards.

Sedex provides a document with suggested possible corrective actions following a SMETA audit. This is available to Sedex members only in the Sedex Members Resources section: Sedex Corrective Action Guidance.
Case Study

Plan-Do-Check-Act

A management system is how organisations manage their processes and activities, and meet the objectives it has set itself. Marks & Spencer (M&S), with a global supply chain of nearly 2 million workers in 70 countries, believe in an approach that goes beyond monitoring.

Since 2001, the retailer has used its extensive audit programme to monitor its supply chain, each year undertaking approximately 1,200 audits. Their finished product suppliers are required to meet national law and demonstrate improvements to meet ETI base code standard, conduct a valid SMETA ethical audit, register a complete Sedex self-assessment and have a valid audit and corrective action plan.

M&S has a head office ethical trading team and regional teams who support suppliers and work closely with them to follow up on non-compliances. M&S review their ethical trading performance annually with external auditors to reaffirm their strategy and priorities for the next year. M&S also report to the ETI, as part of their membership commitments.

“This annual review is an important part of our approach as it’s a chance to review Sedex data and which initiatives are making a positive impact”, says Louise Nicholls, Head of Responsible Trading at M&S.

Key to their success has been engagement with suppliers and in 2005, the Supplier Exchange Programme and Website was launched. This includes quarterly meetings for suppliers to share best practice and discuss ethical trading and an online platform which presents requirements, guidance, tools and case studies. Reducing audit fatigue, encouraging supplier ownership and collaboration are important to M&S, which is why Louise Nicholls sits on both the Sedex and GSCP boards.

“Often the reason for not doing an initiative is lack of business case, research or proof that a new approach or technology works. M&S’s 50m innovation fund has enabled acceleration of new thinking and quicker adoption of best practice”.

In 2007, M&S launched Plan A, setting out 100 supplier-related commitments to achieve in 5 years, which was extended in 2010 to 2015. M&S are on target and have provided over 170,000 hours of supplier training. In 2011, the initiative generated £70m in benefits which has been reinvested. Importantly, Plan A Commitments are owned by the commercial team rather than the sustainability team, and all buyers and Executive Directors now have Plan A-related targets.

“Environmental performance and business efficiency relies on staff having the right training, motivation and good communication between management and the workforce. Ultimately, our customers benefit too, from better quality, better value products and peace of mind.”

Marks & Spencer is a major UK retailer of food, clothing and home products sourced from around 2,000 suppliers globally. To find out more about M&S, visit [http://www.marksandspencer.com/](http://www.marksandspencer.com/).

Sedex is always looking for new case studies. If you have a best practice example case study that you would like to be featured, please send it to [content@sedexglobal.com](mailto:content@sedexglobal.com).
Resources and Guidance

The following sources provide further details on international standards for labour management systems.


  - ETI Base Code:  [http://www.ethicaltrade.org/resources/key-eti-resources/eti-base-code](http://www.ethicaltrade.org/resources/key-eti-resources/eti-base-code)
  - Managing compliance with labour codes at supplier level:  [http://www.ethicaltrade.org/sites/default/files/resources/Managing%20compliance%20with%20labour%20codes.pdf](http://www.ethicaltrade.org/sites/default/files/resources/Managing%20compliance%20with%20labour%20codes.pdf)
  - The ETI Principles of Implementation:  [http://www.ethicaltrade.org/resources/key-eti-resources/principles-implementation](http://www.ethicaltrade.org/resources/key-eti-resources/principles-implementation)
  - ETI Management Benchmarks:  [http://www.ethicaltrade.org/resources/key-eti-resources/eti-management-benchmarks](http://www.ethicaltrade.org/resources/key-eti-resources/eti-management-benchmarks)

Signposts to Training

- Veritè:  [http://www.verite.org/Training](http://www.verite.org/Training)
- ETI, Essential of Ethical Trade:  [http://www.ethicaltrade.org/training](http://www.ethicaltrade.org/training)

Key Terms

- **Corrective Action**: is the implementation of a systemic change or solution to make an immediate and on-going remedy to a non-compliance.

- **Management System**: is the framework of policies, processes and procedures used to ensure that an organisation can fulfil all tasks required to achieve its objectives.

- **Preventive Action**: is the implementation of a systemic change or solution designed to prevent the recurrence of the same or similar issues elsewhere in the facility.
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Chapter 1.2

EMPLOYMENT IS FREELY CHosen
Any management practice that results in a worker facing penalties for quitting their job creates forced or involuntary labour.

Debt-bondage results when workers borrow money, for example to pay fees to recruiters or labour brokers to get their job and then have to spend most of their wages to pay off that debt. Workers are unable to quit despite unfair or illegal conditions because of their debts.

Forced overtime is when workers cannot refuse to work overtime without fear of penalty (refer to the Working Hours chapter for more details).

Limited Freedom of Movement means confinement or not allowing workers to leave the company grounds and dormitories.

However complicated the forced labour issue is, it can be simplified into one question: Can the worker quit when he/she wants?

A socially responsible company makes sure that its policies or procedures allow workers to resign or to leave the premises (after suitable notice) and are not penalised for doing so.

This section will help you check whether there a risk of not meeting this standard in your current business operations and, if so, how to put controls in place to make sure your workers’ rights are respected.

Benefits
Why should you do it?

Respecting your workers’ rights of freely chosen employment will help you stay within the law, avoid penalties and meet your customers’ requirements. There can also be business benefits, such as:

a) Better worker retention
b) Fewer ‘runaway workers’ and associated legal and financial issues
c) Higher worker satisfaction and morale
d) Reduced cost for recruitment, hiring and training of new workers
**Requirements**

**What do you need to do?**

**ETI Base Code Clause 1** requires that employment is freely chosen. This means:

1.1 There is no forced, bonded or involuntary prison labour.

1.2 Workers are not required to lodge ‘deposits’ or their identity papers with their employer and are free to leave their employer after reasonable notice.

**Relevant ILO Conventions**

*C105: Abolition of Forced Labour Convention, 1957*

- Prohibits using any form of forced or compulsory labour:
  - a) as a means of political coercion or education or as a punishment for holding or expressing political views or views ideologically opposed to the established political, social or economic system;
  - b) as a method of mobilising and using labour for purposes of economic development;
  - c) as a means of labour discipline;
  - d) as a punishment for having participated in strikes;
  - e) as a means of racial, social, national or religious discrimination.

**Other international standards and guidelines**

*California Transparency in Supply Chains Act*

- Large retailers and manufacturers provide consumers with information regarding their efforts to eradicate slavery and human trafficking from their supply chains.

*International Convention on the Protection of the Rights of All Migrant Workers and Members of Their Families (Article 25)*

- Migrant workers shall enjoy treatment not less favourable than that which applies to nationals of the State of employment in respect of remuneration and other conditions of work, that is to say, overtime, hours of work, weekly rest, holidays with pay, safety, health, termination of the employment relationship and any other conditions of work which, according to national law and practice, are covered by these terms.

**Achieving and Maintaining Standards**

**How do you do it?**

You can best meet standards by using a **systems approach**. In other words, you add **controls** to the processes you already use to run your business (such as hiring, discipline and termination) and you make sure your **policies** and **procedures** are designed to ensure that:

- Workers are not charged for obtaining a job either directly or through a labour agent/broker.
- Deposits are not taken from a worker either in cash ‘up front’ or as deductions from wages.
- Workers are not charged or required to make a deposit for tools, personal protective equipment or anything workers need to do their job.
- A worker’s original identity documents are not held, thus ensuring freedom of movement.
- Workers are not prevented from leaving the place of work or living quarters when not working.
- Overtime is voluntary.
- Workers do not incur loans or other forms of debt that could tie them to the job.
- Wages are paid on a regular basis and on time.
• All earned benefits and wages are paid to workers upon termination of employment.

• There are no disciplinary fines and the only deductions from wages are those that are permitted by law.

• Prison workers are paid the same wages and benefits as non-prison labour where required by law.

It is important you also regularly monitor your processes and controls to make sure they are working.

Policies (rules)

Your company policies should include the following:

✔ Commitment to avoid all forms of forced labour (the policy should include definitions of forced labour).

✔ Statement that all overtime work not listed in the employment agreement is strictly voluntary.

✔ Statement that the company does not subcontract work to prisons or facilities known to hire prison labour, unless required by law.

✔ Commitment to only work with licensed labour brokers who comply with all applicable laws and company codes of conduct.

Procedures (practices)

Management should assign a responsible person (or department) to make sure the above policies are carried out using the following practices:

✔ Communicating your policies to all managers, supervisors and workers.

✔ Meeting regularly with managers and supervisors responsible for recruitment, discipline, termination, and wages and benefits to oversee implementation.

✔ Monitoring and reporting all complaints and management responses related to the issue of freely chosen employment.

✔ Maintaining a database of reputable employment agencies (if you hire contract workers).

Your recruitment, selection, and hiring and other human resources procedures should:

✔ Include ways to track and understand laws and regulations on freely chosen employment.

✔ Make sure that workers are not required to post bonds or deposits for their jobs.

Considerations for Screening New Labour Brokers

Who
• Receiving Country Broker
• Sending Country Broker and agents
• Other Services provided by Broker

What
• Legal Compliance
• Business Ethics
• Social Responsibility Standards
• ‘Employer Pays’ Principle

How
• Due-diligence review
• Comprehensive pre-selection audit (3rd Party)
Make sure that original copies of worker identity documents, such as birth certificates, national identity cards, or passports are not held by the company. (see the Discrimination chapter)

If you hire foreign contract workers, your procedures must make sure that:

- The labour broker or recruitment agency complies with laws protecting worker welfare in the country workers are from and the country where the employer is located, as well as Code requirements.

Your agreement with the labour broker states:

- Workers are not required to pay deposits.
- Recruitment fees paid by workers are within the legal limits.
- Interest rates on loans do not financially bond the worker to the job.

Employment agreements state the amount and the way deductions are made from wages and that, when the worker returns home, the cost of repatriation will be paid by your company.

Any ‘savings’ deductions from wages are by the worker’s written consent and are placed in a savings accounts that can only be accessed (at will) by the worker.

Once a worker is hired, terms and conditions of his/her employment should be clear to the worker. Your employment procedures must make sure that:

- All workers are provided with an employment agreement at the time of hiring that contains the following information:
  - Nature and type of work arrangement (for example, probationary, apprentice/trainee, regular/permanent, foreign contract worker)
  - Terms and duration of the work arrangement (for example, probationary employees should be made permanent after 3 to 6 months if the law does not specify)
  - Specific job functions
  - Duration of contract, including terms of resignation and termination
  - Regular and overtime work hours and wages, pay cycle and benefits

The employment agreement or contract is signed by the worker and the manager responsible for hiring workers, and it fulfils the following conditions:

- The contents are clearly explained to the worker before signing and the agreement is written in a language the worker understands.
- Workers are provided with their own copy of the agreement and another copy is kept on file in the worker’s personnel records.

Workers have freedom of movement and are never physically prevented from leaving the workplace or dormitory. Procedures should also include:

- Reasonable rules for quickly granting workers permission to leave the workplace during work hours and worker housing (dormitories) during non-work hours without penalty.
- Security guards may not take disciplinary action against workers.
- Exit doors cannot be locked to prevent workers from leaving the workplace or dormitory.
- Workers are provided with access to toilets and to clean drinking water at all times and do not require permission to do so.

Best Practice
Work together with your labour agents and brokers to implement common processes and procedures to prevent forced and bonded labour.
Best Practice:
Before departure from their home country or region, provide migrant workers with training and information on the job they will perform, including the employment terms and conditions in their contract.

Communication and Training

You should use the following methods to make sure your employees are aware of policies and procedures:

- Provide introductory training for new managers and supervisors and newly hired workers on your company’s policies and procedures on forced labour and freedom of movement.
- Make sure the contract or employment agreement is explained to all newly hired workers, including their right to voluntarily resign and to refuse overtime work.
- Display company policies and any laws relating to forced labour and freedom of movement (for example, legally compulsory deductions) in a language that workers understand.

Documentation and Records

Meeting standards requires proper documentation. You will need to keep on file in Human Resources:

- All employment agreements.
- Agreements with security agencies, labour brokers, or recruitment agencies.
- A list of all contract workers (domestic or foreign) that include the following information:
  - Name of contract worker
  - Country of origin
  - Date of hire and length of contract
  - Recruitment agency
- Records of any complaints (and their resolution) relating to the implementation of your forced labour and freedom of movement policies.

Monitoring

You will need to check if your policies are being followed and that controls to make sure the company is meeting code and legal requirements are effective. The following steps can be used to evaluate and improve the effectiveness of your programs:

1. Monitor trends and key performance indicators (KPIs) to identify actual and potential problems, including:

- Regularly obtain worker feedback related to your freely chosen employment policies.
- Establish and check key performance indicators (metrics) for business processes such as recruitment and hiring. For example, the number of new migrant workers required to pay a deposit to a labour broker or percentage of new hires who understand their employment agreement.
2. Investigate problems and analyse why they occurred. If a problem arises that violates local law, your own internal policies, or the ETI Code, investigate the root causes, not just the condition, and what can be done to address them.

3. Work with other departments to identify reasonable solutions. Take care to develop solutions that make sure the problem does not recur and that the solution does not create other problems.

- Often, more than one function or organisation is responsible for social responsibility issues. In the case of freely chosen employment, Human Resources and labour agents must work together to find an appropriate solution that meets standards but does not prevent the company from meeting its business objectives.

- For example, eliminating worker indebtedness requires more than a change in policy, but will also require such things as better screening of labour brokers and ongoing monitoring of labour broker performance in meeting both company and legal requirements.

**Common Questions**

Why are foreign contract workers more vulnerable to abuses of freely chosen employment and freedom of movement?

Unlike domestic workers, the threat of deportation hangs over the heads of all foreign contract workers. Monitoring foreign contract labour issues should be handled with sensitivity to their special circumstances. Foreign contract workers tend to be less vocal because of the high cost of losing their jobs.

How can you make sure your company is not employing workers who are debt-bonded?

Hire workers directly, not through a labour broker. Brokers can take advantage of workers. Workers who have fewer employment alternatives and are economically desperate might be forced to bond themselves to these brokers as their only way of getting a job. The interviewing and selection process can give you an idea of whether job applicants are under any financial obligation to a third party or are paying fees in order to get a job.

How can you prevent those in charge of recruitment and hiring from accepting bribes or ‘under the table’ deals in exchange for a job?

- Establish and communicate policies against such practices, including penalties.

- Make sure workers have an effective grievance procedure for raising such issues.

Refer to the *Discipline and Grievance* and *Business Ethics* chapters for guidance.
How is a recruitment fee to a labour broker different than a pre-employment fee to an employer (which violates forced labour standards)?

☑ The Supplier cannot charge employment fees. Company policies, procedures and contracts must make it clear that there are no employment fees.

☑ Recruitment fees charged to foreign contract workers by labour brokers are acceptable only if the fee is within the legal limits of both the workers’ home country and the country where they will work. If the legal limits in their home country and their work country differ, the lower limit should apply.

☑ Best Practice: Recruitment fees cannot be so high that the worker cannot pay it off within a short period of time. Good guidance is that all fees paid by the worker to a labour broker should not exceed one month of regular wages (not including overtime).

The facility should not make deductions from workers’ wages to pay for recruitment fees without the written consent of the worker.

Can I retain my workers’ passports and other identity documents for safekeeping?

Without his or her passport and other personal documents, migrant workers will be unable to leave the facility. This lack of freedom of movement is a form of forced labour. So you may not retain these documents from workers against their will. However, there may be situations where workers may feel their documents are more secure if held by the company. This is allowable so long as the workers voluntarily agree, in writing, that you can hold onto their documents and that they can obtain their documents, upon demand and without delay.

Can foreign contract workers join unions?

Yes. The ILO Convention on Migrant Workers (ILO Convention 97) provides this right.

Common Audit Non-compliances from the Sedex Database

The following are the most common non-compliances against this issue. If properly implemented, the guidance in this chapter can help reduce the incidence of these problems:

- Retention by employer or labour agent of original identification papers or passport
- Payment of deposits or costs for essential work related items
- No policy on prison labour
- No free employment policy
- Work is not voluntary (unpaid, bonded, forced or trafficked)
- Unreasonable notice requirements or penalties for leaving

Sedex provides a document with suggested possible corrective actions following a SMETA audit. This is available to Sedex members only in the Sedex Members Resources section: Sedex Corrective Action Guidance

What other situations/practices could result in debt-bondage?

☑ Asking workers to pay a deposit for their employment and using the loss of the deposit as a disciplinary measure or to keep workers from leaving the company.

☑ Refusal to return workers’ savings at the end of the contract, or upon termination or resignation.

☑ Where loan repayment amounts are such that a large portion of a workers’ salary is used to repay the debt. In such cases, workers may end up working just to pay off existing debts.

In some countries, the law requires the employer to collect savings for foreign contract workers. What can the company do so it does not violate standards on forced labour?

☑ The amount of savings must be within the prescribed legal limits and is collected with the written consent of the workers.

☑ Savings must be placed in individual worker’s savings accounts. Workers should be able to monitor and access their accounts at any time. The facility must make sure that savings are returned to workers when they leave the job.
What are some examples of violations of workers’ freedom of movement?

- Preventing workers from leaving their dormitories except when a curfew is agreed by residents to be reasonable for personal safety.
- Limiting the number of toilet passes issued to a line at a time or any other form of restrictions.
- Unreasonable delay in granting reasonable requests of workers for permission to leave the workplace.

Case Study

The Walt Disney Company

Forced labour is a violation of international labour law. Employers have a responsibility to ensure that labour is freely given and that employees are free to leave in accordance with established rules. Meeting this requirement can be challenging in the supply chain context where buyers and brands must rely on their business partners and suppliers to comply with Code of Conduct requirements. For The Walt Disney Company there can be additional challenges: the vast majority of Disney-branded products are manufactured and sold under licences granted by Disney to third party licensees. Because of this, Disney lacks direct visibility into the supply chain.

“We have always wanted to be very open about not just our efforts and progress but, even more so, our challenges”, says Laura Rubbo, Director of Corporate Citizenship. “We operate a very large, diverse consumer products business and our goal is to do the best we can given the unique challenges we face.”

Both Disney and its licensees monitor the 25,000 factories which may be authorised to produce Disney-branded products at any time. Disney prioritises monitoring resources to locations that have the highest likelihood of non-compliance by conducting analysis using data mainly from the World Bank’s Governance Indicators. In the past, it has also used information from past factory assessments as well as external resources and initiatives such as AccountAbility’s Responsible Competitiveness Index, Freedom House’s Political Freedom Index, Heritage Foundation’s Economic Freedom Index, Transparency International’s Corruption Perceptions Index, and the United Nation’s Human Development Index.

Collaboration with other brands, external stakeholders, and industry initiatives including Social Accountability International, Global Social Compliance Program, SEDEX, and Verité is also key to Disney’s approach to tackling forced labour.

In 2011, Disney conducted and received approximately 5,800 social compliance audits, including unannounced audits.

“If issues occur, we work closely with our licensees and vendors and expect them to work with the factory to have the issues corrected. Depending on the complexity of the situation, we may step in ourselves. We have also been working with BSR’s Licensing Working Group to build the capacity of the licensing industry to provide training programs and guidebooks which include the issue of forced labour.”

“The California Transparency in Supply Chains Act, along with the broader movement to raise visibility to human trafficking, is focusing more attention on this important topic. While our Code of Conduct and audit process have always included an assessment of forced labour, these recent developments are certainly causing us to look at whether there are opportunities to strengthen our prevention, detection and remediation of human trafficking in our consumer products supply chains.”

“We seldom see child labour or forced labour in the facilities where our branded products are made. However, we find that one of the biggest success factors in having any issue addressed is how engaged factory management is and how much influence we can exert through our business partners.”

The Walt Disney Company is an international family entertainment and media enterprise with four business segments: media networks, parks and resorts, studio entertainment and consumer products. To find out more about Disney, visit their website: http://corporate.disney.go.com/.

Sedex is always looking for new case studies. If you have a best practice example case study that you would like to be featured, please send it to content@sedexglobal.com
Resources and Guidance

The following organisations, web sites and documents provide additional information around the topic of ‘Employment is Freely Chosen’:


☑ SMETA Corrective Action Guidance: [https://www.sedex.org.uk/sedex/go.asp?wsfedsession=0](https://www.sedex.org.uk/sedex/go.asp?wsfedsession=0)

☑ International Labour Organization

  - ETI Base Code Appendices: [http://www.ethicaltrade.org/resources/membership-resources/eti-base-code-appendices](http://www.ethicaltrade.org/resources/membership-resources/eti-base-code-appendices)


☑ International Convention on the Protection of the Rights of All Migrant Workers and Members of their Families: [http://www.ohchr.org/EN/ProfessionalInterest/Pages/CMW.aspx](http://www.ohchr.org/EN/ProfessionalInterest/Pages/CMW.aspx)


☑ U.S. Department of State  Victims of Trafficking and Violence Protection Act: [http://www.state.gov/j/tip/laws/61124.htm](http://www.state.gov/j/tip/laws/61124.htm)

  - Slavery and the supply chain: [http://www.antislavery.org/english/what_we_do/programme_and_advocacy_work/slavery_and_what_we_buy.aspx](http://www.antislavery.org/english/what_we_do/programme_and_advocacy_work/slavery_and_what_we_buy.aspx)

☑ Verité ‘Help Wanted’: [http://www.verite.org/helpwanted](http://www.verite.org/helpwanted)

☑ UN Global Compact:
Signposts to Training

- Verité:  http://www.verite.org/Training

Key Terms

- **Bonded Labour**: Workers work without regular wages in order to repay a debt to a labour broker, the supplier, or another third party. Workers are not free to leave the supplier facility at will.

- **Human Trafficking**: The recruitment, transportation, transfer, harbouring or receipt of persons by means of the threat or use of force or other forms of coercion for the purpose of exploitation, including forced labour.

- **Indentured Labour**: Workers are bound to the supplier with or without an employment agreement and are not able to leave at will. Slavery is a form of indentured labour.

- **Post a Bond**: Foreign contract workers are sometimes asked by labour brokers or their employer to provide insurance to compensate the employer if they leave the job before the contract term is complete. This insurance is called a bond.

- **Runaway Worker**: A foreign contract worker who leaves his/her employer without notice and remains in the country. The worker may try to get a job with another employer or may simply seek to stay in the country to avoid repatriation. This presents compliance issues for employers, as they are legally responsible for foreign contract workers working at their facilities.
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Chapter 1.3

FREEDOM OF ASSOCIATION & COLLECTIVE BARGAINING
Freedom of Association & Collective Bargaining

What does it mean?

**Freedom of Association** means allowing workers to form and join trade unions, worker associations and worker councils or committees of their own choosing. The purpose is to have good two-way communication between management and workers.

**Collective Bargaining** is the way employers and trade union representatives reach agreements on working conditions, wages, overtime, grievance procedures and worker involvement in workplace affairs.

Worker freedom to join unions or worker organisations and collective bargaining are basic building blocks for healthy employer-worker relations.

This section will help you check whether there is a risk of not meeting this standard in your current business operations and, if so, how to put controls in place to make sure these worker rights are respected.

**Benefits**

*Why should you do it?*

Respecting your workers’ rights of freedom of association and collective bargaining will help you stay within the law, avoid penalties and meet your customers’ requirements.

There can also be business benefits, such as:

- Better worker retention
- Fewer work stoppages and strikes
- Improved trust between workers and management
- More effective resolution of worker grievances

Discouraging workers to form or join an organisation of their own choosing is a violation of their rights to freedom of association.
**Requirements**

*What do you need to do?*

ETI Base Code Clause 2 requires that freedom of association and the right to collective bargaining are respected. This means:

2.1 Workers, without distinction, have the right to join or form trade unions of their own choosing and to bargain collectively.

2.2 The employer adopts an open attitude towards the activities of trade unions and their organisational activities.

2.3 Worker representatives are not discriminated against and have access to carry out their representative functions in the workplace.

2.4 Where the right to freedom of association and collective bargaining is restricted under law, the employer facilitates, and does not hinder, the development of parallel means for independent and free association and bargaining.

**Relevant ILO Conventions**

C87: Freedom of Association and Protection of the Right to Organise, 1948

- Workers and employers, without distinction whatsoever, shall have the right to establish and, subject only to the rules of the organisation concerned, to join organisations of their own choosing without previous authorisation.

C98: Right to Organise and Collective Bargaining Convention, 1949

- Workers shall enjoy adequate protection against acts of anti-union discrimination in respect of their employment.
- Such protection shall apply more particularly in respect of acts calculated to:-
  - make the employment of a worker subject to the condition that he shall not join a union or shall relinquish trade union membership;
  - cause the dismissal of or otherwise prejudice a worker by reason of union membership or because of participation in union activities outside working hours or, with the consent of the employer, within working hours.

C135: Workers’ Representatives Convention, 1971

- Workers’ representatives shall enjoy effective protection against any act prejudicial to them, including dismissal, based on their status or activities as a workers’ representative or on union membership or participation in union activities

**Other international guidelines** recommend:

- Steps should be taken to promote consultation and cooperation between employers and workers on matters of mutual concern. (ILO R94)
- Employers…as well as workers…should, in their common interest, recognise the importance of a climate of mutual understanding and confidence. (ILO R129)

**Achieving and Maintaining Standards**

*How do you do it?*

You can best meet standards by using a **systems approach**. In other words, you add **controls** to the processes you already use to run your business (like hiring, discipline and termination.) And you make sure your **policies** and **procedures** are designed to ensure that:

- Union members or officials are not discriminated against.
- Worker representatives are democratically elected by the workers rather than being selected by the company.
- There is a union at the site or other formal process for two-way communication between workers and management and for worker participation in workplace decision-making.
- Worker representative meetings take place on a regular basis.
• Decisions made at worker committee meetings are communicated to the workforce.

It is important that you also regularly monitor your processes and controls to make sure they are working.

Policies
(rules)

Your company policies should include the following:

✓ Hiring, promotion, transfers and other employment arrangements will not be affected by a worker’s involvement or affiliation with a union (see Discrimination chapter).

✓ Workers, including worker representatives, will not be harassed, abused or disciplined for union activity.

✓ Workers are allowed to form and join organisations and negotiate collectively with management, where there is no union.

✓ Statement that the company is supportive of workers' rights to freedom of association and collective bargaining.

Procedures
(practices)

Management should assign a responsible person (or department) to make sure the above policies are carried out. This includes:

✓ Communicating your policies to all managers, supervisors and workers.

✓ Meeting regularly with managers and supervisors responsible for recruitment, performance management, discipline, termination, and wages and benefits to oversee implementation.

✓ Monitoring and reporting all complaints and management responses related to the issues of freedom of association and discrimination.

✓ If there is no union, to set up and maintain a process for two-way worker-management communication.

Your recruitment, selection, and hiring and other human resources procedures should:

✓ Include ways to track and understand laws and regulations on freedom of association.

✓ Make sure workers are not discriminated against in hiring, salary, benefits, or promotion because they belong to a union. (Applicants should not be asked if they have ever joined a union before.)

Best Practice

Allow workers to participate in the setting or revision of workplace rules and standards. For rules and procedures to be effective, both management and workers need to agree to them.

✓ Provide a clear and safe way for workers to report discrimination, harassment or abuse of union organisers or members (also see the Discipline and Grievance chapter).

✓ Make sure unions can conduct their activities without interference, including providing paid time.
off for union/worker representatives to carry out their duties.

☑ If there is no union, there is a formal process for two-way worker-management communication and that worker representatives in this process are elected by the workers.

**Communication and Training**

You should use the following methods to make sure your employees are aware of policies and procedures:

☑ Provide training programmes for new managers and supervisors and newly hired workers on your company’s policies and procedures on freedom of association and collective bargaining.

☑ If there is a union or other employee organisation on site, tell workers where they can learn more about it.

☑ Provide continuing education for managers and supervisors on labour relations, including the company’s grievance procedures.

☑ Display company policies and laws on freedom of association and collective bargaining in a language that workers understand.

**Best Practice**

Distribute an employee handbook to all workers (written in their native language) that describes both legal requirements and the company’s policies and procedures on freedom of association and collective bargaining.

**Monitoring**

Monitoring is how you check if your freedom of association and collective bargaining policies are being followed, and that the controls you put in place to meet standards are effective. The following steps can be used to evaluate and improve the effectiveness of your programs:

1. **Monitor trends and key performance indicators (KPIs)** to identify actual and potential problems, including:
   
   ☑ Regularly review feedback, suggestions, complaints and grievances from workers.

   ☑ Establish and check **key performance indicators (metrics)** for such tasks as addressing worker grievances (for example, how long it takes to fix a problem and if the same complaint is received over and over again).

**Documentation and Records**

Meeting standards requires proper documentation. You will need to keep on file on company premises:

☑ Accurate minutes of union-management meetings or of worker-management meetings (where no union exists) that cover issues discussed and solutions or suggestions agreed upon.

**Note:** minutes should be reviewed and approved by both management and a union/worker representative.

☑ The collective bargaining agreements with the union (a copy of which should also be given to each worker).

☑ Logs of any complaints or grievances, including how they were resolved. How issues were addressed should be posted for workers to see.
2. **Investigate problems and analyse why they occurred.** If a problem arises that violates local law, your own internal policies, or the ETI Code, investigate the *root causes*, not just the condition, and what can be done to address them.

- Review and analyse common violations of freedom of association rules and procedures to identify why they are being broken.

**Best Practice**

*Hold regular worker feedback meetings to discuss issues and problems affecting workers in the day-to-day operations of the company and to ask for their suggestions on how to address problems or improve procedures. The meetings can be either formal or informal.*

3. **Work with other departments to identify reasonable solutions.** Take care to develop solutions so that the problem does not recur and the solution itself does not create other problems.

- Often more than one function or organisation is responsible for social responsibility issues. In the case of freedom of association, Human Resources, Production and the local union (if any) must work together to find appropriate solutions.

- For example, eliminating discrimination against worker representatives of active union members requires more than changes in procedures, but will also require such things as better training and education of supervisors and HR staff, and an effective grievance resolution process.

- Analyse on a regular basis issues and suggestions identified during worker meetings and worker-management meetings and use the results to improve company policies and procedures.

**Countries where freedom of association is restricted by law**

- Most of the Gulf States*: Trade unions are banned completely
- China and Vietnam: Union is government controlled and not independent

*Bahrain, Oman, Qatar, Saudi Arabia, United Arab Emirates*
Common Audit Non-compliances from the Sedex Database

The following are the most common non-compliances against this issue. If properly implemented, the guidance in this chapter can help reduce the incidence of these problems:

- No channel or workers unaware of a channel for workers to collectively raise and discuss issues with management
- No trade union or parallel organisation
- Lack of regular elections for worker representatives
- Worker representatives not democratically elected
- Workers do not know their representatives

Sedex provides a document with suggested possible corrective actions following a SMETA audit. This is available to Sedex members only in the Sedex Members Resources section: Sedex Corrective Action Guidance

Common Questions

What if the country’s laws limit freedom of association rights?

Where country law prohibits or limits workers’ rights to freedom of association and to bargain collectively, your company must make sure that its practices do not prevent or workers from forming or joining legally acceptable worker organisations.

For example, you must not pressure workers to join a company-controlled organisation in place of an organisation created by and controlled by workers.

Can labour-management councils be a substitute for a union?

No, unless unions are not permitted by law or if workers have chosen not to have a union. Such councils are a good way to promote worker participation, but do not replace worker unions and collective bargaining agreements.

Can foreign contract workers join unions?

Yes. The ILO Convention on Migrant Workers (ILO Convention 97) provides for this right.

What practices would be considered examples of anti-union discrimination or rights violations?

- Dismissal or threatened dismissal of union members or of workers who communicate or come in contact with union organisers.
- Requiring workers to sign a resignation letter as a condition of being employed, and using such letters to dismiss workers if they engage in union activity.
- Asking applicants and workers whether they are members of a union or asking their views on unions during the application process or during employment.
- Threatening workers with penalties if they choose to unionise.

How can employing short-term contract workers violate freedom of association standards?

In many parts of the world, temporary workers are not legally permitted to join or form unions. Companies have avoided unions and violated freedom of association standards by keeping workers on short-term, temporary contracts.
• Not allowing workers to speak with other workers during break time.

• Noting an employee’s union affiliation in personnel records, or participating in efforts to ‘blacklist’ an employee, or hindering the worker’s future work opportunities.

• Refusing to negotiate with a union.

• Prohibiting workers from attending union meetings (for example, assigning overtime during scheduled union meetings).

Case Study

“Communication is Key”

Workers’ opinions and grievances may not be heard if they are not given structures or procedures to voice them. To establish an environment of communication and trust, it is important to allow workers their right to form groups in order to negotiate working conditions, pay and health and safety at work.

Synthite Industries knows that planning for long-term employee engagement throughout their sites is vital to building a stable workforce. The site engages and has good relationships with two unions. Synthite’s Calicut site HR Manager Raeez K.A says “it is vital to use meetings and committees to ensure good two-way communication and to foster inter-level engagement.”

My Voice, launched in 2009, is a formal employee engagement programme initiated by the workers themselves. It is a monthly opportunity for employees to feedback confidentially on anything work-related.

“The results have been positive, with many minor issues being brought to attention of management that might not have been noticed. Implementing My Voice has improved the quality of the management process.”

Synthite set up guidelines for My Voice to ensure workers and staff understood the objective and process. The guidelines state that the session is chaired by representatives from the HR department, details discussed in the meeting shall be properly documented and shared with the concerned Heads of Departments, workers raising issues will be kept confidential, communication shall be sent to all employees once the grievance or query is addressed through notices, and documented minutes shall be sent to the corporate office every succeeding month.

“Our employees have suggested new ideas including a system for flexible leave, especially for our female workers. Employees are now entitled to one hour, a half day and a full day leave, once a month, if they have something urgent to do or an appointment to attend. The result is much higher satisfaction and lower level of absenteeism.”

“In the first session, the employees weren’t confident and were sceptical; the breakthrough came after two or three sessions when management reviewed the previous sessions, proving that issues were being tackled and solutions being made.”

By building management processes and trust Synthite now offers an open door policy, under the same processes as My Voice, where the workers, including union representatives, are free to engage with management at any time during working hours, with a fair hearing as well as being continuously able to raise their ideas formally through ‘My Voice’.

Trust and cooperation has benefitted the whole team. There is better communication which has improved the working environment and increased morale. More satisfied and happy to be a part of a good company, productivity has improved as worker retention has increased and absenteeism reduced.

Synthite Industries Ltd. Calicut, Kerala, India is a spice ingredient provider. They process spices and ingredients including, turmeric, chilli, pepper and rosemary for use for flavouring. To find out more about Synthite, visit their website: http://synthite.com/home.

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Resources and Guidance

The following organisations, web sites and documents provide additional information on freedom of association and collective bargaining:


☑ SMETA Corrective Action Guidance: https://www.sedex.org.uk/sedex/go.asp?wsfedsession=0

☑ International Labour Organization: http://www.ilo.org

☑ Ethical Trading Initiative (ETI): http://www.ethicaltrade.org
  - ETI Base Code: http://www.ethicaltrade.org/resources/key-eti-resources/eti-base-code
  - ETI - Union rights at work: http://www.ethicaltrade.org/in-action/issues/trade-union-rights


☑ International Trade Unions Congress: http://www.ituc-csi.org/

☑ International Covenant on Civil and Political Rights (Article 22 Freedom of Association): http://www.ohchr.org/EN/ProfessionalInterest/Pages/CCPR.aspx


☑ European Convention on Human Rights (Article 10 Freedom of Assembly and Association) http://www.hri.org/docs/ECHR50.html#C.Art10

Signposts to Training

- ILO: http://training.itcilo.org/ils/ils_freedom/freedom_activities.htm
- ETI: http://www.ethicaltrade.org/training/eti-supervisor-training-programme
- Verité: http://www.verite.org/training

Key Terms

- **Collective bargaining**: The process by which union officers or worker representatives negotiate with management on behalf of the entire workforce.

- **Grievance**: A complaint to management against what a worker believes to be an unjust or unfair act.

- **Organise**: The process of forming a trade union or worker association.

- **Parallel means/parallel organisation**: Where unions are prohibited or restricted by national law, ‘parallel means’ provides another way for workers to collectively communicate and discuss issues collectively with management.
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Chapter 1.4

LIVING ACCOMMODATION
Living Accommodation

What does it mean?

Many companies provide living accommodation or dormitories for their workers. Whenever an employer provides a place for workers to live, the housing must be safe, clean, and offered at a reasonable price.

In many countries, especially for employers that hire migrant workers, housing is important since workers may not have other options of a place to live.

Housing is a basic need for everybody. This means having a place to live that is safe and sanitary provided with adequate heat, ventilation and clean toilet facilities, access to safe drinking water, and with a reasonable amount of personal space.

Workers also need to have freedom of movement in their housing, meaning that they can come and go as they please and receive visitors where they live. Also, while a company can charge workers for housing, these costs cannot be excessively high. Deductions for housing costs should never compromise the ETI requirement that workers earn a living wage.

Benefits

Why should you do it?

Respecting your workers’ rights to clean, safe, and healthy living conditions will help you stay within the law, avoid penalties and accidents, and meet customers’ requirements.

There can also be business benefits, such as:

a) Well-rested workers are generally more productive.

b) Hygienic facilities will mean lower rates of illness, disease and absenteeism.

c) Improved worker satisfaction and morale can lead to higher productivity and fewer production mistakes.

d) Worker loyalty earned by providing high quality living conditions can lead to decreased costs for recruitment and hiring.

Even when the company does not own or operate the housing offered to workers, the company must still make sure workers are living in acceptable conditions.

Once these basic requirements are met, the specific arrangements for worker housing will vary by region and country. The living standards in the region where a company is providing housing are a good reference to determine if the types of accommodation provided are acceptable.

The purpose of this section is to help you identify the risks in workers’ current dormitory/living situation that could result in workers general dissatisfaction as well as a decline in health, safety, and morale. This section will also help you put controls in place to ensure a clean, safe, and healthy living environment.
**Requirements**

**What do you need to do?**

ETI Base Code Clause 3 states that working conditions are safe and hygienic. The code also requires:

3.3 Access to clean toilet facilities and to potable water, and, if appropriate, sanitary facilities for food storage shall be provided.

3.4 Accommodation, where provided, shall be clean, safe, and meet the basic needs of the residents.

**Relevant ILO Conventions and International Standards:**

- **ILO Convention 97:** Migration for Employment Convention (Article 6, iii) requires that migrants receive no less favourable treatment than nationals with respect to accommodation.

- **ILO Convention 155:** Occupational Safety and Health Convention (Article 16) requires employers to ensure that, so far as is reasonably practicable, the workplaces and processes under their control are safe and without risk to health.

- **ILO Convention 161,** Occupational Health Services Convention (Article 5), requires surveillance of the factors which may affect workers’ health, including sanitary installations, canteens and housing where these facilities are provided by the employer.

- **ILO Recommendation 115:** Workers’ Housing Recommendation (1961), in cases where housing is provided by the employer--
  a) the fundamental human rights of the workers, in particular freedom of association, should be recognised;
  b) national law and custom should be fully respected in terminating the lease or occupancy of such housing on termination of the workers’ contracts of employment; and,
  c) accommodation should not cost the worker more than a reasonable proportion of income, and in any case should not include a speculative profit.

- **Universal Declaration of Human Rights,** Article 25.1 states: “Everyone has the right to a standard of living adequate for the health and well-being of himself and of his family, including…housing…”

- **International Covenant on Economic, Social and Cultural Rights,** Article 11.1 states: “…the right of everyone to an adequate standard of living for himself and his family, including adequate food, clothing and housing, and to the continuous improvement of living conditions…"

**Achieving and Maintaining Standards**

**How do you do it?**

You can best meet standards by using a **systems approach.** In other words, you add **controls** to the processes you already use to run your business (like discipline and termination). And you make sure your **policies** and **procedures** are designed to ensure that:

- Conditions are sanitary.
- Living accommodation is not located in production or warehouse buildings.
- Family accommodation is sufficiently separate from the worksite.
- Accommodation is free of insects and rodents.
- Workers from different work shifts do not share the same bed.
- Sleeping rooms are never overcrowded.
- Fire detection, alarms and emergency exits are adequate.
- Exit doors remain unlocked at night.
- The building is structurally sound.
- Hot water for washing and bathing is adequate.
- Toilet facilities are adequate and well maintained.
- Access to or supply of potable drinking water is adequate.
- There is lighting or space for reading and writing.
- Workers are permitted to leave the accommodation during non-work time.

It is important that you also regularly monitor your processes and controls to make sure they are working.

### Policies (rules)

Your company policies on living accommodation should include the following:

- ✔ Statement that workers have a choice as to where they live, and that company housing is only one option.
- ✔ Commitment to provide safe and sanitary living quarters for all workers.
- ✔ Statement that the price of company-provided housing will be at or below the local average and that all workers will be charged the same rate.
- ✔ Commitment to provide adequate supplies of potable drinking water.
- ✔ A separate bed or mat for each worker.
- ✔ Separate accommodation for male and female workers.
- ✔ Statement that workers are free to come and go as they please, with no restrictions on a resident’s freedom of movement beyond what is reasonable for personal safety.

### Procedures (practices)

You should assign a responsible person or department to make sure your practices are carried out through the following practices:

- ✔ Communicating your policies to all managers, supervisors and workers.
- ✔ Making sure all residents have a copy of the accommodation regulations written in a language they understand.
- ✔ Posting key housing regulations and fire safety instructions in locations highly visible to residents.
- ✔ Maintaining a complaint mechanism for accommodation conditions and practices, and promptly following up on worker concerns.
- ✔ Repairing accommodation facilities promptly. Follow-up on problems such as broken ventilation systems or issues with toilet facilities.
- ✔ Keeping records related to the accommodation, such as those related to deductions for housing fees and records of fire / evacuation drills in the dormitory.

Your procedures should include:

- ✔ Clearly defined accommodation rules and any disciplinary actions for breaking the rules. Any disciplinary measures should be reasonable, and except in the case of deliberate damage to facilities, workers should never be fined for breaking the rules.
- ✔ Rules that describe how residents are allowed to receive and entertain visitors.
- ✔ Restriction of security guards’ responsibilities to safeguarding and securing accommodation properties and residents’ safety.
- ✔ Each worker being provided with a secure box or locker to store their documents and valuables. Only the worker should have the key / combination.
- ✔ Making sure that family housing (if provided) is sufficiently separated from the workplace so that children cannot enter production or other work areas.
How the company will keep living accommodation clean and sanitary. Your procedures must describe how it will ensure that:

- Toilets are kept clean, are functional, and are sufficient in number.
- Clean water is provided for washing and bathing.
- Potable water is provided for drinking.
- Common areas, like hallways and recreation rooms, are kept clean.

- Regular inspection and maintenance of exit facilities, fire detectors, fire extinguishers, alarms, emergency lighting and other facilities needed to ensure the safety and health of residents.
- A program of regular fire drills (at least once per year for all work shifts).
- Regular testing of drinking water supplies.
- Making sure that sleeping rooms are adequately heated and ventilated.
- Provision of first aid kits within worker accommodation; and methods to ensure that workers are provided with any necessary medical treatment.

**Monitoring**

You will need to check if your accommodation policies and procedures are being followed and that controls intended to make sure the company is meeting code and legal requirements are effective. The following steps can be used to evaluate and improve the effectiveness of your programs:

1. **Monitor trends and statistics** to identify actual and potential problems, including:
   - Regularly review resident feedback related to the administration of the company’s accommodation policy.
   - Establish and monitor key performance indicators for health, safety, and hygiene processes so that you can measure their effectiveness on a continuous basis. For example: “percentage of residents who have taken part in an emergency evacuation drill in the past year.”
   - Regularly review and revise policies and procedures to keep them relevant and up-to-date.

2. **Regularly inspect** the accommodation to make sure company requirements are in place. Even in cases when a third party is responsible for accommodation, the company needs to make sure its requirements for safe and clean housing are being met.

**Best Practice**

Form a housing or accommodation committee made up of residents to gather worker feedback on living conditions and discuss issues with management. This committee could be an extension of the worker health and safety committee at the workplace.
Common Questions

What if the company does not manage the accommodation?

Even if your company does not own or directly manage worker housing, you are still responsible for the conditions in which workers live. Making sure the housing is in line with the company’s policies and expectations is best done by monitoring and listening to workers.

Visit the housing regularly and let workers file grievances with the company even if they also can complain to third party housing managers.

Can the company make workers live in one place or another?

No. Workers must choose where they wish to live. In many settings, workers will need and want company housing. But the company cannot require workers to live in company housing (unless required by law), or direct workers to another company’s housing.

What other amenities should be provided in housing?

What’s expected in worker housing will depend on the standard of housing in the local community. But some other amenities that you can provide for workers are:

- Common room for receiving guests, or a game/recreation room.
- Cooking facilities. Even when there’s a canteen workers might want the option to sometimes cook their own meals.
- Mechanical cooling, like a fan or air conditioner for especially hot weather.

What are the requirements if my company provides accommodation for workers and their families?

For the safety of children, any accommodation where children may be present must be separate from unmarried worker housing and located so that children cannot enter production or warehouse areas.

Children must also have access to medical care and be able to attend school until they have completed mandatory education.

Where both parents work, day care services should be made available.

Is there further guidance on how much workers can be charged for housing?

While it is acceptable to charge workers for housing, those charges should be at or below market rates. Fees for housing can never compromise workers’ ability to earn a living wage. Make sure workers are fully informed and agree to these costs. Issue receipts for payments or show housing fee deductions in workers’ payslips.

Common Audit Non-compliances from the Sedex Database

The following are the most common non-compliances against this issue. If properly implemented, the guidance in this chapter can help reduce the incidence of these problems:

- Inadequate workers accommodation
- Individuals do not have storage area for personal effects
- Premises require minor repairs that affect personal safety
- No firefighting equipment
- Lack of basic appliances required for reasonable living conditions
- No or inadequate emergency lighting
- Hygiene facilities require repairs/improvement
- Accommodation not structurally safe

Sedex provides a document with suggested possible corrective actions following a SMETA audit. This is available to Sedex members only in the Sedex Members Resources section: Sedex Corrective Action Guidance
Case Study
Habitable, clean and safe

For employers providing housing to their workers as part of their contract, they need to ensure that they meet minimum baseline standards of housing, labour, health and fire safety regulations set by the nation or state. The goal is to respect the health and safety of workers in employer provided accommodation in the same way they do within the working environment.

For the past 12-15 years, Delbanco Meyer & Company has been working with their Chinese supplier Kunshan Yuhua Embroidery Company, who specialise in traditional hand embroidery techniques. Delbanco have worked with the supplier over a number of years to improve standards.

Linda Hyldgaard, CSR Manager at Delbanco Meyer, emphasises that, “a company cannot push ideas and expectations on suppliers without an exchange of money and orders. Only after placing orders, and trust and relationships are built, can suggested improvements be made.”

In 2005, Kunshan Yuhua Embroidery Company built new factories, in which both Delbanco and company employees, through the Company Committee, (a workers’ board of about 5 people elected by the 99 workers) were closely involved.

This not only ensured health and safety standards were met but also that accommodation provided comfortable places for workers to live.

The result was that the workers had a huge input into plans for the new factory build, in particular specifications for the dormitories. The workers emphasised their need for comfortable and safe accommodation, and the benefits this would add to their job satisfaction. Their specifications included safe cooking facilities, not on the floor or near the exit door, and separation between men’s, women’s and couples’ rooms to respect female safety and privacy.

One area the Kunshan Yuhua Embroidery Company had overlooked was the requirement to run evacuation drills at night, in case of fire. Due to their close working partnership, Delbanco was able to advise and implement a procedure to ensure this is now regularly checked and that escape procedures are known to all staff.

The result is decent, clean, safe and habitable accommodation for workers as well as good employee and customer relationships

Delbanco Meyer & Company Limited is a major supplier of household textiles; including quilts, pillows and bed linen. Delbanco is based in the UK, working in partnership with suppliers in China, who are managed by their Shanghai internal audit office. They supply major retailers such as M&S, John Lewis, and House of Fraser. To find out more about Delbanco Meyer, visit their website: http://www.delbanco.com/.

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Resources and Guidance

The following organisations, web sites and documents provide additional information on accommodation:


☑ International Labour Organization: http://www.ilo.org

☑ Ethical Trading Initiative (ETI): http://www.ethicaltrade.org/
  - ETI Base Code: http://www.ethicaltrade.org/resources/key-eti-resources/eti-base-code


Signposts to Training


Key Terms

- **Dormitory**: A large room or building that provides living accommodation for workers. Each dormitory room contains multiple beds typically 8 to 12 for individual workers. Dormitories may have common washing and toilet facilities or one for each sleeping room.

- **Hygienic**: Means that facilities are free of levels of biological (bacteria and viruses) and chemical contaminants that can cause illness or disease by inhalation or skin contact.

- **Potable water**: Water suitable for drinking. This means it meets local drinking water standards and does not contain contaminants (chemical or biological) that can cause illness.
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Children & Young Workers

What does it mean?

**Child labour** is defined as the recruitment, hiring and employment of workers under the minimum legal working age or the age of 15, whichever is higher.

Protection of children’s rights is the focus of international initiatives to end practices that are harmful to children’s physical, mental, and moral development. Children are vulnerable to abuse and exploitation and thus require special protection.

**The worst forms of child labour** are the most harmful kinds of child labour, and include: slavery, trafficking, selling of a child’s services for money, and other forms of forced labour involving children in hazardous work.

Child labour is a prime concern of governments, human right groups and international and local labour groups. A socially responsible workplace installs ways to identify and screen out job applicants who are underage.

**Young labour** is defined as the employment of workers of at least the minimum working age but younger than 18.

Companies can employ young workers (also known as juvenile workers), but only with restrictions on the type of work performed and the hours of work to protect their health, wellbeing and development.

Benefits

Why should you do it?

Protecting the rights of children and young workers will help you stay within the law, avoid penalties and meet your customers’ requirements.

Avoiding child labour and properly using young workers also has **business benefits** such as:

a) Improving your company’s image and reputation

b) Helping to make sure you have an educated and capable workforce for the long-term

c) Better relationships with technical schools and other educational institutions which can lead to an improved ability to attract qualified graduates

Make sure young workers’ working hours, work assignments and other terms of employment meet legal requirements.

This section will help you check whether there is a **risk** of not meeting this standard in your current business operations and, if so, how to put **controls** in place to make sure child labour is avoided and young workers are employed under the right conditions.
Requirements
What do you need to do?

ETI Base Code Clause 4 requires that child labour not be used. This means:

4.1 There shall be no new recruitment of child labour.

4.2 Companies shall develop or participate in and contribute to policies and programmes which provide for the transition of any child found to be performing child labour to enable her or him to attend and remain in quality education until no longer a child.

4.3 Children and young persons under 18 shall not be employed at night or in hazardous conditions.

4.4 These policies and procedures shall conform to the provisions of the relevant ILO standards.

Relevant ILO Conventions
C138: Minimum Age for Employment, 1973
- This convention specifies that the minimum age for employment shall not be less than the age of completion of compulsory schooling and, in any case, shall not be less than 15 years (developing countries may set the legal working as low as 14, with justification).
- The minimum age for work which by its nature or the circumstances in which it is carried out is likely to jeopardise the health, safety or morals of young persons shall not be less than 18 years.

C182: Worst Forms of Child Labour, 1999, requires that governments:
- Prevent the engagement of children in the worst forms of child labour;
- Provide the necessary and appropriate direct assistance for the removal of children from the worst forms of child labour and for their rehabilitation and social integration;
- Ensure access to free basic education, and, wherever possible and appropriate, vocational training, for all children removed from the worst forms of child labour;
- Identify and reach out to children at special risk; and
- Take account of the special situation of girls.

Other international guidelines recommend:
- Preventing the engagement of children in or removing them from the worst forms of child labour, protecting them from reprisals and providing for their rehabilitation and social integration through measures which address their educational, physical and psychological needs. (ILO R190 - 1999)
- Full-time attendance at school or participation in approved vocational orientation or training programmes should be required and effectively ensured up to an age at least equal to that specified for admission to employment. (ILO R146 1973)

Achieving and Maintaining Standards
How do you do it?

You can best meet standards by using a systems approach. In other words, you add controls to the processes you already use to run your business (like hiring). And you make sure your policies and procedures are designed to ensure that:
- You have a clearly stated policy on child labour.
- You employ only workers of legal working age or 15 years old and over, whichever is higher.

- The age of job applicants is verified.

- A remediation procedure is in place in case of discovery of child labour in the workplace.

- Young workers are not assigned to shift work (night and weekends) or hazardous work.

- There is a recruitment policy for young workers.

- The company meets all other legal requirements for young workers, such as registering with the government or providing health examinations.

- Maintaining records of employee ages to show they are of legal age for their jobs.

It is important that you also regularly monitor your processes and controls to make sure they are working.

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**Child Labour Quick Reference**

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Policies
(rules)

Your company policies should include the following:

- Commitment to not recruit or hire workers below the age of 15 or in compliance with the local minimum age (whichever is higher).
- Statement for workers above the age of 15 who have not completed compulsory schooling that their jobs will not interfere with the completion of their education.
- Commitment to not allow young workers to work overtime, at night, or in hazardous jobs.
- Statement that if child labour is discovered, the company will remediate the situation in the best interests of the child and his or her family.
- Commitment to comply with all applicable legal and customer requirements.

Procedures
(practices)

Management should assign a responsible person (or department) to make sure your policies are carried out. This includes:

- Communicating your policies to all managers, supervisors and workers.
- Meeting regularly with managers and supervisors responsible for recruitment and hiring, working with vocational schools, and workplace health and safety, to oversee implementation.
- Monitoring and reporting all complaints and management responses related to the issues of child labour.

Your recruitment, selection, and hiring and other human resources procedures should include:

- Ways to track and understand laws and regulations on child labour and young workers.
- Recruitment and hiring process which screens out underage workers.

- Job postings and advertisements clearly state the minimum hiring age.
- Review and verification of proof-of-age documents.
- Means to maintain copies of verified proof of age documents on file.
- Labour brokers follow the company’s requirements on recruitment and hiring of young workers, including confirming their ages.
- Review all jobs in the facility for health and safety hazards and clearly identify those suitable for young workers.
- Maintaining a current list of young workers that includes name, hire date, birth date, department, job, work schedule (including education-related restrictions), supervisor name.
- Young workers are provided with health checks when they are hired (and regularly during employment) to make sure the job they are doing does not endanger their health or physical development.
- Employment contracts for young workers include all job and work hours restrictions and educational needs, and are signed by the worker’s parents.
- Registration of young workers with the local labour authority.
- Written procedure to address the discovery of child labour in the workplace. The procedure should include:
  - removing the child from the workplace
  - contacting the family
  - continuing full salary and benefits until of legal working age
  - making sure compulsory schooling is completed
  - other financial support, as needed
Best Practice

Involve the company in a community education programme. Provide funding or scholarships to local students in need of financial support.

Communication and Training

You should use the following methods to make sure your employees are aware of policies and procedures on child labour:

- Provide introductory training for new managers, supervisors, and newly hired workers on your company’s policies and procedures on child labour.
- Make sure that the training covers laws and regulations related to child labour, particularly for restrictions on hours and conditions of work.
- Display factory policy and local law and regulations on child labour (minimum age, restriction on hours, and conditions of work).
- Train employees responsible for hiring on how to verify identity papers are valid and how to use interviewing and other techniques for verifying age of job applicants.
- Communicate the company’s grievance procedure and explain how to report issues related to children and young workers.

Documentation and Records

Meeting standards requires proper documentation. You will need to keep the following on file on your company premises:

- Copies of verified proof-of-age documents in the worker’s personnel file (national identity card, birth certificate, local school records)
- A register of young workers currently employed
- An inventory of departments and jobs that are approved for young workers
- Copies of reports of the discovery of child labour and how the incidents were resolved

Best Practice

Keep copies of the types of falsified proof-of-age documents found in the hiring process. On an on-going basis, use them as a screening tool by comparing them with the documents submitted by job applicants.

Monitoring

You will need to check if your child and young worker labour policies are being followed and that the controls to make sure your company is meeting code and legal requirements are effective. The following steps can be used to evaluate and improve the effectiveness of your programs:

1. **Monitor trends and performance indicators (KPIs)** to identify actual and potential problems.

   - Examples of KPIs include: percentage of job applicants found to be underage; number of young workers assigned to hazardous work; and number of underage workers found working in the facility.
   - Periodic review of complaints and grievances from workers related to the administration of
your child and young worker labour procedures.

☑ Regular review of recruitment, selection, and hiring procedures to determine if the existing process and other controls are effective in preventing hiring underage workers.

☑ Regularly review young worker job assignments to check that restrictions on the job type and working hours meet company requirements.

☑ Perform random age verification checks to be sure that hiring procedures are effective.

2. **Investigate problems and analyse why they occurred.** When a situation arises that indicates the existence of non-conformance with company child labour policies and customer code(s) of conduct, the company should investigate the root causes, not just the condition, and what can be done to address them.

☑ For example, if you discover an underage worker in the facility, after taking appropriate action to remove the child from the workplace and taking care of his/her financial and educational needs, investigate how this occurred. Was there a gap in your age verification procedure? Did a labour broker not follow your requirements?

---

**Best Practice**

*Conduct regular meetings with managers and supervisors who have young workers under their supervision to review the implementation of restrictions for them.*

3. **Work with other departments to identify reasonable solutions.** Take care to develop solutions so that the problem does not recur and the solution itself does not create other problems.

☑ Often, more than one department is responsible for social responsibility issues. In the case of child labour, Human Resources and Production must work together to find an appropriate solution that meets standards, is favourable for the child, but does not prevent the company from meeting its business objectives.

☑ Simply removing a child from the workplace may achieve legal compliance but may not meet customer code requirements if you do not also address the child’s educational needs and the family’s financial needs.

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**Common Audit Non-compliances from the Sedex Database**

The following are the most common non-compliances against this issue. If properly implemented, the guidance in this chapter can help reduce the incidence of these problems:

- Copies of proof of age documents not available in worker files
- Lack of health examinations for juvenile workers
- Young workers not registered with the local government
- Inappropriate hours of work for young workers
- Child labour remediation programmes do not ensure children complete compulsory education
- Juvenile worker contracts not registered or approved by local legal authority
- Inadequate child labour policy
- Young workers performing night work

Sedex provides a document with suggested possible corrective actions following a SMETA audit. This is available to Sedex members only in the Sedex Members Resources section: Sedex Corrective Action Guidance.
Common Questions

How can you avoid hiring child workers?

*Direct hiring.* A common risk for child labour is when child workers’ services are sold to labour brokers by their own parents who, because of extreme poverty, are unable to feed and provide for them. These middlemen often transport the children to distant work sites and present them as older than they are.

*Effective age verification procedures.* You should always require applicants to provide government authenticated proof-of-age documents.

How can you verify age during an interview?

An interviewer screening an applicant can ask questions such as, “In what year were you born?” or, “How old are your siblings?” Then ask a follow-up question such as: “Where do you fit in the family order?” These kinds of techniques may help determine the accuracy of information from young applicants who may be coached to say they are older than they really are or are unable to verify their age with correct documentation.

What if the legal minimum age is lower than a customer’s code standard, or the mandatory age for schooling?

In both cases, the company’s policy should be that the higher requirement (older age minimum) should be followed.

Also, in most countries, the minimum age and the mandatory age for completion of compulsory schooling is the same. However, there are countries where the minimum age is lower than the age for completion of compulsory schooling. In this case, it should be the company’s policy not to hire workers under the mandatory age for completion of compulsory schooling even if they are above the minimum age for employment (except in cases where school and training are legally combined, such as apprenticeships).

What else can a company do to help address child labour in the workplace?

In spite of good anti-child labour policies and procedures, it may still be possible to discover underage workers on the job. This is because underage workers may not want to be discovered and lose their jobs. They and their parents may depend on the income. In such cases you must remove the child from the workplace and ensure the child returns to school and completes his or her education. You should also continue to pay the worker’s full salary to the child’s family until he or she reaches legal working age..

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### Why do children work?

- Lack of decent jobs for adults.
- Large families require multiple incomes to feed their members.
- Agricultural jobs pay by the amount of produce picked. This encourages families to bring more children into the field to help collect farmed goods.
- It is cheaper to employ young children because they are less likely to complain than adults.
- Poor families can’t afford to send their children to school.
- Many families around the world are unfamiliar with the rights of their children and deem it acceptable to send children to work.
- Families think that school won’t help their children survive.
- Migrant children don’t live in one place long enough to attend school; instead they work with their parents.

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### Why do children work?

#### What is the main reason why children work?

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Case Study

“Protect through procedures”

Supply chains are globalised and complex. It is therefore vital that businesses have proper systems in place to protect those most vulnerable from exploitation.

Through a 3rd party audit requested by Tesco, Paladone Products found a child of 15 working in their supplier factory in China, where the legal working age is 16. The child was working in her school holidays and had been employed on the assembly line on a full-time contract.

Despite Paladone’s communication of their child labour policy, the HR personnel did not have a strong awareness of it and mistakenly employed the child, most likely due to the fact that the child had been recommended by an existing employee.

“It was a case of everybody pulling together to resolve the issue. Tesco was heavily involved, came to see the child at the factory and supported us every step of the way,” says Paladone’s Head of CSR, Audrey Mealia.

Upon discovery, the factory immediately drove the child home, accompanied by the auditor and the factory’s HR manager, where she was interviewed. The child resigned from the factory and received all wages, an extra month’s salary and one month’s meal fees as compensation in cash. She was also given a letter promising employment at any time after she reached 16.

Under Paladone’s advice and support, the factory has established formal procedures to ensure all staff are trained and aware of the seriousness of child labour. They have also improved their ID monitoring processes, enforcing verification of IDs to prevent any future employment of children. The factory has not found any subsequent incidences of child labour.

“The incident opened up our eyes to the issue and workers’ ID cards are now checked in all factories to ensure there is no child labour. We have used this experience to educate our other suppliers in a similar way. We experienced no backlash from Tesco: it has in fact strengthened our customer relationship, as we resolved the issue in a mature and responsible way.”

Paladone Products Ltd. is a designer and creator of fun, novelty toy and giftware for nearly 20 years. Customers include major retailers such as M&S, Sainsbury’s and Tesco. To find out more about Paladone, visit their website: www.paladone.com.

Sedex is always looking for new case studies. If you have a best practice example case study that you would like to be featured, please send it to content@sedexglobal.com.
Resources and Guidance

The following sources provide further details on international standards for child labour.


☑ International Labour Organization: http://www.ilo.org
  • For a full list of and links to full text of ILO child labour conventions: http://www.ilo.org/ipec/facts/ILOconventionsonchildlabour/lang--en/index.htm

☑ Ethical Trading Initiative (ETI): http://www.ethicaltrade.org/
  • ETI Base Code: http://www.ethicaltrade.org/resources/key-eti-resources/eti-base-code
  • ETI - Child Labour: http://www.ethicaltrade.org/in-action/issues/child-labour

☑ Global March Against Child Labour: http://www.globalmarch.org/

☑ Fair Labor Association (FLA): http://www.fairlabor.org/topic/child-labor


☑ UN Global Compact (Principle 5): http://www.unglobalcompact.org/AboutTheGC/TheTenPrinciples/principle5.html

☑ International Covenant on Economic, Social and Cultural Rights (Article 10): http://www.ohchr.org/EN/ProfessionalInterest/Pages/CESCR.aspx

Signposts to Training

- Verité: http://www.verite.org/Training
- ILO Training Centre: http://www.itcilo.org/en

Key Terms

- **Adult**: An individual 18 years of age or older.
- **Child**: An individual below the age of 15 or the legal working age, whichever is higher.
- **Juvenile or Young Worker**: A worker less than 18 years of age but at or above the age of 15 or the legal minimum working age, whichever is higher.
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**Wages**

*What does it mean?*

**Wages** should be enough to meet workers’ basic living needs and leave the worker with some discretionary income. Where the legal minimum wage or local industry benchmark is not enough to cover workers’ basic needs, the employer should strive towards paying a **living wage**.

A **base wage** is what is paid for regular work hours. This is usually a legal minimum wage set by the government. If there is no legal minimum wage, workers must receive the local industry benchmark wage.

**Overtime wages** are paid for any work beyond normal work hours, and must be at the premium rate required by country law or by the local industry benchmark.

A **living wage** means wages are enough to meet workers’ basic needs for food, shelter, and education for their children. **Discretionary income** is money left over after basic needs have been met.

This section will help you check whether there are **risks** of not meeting this standard in your current business operations and, if so, how to put **controls** in place to make sure that wage standards are met.

Some countries may not set a legal minimum wage. In such cases, employers must follow the local **industry benchmark** on base wages. This means making sure that wages paid by the supplier are comparable to those paid by similar businesses in the area.

**Benefits**

*Why should you do it?*

Making sure that workers are paid a living wage and at least the legal minimum wage rates for regular and overtime hours worked will help you comply with the law, avoid penalties and meet your customers’ requirements.

There can also be **business benefits**, such as:

a) Higher worker motivation, morale and productivity.

b) Making it easier to attract and retain qualified workers.

c) Allowing workers to send their children to school helps ensure a more qualified future workforce.

d) Strengthening the company’s reputation in the local community and in the industry.
ETI Base Code Clause 5 states that wages must meet legal standards and be enough for basic needs with some discretionary income. This means:

5.1 Wages and benefits paid for a standard working week meet, at a minimum, national legal standards or industry benchmark standards, whichever is higher. In any event wages should always be enough to meet basic needs and to provide some discretionary income.

5.2 All workers shall be provided with written and understandable information about their employment conditions in respect to wages before they enter employment and about the particulars of their wages for the pay period concerned each time that they are paid.

5.3 Deductions from wages as a disciplinary measure shall not be permitted nor shall any deductions from wages not provided for by national law be permitted without the expressed permission of the worker concerned. All disciplinary measures should be recorded.

Relevant ILO Conventions

C95: Protection of Wages Convention, 1949, requires that:

- Wages be paid directly to the worker,
- Employers shall be prohibited from limiting in any manner the freedom of the worker to dispose of his wages,
- Where access to other stores or services is not possible, goods are sold and services must be provided at fair and reasonable prices,
- Deductions from wages shall be permitted only under conditions and to the extent prescribed by national laws or regulations,
- Any deduction from wages to obtaining or retain employment, made by a worker to an employer or his representative or to any intermediary (such as a labour contractor or recruiter), shall be prohibited.

C131: Minimum Wages Fixing Convention, 1970, requires that the level of minimum wages shall include the needs of workers and their families, taking into account the general level of wages in the country, the cost of living, social security benefits, and the relative living standards of other social groups.

Other international standards and guidelines state:

- Everyone who works has the right to just and favourable remuneration ensuring for himself and his family an existence worthy of human dignity, and supplemented, if necessary, by other means of social protection (Article 23 of the Universal Declaration of Human Rights).
- Remuneration which provides all workers, as a minimum, with: a decent living for themselves and their families (Article 7, International Covenant on Economic, Social and Cultural Rights).

Achieving and Maintaining Standards

How do you do it?

You can best meet standards by using a systems approach. In other words, you add controls to the processes you already use to run your business (like compensation and benefits) and you make sure your policies and procedures are designed to ensure that:

- Suppliers are aware of the minimum legal wage.
- Regular and overtime wages are correctly calculated and paid.
- Workers performing piece rate work are paid the legal minimum wage even if
they do not meet production targets.

- Apprenticeships are never illegally extended as a way of reducing wage payments.
- Wages are adequate to pay for food and housing and provide discretionary income.
- Deduction from wages do not reduce net wages below the minimum legal wage.
- The facility does not use wage deductions as a disciplinary measure.
- Annual leave and other leave benefits are paid or given as required by law.
- Overtime work is consistently paid at the required premium.
- Subcontractors, homeworkers, casual workers and other non-regular workers are a basic wage or piecework wage that is at least equivalent to the legal minimum wage.
- Workers are provided accurate payslips and know how their wages are calculated.

It is important that you also regularly monitor your processes and controls to make sure they are working.

### Policies

**rules**

Your company policies should include the following:

- A commitment to provide wages to workers that meet at the least the legal minimum wage or industry benchmark and is sufficient to meet workers basic needs and provide discretionary income.
- A commitment to pay the legally required premium rates for overtime work, or in the absence of a legal requirement, at least 125% of the regular wage rate.
- A statement that workers on piece work will receive at least the minimum legal wage, regardless of production quotas.
- A commitment to pay legally required overtime wages for work performed on a rest day and/or a legal holiday.

- A commitment to provide all legally required benefits and social insurance as part of the worker’s total compensation package.
- A commitment to provide annual leave, sick leave, maternity leave, legal holidays and any other legally required leave.

Refer to the *Working Hours* chapter for more guidance on overtime and rest days.

Management should assign a responsible person or department to make sure these policies are carried out through the following practices:

- Communicating your policies to all managers, supervisors, and workers.
- Meeting regularly with managers and supervisors to oversee implementation of your wage and benefits policies.
- Implementing an accurate and transparent payroll system.
- Maintaining and actively updating laws, regulations and industry benchmarks regarding wages, paid leave, and legally mandated benefits and deductions.
- Collecting and updating information on the basic cost of living in the local community. This means understanding the cost of basic education, housing, and food to make sure workers can afford these at the basic wage level and still end up with a little extra money.
- Regularly communicating all wage-related information to workers and responding to worker feedback and complaints.

### Signs that workers are not paid a Living Wage

- Not eating while at work so they can afford to feed their children
- Asking for advances on their pay
- Being in debt - borrowing from neighbours or moneylenders
- Cutting out ‘extra’ spending, such as for medicine and clothing
- Working more than one job or taking on homework
**Best Practice**

**The Payslip or Paystub**

The payslip provides the worker with a record and ‘receipt’ of payment for work performed over a specified period. It should specify the hours worked, base wage rate, overtime hours and overtime premium rate, and piece rate, if applicable. This allows workers to determine whether they were paid the correct amount and for all hours worked. If the company pays workers through direct deposits into workers’ individual bank accounts, the company must still issue pay slips for these payments.

**Procedures (practices)**

Your wages and benefits and other Human Resources procedures should include:

- Ways to track and understand laws and regulations on wages and benefits.
- Methods to ensure that all workers are provided with employment agreements at the time of hire.
- These should clearly state the wage rates workers will earn for regular and overtime work, the pay period and frequency of payments, and any legally allowed deductions.
- Maintaining accurate and clear payroll records and providing payslips to workers every pay period.
- Ways to regularly monitor the practices of a third party or labour provider who holds workers’ contracts or is responsible for paying their salaries and benefits.
- Defined limits on the length of time workers can be kept in trainee or apprentice positions before they are paid the wages and benefits of regular workers.
- A process that makes sure that workers are paid on time—no more than two weeks after the end of the pay period.
- Payment methods that include cash, cheque, or by direct transfer into the worker’s bank account. If bank accounts are set up by the factory for migrant or other workers, only the workers may access and control the accounts.
- Provisions to ensure that probationary workers must receive the same entitlements and benefits as regular workers, even if not required by law.
- Ways to ensure provision of legally required social security, insurance or medical benefits. Any contributions from workers’ wages must be described in workers’ payslips.
- A process to make sure that punitive wage deductions are not used (see also Discipline and Grievance).
- Workers cannot be fined for production mistakes, damaged machinery or personal protective equipment.
- The wage system uses a clearly defined and communicated formula for wage calculation for all types of workers, including:
  - Local workers (regular and permanent)
  - Foreign workers
  - Temporary workers (casual and contractual)
  - Apprentices/Trainees
  - Probationary or workers hired on a trial period
- The wage system should clearly describe the calculations used for:
  - Regular overtime wages (overtime after regular hours of a regular work week)
  - Special overtime wages (overtime on a rest day and/or legal holiday)
  - Recording hours worked
  - Maintenance of payroll registers for all workers
- When the supplier employs migrant workers, the labour broker or recruitment agency complies with laws protecting workers’ wages in both the country workers are from and the country where they work (see also Employment is Freely Chosen).
Communication and Training

You should use the following methods to make sure your employees are aware of your policies and procedures:

☑ Provide introductory training for new managers and supervisors and newly hired workers on the company’s policies and procedures on wages and benefits.

☑ Make sure that the training covers laws and regulations related to wages and benefits.

☑ Train workers on the details of their wages, including wage rates and calculation of earnings and any deductions.

☑ Communicate the company’s pay and benefits structure to all workers before employment and before changes are made.

☑ Retrain all workers on how wages are calculated when there are any changes in the wage structure.

☑ Display company policy and local laws and regulations on wages and benefits in a language(s) that all workers understand.

Documentation and Records

Meeting standards requires proper documentation. You will need to keep on file on the company premises:

☑ Payroll registers (preferably computer-generated) based on an accurate recording of hours worked for all workers, as long as legally required.

☑ Payslips showing timely wage payment provided to workers that detail regular and overtime hours, regular and overtime wages, benefits, and deductions.

☑ Payroll registers containing, at a minimum, separate columns for the following information:
  - Pay period
  - Regular hours worked
  - Overtime hours worked
  - Regular wages
  - Overtime wages
  - Benefits
  - Bonuses
  - Gross earnings
  - Deductions
  - Net wage

☑ Specify the base wage and overtime rates, as well as the schedule of wage payments in the employment agreement for all workers.

☑ Keep a record of all changes in workers’ employment status and corresponding changes in wages and benefits in workers’ individual files.

☑ Provide all workers with payslips, written in a language they understand, that contain the following basic information:
  - Regular hours
  - Regular wages
  - Overtime hours
  - Overtime wages
  - Benefits
  - Deductions (should be itemised)
  - Bonuses
Electronic payroll registers that automatically calculate payroll entries based on hours of work are preferred over manual or handwritten payroll registers for the following reasons:

- It minimises the possibility for errors in wage and benefits calculation and reduces the time spent addressing worker complaints and correcting errors.
- It helps to make your pay practices more credible to workers. Calculation errors create suspicion and dissatisfaction among workers, even if errors were not intentional.
- Eliminating human involvement increases impartiality and transparency in the calculation of wages and benefits.

Monitoring

You will need to check if your wages and benefits policies are being followed and that controls intended to make sure the company is meeting code and legal requirements are effective. The following steps can be used to evaluate and improve the effectiveness of your programs:

- Monitor and report on trends and statistics to identify actual and potential problems. The following can be used to monitor the effective implementation of your policies:
  - Frequency and nature of worker complaints related to errors in the calculation of wages, benefits and deductions.
  - Turnover rate (high turnover may indicate low worker satisfaction with low wage rates).
  - Regularly review the local cost of living and adjust your wages as needed to ensure you are paying workers a living wage.

- Investigate problems and analyse why they occurred. When a situation arises that indicates the existence of non-conformance with company wage and benefits policies and customer code(s) of conduct, the company should investigate the causes not just the conditions, and what can be done to address them.

Problems under wages generally fall under three categories:

- Problems related to wage and benefits administration including errors in documentation, records keeping, or calculation on the part of the payroll clerk or payroll department staff.
- Problems related to low worker awareness or lack of knowledge on wage and benefits policies and procedures.
- Problems related to worker dissatisfaction with the wages and benefits, including that wages are not enough to meet basic needs.

Best Practice:

Regularly survey workers to evaluate their satisfaction with wages. Ask if workers have enough money for things like food and housing, and if they are able to save a little money after each pay period. This will help you understand if the company is paying a living wage.

Work with other departments to identify reasonable solutions. Take care to develop solutions so that the problem does not recur and the solution itself does not create other problems.

Solutions to non-compliance issues related to wages are based on the nature of the problem:

- Administrative problems: Solutions can include improving payroll systems, pay practices, and/or improving the skills of administrative staff.
- Worker awareness: Solutions may take the form of worker training to improve worker knowledge of policies and procedures, and worker skills in calculating their wages and understanding their payslips.
- Worker dissatisfaction: Solutions can include reviewing the wage and benefits package according to job function, skill level, tenure and so on.
Common Audit Non-compliances from the Sedex Database

The following are the most common non-compliances against this issue. If properly implemented, the guidance in this chapter can help reduce the incidence of these problems:

- Overtime not paid at the premium rate specified by local law.
- Legally required allowances, bonuses or benefits not paid.
- Worker wages and/or piece work earnings below minimum wage, industry benchmark or living wage.
- Falsified, duplicate, or intentionally incomplete payroll records.
- No pay stubs/payslips were provided.
- Deductions from pay as a disciplinary measure.

Sedex provides a document with suggested possible corrective actions following a SMETA audit. This is available to Sedex members only in the Sedex Members Resources section: Sedex Corrective Action Guidance

Common Questions

Is it acceptable to pay certain workers at rates below the legal minimum wage?

In some countries there might be a different minimum wage for apprentices, casual workers and trainees. The company must make sure that all conditions required by law regarding the employment of apprentices or trainees are met. You should avoid the following practices for these workers:

- The company delays promoting casual and temporary workers and trainees to permanent status beyond the time prescribed under local law to avoid paying legally required benefits that they would be entitled to if they were permanent employees, or
- The company routinely dismisses casual and temporary workers and trainees to avoid promoting them to permanent (regular) status.

Even if the law allows certain workers to be paid less, all workers should still earn a living wage with some discretionary income.

Is it legal to pay foreign workers at less than the minimum, living wage?

Migrant workers are entitled to the legal minimum wage rate of the country in which they work. Paying foreign workers less for the same work as local employees is discrimination on the basis of nationality. Migrant workers should also be paid a living wage, the same as other workers.

How often should workers be paid?

Wages should be paid at regular intervals and as often as required by law. Usually this means paying workers at least once per month. Workers must receive their pay no more than two weeks after the end of the pay period.

Can workers be paid by other methods rather than money (for example, in products, food or clothing)?

No. Workers must be paid by cash or cheque, or by direct deposit to the workers’ bank accounts. The company may not pay workers with vouchers, coupons, gift checks, or in goods.
Can workers be paid through a third party such as a labour broker or labour provider?

Companies may use third parties to recruit workers. Once the worker is hired and signs an employment agreement directly with the company, the worker should receive wages directly from the company.

Subcontracted workers who work for a labour provider are typically paid by the labour provider. In those cases, you should regularly review the labour provider’s wages and benefits records to ensure that workers are properly compensated.

Can the business make deductions from workers’ wages for meals, housing, and clothing?

Deductions can be made subject to certain conditions that the goods or services that the workers are paying for are adequate, of good quality, and that the cash value of the goods or services is not inflated, and that the deductions are legally permitted. The company must properly account for these deductions and must explain them to workers, who must provide written consent to such deductions in advance and understand how they will impact income earned.

How can the company know if it is paying a living wage?

Living wages vary from country to country and even region to region. Information from sources like the government, NGOs, and community organisations might help a company better understand what a living wage should be in its community. While money and savings are a problem for many, the situation is different when a person cannot afford to eat. Ask workers (maybe as part of a confidential survey) and listen to what they say about their day-to-day challenges of meeting the needs of themselves and their families.

How can the company know if workers are earning discretionary income?

Talking with or surveying workers is a good way to understand if workers have a little money left over after each wage payment. Workers should be able to save for unexpected situations (like illness) after basic costs for food and housing are met. Survey workers and gather and maintain data on the actual cost of living in the local community.

Can the business make deductions from workers’ wages for payment of cash advances/loans?

Some companies offer workers cash advances or loans to be charged against future wages. When this occurs, the business should make sure that the maximum amount allowed for advances is within the ability of the worker to pay back. Cash advances should not be of amounts that might keep workers from leaving the company when they wish to, which can create a condition of debt bondage and should always meet legal requirements.
Case Study

Wages; Motivation and value

Wages are fundamental to how valued and motivated workers feel in their employment. Wages should be set appropriately in relation to local law to provide security and a fair income (sufficient to meet basic needs and to provide discretionary income) in return for their work.

For Crystal Martin International (CMI), Andy Woodhouse, CSR Manager says, “We believe in going above and beyond legal labour standards. It is essential to understand the culture, to educate and to implement improvements in a considered way.”

The difficulty in raising wages is maintaining a financially sustainable business in a competitive marketplace. CMI have worked for 10-15 years with their supply sites in Sri Lanka, Bangladesh and China, to slowly and sustainably raise wages to attract and retain skilled workers whilst crucially raising productivity and efficiency.

By implementing improvements to raise efficiency and reduce wastage due to poor quality (alongside automation and other innovations), CMI has been able to keep their Asian production cost increases to 10-15%, whereas the average is 40%. At the same time they have also been able to increase efficiency from 40% to 50-60%. Education of the workers has been key to making them understand that increases in productivity can raise their wages and decrease their working hours; rather than a reduction in jobs.

“Workers tend to distrust things they don’t understand; the message needs to be communicated in the right way.” says Andy Woodhouse.

CMI also offers benefits in addition to wages which have proved popular with workers, such as paying a part of workers’ salary into a provident fund (in accordance with local labour laws) as well as providing all meals for free.

As a result, CMI is viewed as an attractive employer and has seen increased worker retention, especially of skilled workers, and an increase in workers returning to work after marriage or children. CMI has also helped educate workers that by increasing efficiency, they can work fewer hours and their wages will increase. As a result, their Sri Lankan workers earn a minimum of three times the legal minimum wage per month.

Crystal Martin International specialises in producing high-quality clothing to major UK and European retailers. Part of the Crystal Group, the largest apparel manufacturer in South East Asia. To find out more about Crystal Martin International, visit: http://www.crystal-martin.com.

Sedex is always looking for new case studies. If you have a best practice example case study that you would like to be featured, please send it to content@sedexglobal.com.
Resources and Guidance

The following organisations, websites and documents provide additional information on wages:

- International Labour Organization: [http://www.ilo.org](http://www.ilo.org)
- Ethical Trading Initiative (ETI): [http://www.ethicaltrade.org](http://www.ethicaltrade.org)
  - ETI Base Code: [http://www.ethicaltrade.org/resources/key-eti-resources/eti-base-code](http://www.ethicaltrade.org/resources/key-eti-resources/eti-base-code)
  - Living wage: make it a reality: [http://www.ethicaltrade.org/resources/key-eti-resources/living-wage-eti-conference-08-briefing-paper](http://www.ethicaltrade.org/resources/key-eti-resources/living-wage-eti-conference-08-briefing-paper)
- UN Global Compact

Signposts to Training

- Verité: [http://www.verite.org/training](http://www.verite.org/training)

Key Terms

- **Regular or Base Wage**: This is the pay workers receive for working their normal working hours. This rate should be set at least according to the legal minimum wage or industry benchmark standards.
- **Living Wage**: Income that is enough to pay for workers’ and their families’ basic needs with a little left over (discretionary income).
- **Discretionary Income**: Money left over from wage payments after basic needs have been paid.
- **Overtime Wage**: Premium pay for hours worked beyond normal working hours.
- **Payslip**: A record of hours worked, wages paid, and wage deductions provided to workers on pay day for every pay period.
- **Punitive Wage Deduction**: A deduction from a worker’s wages used as a form of discipline.
- **Rest Day**: A full day (24 consecutive hours) off for workers every seven-day period.
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Chapter 1.7

WORKING HOURS
Working Hours

What does it mean?

A socially responsible business must meet standards and legal requirements for working hours (both standard/contracted and overtime), and provide workers with sufficient rest periods, including at least one day off each week, on average.

Legal and customer limits on the amount of daily and weekly work cover both standard/contracted work hours, or the time worked during a normal work day, and overtime work hours, or extra time worked outside the normal working hours and for which premium wages are paid.

These requirements are meant to protect workers from too much work, which leads to fatigue and the risk of accidents, lower productivity, and possible damage to workers’ health and wellbeing.

Laws that limit overall hours, and overtime, and require that workers are given at least one rest day a week and other time off (like public holidays and vacation) recognise the importance of rest and providing time for other aspects of a worker’s life — family, leisure, educational and vocational pursuits. This contributes to the worker’s safety on the job, overall well-being and continued development.

Further, all overtime work must be voluntary. Please see Freely Chosen Employment for further details on involuntary overtime work.

Benefits

Why should you do it?

Respecting limits to working hours helps you stay within the law, avoid penalties and meet your customers’ requirements. Making sure that workers work a reasonable number of hours, and that these hours are agreed to by the worker, can improve worker satisfaction and morale, safety and welfare.

These benefits to workers can also bring business benefits, such as:

a) Increased productivity due to better worker health and alertness.

b) Well-rested workers generally work faster and make fewer mistakes.

c) Reduced worker turnover.

d) A more harmonious workplace as rested workers are less irritable and less likely to conflict with co-workers or superiors.

e) Increased productivity leading to the same amount being produced in standard/contracted hours i.e. less overtime hours and less labour costs in terms of ‘wage-outgoings’ for a company.

Local law and code requirements also require that workers receive at least one day off in every seven worked (or two days in fourteen days if allowed by local law.) Workers must also receive rest and meal breaks during their shift.
Requirements
What do you need to do?

ETI Base Code Clause 6 prohibits excessive working hours. This means:

6.1 Working hours must comply with national laws, collective agreements, and the provisions of 6.2 to 6.6 below, whichever affords the greater protection for workers. 6.2 to 6.6 are based on international labour standards.

6.2 Working hours, excluding overtime, shall be defined by contract, and shall not exceed 48 hours per week.

6.3 All overtime shall be voluntary. Overtime shall be used responsibly, taking into account all the following: the extent, frequency and hours worked by individual workers and the workforce as a whole. It shall not be used to replace regular employment. Overtime shall always be compensated at a premium rate, which is recommended to be not less than 125% of the regular rate of pay.

6.4 The total hours worked in any 7 day period shall not exceed 60 hours, except where covered by clause 6.5 below.

6.5 Working hours may exceed 60 hours in any 7 day period only in exceptional circumstances where all of the following are met:
- this is allowed by national law;
- this is allowed by a collective agreement freely negotiated with a workers’ organisation representing a significant portion of the workforce;
- appropriate safeguards are taken to protect the workers’ health and safety; and
- the employer can demonstrate that exceptional circumstances apply such as unexpected production peaks, accidents or emergencies.

6.6 Workers shall be provided with at least one day off in every 7 day period or, where allowed by national law, two days off in every fourteen day period.

Relevant ILO Conventions:
- C1: Hours of Work (Industry), 1919
- C47: Forty Hour Week, 1935
- C14: Weekly Rest (Industry) Convention, 1921
- C171: Night Work, 1990

Other International Standards and Guidelines:
- The United Nations International Covenant on Economic, Social, and Cultural Rights addresses labour rights in Article 6, which states that workers are entitled to sufficient rest and leisure, including limited working hours and regular, paid holidays.
- ILO Recommendations address work hours, such as ILO R116, Reduction of Hours of Work Recommendation, 1962
- The United Nations Universal Declaration of Human Rights also states that all persons have the right to rest and leisure, including reasonable limitation of working hours and periodic holidays with pay (Article 24).
Achieving and Maintaining Standards
How do you do it?

You can best meet standards by using a systems approach. In other words, you add controls to the processes you already use to run your business (such as production planning) and you make sure your policies and procedures are designed to ensure:

- Workers do not work over the legal or code limit for standard/contracted or overtime hours.
- Workers are given a weekly day of rest (or two days in fourteen if local law allows.)
- Legally-required breaks are provided to workers during their work day.
- Workers are paid a premium for their overtime hours.
- Overtime is voluntary and workers are not punished or penalised for refusing overtime.
- Workers’ hours are accurately recorded, preventing underpayment of wages.

It is important that you also regularly monitor your processes and controls to make sure they are working.

Policies (rules)

Your company policies on working hours should include the following:

- A restriction on more than 48 hours of standard/contracted work hours, excluding overtime, per week (or in accordance with legal requirements if lower).
- A commitment to provide all legally required breaks during work shifts.
- A commitment to provide all workers with at least one day off per seven day week (or two days in fourteen if allowed by local law.)
- A limit on overtime that follows legal and buyer requirements, whichever is stricter. When there is no legal requirement, total working hours should not exceed 60 per seven day period.
- A statement that all overtime is voluntary and workers will not face penalties for refusing overtime, including threats, intimidation and loss of company-provided transportation etc.
- A commitment to pay for overtime work at a recommended premium of 125% of standard/contracted wages or higher (ILO C30 – Article 7), or 150% as required by many customers and laws.

Procedures (practices)

You should assign a responsible person (or department) to make sure the above policies are carried out through the following practices:

- Communicating your policies to all managers, supervisors and workers.
- Coordinating on a regular basis with both hiring and production staff to:
  - Make sure your workers’ skills match job requirements so that they are able to meet production quotas in normal working hours.
  - Make sure there are enough workers or shifts to meet upcoming customer orders and deliveries.
  - Plan for and schedule overtime as far ahead as possible, based on customer orders.
Coordinating on a regular basis with staff handling wages and benefits to ensure that all hours worked, including overtime hours, are paid in full and on time.

Recording and responding to all complaints related to the issues of working hours.

Answering questions from workers regarding hours and overtime policies.

Communicating guidelines to customers on placing and changing orders to avoid last minute or oversized orders that can tax the capacity of your workforce and therefore lead to excessive overtime hours.

Your recruitment and hiring, compensation and benefits and other human resources procedures should include:

- An accurate time recording system in which all workers record their own work hours (‘clocking in and out’).
- Making sure that supervisors and security guards do not record hours worked for employees.
- A payroll system that provides workers with payslips indicating the number of standard/contracted and overtime hours worked for the pay period.
- A process to make sure accurate records are kept of the hours (both standard/contracted and overtime) that each employee works.
- An overtime scheduling and approval process that makes sure workers are free to refuse overtime, except for any and collective bargaining agreements (see also the Freedom of Association chapter).
- A work scheduling process that makes sure all workers are given a least one day of rest (24 consecutive hours) per seven days worked (or two days in fourteen if allowed by local law.)
- If relevant, a collective bargaining agreement on overtime hours (see also the Freedom of Association chapter).

Best Practice

How does the company ensure that overtime is voluntary?

- The company policy states that workers may be asked to work overtime from time to time, but that workers can refuse overtime without fear of penalty or harassment.
- The facility gives workers at least 24 hours notice when scheduling overtime work. This also gives the factory time to make other arrangements in case some workers cannot work overtime as scheduled (for example, to find other workers who can and are willing to do the work).
- Workers sign a consent form if they are willing to work overtime each time they are asked.
- There is a grievance process in place that workers can use to report violations of the working hours policy.

Communication and Training

You should use the following methods to make sure your employees are aware of policies and procedures on working hours:

- Provide training programmes for new managers and supervisors and newly hired workers on your company’s policies and procedures on working hours and time off.
- Make sure that the training covers laws and regulations and employee rights related to hours of work, particularly on overtime limits and rest time.
- Regularly retrain all employees - management, supervisors, and workers - on the procedures for assigning and refusing overtime.
- List standard/contracted hours of work in the employment agreements for all types of workers (domestic, foreign migrants, apprentices, temporary workers, trainees, probationary workers).
- Display company policies, laws and regulations and employee rights on working hours in noticeable locations, in a language workers understand and include them in an employee handbook that is given to each worker.
Meeting standards requires proper documentation. You will need to keep the following on file on your company premises:

- **Accurate records of hours worked for each employee**, such as worker payslips and summary reports generated from the timekeeping and payroll systems.
- **Accurate reflection of standard/contracted and overtime hours worked and the rates paid in the payroll register and on payslips.**
- **Records of any complaints related to inaccurate recording of working hours, or related to inaccurate wage payments based on recorded hours.**

**Best Practice**

*Training for Managers*

Managers are more likely to be supportive if they understand that reducing work hours can actually help them achieve their business objectives.

- **Reduced operating costs.** Being more effective in planning, balancing workload across the facility and implementing lean production processes will reduce costs for overtime and improve product quality.
- **Improved productivity.** Tiredness is one of the negative effects of excessive overtime. Tired workers are less productive and are more likely to take longer to complete their work.
- **Improved quality.** Tired workers are more likely to make mistakes that lower quality of product leading to higher costs for your company.
- **Reduced accident rate.** Alert employees have fewer accidents. Hidden costs for accidents include: production down-time, product damage, hiring and training, replacement workers, and lower productivity of new hire replacements.
- **Better customer relationships.** Increased transparency, communication, and agreement between customers and suppliers.

**Documentation and Records**

You will need to check if your working hours policies are being followed and that the controls to make sure your company is meeting code and legal requirements are effective. The following steps can be used to evaluate and improve the effectiveness of your programs:

1. **Monitor trends and key performance indicators (KPIs)** to identify actual and potential problems relating to your policies on working hours, such as:
   - Total overall number of hours, including overtime, worked by individual workers and by groups of workers
   - Total time lost due to absenteeism or lateness
   - Total time lost due to sickness/injury/accident
   - Total training time per worker

2. **Investigate the problems and analyse why they occur.** When a situation arises that indicates the existence of non-conformance with company working hours policies and customer code(s) of conduct, the company should investigate the **causes** not just the condition, and what can be done to address them.

   For example, if you find that some workers did not get a rest day as required, or worked more than the legal limit for overtime. Find out why this happened – whether because of unexpected circumstances like a...
rush order or broken equipment, or due to a larger problem, like high worker turnover.

3. **Work with other departments to identify reasonable solutions.** Take care to develop solutions so that the problem does not reoccur and the solution itself does not create other problems. For example:

- Respond quickly to problems you can fix in the short term, like repairing broken machines or bringing workers from another line or another area to help meet an order with limited lead time.

- Use your analysis of why problems occur to plan longer-term solutions with other departments or functions. This might mean hiring more workers to meet increased demand, or rearranging shifts and production schedule.

### Considerations for a system to monitor and evaluate working hours compliance

- **How will the monitoring be done?**
- **What data and metrics will be monitored?**
- **What reports will be generated (for example, total overtime hours per month, business process root causes, recommended solutions)?**
- **How will the information be used to control overtime?**

### Common Questions

**How can a company evaluate and address the problem of excessive overtime?**

Excessive overtime is a very common problem. You can ask the following questions to investigate and identify both the causes and the effects:

- When does excessive overtime happen? What days of the week, months, part of the production process? Which departments are involved?
- How many workers are usually involved? What jobs do they do?
- What are the common causes of overtime? Is it changes in orders, late or poor quality materials or supplies, or machine breakdowns?
- What are the common impacts? You should check:
  - Attendance/time records for increased lateness, absenteeism during and immediately after periods of excessive overtime.
  - Medical records for any increase in injuries, accidents and/or other physical complaints during and after periods of excessive overtime.
  - Production departments for trends in quality problems during peak seasons or during periods of excessive overtime or night work.

Answers to these questions will give you an idea of how to approach the problem. Solutions can take the form of any or a combination of the following:

- Improving workers’ skills through training, mentoring or coaching so that mistakes and rework does not contribute to overtime.
- Improving production flow and processes so that delays do not result in overtime.
- Improving capacity planning so that enough workers are available to manage demands.
- Hiring additional workers or adding another shift.
- Reviewing the reliability of, and possibly replacing, suppliers.

Companies usually make decisions based on **cost-benefit analysis.** However, you should make sure that all costs are factored into your analysis on overtime, including, for example: the cost of medical expenses, time lost due to illness, injuries, and accidents, and rework could all be caused by workers’ tiredness due to long working hours.
How can I minimise excessive overtime?

Overbooking, poor capacity planning, unanticipated client demands, production mistakes, high absenteeism, and a lack of flexibility in workers’ skills are typical contributors to the need to work excessive overtime.

Suggestions from managers to reduce the need for overtime include:

- **Set reasonable production targets and schedules based on realistic labour efficiency rates.** Measures of worker productivity form the basis for setting targets and schedules. If the efficiency rate is unreasonably set, the timetable is naturally affected and workers will have to work overtime to complete their targets. Make sure that labour efficiency rates consider set-up time, and allow sufficient time for workers to eat, rest, stretch, and go to the toilet.

- **Closely coordinate Human Resource plans and production targets.** Capacity planning should consider past client demands, the complexity of the production process and workers’ skills.

- **Continually upgrade workers’ skills through training, mentoring, career development plan and coaching.** Having workers with skills that match their jobs reduces the amount of rework which often leads to the need for overtime. Having multi-skilled workers who are competent in more than one operation allows more flexibility and efficiency in the production process, which in turn increases productivity.

- **Improve communication with supervisors and line managers, and between line managers and workers.** Make sure work instructions are clear and easy to follow. Reduce errors that could cause costly delays by holding work team meetings and giving clear instructions. Listen to worker feedback on how to improve processes.

- **Establish and maintain a sense of teamwork and high worker morale.** Workers who work under conditions of fear and intimidation, who are dissatisfied due to low wages and long hours, who are exposed to excessive heat, fumes, and other unhealthy conditions, are not the most productive workers. On the other hand, workers who take pride in the organisation they work for and are treated well by their supervisors and co-workers are in a better position to meet delivery deadlines.

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Common Audit Non-compliances from the Sedex Database

The following issues are the most common non-compliances against this issue. If properly implemented, the guidance in this chapter can help reduce the incidence of these issues:

- **No rest day for each 7 days**
- **Excessive working hours/overtime hours**
- **Daily/weekly/monthly working hours/overtime hours exceeded the legal maximum**
- **Overtime exceeds 12 hours per week**
- **Inadequate systems for recording working hours**
- **Falsified, duplicate or intentionally incomplete time records**
- **No paid annual leave**

Sedex provides a document with suggested possible corrective actions following a SMETA audit. This is available to Sedex members only in the Sedex Members Resources section: [SMETA Corrective Action Guidance](#)

*Data is based on previous version of ETI Base Code Clause 6 which stipulated limits on overtime hours. Revision of the ETI Working hours clause means new non-compliances will not be raised against this issue title.*
Case Study

“Efficient production reduces overtime”

Working hours, if excessive and without adequate periods of rest, can damage the physical and mental health of workers and increase the risk of accidents. It also prevents workers attending to their family responsibilities, participating in their community and resting.

Crystal Martin International (CMI) has had difficulties reducing the hours of their suppliers’ workers’ in China. Workers often request long working hours to supplement their normal wages. There are an approximate 220 million migrant workers in China and so overtime is often high due to many having travelled great distances purely to work.

Key to CMI improving working hours has been educating the workers. Workers are taught that it is better for their health and personal wellbeing to work fewer hours and better production methods can maximise the workforce output in less time.

To reduce working hours, CMI analyses the production techniques being used in the site via a work study. Once the site has been assessed they implement Western production standards around inefficiencies and poor quality. Education and supervisor training is crucial to improvements so that workers can see the link between increased efficiency and lower working hours.

By investing in procedures, sites can manage production better and by increasing efficiency and productivity they no longer have huge peaks in production at certain times of the year. They sometimes have bottle necks of production but improvements have meant CMI can manage planning comfortably within legal limits. The result has been increased productivity, particularly in quality of work.

“We are building our own factory in Cambodia and will be implementing the same improvements we have made in our other factories from day one” says CMI’s CSR Manager, Andy Woodhouse.

Crystal Martin International specialises in producing high-quality clothing to major UK and European retailers and is part of the Crystal Group, the largest apparel manufacturer in South East Asia. To find out more about Crystal Martin International, visit http://www.crystal-martin.com.

Sedex is always looking for new case studies. If you have a best practice example case study that you would like to be featured, please send it to content@sedexglobal.com
Resources and Guidance

The following organisations, web sites and documents provide additional information on work hours:

- ETI Base Code: [http://www.ethicaltrade.org/resources/key-eti-resources/eti-base-code](http://www.ethicaltrade.org/resources/key-eti-resources/eti-base-code)
  - Purchasing practices case studies: [http://www.ethicaltrade.org/resources/key-eti-resources/purchasing-practices-case-studies](http://www.ethicaltrade.org/resources/key-eti-resources/purchasing-practices-case-studies)
  - Principles of Implementation: [http://www.ethicaltrade.org/resources/key-eti-resources/principles-implementation](http://www.ethicaltrade.org/resources/key-eti-resources/principles-implementation)
- Verité: [http://www.verite.org](http://www.verite.org)
- Impactt: [http://www.impacttlimited.com](http://www.impacttlimited.com)

Signposts to Training

- ETI: [http://www.ethicaltrade.org/training](http://www.ethicaltrade.org/training)
- Verité: [http://www.verite.org/training](http://www.verite.org/training)
Key Terms

- **Absenteeism**: is when a worker is away from work and his/her absence not planned; that is, it is not a vacation day, public holiday, or weekly rest day.

- **Lean Production**: a production practice with the goal of maximising the use of resources (financial, energy, equipment, and manpower) for meeting the needs of customers. Resources that are not directly devoted to production are considered wasted.

- **Standard/Contracted Work Hours**: Hours worked during the normal work day. Local law will usually set the limit of regular hours between 40 and 48 per week.

- **Overtime Hours**: Hours worked in addition to standard/contracted hours. Local law will usually set limits on overtime by week, month, quarter, or year, and specify premium wage rates for these extra hours.

- **Rest Periods**: *Break times*, which local laws typically require after three or four hours of work; and the *weekly day of rest*, which is a full day off for workers every seven-day period.
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Chapter 1.8

DISCRIMINATION
Discrimination

What does it mean?

Discrimination is any distinction, exclusion or preference based on a personal or physical characteristic which deprives a person access to equal opportunity or treatment in any area of employment.

Discrimination occurs when a person is treated either favourably or unfavourably due to their religion, age, disability, gender, race, sexual orientation, caste, marital status, or union or political membership or affiliation. Discrimination can be deeply rooted in some countries or cultures, and can lead to an underclass of workers who lack opportunities to develop and improve, or to earn enough to support themselves or their families.

All workers should be given the same payment for the same work and be given equal opportunities and benefits.

A socially responsible company makes sure that it does not discriminate against any individual or group of individuals in any process or in any area of workplace operations. This includes hiring, the assignment of wages and benefits, access to training, promotion, discipline and termination, and/or retirement practices.

Discrimination is common in the recruitment, selection and hiring process, whether knowingly or unintentionally. Companies need to make sure that a job applicant is only evaluated on his or her ability to do the job.

This section will help you check whether there is a risk of not meeting this standard in your current business operations and, if so, how to put controls in place to make sure your workers’ rights are respected.

Benefits

Why should you do it?

Respecting your workers’ rights of equality at work will help you stay within the law, avoid penalties and meet your customers’ requirements.

There can also be business benefits, such as:

a) Better worker retention
b) Higher worker satisfaction and morale
c) A more diverse workforce improves creativity
d) Expansion of business into new markets
e) A wider pool of talent from which to recruit
f) Higher productivity and better employee relations
Requirements

What do you need to do?

ETI Base Code Clause 7 requires that no discrimination is practiced. This means:

7.1 There is no discrimination in hiring, compensation, access to training, promotion, termination or retirement based on race, caste, national origin, religion, age, disability, gender, marital status, sexual orientation, union membership or political affiliation.

Relevant ILO Conventions

- C100: Equal Remuneration, 1951
  - Requires application to all workers of the principle of equal remuneration for men and women workers for work of equal value.

- C111: Discrimination (Employment and Occupation) Convention, 1958
  - Requires equality of opportunity and treatment in respect of employment and occupation, with a view to eliminating any discrimination.

- C183: Maternity Protection Convention, 2000
  - Requires appropriate measures to ensure that maternity does not constitute a source of discrimination in employment, including access to employment, and
  - Prohibition from requiring a test for pregnancy or a certificate of such a test when a woman is applying for employment, except where required by national laws or regulations.

Other international standards and guidelines:

- ILO Equal Remuneration Recommendation (R90)
- ILO Discrimination (Employment and Occupation) Recommendation (R111)
- International Covenant on Civil and Political Rights (Article 26: Equality and Non-Discrimination)
- International Covenant on Economic, Social and Cultural Rights, 1966
- International Convention on the Elimination of all Forms of Racial Discrimination, 1966 (Article 5)

Achieving and Maintaining Standards

How do you do it?

You can best meet standards by using a systems approach. In other words, you add controls to the processes you already use to run your business (like hiring, discipline and termination) and you make sure your policies and procedures are designed to ensure that:

- Job postings or advertisements contain no references to age, marital status, gender or other personal characteristics which are not related to the job requirements.
- Decisions to hire are not based on a candidate’s trade union affiliation or other memberships.
- The company does not request information on applications or during interviews which is not related to a person’s ability to perform the job.
- Providing less favourable contract terms or work conditions based on a personal characteristic. For example, not providing equal pay for equal work to women on the basis of their gender.
- Workers are not tested for pregnancy during recruitment or post-hiring.
- The company does not require unnecessary medical tests, including HIV/AIDS, Hepatitis B, nor others not required by law.
- The company does not transfer or demote based on a personal characteristic, such as a personal disliking.
of the worker that has no relevance to their capability at their job.

- Workers are not dismissed for anything other than unacceptable job performance, breach of factory rules or general improper or illegal behaviour.
- Workers are not dismissed for becoming pregnant or disabled.
- Workers are not dismissed for attempting to establish a trade union or other workers’ association in the factory.

It is important that you also regularly monitor your processes and controls to make sure they are working.

### Policies
**rules**

Your company policies should include the following:

- Commitment to equality at work and to avoid all forms of discrimination (the policy should include definitions of discrimination and reference to relevant ILO Conventions).
- Explicit prohibition of any practice of discrimination in hiring, salary and benefits, promotion, discipline, grievance, termination, or retirement benefits on the basis of any of the following:
  - Age
  - Caste
  - Colour
  - Disability
  - Gender
  - Sexual orientation
  - Health status (including HIV, hepatitis B)
  - Marital status
  - Nationality
  - Social, national or ethnic origin
  - Migrant worker status
  - Political opinion
  - Race
  - Religion
  - Union affiliation
- Commitment to protect all types of workers from discrimination, including local workers, temporary workers, apprentices and trainees, probationary workers hired on a trial period, and foreign contract workers.
- Statement that explicitly prohibits asking women applicants about their pregnancy status and conducting pregnancy tests to determine the hiring or continued employment of female workers.

### Procedures
**practices**

Management should assign a responsible person or department to make sure your policies are carried out. This includes:

- Communicating your policies to all managers, supervisors and workers.
- Meeting regularly with managers and supervisors responsible for recruitment, discipline, termination, and wages and benefits to oversee implementation.
- Monitoring and reporting all complaints and management responses related to the issue of discrimination.
- Performing an annual review of the implementation status of your anti-discrimination policies and procedures. Refer to the Monitoring section for more information.

Your recruitment, selection, and hiring and other Human Resources procedures should:

- Include ways to track and understand laws and regulations on discrimination.
- Focus on the ability of a potential employee to do the job, job specifications, expected performance
Use a formal performance management system to evaluate worker performance as a basis for promotion, determination of value of the job with regard to pay, merit increases, and access to training and job security.

Best Practice

Make sure that female workers are not required to undergo pregnancy tests for their jobs.

Use objective selection tools and criteria, such as an interview guide or evaluation form and selection tests that are based on clear job descriptions.

During interviews, skills tests and other application processes, focus on work experience, ability to do the job and performance.

Once a worker is hired, terms and conditions of his/her employment should be clear to the worker. Your employment procedures must make sure that:

Workers of the same experience and job classification receive similar basic terms and conditions.

Access to an employee’s information should only be granted to the employee, a relevant staff member, or as required by law, to a government labour inspector.

Access to benefits must be provided according to the law, and not withheld based on any personal characteristics.

Decisions concerning training, transfer or rotation, promotion and demotion should be based on merit and discussed with the employee first.

When a workers’ employment is terminated, your procedures must make sure that:

You discuss the reasons for termination with the employee and his or her superiors first.

Establish a system of appeal within the management structure for employees to challenge unreasonable or unlawful dismissal.

The decision to dismiss an employee must be based on work related matters such as job performance, breach of company rules or general behaviour. There should be clear documentation that shows the cause for the dismissal and the procedures that followed.

Communication and Training

You should use the following methods to make sure your employees are aware of policies and procedures:

Provide training programmes for new managers and supervisors and newly hired workers on your company’s policies and procedures on equality and prevention of discrimination.

Make sure the employment agreement or contract is explained to all newly hired workers, including their right to protection against discrimination.

Display company policies and any laws relating to equality at work in a language that workers understand.

Provide relevant information to employees, such as worker handbooks or supervisor training material. This information should explain the factory rules and procedures, and include appeal or grievance processes available to employees.

Train all staff with management responsibilities in factory policies regarding:

- the work environment,
- use of proper language and behaviour,
- the factory disciplinary practices, and
- the consequences for engaging in aggressive or offensive behaviour and harassment of other employees.
**Best Practice**

*Training and development ensures that non-discrimination is respected by providing workers with equal access to training. Training equips workers with knowledge and skills necessary to advance to higher value job functions and for job security. Best practice companies have a written training and development policy for the education, training and development of workers.*

**Documentation and Records**

Meeting standards requires proper documentation. You will need to keep on file in Human Resources:

- All employment agreements or contracts.
- Documentation regarding decisions such as to hire or not hire, transfer, promote or dismiss an employee.
- Copies of relevant documents such as evaluations, transfer notices, annual leave applications or pregnancy benefits on centralised employee files.
- Records of any complaints (and their resolution) relating to the implementation of your non-discrimination policies.

You should also keep on file as evidence of good management the following documentation:

- Employment applications
- Interview and skills tests forms, even when a candidate is rejected
- Centralised employee files
- Performance evaluations, which should be signed by the worker
- Medical records
- Termination notices
- Records of disciplinary actions
- Factory rules and policies

**Monitoring**

You will need to check if your non-discrimination policies are being followed and that controls to make sure the company is meeting code and legal requirements are effective. The following steps can be used to evaluate and improve the effectiveness of your programs:

1. **Monitor trends and performance indicators (KPIs)** to identify actual and potential problems, including:
   - Review on a regular basis any suggestions from worker meetings and surveys to determine if there are any problems related to the administration of your equal employment policies.
   - Establish and monitor key performance indicators for business processes so that you can measure their effectiveness on a continuous basis. For example, you could measure the percentage of women in supervisory positions, number of grievances about discriminatory practices, etc.
   - Regularly review and revise policies and procedures to keep them relevant and up-to-date.

2. **Investigate problems and analyse why they occurred.** Where data indicates the existence of non-conformities with your company’s non-discrimination policies and customer code(s) of conduct, the company should investigate these conditions to determine their root causes and what can be done to address them.
   - Carefully investigate worker grievances related to unfair treatment.
If the composition of your workforce does not match the local community, try to understand why.

Review and analyse common violations of non-discrimination rules to identify why they are being broken.

3. **Work with other departments to identify reasonable solutions.** Take care to develop solutions so that the problem does not recur and the solution itself does not create other problems.

Often more than one function is responsible for social responsibility issues. In the case of non-discrimination, Human Resources, Production and Labour Brokers (if any) must work together to find appropriate solutions.

For example, eliminating discrimination in areas such as wage increases, training and job advancement requires more than changes procedures, but will also require such things as better training and education of supervisors and HR staff and establishing improvement objectives.

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**Common Questions**

**When does discrimination occur in hiring?**

Discrimination occurs when a decision to hire or not to hire an applicant is based on qualities that are not relevant to the job being applied for. In order to ensure non-discriminatory hiring practices, selection criteria should be based solely on job functions and competencies outlined in the job description. Objective selection and hiring policies help assure the employer that it hires employees most suited to do the job, and avoids hiring workers who lack the competencies required for the job.

**What if pregnancy testing is legal under the local law?**

Regardless of whether the law allows pregnancy testing or not, the company should ensure that results of that test are not used to prejudice an applicant’s employment.

**How can an employer make sure that it avoids discrimination on the basis of pregnancy and maternity?**

Examples of positive actions that employers could take include:

- Establish and communicate policies against such practices that include penalties.
- Ensure that all legal protections meant for pregnant women are implemented.
- Ensure that workers returning from maternity leave get their former jobs back or an equivalent position at the same rate of pay.
- Transfer pregnant women working in jobs that present health hazards to other less-hazardous work. Transfer should be agreed by both parties with no reduction in pay.
- Make sure workers have an effective grievance procedure for raising issues regarding discrimination in the workplace.

**How can a workplace guarantee the objectivity of its performance evaluation tools?**

Evaluation of a worker’s performance should be based solely on how that worker performs his or her job. In order to minimise personal biases, job performance ratings must be based on clearly defined, objective criteria. This means that any job performance evaluation should be based on clearly defined, objective criteria.

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**Common Audit Non-compliances from the Sedex Database**

The following are the most common non-compliances against this issue. If properly implemented, the guidance in this chapter can help reduce the incidence of these problems:

- **No discrimination policy**
- **Age discrimination**
- **Pregnancy testing of employees and potential recruits**
- **Not ensuring equal pay for equal work and work of equal value**
- **Evidence of discrimination in hiring**
- **Discrimination against married/pregnant workers in contract and/or treatment of workers.**

Sedex provides a document with suggested possible corrective actions following a SMETA audit. This is available to Sedex members only in the Sedex Members Resources section: [Sedex Corrective Action Guidance](#)
tools you use:

☑ Have both qualitative and numerical ratings. For example, you could develop performance scores for productivity, absenteeism, work quality, and other areas of job performance.

☑ Include a two-way feedback process where workers have the opportunity to explain reasons for any possible negative results of an evaluation to an impartial Human Resources officer before an evaluation is made final.

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**Case Study**

**Discrimination in the workplace: Tackling a silent issue**

Gender discrimination although widespread in many workplaces is often a silent problem. Poorer and less educated women are particularly vulnerable—they may know they are being harassed, but are often unaware of their rights.

Finlays Horticulture realised that their supervisors were key to tackling these issues. “One of the problems is that supervisors get promoted to supervisory roles without receiving any adequate training on people management. We knew we had to tackle this issue”, says Brenda Achieng, Finlays Horticulture’s Corporate Affairs & Compliance Manager.

Finlays Horticulture set up women’s committees and used the ETIs Supervisor Training Programme to train all their supervisors in discrimination and sexual harassment.

All departments now have a gender representative, who is confident in advocating women’s rights and 40 senior managers were themselves trained as trainers. Staff induction handbook information is clear and easily accessible to all employees.

“From only 10% of supervisors, women now represent around 25%”, says Brenda. “Women have also started to be recruited into positions that were once reserved only for men - for example, as security guards.”

By getting their own staff to do the training, Finlays were able to reduce incidences discrimination and build trust and confidence between the employee levels of their workforce.

“When you build people's confidence, you also get more creativity. For example, you get people on production lines getting together to trouble-shoot problems rather than just sitting passively waiting for them to be dealt with by their managers. It can only benefit business.”

**Finlay’s Horticulture** is the Kenyan subsidiary of UK-based ETI member company Finlays Horticulture Holdings Ltd. It produces vegetables and flowers for export to Europe and has over 6,500 employees, about half of them women, across six sites. To find out more about Finlays, visit their website: [http://www.finlays.net/](http://www.finlays.net/).

Sedex is always looking for new case studies. If you have a best practice example case study that you would like to be featured, please send it to content@sedexglobal.com.
Resources and Guidance

The following organisations, web sites and documents provide additional information around the topic of ‘Discrimination’:


✓ SMETA Corrective Action Guidance: https://www.sedex.org.uk/sedex/go.asp?wsfedsession=0

✓ International Labour Organization
  
  

✓ Ethical Trading Initiative (ETI): http://www.ethicaltrade.org/
  
  
  - Women Workers: http://www.ethicaltrade.org/in-action/issues/women-workers
  

✓ UN Global Compact
  
  

Signposts to Training


- Verité: http://www.verite.org/Training

Key Terms

- **Affiliation**: Includes membership or holding a position in a trade union, worker committee, or any other workers’ group or organisation.
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Chapter 1.9

REGULAR EMPLOYMENT
Regular Employment

What does it mean?

Regular Employment means that all workers are provided with a legally recognised employment relationship and that every effort is made to ensure that employment is continuous.

Workers without employment agreements with their employer or who are provided only with short-term contracts often do not receive the wages and benefits given to permanent, full time workers.

Also, workers in temporary/casual working arrangements are vulnerable to abuse because they may not be legally entitled to the same pay, benefits and rights as other workers.

Providing regular employment means that the company will not hire workers on a temporary basis in order to avoid paying the same wages and benefits as permanent workers.

Formal employment agreements (contracts) that spell out the terms and conditions of the work help workers to understand what they can expect in wages, benefits and duration of employment and what is expected of them (for example, hours of work and production quotas).

The purpose of this section is to help you identify the risks in your current business processes that could result in hiring workers into temporary or informal employment, and to help you put in place controls to ensure regular employment.

Benefits

Why should you do it?

Respecting your workers’ rights to regular employment will help you stay within the law, avoid penalties and meet your customers’ requirements.

There can also be business benefits, such as:

a) Decreased worker turnover

b) Improved worker satisfaction, morale and productivity

c) Enhanced company reputation

d) Decreased costs for recruitment and hiring
Requirements

What do you need to do?

ETI Base Code Clause 8

states that regular employment is provided. This means:

8.1 To every extent possible, work performed must be on the basis of a recognised employment relationship established through national law and practice.

8.2 Obligations to employees under labour or social security laws and regulations arising from the regular employment relationship shall not be avoided through the use of labour-only contracting, sub-contracting, or home-working arrangements, or through apprenticeship schemes where there is no real intent to impart skills or provide regular employment, nor shall any such obligations be avoided through the excessive use of fixed-term contracts of employment.

Relevant ILO Conventions

There are no Conventions that deal solely with Regular Employment. However, Conventions relevant to the topic include the following:

C95: Protection of Wages Convention, 1949, requires:

* Wages to be paid only in legal tender. Payment in the form of promissory notes, vouchers or coupons is prohibited
* Workers to be paid directly and regularly
* Only legal deductions are allowed, and deductions to secure or retain employment are prohibited

C158: Termination of Employment Convention, 1982, prohibits the use of short term contracts to avoid protections against unjustified termination.

C175: Part-time Work Convention, 1994, requires that part-time workers receive the same protections as full time workers and that they receive a basic wage that is the same as comparable full time workers.

C177: Homework Convention, 1996, requires equality of treatment between homeworkers and other wage earners.

C181: Private Employment Agencies Convention, 1997, requires that workers recruited by agencies receive the same legally required wages, benefits and protections as regular workers.

Other international standards and guidelines state:

- Adequate safeguards should be provided against recourse to contracts of employment for a specified period of time, the aim of which is to avoid the protection resulting from the Termination of Employment Convention, 1982 (ILO Recommendation R166).

Achieving and Maintaining Standards

How do you do it?

You can best meet standards by using a systems approach. In other words, you add controls to the processes you already use to run your business (such as discipline and termination.) And you make sure your policies and procedures are designed to ensure that:

- All workers (regular, contract, agency, piece rate and homeworkers) have formal employment agreements.
- Copies of employment terms and conditions are provided to all workers.
- Workers are not asked to sign blank papers, forms and resignation letters.
- Probation periods comply with legal limits.
- Contract terms are not changed after the worker signs the contract/employment agreement.
- Agency and contract workers and homeworkers receive full legal and social security benefits.
• The company, its contractors and labour providers do not discharge and rehire workers to avoid paying permanent worker wages and benefits.

• The company, its contractors and labour providers do not employ workers on consecutive short-term temporary contracts.

It is important that you also regularly monitor your processes and controls to make sure they are working.

### Policies
*(rules)*

Your company policies should include the following:

☑ Commitment to provide all workers (regular, agency, contract and homeworkers) with formal employment agreements that clearly state the terms and conditions of employment.

☑ Statement that the company will not use consecutive short term contracts in place of permanent full time or part time employment.

☑ Commitment to provide trainees with the wages and benefits of permanent workers after a fixed time period or as required by law.

☑ Statement that temporary workers will be provided with the same wages, benefits and other terms and conditions of employment as permanent workers after a fixed time period or as required by law.

☑ Commitment that apprenticeships will be of limited duration and only be used to provide workers with the practical skills needed for their course of study or to prepare them for regular employment.

☑ Meeting regularly with all managers and supervisors to ensure that workers’ rights and benefits related to regular employment are respected at all times.

☑ Monitoring and reporting all complaints and corresponding management actions or responses.

☑ Maintaining all records (such as copies of employment agreements) relating to regular employment.

### Best Practice

*Job performance criteria to move from trainee to permanent status, including the maximum duration of time in trainee status, are clearly defined in writing and communicated to all workers*

The terms and conditions of employment should be clearly established in writing and understood by the worker at the time of hire. Your recruitment, selection, hiring, termination and other human resources procedures should:

☑ Include ways to track and understand laws and regulations on regular employment.

☑ Ensure all workers are provided with an employment agreement at the time of hiring that contains the following information:

  - Nature and type of worker arrangement (such as probationary, apprentice/trainee, regular/permanent, contract worker)
  - Terms and duration of the contract under the specified employment arrangement that meet local labour law
  - Specific job functions
  - Duration of contract
  - Regular and overtime work hours and wages
  - Benefits
  - Pay cycle
  - Resignation and termination conditions

### Procedures
*(practices)*

Management should assign a responsible person (or department) to make sure these policies are carried out through the following practices:

☑ Communicating your policies to all managers, supervisors, workers, contractors and labour agencies.
The employment agreement or contract is signed by the worker and the manager responsible for hiring workers.

The contents of the agreement are clearly explained to the worker before he/she signs the document.

The agreement is written in a language that workers understand.

Workers are provided with their own copy of the agreement.

Employment agreement for a worker hired in probationary status contains clear description of the duration of probation and the performance requirements to achieve permanent status.

Employment agreements for apprentices clearly state the terms and conditions of the position, the maximum length of the apprenticeship and the relationship to the worker’s course of study.

Communication and Training

You should use the following methods to make sure your employees are aware of policies and procedures:

Provide introductory training for new managers and supervisors on the company’s policy and procedures on terms and conditions of employment agreements and contracts.

Require all newly hired workers to attend training where all policies, including the company’s policies on regular employment are explained.

Require the staff in charge of hiring to explain the employment agreement or contract to all newly hired workers (this should be done before workers are asked to sign the employment agreement).

Best Practice

Apprentices

- All apprentices receive regular wages and benefits.
- Apprentices are provided with regular performance reviews and ongoing training to help them ‘graduate’ to regular employment.
- Apprentices have a clear understanding of when and how they will become permanent workers.

Best Practice

Production Planning

By minimising fluctuations in production volumes you can help make the work hours and incomes for workers on piece work and homeworkers more stable and predictable.

Provide each worker with a copy of an employee handbook.

Display provisions in the company’s policy that relate to employment relationships in a language that workers understand.

Display laws that apply to regular employment (for example, wages, benefits, social insurance and legally required deductions) in the language(s) that the workers understand.
Documentation and Records

Meeting standards requires proper documentation. You will need to keep on file on company premises:

- All employment agreements.
- Agreements with technical schools, colleges, labour brokers, or recruitment agencies.
- Current copies of local legal requirements relating to employment agreements, apprenticeship programs, and other aspects of regular employment.
- All complaints about how the company’s policies on employment relationships and regular employment are working should be properly documented and filed.

Monitoring

You will need to check if your discipline and grievance policies are being followed and that controls intended to make sure the company is meeting code and legal requirements are effective. The following steps can be used to evaluate and improve the effectiveness of your programs:

1. **Monitor trends and key performance indicators (KPIs)** to identify actual and potential problems, including:
   - Regularly interview or survey workers to obtain their feedback on terms of employment, wages, working conditions, treatment, etc.
   - Establish and monitor key performance indicators for so that you can measure on a continuous basis how well you and your labour providers are implementing your policies. For example, you could measure the wages paid to temporary contract workers compared the wages paid to full time workers doing similar work, the number of issues or grievances by contract workers about discriminatory practices, etc.
   - Regularly review and revise policies and procedures to keep them relevant and up-to-date.
   - Verify that transfers of trainee or apprentice workers within the facility do not violate company policies for scope, term and duration of trainee and apprenticeship assignments.
   - Review employment agreements/contracts regularly and update them as needed to make sure that contents meet international standards and local labour law.
   - Regularly review and revise policies and procedures to keep them relevant and up-to-date.

Best Practice

Periodically review a random sample of personnel files for workers hired in the past month to verify that all have received written employment agreements.
2. **Investigate problems and analyse why they occurred.** Where data indicates the existence of non-conformities with your company’s regular employment policies and customer code(s) of conduct, the company should investigate these conditions to determine their root causes and what can be done to address them.

3. **Work with other departments to identify reasonable solutions.** Take care to develop solutions so that the problem does not recur and the solution itself does not create other problems. For example:

- Human Resources should regularly work with staff directly in charge of each policy to address problem areas and identify best practices.

- Production planning and sales need to closely coordinate with Human Resources to develop accurate staffing plans in order to minimise the use of temporary workers.

- Analyse on a regular basis issues and suggestions from worker meetings and use the results in adjusting company policies and procedures.

### Common Audit Non-compliances from the Sedex Database

The following are the most common non-compliances against this issue. If properly implemented, the guidance in this chapter can help reduce the incidence of these problems:

- **Lack of clear, understandable written terms and conditions of employment**
- **Missing or incomplete worker contracts**
- **Lack of employment records kept by management**
- **Workers not provided with a written contract of employment**
- **Contract misrepresents employment relationship and entitlements**
- **No communication to subcontractors of standards on regular employment**

Sedex provides a document with suggested possible corrective actions following a SMETA audit. This is available to Sedex members only in the Sedex Members Resources section: [Sedex Corrective Action Guidance](#).

### Common Questions

**Why do companies need to take care when establishing apprenticeship programs?**

*Apprenticeship programs are only appropriate to provide student workers with skills related to their course of study or to teach workers the skills needed to advance to permanent employment.*

Unfortunately, apprenticeship programs are often abused. Faced with a shortage of workers or as a way to avoid paying legally required wages and benefits for permanent employees, companies create so-called “apprentice programs.” Instead of learning technical skills, vocational school students are simply used as a form of inexpensive labour to perform routine production tasks and trainees are kept as apprentices indefinitely instead of advancing to permanent status.

Written criteria and procedures are required for any apprenticeship program to ensure they serve a legitimate purpose and meet legal requirements, rather than being a way to avoid payment of wages and benefits.

**Isn’t the use of short term contracts an acceptable way of meeting rapidly fluctuating production volumes?**

No. Consecutive fixed-term contracts typically prevent workers from receiving the wages, benefits and other terms of employment afforded permanent workers. Workers on short-term contracts are also more vulnerable to termination without cause and other abuses.

The best way to address variations in production levels is for production to work closely with Human Resources and other departments to develop realistic staffing and production plans. Peak seasons may also be managed without resorting to fixed term contracting by addressing capacity issues through better production process design and automation. More information can be found in the Working Hours chapter of this workbook.
Good Human Resources management is crucial to providing stable, regular employment which is important to all businesses. Workers should be informed of their rights, benefits and conditions of employment before they are employed and given appropriate contracts.

Aman Knitting Ltd. has recently piloted the Benefits for Business and Workers Model which encourages factories to take part in training and measures changes at a factory productivity level. Managers were trained over 2-3 day courses and then rolled out this training to their workers. The programme has built management skills and systems in human resources, production and quality.

“A problem in Bangladesh is we don’t know how to improve middle management and lack training. The programme taught us better ways to recruit people and how to retain them,” says Saif Bhuiyan, Operations Director at Aman Knitting.

The training has strengthened their 3-month probationary period, by matching new workers with stronger members of staff in a ‘buddy’ system to support and teach them. It has been so effective they have rolled this out to existing workers.

“The training also helped us start a new system of HR meetings every 6 months with workers: to review their performance, to find out how they are doing, to offer them skill training, to communicate with them about their employment, health and safety training. The workers love the new system.”

Aman Knitting had good contracts already but the training has helped give more information and communicate better employees’ rights, entitlements, responsibilities, terms and conditions of employment, disciplinary and grievance procedures to the workers.

“We have always had a 21 days’ notice period policy but our workers didn’t follow it. Because the training has taught us to better communicate, our workers who wish to leave now follow this procedure.”

“The training has implemented better systems for workers to take leave and increased the attendance bonus from 300 to 500 taka per week, which has been very effective at reducing absenteeism. When we started we had a worker turnover of 8%, which has decreased to 3 .”

The scheme has allowed the business benefits of providing better and more stable jobs to be shown as well as demonstrating how the investment in tools and systems for long-term has benefitted workers through HR and productivity changes.

**Aman Knitting Ltd., part of the Unifill Group, are a ready-made garment manufacturer based in Bangladesh. Suppliers include; Tesco, Mothercare and Sainsbury’s. To find out more about Aman Knitting, email info@amanknitting.com.**

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**Case Study**

**“Invest in Human Resources”**

Sedex is always looking for new case studies. If you have a best practice example case study that you would like to be featured, please send it to content@sedexglobal.com.
Resources and Guidance

The following organisations, web sites and documents provide additional information on freedom of association and collective bargaining:

- SMETA Corrective Action Guidance: [https://www.sedex.org.uk/sedex/go.asp?wsfedsession=0](https://www.sedex.org.uk/sedex/go.asp?wsfedsession=0)
- Ethical Trading Initiative (ETI): [http://www.ethicaltrade.org](http://www.ethicaltrade.org)
  - ETI Base Code: [http://www.ethicaltrade.org/resources/key-eti-resources/eti-base-code](http://www.ethicaltrade.org/resources/key-eti-resources/eti-base-code)
- International Covenant on Economic, Social and Cultural Rights (Article 7): [http://www.ohchr.org/EN/ProfessionalInterest/Pages/CESCR.aspx](http://www.ohchr.org/EN/ProfessionalInterest/Pages/CESCR.aspx)

Signposts to Training


Key Terms

- **Apprenticeship**: A program that allows students of vocational schools and other educational institutions to gain practical work experience in their course of study. A way for young workers to be paid while learning a specific technical skill or trade.

- **Employment Agreement/Contract**: A legal document between a worker and employer that defines the terms, conditions and duration of the job.

- **Probation**: An introductory period of employment that allows the company and the worker determine if the worker is suited for the job.

- **Short Term Contract**: An employment agreement that is valid for a short period of time, typically less than the amount of time in which a worker would legally be considered a permanent worker. Consecutive short term contracts are used to avoid paying the wages and benefits due permanent workers.
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Chapter 1.10

DISCIPLINE & GRIEVANCE
**Discipline & Grievance**

*What does it mean?*

**Discipline** and **grievance processes** make sure that all workers are treated with fairness and in the same way, and bring issues to management’s attention that affect workers’ day-to-day working lives.

**Disciplinary procedures** make sure that a company’s standards of conduct and performance at work are followed. They also provide a fair and humane method of dealing with workers who fail to meet these standards.

A **grievance procedure** provide workers with the opportunity to raise concerns, problems or complaints and gives your company a way to monitor and resolve systemic issues that, if left unchecked, could lead to legal issues, strikes, high absenteeism, poor worker morale and low labour productivity.

Although many issues can be resolved informally, grievance procedures allow workers to voice their problems and complaints to management in a way that workers feel comfortable reporting them.

Most important is that these procedures are in place and that the information they gather helps management resolve workers’ concerns before the problem becomes widespread or grows into a more serious issue.

This section will help you identify the **risks** in your current business processes that could lead to applying discipline in an unfair, arbitrary or inhumane way and to put in place **controls** to make sure worker grievances about workplace practices are properly addressed.

**Benefits**

*Why should you do it?*

Respecting your workers’ rights of fair and humane treatment and to voice their grievances will help you stay within the law, avoid penalties and meet your customers’ requirements.

There can also be **business benefits**, such as:

- a) Reduced absenteeism and improved worker retention
- b) Fewer work stoppages, strikes and other disturbances
- c) Higher worker satisfaction, morale and productivity
- d) Improved worker-management relations

*A grievance procedure provides the company with a built-in method to monitor problems related to the implementation of company policies and procedures.*
Requirements

*What do you need to do?*

ETI Base Code Clause 9 states that no harsh or inhumane treatment is allowed. This means:

9.1 Physical abuse or discipline, the threat of physical abuse, sexual or other harassment and verbal abuse or other forms of intimidation should be prohibited.

Relevant ILO Conventions

There are no Conventions that deal solely with Discipline and Grievance. However, Conventions relevant to the topic include the following:

C158: Termination of Employment Convention, 1982
- This convention prohibits termination of employment for reasons related to the worker’s conduct or performance before being provided an opportunity to defend him/herself against the allegations made.

C105: Abolition of Forced Labour Convention, 1957
- This Convention prohibits the use of any form of forced or compulsory labour as a means of labour discipline and punishment.

Other international guidelines recommend:

- Any worker who, acting individually or jointly with other workers, considers that he has grounds for a grievance should have the right (a) to submit such grievance without suffering any prejudice whatsoever as a result; and (b) to have such grievance examined pursuant to an appropriate procedure. (ILO R130)

- The employment of a worker should not be terminated for misconduct of a kind that under national law or practice would justify termination only if repeated on one or more occasions, unless the employer has given the worker appropriate written warning. (ILO R166)

Achieving and Maintaining Standards

*How do you do it?*

You can best meet standards by using a *systems approach*. In other words, you add *controls* to the processes you already use to run your business (like discipline and termination) and you make sure your *policies* and *procedures* are designed to ensure that:

- Workers are not intimidated, bullied, or physically punished.
- Workers understand your discipline procedure and punishments.
- Fair and legal disciplinary procedures are established to improve worker performance.
- Workers can report harassment or bullying and all allegations are thoroughly investigated and resolved.
- Workers are not intimidated or punished for raising workplace issues to management.
- Managers and supervisors consistently follow the established discipline and grievance procedures.
- Disciplinary action taken against workers is consistent across the company; for example, vulnerable groups of workers - women, minorities, and migrants - are treated fairly.
- Appropriate disciplinary action is taken for supervisors, managers or fellow workers who are abusive.
- Wage deductions and other financial penalties are not used as disciplinary measures.

It is important that you also regularly monitor your processes and controls to make sure they are working
**Policies**
*(rules)*

Your company policies should include the following:

**Discipline**

- A code of behaviour for managers, supervisors, and workers that forbids verbal and physical abuse and other inhumane disciplinary practices.
- Disciplinary is a performance improvement process and not punitive.
- Prohibition of punitive fines and deductions from wages.
- Commitment to a process of progressive discipline.

**Grievance:**

- Commitment to make sure that workers can report grievances and can do so without fear of penalty, dismissal, or reprisal of any kind.

**Procedures**
*(practices)*

Management should **appoint a responsible person** (or department) to make sure these policies are carried out through the following practices:

- Communicating your policies to all managers, supervisors and workers.

- Meeting regularly with managers and supervisors responsible for discipline, termination, performance management and addressing worker grievances to oversee implementation.

**Discipline**

- Forming and facilitating a disciplinary committee responsible for:
  - Evaluating the problem and deciding on the appropriate disciplinary action based on evidence presented.
  - Participating in creating or revising rules and procedures.
  - Maintaining and controlling all records relating to disciplinary actions.

**Grievance**

- Organising a grievance committee composed of management and worker representatives (if the company has no union, workers will elect their representative).
- Making sure grievance procedures are communicated to all employees.
- Maintaining and controlling all records confidentially - relating to grievances.
- Analysing and preparing written reports on grievances filed by employees.

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**Sample Discipline Process**

- Manager informs worker of incorrect behaviour (verbal or in writing)
- Worker given a chance to explain behaviour (verbal or in writing)
- Progression disciplinary action taken
- Record of issue and disciplinary action taken put in worker’s personnel file

**Progressive Discipline:**

- 1st offence: Verbal warning
- 2nd offence: Written warning
- 3rd offence: Written warning or Suspension (with pay)
- 4th offence: Suspension (with pay) or Termination

---
Your discipline, termination, grievance and other human resources procedures should include:

- Ways to track and understand laws and regulations on discipline and grievance.
- An appeals process for when workers disagree with a disciplinary action.
- The process must ensure that workers can choose to be represented by a union representative or fellow worker.

**Best Practice**

Use mediators, counsellors and investigators that are:

- Trusted by workers.
- Specially trained – how they handle the complaint will have a direct impact on the success or failure of the company’s policy.
- Free of bias or conflict of interest.
- Familiar with the company’s discipline and grievance procedures.

**Discipline**

- Disciplinary rules that cover all issues of worker conduct and define:
  - Consequences for violations of rules
  - Procedures for investigating violations of rules and taking corresponding disciplinary actions
  - A system of progressive discipline
  - Disciplinary actions against managers and supervisors who violate policies and procedures and the code of behaviour
- A way for workers to monitor the status of disciplinary actions.
- An appeals process for when workers disagree with a disciplinary action.

**Best Practice**

Use mediators, counsellors and investigators that are:

- Trusted by workers.
- Specially trained – how they handle the complaint will have a direct impact on the success or failure of the company’s policy.
- Free of bias or conflict of interest.
- Familiar with the company’s discipline and grievance procedures.

**Sample Grievance Process**

**Stage 1 Worker Grievance**

- **Method**: Written or verbal
- **Reported to**: Immediate Supervisor
- **Procedure**: Supervisor decision, with written response to worker
- **Conditions**: If grievance contested, worker asked to attend meeting to discuss issue. Worker may have representative present
- **Response time**: 5 days

**Stage 2 Escalation**

- **Method**: Written or verbal
- **Nature of grievance**: 1) Unresolved Stage 1, or 2) Subject is worker’s immediate supervisor
- **Reported to**: HR Manager or other ‘neutral’ party
- **Procedure**: Hear both worker and supervisor side; written response to worker
- **Conditions**: Worker may have representative present at hearing
- **Response time**: 7 days

**Stage 3 Appeal Process**

- **Method**: Written
- **Nature of grievance**: 1) Appeal unfavourable resolution, or 2) Complaint about handling of grievance
- **Reported to**: Grievance Committee
- **Procedure**: Formal hearing for worker to present grievance and hear from other parties
- **Conditions**: Worker may have representative present at hearing
- **Response time**: 7 days
Grievance

- A confidential process for workers to report workplace grievances, including:
  - Methods to ensure confidentiality and prevent retaliation against workers who raise concerns.
  - Ways for workers to report a grievance against a supervisor to someone other than that supervisor or the supervisor’s manager (within the same ‘chain of command’).
  - A process for management to investigate reported grievances, take action and communicate the results to workers.

- A way for workers to monitor the status of grievances.

- An appeals process for when workers disagree with how a grievance is resolved.
  - The process must ensure that workers can choose to be represented by a union representative or fellow worker.

Best Practice

Do not take disciplinary action until the case has been investigated. The first step in an investigation is allowing the worker to state his or her case and to answer allegations. You can gather additional evidence as needed, but the worker’s point of view must be represented.

Best Practice

Basic Principles of Grievance Handling

- The company should consider employee discipline and grievance handling as two ‘pillars’ for workplace peace
- The company recognises the right of employees to express legitimate grievances and seek solutions
- The company understands that a result of resolving grievances is building worker trust and harmony
Communication and Training

You should use the following methods to make sure your employees’ are aware of discipline and grievance policies and procedures:

- Provide introductory training for new managers and supervisors and newly hired workers on your company’s policies and procedures on discipline and grievance.
- Communicate internal rules and regulations to all workers through postings and by providing workers with the policies in an employee handbook.

Discipline

- Provide training for all managers and supervisors on how to take appropriate disciplinary action.
- Training should emphasise the standard way to apply the discipline procedures so that all supervisors and managers do it the same way.
- Train workers on your process on how they can appeal disciplinary action(s) including their right to be represented by a union official or co-worker in the appeals process.

Grievance

- Provide training for all supervisors, union and worker representatives on how to handle and resolve worker grievances.
- For grievances, make sure workers are trained to know when to report and how to report (and to whom).
- Train workers on your process for them to appeal resolutions to grievances with which they do not agree including their right to be represented by a union official or co-worker in the appeals process.

Documentation and Records

Meeting standards requires proper documentation. You will need to keep on file on company premises:

**Discipline**

- All disciplinary notices, which should contain the signature of the worker as well as the worker’s response to the notice.
- Documentation of the disciplinary proceedings, including the following information:
  - Name of the worker
  - Summary of problem (when it occurred, where, witnesses, who reported it and the worker’s response)
  - Results of the committee’s discussions and the disciplinary action taken
  - Signature of members of the disciplinary committee
- Records of disciplinary proceedings should be kept confidential.

**Grievance**

- All grievances and actions taken should be documented. The report should indicate the following information:
  - Nature of grievance
  - Method used to bring grievance forward
  - Status of complaint
  - Actions taken
  - Reasons for actions taken
- Records of grievances should be kept confidential. Information should be released to the employee concerned upon his or her request (for example, copies of any meeting records).
- Written response to grievances should include the following:
  - Time and date grievance was filed
  - Name of supervisor/person who first received the grievance or complaint
  - Analysis of the facts in the grievance
  - Affirmation or denial of the allegations
• Identification of the remedies or adjustments, if any, to be made

✓ A summary of issues gathered from the grievance process, as well as management’s response(s) to the issues raised, should be posted in areas accessible to the workers, such as on notice boards and in the cafeteria.

**Monitoring**

You will need to check if your discipline and grievance policies are being followed and that controls intended to make sure the company is meeting code and legal requirements are effective. The following steps can be used to evaluate and improve the effectiveness of your programs:

1. **Monitor trends and key performance indicators (KPIs)** to identify actual and potential problems, including:
   - ✓ Regularly review worker grievances. Are the same issues being reported over and over again? How long does it take to resolve a grievance?
   - ✓ Determine if workers are comfortable using the existing reporting methods.
   - ✓ Establish and monitor **key performance indicators (metrics)** to measure how well discipline and grievance procedures are working (for example, ‘grievances addressed within two weeks’ or ‘appeal rate for disciplinary actions is less than 10%’).
   - ✓ Periodic review and revision of disciplinary rules and regulations to keep them relevant and up-to-date.
   - ✓ Periodic review and analysis of disciplinary actions taken to make sure that discipline is applied in a fair and consistent manner.

2. **Investigate the problem and analyse why it occurs.** If you have evidence that your grievance policy (or customer’s code of conduct) is not being followed, you should investigate to find out the cause, and then address it.

   The lack of grievances filed by workers may not mean that workers have no grievances. It could simply be that workers are not comfortable using your grievance procedure. You should ask workers or their representatives if workers are comfortable using your grievance reporting channels.

   Another common reason that workers give for not reporting grievances is that “management does not respond anyway, so it is just a waste of my time.”

   ✓ Make sure there is a procedure for following up on grievances and taking action within a certain timeframe after it is determined the grievance is justified.

   ✓ Review and analyse common violations of disciplinary rules to identify why they are being broken, and address them, for example with worker awareness training.

3. **Work with other departments to identify reasonable solutions.** Take care to develop solutions that make sure the problem does not recur and the solution does not create other problems.

   ✓ Often, more than one function is responsible for social responsibility issues. In the case of discipline and grievance, Human Resources and Production must work together to find an appropriate solution that meets standards but does not prevent the company from meeting its business objectives.

   ✓ Analyse issues and suggestions raised during workers’ forums and use results when you review and improve your company policies and procedures.

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**Best Practice**

Provide guidance for supervisors and managers to take disciplinary actions in private and in such a way to preserve the worker’s dignity.
Common Questions

How can a company guarantee that worker grievances are kept confidential?

It is important that workers feel safe from reprisal or punishment when they report a grievance.

Make sure that all records of grievance proceedings are kept confidential. The company should appoint someone to keep such records and control access.

Make sure that all members of the grievance committee respect the confidentiality of the proceedings, including disciplining anyone who violates the confidentiality agreement.

Provide a variety of ways to report so that everyone will feel free to come forward (especially those who do not want to be identified). You can set up suggestion boxes located in areas that workers are comfortable approaching. The company can also post contact information of designated staff or worker representatives who workers can contact confidentially to put forward a grievance.

What can a company do to ensure that workers are able to monitor the status of their complaints?

The company should specify the time limits for management to respond, in writing, to worker grievances.

When responses to grievance complaints are delayed, the supervisor or manager handling the complaint should communicate, also in writing, the reason for the delay. (See Sample Grievance Process on page 4.)

For informal grievances, management should make sure that proper documentation is made of the grievance.

For informal meetings with workers, the supervisor or manager can take notes of these discussions. On a regular basis (weekly or monthly) a summary of issues discussed and management’s responses can be posted on the department’s bulletin board.

Common Audit Non-compliances from the Sedex Database

The following are the most common non-compliances against this issue. If properly implemented, the guidance in this chapter can help reduce the incidence of these problems:

- Workers fined for breaking rules
- Lack of a formal disciplinary code for the facility
- Inadequate grievance procedures
- Poor working relationship with management
- Shouting, swearing or other forms of verbal abuse of workers
- Racial and sexual harassment
- Rules and disciplinary actions not documented

Sedex provides a document with suggested possible corrective actions following a SMETA audit. This is available to Sedex members only in the Sedex Members Resources section: Sedex Corrective Action Guidance

- Assign someone regularly to summarise issues from the suggestion boxes and forward these issues to the appropriate department for resolution.
- The status of management’s response to each grievance case should be posted regularly.

How does the company make sure that disciplinary actions are reasonable and that procedures are fair?

The company should establish specific penalties for all areas covered in the rules of discipline. It should be clear to all employees
what type of behaviour will be subject to disciplinary action and what kind of disciplinary action will be taken.

*Best Practice*
*Include worker representatives as members of your grievance committees to make sure the handling of grievances is fair and without bias.*

**Involve workers when establishing rules and standards.** For disciplinary rules and procedures to be effective, they should be accepted as reasonable to both workers and managers. Involve your workers and all levels of management when formulating or revising rules and procedures.

**Make sure that, except for gross misconduct, no worker is dismissed for a first offence.** Disciplinary actions should be progressive, increasing in severity over time (verbal warning, written warning) Start if possible (for minor misconduct or poor performance) with informal advice, coaching and counselling rather than through a formal disciplinary procedure.

Make sure your employees understand what needs to be done, how their performance/behaviour will be reviewed and over what period, and what will happen if they fail to improve. These informal actions should not be recorded in the employee’s personnel records.

**Make sure that disciplinary action is not taken until the case has been carefully investigated.** Employees must have the chance to state their case and to respond to allegations that have been made. If the facts of the case call for formal disciplinary action, formal procedures should be followed.

**Why do companies need to document disciplinary actions?**

Disciplinary actions form part of an employee’s record of performance in the company. When these disciplinary actions are properly documented, the company eliminates the risk of being accused of illegal or improper discipline, up to and including dismissal.

- Some companies wrongly rely on having dismissed workers sign a resignation letter to avoid legal challenge of the dismissal. This is not only bad practice and potentially illegal, but there is no need to resort to these measures when a company has properly documented a worker’s performance.

**What can companies do to motivate the right behaviour?**

- Companies can try rewarding good behaviour instead of only punishing the wrong behaviour. For example, workers can be given a bonus for perfect attendance. However, the things a worker must do to earn the bonus must be clear and reasonable, and apply equally to all workers.

**What are punitive fines and deductions?**

A punitive fine is a disciplinary action that requires workers to pay a sum of money or lose wages as punishment for breaking a rule.

**Examples of punitive fines (deductions)**

- Preventing workers from working that day when they are late for work, resulting in the loss of a day’s wages. Any deductions made from a worker’s pay because of being late for work must not exceed the monetary equivalent for the time missed. Progressive discipline should be applied for a worker who is repeatedly late for work.
Examples of punitive fines - continued

- **Suspension as disciplinary action.** Suspension (with pay) should only follow an established series of verbal and written warnings.

- **Workers are fined or are not paid legal wage rates when they do not meet production quotas.** For example, workers who do not meet the quota are required to pay a certain amount for every number of units short of the quota or are paid regular rather than overtime rates for overtime required to meet the quota. Legal wage rates must be paid at all times regardless of the circumstances.

As John Lewis will accept recent, good quality audits from credible companies with similar standards, they accepted an audit from The Walt Disney Company (also a Sedex member) to ensure the issue was resolved which reduced duplication for the supplier.

Through successful communication, the factory has removed fine rules from the employee handbook and they changed their policy to offer sick leave of 50% of daily wage, subject to a doctor’s certificate. Workers no longer fear that part of their wages will be deducted as a ‘fine’.

Support and guidance is vital; as lack of knowledge on these issues is often common. In 2010, John Lewis launched their Responsible Sourcing Programme, creating guides for suppliers on how their Code of Practice applies to factories. This has been sent to all suppliers and is available in Chinese.

“The programme has increased the accountability of suppliers. Standards are now taken more seriously as repeated audits are a financial burden. The programme is developing supplier knowledge and experience, which is beneficial to them and other clients, helping to raise standards and giving them access to tools.”

**Case Study**

“**Fairness, Dignity and Respect**”

Unfair and harsh treatment can create a culture of fear, and a high turnover of workers leaving for more favourable conditions. The problem often results from misunderstanding, with supervisors unaware that treating workers fairly, with dignity and respect, will create a more productive working environment.

John Lewis found incidences of fines used as a threat to prevent workers breaking factory rules in a recent SMETA audit of a Chinese factory supplying their first tier supplier, B.C Pottery. The employee handbook threatened that workers would be fined two days wages for one day of unauthorised lack of attendance, which was not approved by factory management. The handbook also stated that workers would not receive sick leave so days off sick would be deducted from workers’ wages.

John Lewis asked B.C Pottery to communicate with the factory that the fine was unacceptable, it was proportionally very high in relation to wages of workers and company policy should be changed.

“Our suppliers don’t have the same HR tools and procedures we have in the UK” says Sheetal Nishal, Responsible Sourcing Technologist at John Lewis, “They often don’t see any alternative and see fines as a way to make workers more responsible… to prevent issues.”

Sedex is always looking for new case studies. If you have a best practice example case study that you would like to be featured, please send it to content@sedexglobal.com

**John Lewis Partnership** is a UK retail business comprised of John Lewis department stores and Waitrose supermarket chains. To find out more about John Lewis, visit their website: http://www.johnlewispartnership.co.uk/.
Resources and Guidance

The following organisations, web sites and documents provide additional information on discipline and grievance:

☑ SMETA Corrective Action Guidance: https://www.sedex.org.uk/sedex/go.asp?wsfedsession=0
☑ International Labour Organization: http://www.ilo.org
☑ Ethical Trading Initiative (ETI): http://www.ethicaltrade.org/
  - ETI Base Code: http://www.ethicaltrade.org/resources/key-eti-resources/eti-base-code
☑ United Nations Convention Against Torture and Other Cruel, Inhumane or Degrading Treatment or Punishment: http://untreaty.un.org/cod/avl/ha/catcidtp/catcidtp.html

Signposts to Training

- ETI: http://www.ethicaltrade.org/training/eti-supervisor-training-programme
- ILO: http://www.itcilo.org
- Verité: http://www.verite.org/training

Key Terms

- Absenteeism: Is a measure of the number of workers who do not come to work when they are scheduled to do so.
- Abuse: To hurt someone physically or emotionally. This includes both physical (hitting, shoving) and verbal abuse (yelling, insulting, threatening)
- Discipline: A process to motivate individuals to follow established rules or codes of behaviour.
- Grievance: A complaint to management against what a worker believes to be an unjust or unfair act
- Harassment: Uninvited and unwelcome conduct directed at an individual.
- Reprisal: Unjust punishment of a worker for filing a grievance, complaining about workplace conditions, or other exercise of worker rights.
- Progressive Discipline: A way to take disciplinary action that begins with a verbal warning for the first offence and progresses to ever more formal and serious measures, up to and including termination.
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Smallholders
What does it mean?

Smallholders are farmers that have a small piece of land to grow a small amount of crops. These farms are often worked by a family, or employ only a few workers for short periods of time.

In many countries, a large percentage of crops are grown by many small, family farms. While the size and definition of smallholder farms will vary from place to place, there are some things all smallholders have in common.

Smallholder farms are usually the family business, and many family members may help work a small plot of land.

Smallholders do not have complex operations. They often grow a few other crops to sell at market or help feed the family. Increasingly, however, many smallholders are engaged in ‘outgrowing’ where they contract individually or through cooperatives to sell their entire crop to a specific buyer, often in exchange for production planning, transport, and other services.

Many smallholders do hire workers. But unlike larger operations, workers may only be needed for short periods of time to help with specific tasks, like planting and harvesting.

Smallholders have challenges that other, larger operations do not face since they do not have the same resources available to help manage legal and code compliance issues. Regardless, smallholders can take steps to provide basic protections for themselves and the workers they hire.

This section will help you check whether there are risks in your current business processes of smallholder farms in your supply chain not meeting ETI standards and legal requirements. If there are risks, this section will help identify the controls needed to make sure that minimum requirements for working conditions under the ETI Code are met.

Benefits
Why should you do it?

Respecting workers’ rights to basic standards of employment will help smallholders stay within the law, avoid penalties, and meet your requirements.

There can also be business benefits, such as:

a) Improving productivity, farm income and wages.

b) Promoting better relations between smallholders and buyers.

c) Enhancing your respect and reputation in the community.

d) Bringing potential new business from other buyers, processors and exporters.

Smallholder farmers and their workers are due the same labour protections as employees of any large company. This means farming and working under safe and legal conditions that meet international labour standards and the ETI Base Code. (please refer to ‘Requirements’ on page 2).
Requirements
What do you need to do?

The entire ETI Base Code applies to smallholders.
This means that:

1. Employment is freely chosen.
2. Freedom of association and the right to collective bargaining are respected.
3. Working conditions are safe and hygienic.
4. Child labour shall not be used.
5. Living wages are paid.
6. Working hours are not excessive.
7. No discrimination is practised.
8. Regular employment is provided.
9. No harsh or inhumane treatment is allowed.

Relevant ILO Conventions
ILO Conventions on basic employment rights (described in the other chapters of this workbook) also apply to smallholders, and will help you guarantee these rights on smallholder farms in your supply chain. Some important conventions for smallholders are:

- **Freedom of Association**: C87 and C89
- **Forced Labour**: C105
- **Child Labour**: C138 and C182
- **Equality and Non-discrimination**: C100 and C111

Other international standards and guidelines:

- **ILO Recommendation on the Promotion of Cooperatives, 2002 (R.193)** recommends that governments adopt measures to promote the potential of cooperatives in all countries in order to assist them and their membership to:
  a) Create and develop income-generating activities and sustainable decent employment;
  b) Develop human resource capacities and knowledge of the values, advantages and benefits of the cooperative movement through education and training;
  c) Develop their business potential, including entrepreneurial and managerial capacities;
  d) Strengthen their competitiveness as well as gain access to markets and to institutional finance;
  e) Increase savings and investment;
  f) Improve social and economic well-being, taking into account the need to eliminate all forms of discrimination;
  g) Contribute to sustainable human development; and,
  h) Establish and expand a viable and dynamic distinctive sector of the economy, which includes cooperatives, that responds to the social and economic needs of the community.

- **United Nations Universal Declaration on Human Rights (1948).**
- **International Covenant on Civil and Political Rights (1966).**
- **International Covenant on Economic Social and Cultural Rights (1966).**

### Achieving and Maintaining Standards

**How do you do it?**

You and your suppliers can best meet standards by using a *systems approach*. In other words, you add **controls** to the **processes** you already use to run your farm. And you make sure your **policies** and **procedures** are designed to ensure that:

- All non-family workers enter into employment freely and the terms and conditions of their employment are described in written employment agreements or contracts.
-Workers are aware of the existence of trade unions or their right to join a union via a farm cooperative.
-Workers are paid a fair wage
- Farm work performed by young children in assisting their families does not interfere with attending school.
- Legally required benefits such as sick leave and medical care are provided to all workers.
- Workers are paid a premium for overtime work.
- Adequate record keeping.
- Safe and healthy working conditions are provided, including providing workers with appropriate protective equipment.
- Workers are provided with adequate potable drinking water and toilet facilities.

It is important that you also regularly **monitor** your processes and controls to make sure they are working.

### Policies

*(rules)*

You and your suppliers should have a policy that includes the following commitments:

- Farms do not use forced, debt bonded or trafficked labour.
- Farm workers are free to form and join unions, bargain collectively, and join other organisations of their choosing as supported by local farm cooperatives.
- Smallholders can negotiate collectively with the company and its suppliers on pricing, production and support.
- A safe work environment will be provided, including clean water and toilets, as well as safe and sanitary housing.
- Children will not be hired or contracted for work.
- Children of smallholder farmers can provide assistance to their parents but will not work on commercial crops.
- If your children do help you on your farm, that their work cannot get in the way of their schooling or be hazardous. (For more guidance on Child Labour please refer to the Common Questions section of this chapter.)
- Workers should be paid a fair basic wage that meets legal requirements and is enough to meet basic needs for food, housing, and education for their children, with a little money leftover.
- If piece rate wages are paid, these should not be less than the equivalent of the legal minimum wage. Additionally:
  - All workers are entitled to be paid for their work, including spouses, for example.
  - Workers will be paid for all their time on the farm, as well as time spent at collection centres.
  - Payment will be regular and on time—daily, weekly, or monthly.
• Overtime will be paid at a premium.

☑ Overtime will not be more than 12 hours a week.

☑ There is no discrimination in offering a job to, or treatment of, workers based on race, caste, national origin, religion, age, disability, gender, marital status, sexual orientation, union membership or political affiliation.

☑ Workers, whether regular or seasonal, are given contracts that describe the basic conditions of work.

☑ When workers sign employment agreements, make sure they fully understand the contents of the agreement.

☑ The person in charge of hiring needs to accurately explain the terms and conditions of employment and the employment agreement or contract to workers before they are hired.

☑ Each worker should be provided with a written copy of the farm’s policies where feasible. Where this is not possible, such as due to illiteracy, alternative means of communicating policies to workers should be used.

☑ The basic terms and conditions of employment should be displayed in a language that workers understand.

☑ Laws that apply to employment (for example, wages, health and safety, benefits, social insurance and legally required deductions) should be displayed in a language that the workers understand.

☑ All new workers should be provided with information and training on health and safety. This includes:

  • How to work safely with chemicals such as pesticides and herbicides
  • How to use protective clothing and equipment
  • How to lift and carry heavy loads, and
  • What to do if they are injured or become ill

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**Procedures**

*(practices)*

You need to have someone **assigned as the responsible person** (or department) to make sure these policies are carried out. This includes:

☑ Ensuring that all workers are provided with contracts or employment agreements that describe basic conditions of employment, like wages and work hours.

☑ Seeing that your policies are communicated to everyone who works on the farm, as well as any labour providers who may recruit farm workers.

☑ Communicating regularly with smallholders and cooperatives to make sure that legal requirements and workers’ rights are respected at all times.

☑ Making sure that farm owners and cooperatives meet regularly with workers to understand their concerns and listen to their complaints.

☑ Ensuring prompt follow up on worker complaints.

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**Communication and Training**

You should use the following methods to make sure your smallholders and employees are aware of policies and procedures:

☑ Whenever the farm hires new workers, they should be given an explanation of the farm’s policies and procedures.
Documentation and Records

Meeting standards requires proper documentation. You will need to keep on file on farm premises:

☑️ All records relating to workers’ employment. Some critical records to maintain are:

- Signed employment agreements. (Give a signed copy to each worker.)
- Proof of age documentation. (If a farmer cannot make a copy of a personal identification document, information such as ID number and date of birth can still be manually recorded.)
- Records of hours worked.
- Payroll records of wages paid (workers are given a payslip whenever they are paid.)

Monitoring

You will need to check that your and your smallholders’ policies are being followed and that controls that have put in place to meet code and legal requirements are effective. The following steps can be used to evaluate and improve the effectiveness of your programs:

1. **Monitor conditions** to identify actual and potential problems, including:
   - Regularly review smallholder and worker feedback and listen to their concerns.
   - Periodically check that wages are properly calculated, adequate and paid on time.
   - Regularly review farm compliance with workplace health and safety standards including exposure to agricultural chemicals (herbicides, pesticides and fertilisers).
   - Visit worker housing and toilets to check conditions are clean and safe.

2. **Investigate problems and analyse why they have occurred.** If you have evidence that conditions do not conform with the law or ETI standards, you should investigate these conditions to determine their causes so not only can they be fixed, but they do not happen again.

   A simple example would be: if a worker does not follow farm procedures, determine if the cause is that he or she is unable to read or understand the language used to communicate the policies, rather than being a trouble maker.

3. **Work with others to identify reasonable solutions.** Taking care to develop solutions with feedback from your supervisors and especially your workers helps to make sure the solution is appropriate, permanent and does not create another problem.

Farm workers may be entitled to certain health checks. For example, it is recommended that workers using pesticides should receive regular blood tests. Check local laws and regulations for specific requirements.

Common Questions

When can children work on the farm?

Your children under 12 can help you with crops that you grow to feed your family, but where practical, should not work on commercial crops. Depending on local law, children ages 12, 13 and 14 may do light work as long as it does not interfere with their school work, or add up to more than 10 hours a day in school, travel, and work combined. And finally, children cannot be hired or contracted for work.

Can the farmer’s own children work on the farm after school or during the holidays?

Yes, to the extent that local law allows, and within certain limits. You need to make sure that they are not doing any work that might harm them, and that the work they are doing does not interfere with their education and leaves enough time to play, rest, and do their homework.
How can a smallholder farmer accurately verify workers’ ages?

What if some workers don’t have documents that show their date of birth?

The farmer needs to show that he or she has made a reasonable effort to establish that the workers are above the legal minimum age (for example, school or church records, information from the community).

What about the children of seasonal workers?

If the farmer is hiring workers who are living on the farm with their children, the farmer needs to make sure these children are not engaged in illegal or hazardous work. The farmer should keep records of workers’ children’s ages and make sure workers are familiar with the no child labour policy on the farm. Make it clear to workers that it is not acceptable for them to involve their children in their work.

What should a farmer do if older children are working alongside their parents in the fields?

If the children are legally able to work, are not doing hazardous work, and the work that they are doing is important on the farm, then the farmer needs to consider whether they should be formally hired and receive pay like their parents.

Children, even if they are old enough to work, cannot work under hazardous (dangerous) conditions. But what is hazardous?

Possible hazardous work includes:

- Operating moving vehicles or machinery with moving parts.
- Using sharp tools.
- Handling and applying chemicals, like fertilisers, herbicides, and pesticides.
- Carrying heavy loads.
- Working at heights.
- Working long hours that interfere with health and well-being.
- Working in extreme temperatures.
- Working in dangerous weather conditions.
- Working at night.

How does the farmer know if workers’ housing, toilets, and water are acceptable?

Having a clean and safe place to live is a basic need for everybody. Many countries have laws that define acceptable conditions. Even when the law is not specific, you must make sure that the living space you are providing is in line with acceptable living standards in your region and is equipped with: toilet facilities, clean and safe dormitories or rooms, adequate heat and ventilation, sanitary facilities for food storage and a reasonable amount of personal space.

Workers also must have access to the same quality and amount of drinking and washing water that the farmer uses.

Can farmers pay workers once at the end of the season?

No. End of season payments are not acceptable. Workers should be paid at least monthly, which is usually what local law will specify as a pay period.

Are smallholder farmers expected to have documentation?

Yes, but not to the extent that larger operations would have. Smallholders should maintain documents to show they are following the ETI Base Code. For example, a smallholder probably does not have an electronic time keeping system to record hours. Instead, keep a book with workers’ hours that is clear and accurate, and can show whether the wage payments are proper.
How can the farmer inform workers about policies, procedures, and working conditions when many cannot read?

In addition to a contract, the farmer can explain the terms and conditions of employment to the workers verbally (making sure it is in a language they understand.) Farmers can also place a poster with simple pictures that display the key messages (for example, safety or working hours) in a place normally used by the workers. Sometimes, worker organisations like unions or local labour authorities have documents that can be used to instruct workers. Workers can also be given contact information of the local labour office for information.

How can the farmer learn what the labour law is for the farm and for employing workers?

Possible sources include:

- A government labour office such as the Ministry of Labour or similar official agency.
- A public legal service.
- A farmers association.
- A local labour union, NGOs or similar association.
- The buyer of the crops.
- Farmers’ cooperatives.
Case Study
“Smallholders: Empower the vulnerable”

Despite being a valuable part of the supply chain, smallholders are often the most marginalised and vulnerable. Empowering small farmers to work together, and with support from companies they can start to meet some of the major economic, social and environmental social challenges they face.

In 2008, the UK Government’s Department for International Development (DFID) announced the launch of a £2m Challenge Fund to UK Retailers. The aim was to develop innovative business models bringing new and increased volumes of food products from Africa to the UK, whilst improving the livelihoods of African producers.

James Finlay Limited and the UK Co-operative Group created a multi-stakeholder consortium with the international development organisation Africa Now and the Co-operative College, which succeeded in gaining funding for the launch of the Kibagenge project. Finlay’s identified that their single-crop dependent farmers remained vulnerable to climatic extremes, price fluctuations, pest and disease outbreaks, and to denial of access to markets.

The project's aim was to develop a smallholder organisation model that would empower them to independently supply tea and other products to the UK retail market. The objective was for this to be self-sustaining after 3 years through capacity building, sharing good practice and commercial ability.

Through the project over 11,000 farmers have formed five individual co-operatives. The Kibagenge project achieved Fairtrade certification in January 2012, giving the producer groups access to Fairtrade premiums for their products and new markets.

The project has developed training materials for co-operative members who do not speak English, co-operative board members and staff such as a book keeper. Local trainers based at the Kenyan Co-operative College will also retain the skills and materials necessary to roll out this training to other projects, thereby benefiting even more smallholders.

Using existing trade relations as the basis for a development project is an innovative co-operative value-chain model empowering the producers and the buyers; improving food security in an increasingly volatile climate and improving income levels and stability for remote smallholder farmers. By helping them to form co-operatives, the project supports the farmers’ long-term control over their livelihoods, improves their bargaining power and in turn reduces their dependency on a single customer.

“The project has empowered farmers and strengthened their position in the supply chain. This will enable the farmers to market their products to a range of buyers and to negotiate better terms”, says Brad Hill, Fairtrade Strategic Manager of the Co-operative Food. “The project also facilitates sharing of knowledge on good agricultural practice and enables farmers to pursue their own projects. This will empower the community long after this project is over.”

The Co-operative Group is a leading UK food retailer. The group also operates other businesses including major financial services provider and funeral services provider. To find out more about The Co-operative, visit; http://www.co-operative.coop/.

Finlay’s are the largest independent tea trader in the world trading over 100 million Kg per annum. To find out more about Finlay’s, visit; http://www.finlays.net.

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Resources and Guidance

The following organisations, websites and documents provide additional information on smallholder farms:

- SMETA Corrective Action Guidance: [https://www.sedex.org.uk/sedex/go.asp?wsfedsession=0](https://www.sedex.org.uk/sedex/go.asp?wsfedsession=0)
  - ETI Base Code: [http://www.ethicaltrade.org/resources/key-eti-resources/eti-base-code](http://www.ethicaltrade.org/resources/key-eti-resources/eti-base-code)

Signposts to Training


Key Terms

- **Cooperative:** A cooperative is a way for farmers to join together in an association in order to achieve better financial outcomes than they could individually. Cooperatives can supply their members with what they need for agricultural production, such as seed and fertiliser (service cooperative) or transportation, packaging, distribution, and marketing of their products (marketing cooperative) or working capital (credit cooperative).
- **Outgrowing:** A contract farming scheme in which the farmer agrees to provide a buyer (large farm or processor) with a set quantity of a specific agricultural product at a pre-determined price. The buyer may also commit to provide technical support the smallholder’s production.
- **Smallholder:** Farms that grow crops on a small plot of land and are dependent on family labour and / or small numbers of workers hired for short periods of time.
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Homeworkers

What does it mean?

**Homework** is work carried out by a person in his or her home or in other premises of choice, other than the employer’s.

**Homeworkers** are subcontracted or dependent workers working for an employer, intermediary or subcontractor, typically for a piece rate.

Homeworkers are a valuable part of the supply chain for many companies. They are involved in producing hand-crafted products, such as embroidered and sequinned garments and accessories, as well as working in industries such as footwear, electrical assembly and plastic products, packaging and labelling, and doing non-traditional handwork for products such as footballs.

Homework provides a vital source of income for poor families. The income that goes into the hands of female homeworkers is especially important in meeting the basic needs of the family and enhancing their quality of life.

Homeworkers can be found in countries around the world. There are an estimated 300 million homeworkers in the developing world. However, homeworkers so often remain a hidden part of the supply chain.

Homeworkers fall into this third category of home-based workers. This section will help you check whether there is a risk of not meeting standards in your current business operations and, if so, how to put controls in place to make sure they have good working conditions and receive fair wages and entitlements like other workers.

There are the three categories of home-based workers:

- Business people and well-paid professionals working from home;
- Self-employed individuals who design and market their own products;
- Subcontracted or dependent workers who work for an employer, intermediary or subcontractor for a piece rate.

Benefits

Why should you do it?

Protecting the rights of homeworkers will help you stay within the law, provide better living standards and conditions for homeworkers, avoid penalties and meet your customers’ requirements.

Working to improve conditions for homeworkers can have real **business benefits** such as:

a) Improving your company’s image and reputation
b) Strengthened relationships with business partners and contractors
c) Improved supply chain efficiency
d) Better quality products
e) Improved community relations
f) Strengthened local economy
g) Security of supply

Homeworkers are among the most vulnerable and marginalised workers in the supply chain, often having no legal status, no job security, and working in unsafe and unhygienic conditions for very low wages.
The ETI Base Code applies to all workers, including homeworkers, in ETI member company supply chains.

Relevant ILO Convention:

C177: Home Work Convention, 1996 requires:
- Equality of treatment between homeworkers and other wage earners, in relation to freedom of association, protection against discrimination, remuneration, social security protection, maternity protection, workplace health and safety and access to training.

Other international guidelines state:

A homeworker should be kept informed of his or her specific conditions of employment in writing, or in any other manner consistent with national law and practice, in particular the name and address of the employer, the scale or rate of remuneration and the methods of calculation; and the type of work to be performed.

ILO R184: Home Work Recommendation, 1996

You can best meet standards by using a systems approach. In other words, you add controls to the processes you already use to run your business, and you make sure your policies and procedures are designed to ensure that:

- Homeworkers are paid at the same rate as others doing the same job in regular employment.
- Rates of pay are not lowered through unfair deductions for quality or miscounting of pieces.
- Workers performing piece rate work are paid at least the legal minimum wage for the number of hours worked.
- Clearly defined employment status to reduce vulnerability of homeworkers to exploitation.
- Employers provide homeworkers with full employment rights to social security and benefits, such as sick pay, holiday pay and inclusion in pension plans.
- In some industries, homeworkers carry out dangerous activities which involve serious health and safety concerns.
- Participation of children in homeworking does not constitute child labour or affect their schooling.
- Homeworkers’ are fully aware of their rights.
- Proper records of: employee ages to show they are of legal working age, piece rates, hours worked and payments made.

It is important that you also regularly monitor your processes and controls to make sure they are working.
Policies
(rules)

Your company policies should include the following commitments:

☑ Suppliers, contractors and subcontractors must disclose to their customers if they use homeworkers and for what purpose(s).

☑ Homeworkers must not be subject to forced or bonded labour.

☑ Homeworkers must have the right to establish or join organisations and trade unions of their own choosing, to participate in the activities of such organisations, and to engage in collective bargaining on issues related to their work.

☑ A safe and hygienic work environment and training must be provided for all homeworkers.

☑ Assistance provided by the children of homeworkers may not interfere with their education.

☑ Children of homeworkers may not be hired or contracted to perform work.

☑ Homeworkers should be promptly paid rates equivalent to or greater than the minimum wage defined in national legislation or industry benchmark standards, whichever is higher, for all work carried out.

☑ Homeworkers should be made aware of the hazards of excessive work.

☑ There should be no discrimination in offering homework based on race, caste, national origin, religion, age, disability, gender, marital status, sexual orientation, union membership or political affiliation.

☑ Homeworkers should enjoy social security benefits, holiday/maternity pay, and other benefits comparable to other workers, even where these are not a statutory requirement.

☑ Suppliers and contractors should try and offer regular work to homeworkers where possible.

☑ Physical abuse or discipline, the threat of physical abuse, sexual or other harassment and verbal abuse or other forms of intimidation shall be prohibited.

Procedures
(practices)

Management should assign a responsible person or department to make sure company policies are carried out. This includes:

☑ Communicating your policies to all managers, supervisors, workers and contractors.

Review your supply chain management procedures, including those for pricing and ordering. This will include:

☑ A way to identify the presence of homeworkers in your supply chain, including which suppliers and contractors use them, for what types of work, and the terms of their employment.

☑ How to agree on prices, piece rates and payments to make sure that homeworkers receive appropriate payment for their work.

☑ Negotiate product costs that cover piece rates equal to or higher than the minimum wage for homeworkers.

☑ Develop a system for setting piece rates which guarantee that rates paid to homeworkers are equivalent to or higher than the minimum wage.

☑ Make sure that men and women are paid equally for work of equal value.
Develop practices to guarantee prompt payments throughout your supply chain and assess your own commercial practices to identify any reasons for delay in payments to homeworkers.

Avoid giving unreasonable deadlines for orders.

**Communication and Training**

Set up communications channels with your suppliers and contractors so you can discuss how to make progress together on working conditions for homeworkers in your supply chain.

- Work with your contractors to provide support, advice and practical guidance to ensure they are able to improve homeworkers’ conditions.

- Build contractors’ capacity to develop documentation and procedures to ensure that homeworkers’ rights are respected.

- Communicate your company policy on homeworkers to buyers, agents and suppliers.

**Monitoring**

You will need to check if your homeworker policies are being followed and that the controls which make sure your company is meeting code and legal requirements are effective. The following steps can be used to evaluate and improve the effectiveness of your programs:

1. **Monitor trends and key performance indicators (KPIs)** to identify actual and potential problems, including:
   - Regularly interview or survey your suppliers’ and contractors’ homeworkers to obtain their feedback on pay, working conditions, treatment, etc.
   - Establish and monitor key performance indicators for so that you can measure on a continuous basis how well your suppliers are contractors are implementing your policies. For example, you could measure the wages paid to homeworkers compared the wages paid to full time workers doing similar work, the number of issues or grievances by homeworkers about discriminatory practices, etc.
   - Regularly review and revise policies and procedures to keep them relevant and up-to-date.

2. **Investigate problems and analyse why they occurred.** When a situation arises that suggests non-conformance with your homeworker policies, you should investigate the *root causes* not just
the condition, and what can be done to address them.

3. Work with other departments to identify reasonable solutions. Take care to develop solutions so that the problem does not recur and the solution itself does not create other problems.

Monitoring should be an ongoing process. You should regularly review the implementation status of your homeworker policies by asking the following questions:

☑ Has your company policy on ensuring good working conditions for homeworkers been distributed and explained to contractors?

☑ Have you distributed the ETI ‘Homeworker Guidelines: What Suppliers Can Do’ to all contractors likely to have homeworkers in their chain?

☑ Have you identified what help your contractors need to meet standards, and has this been provided?

☑ Have you set up a system to carry out random checks at homeworker level on issues such as agreed piece rates, timeliness of payment, debt-bonded labour and out-of-school children?

Workplace visits are a good way of identifying issues with homeworking arrangements. Some common things to check for during workplace visits:

- Lack of formal employment agreements.
- Homeworkers not guaranteed at least the national minimum wage or living wage. (Please refer to the Wages chapter for more information)
- Homeworkers not paid promptly for the work they have carried out.
- Homeworking has not been adequately assessed to understand the tasks involved.

- Serious health and safety concerns at the homeworker’s place of employment.
- No proper formal or informal communication channels between company management and homeworkers.
- Company management refuses to meet with or communicate regularly with homeworkers or their representatives.
- Homeworkers receiving help from their children to make products at home.

Common Audit Non-compliances from the Sedex Database

The following are the most common non-compliances against this issue. If properly implemented, the guidance in this chapter can help reduce the incidence of these problems:

- Ethical and safe work practices for homeworkers were unable to be verified.
- Legally required deductions and/or contributions not made, for example, social security, pensions or healthcare.
- No communication by company to subcontractors of labour standards required.

Sedex provides a document with suggested possible corrective actions following a SMETA audit. This is available to Sedex members only in the Sedex Members Resources section: Sedex Corrective Action Guidance

Common Questions

How do I begin to understand the extent of homeworkers in my supply chain?

You should begin by mapping your supply chain, which is a difficult process as supply chains are multi-tiered and lack transparency. Do your contractors use any subcontractors or homeworkers? Products such as embroidery, stitching of sequins and other trim, and labelling may involve homeworkers.

Visit your contractors and find out where they get the products they supply to you. Are there production lines at the contractor’s facility? The absence of production could indicate that subcontractors and/or
homeworkers may be involved. After getting this information from your suppliers and contractors, make a list of all the suppliers that use homeworkers and the products involved.

Once I have identified where homeworkers are present in my supply chain, what do I do next?

After you determine where the homeworkers are, you need to learn more about how they are employed and the working conditions in their workplaces. Remember, all the provisions of the ETI Base Code apply to homeworkers just as they do for workers in factories and other more formal workplaces.

Ask your suppliers how they compensate homeworkers for the products they make. Request copies of employment agreements, piece work records and payslips. Perform home visits to verify the information provided by your suppliers is accurate and to make an assessment of the homeworkers’ working conditions.

What should I do first if I find problems?

You should first determine which are the most serious issues to address, and where you can make the greatest positive impact for the homeworkers involved. In all cases you need to clearly communicate your expectations for the treatment of homeworkers to the top management of your suppliers. Those expectations—compliance with law and the ETI Base Code—should be included in the contracts with your suppliers.

Case Study

Homeworkers: Exposing your supply chain

The following case study has been supplied by an experienced ethical trade professional.

Working in remote locations, homeworkers can lack job security, legal status and work in unhygienic and unsafe conditions for low wages, often hidden in the supply chain with one or more subcontractors between the final supplier.

For Company A (a prominent export and design business), a thorough understanding of their supply chain was vital to secure a regular and consistent supply of their woven table mats through Company B, a subcontractor hundreds of miles from the pack house.

Company A’s supply of goods stopped when a subcontractor retained profit for himself that was due to the homeworkers. The village found another subcontractor with whom Company A replaced to restore supply, however it highlighted the need for deeper investigation and understanding of their supply chain through site visits.

The subcontractor, Company B, didn’t want to divulge his suppliers but over time, trust was built due to a contractual link. Company A’s investment in the new contractors supply chain and honest intention was to ensure transparent and fair standards for homeworkers.

To resolve past issues, Company A set up systems to avoid interrupted supply and pay a fair price. This was done by using timing production of an item in the factory as the start point for negotiation of an agreed piece rate for the village homeworkers, including costs for Company B.

During the visit site documentation was found, but was difficult to understand. Many of the agreements beyond Company B were verbal or done on a handshake. The visit meant that the paper trail was improved once the parties understood the challenges and the homeworkers could show how their processes worked. It also allowed provision of basic health and hygiene training to village families.

To work responsibly with homeworkers, it is vital to understand the inter-relationships of all supply chain members. Improvements can only be brought about if they are the result of a consultation process between all parties involved.

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Resources and Guidance

The following organisations, web sites and documents provide additional information around the topic of Homeworkers:


☑ International Labour Organization: [http://www.ilo.org](http://www.ilo.org)

- For the full text of the ILO Home Work Convention: [http://www.ilo.org/ilolex/cgi-lex/convde.pl?C177](http://www.ilo.org/ilolex/cgi-lex/convde.pl?C177)
- For the full text of the ILO Home Work Recommendation: [http://www.ilo.org/ilolex/cgi-lex/convde.pl?R184](http://www.ilo.org/ilolex/cgi-lex/convde.pl?R184)


- ETI Base Code: [http://www.ethicaltrade.org/resources/key-eti-resources/eti-base-code](http://www.ethicaltrade.org/resources/key-eti-resources/eti-base-code)


Signposts to Training

- ETI: [http://www.ethicaltrade.org/training](http://www.ethicaltrade.org/training)
Key Terms

- **Homeworker**: Subcontracted or dependent workers working for an employer, intermediary or subcontractor, typically for a piece rate.

- **Piece Rate**: Employment where a worker is paid a fixed price (piece rate) for each unit produced, regardless of the time required.
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SEDEX SUPPLIER WORKBOOK

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Part 2: Health & Safety Standards

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Chapter 2.1
HEALTH & SAFETY MANAGEMENT SYSTEMS
Health & Safety Management Systems

What does it mean?

A management system is the set of interdependent policies, processes, and procedures that a company uses to achieve its business objectives, which include workplace health and safety.

A management system also serves to continuously improve key business processes and outcomes to meet core strategic goals. A Health and Safety Management System is how a company effectively controls health and safety risks to protect workers from work-related injury and illness.

The health and safety of workers is an important social responsibility objective and a regulatory requirement. An effective Health and Safety Management System balances these requirements with running a successful business.

To be successful in this approach, we:

- Describe the possible unintended ‘social’ outcomes of policies and procedures that are meant to achieve business objectives.
- Identify operational controls to manage or avoid these unwanted outcomes.
- Show how to monitor and measure the effectiveness of your controls to ensure you meet standards.

This section will help you check whether there is a risk of not maintaining essential management system elements in your current business operations, and if so, how to put controls in place to make sure you meet standards.

Benefits

Why should you do it?

Building responsibility for health and safety into your business management system will help you stay within the law, avoid penalties and meet your customers’ requirements.

There can also be business benefits, such as:

a) Improving your company’s image and reputation.
b) Achieving both your business and social responsibility objectives.
c) Improved labour relations.
d) Less time spent on audits.
e) Cost savings through improvements in system efficiency.

Advantages of a Management System approach

Effective management systems strengthen your company’s ability to:

- Develop suitable policies and plans
- Implement the appropriate operational control processes
- Identify the necessary human and financial resources
- Continually improve performance

Note: The approach described in this chapter is similar to those described in Labour Management Systems, Environmental Management Systems, and Business Ethics Management Systems.
Requirements
What do you need to do?

ETI Base Code Clause 3 requires that working conditions are safe and hygienic. The management system requirements of this provision are:

3.1 Adequate steps shall be taken to prevent accidents and injury to health arising out of, associated with, or occurring in the course of work, by minimising, so far as is reasonably practicable, the causes of hazards inherent in the working environment.

3.5 The company observing the code shall assign responsibility for health and safety to a senior management representative.

ETI Principles of Implementation
The ETI has also established the following Principles of Implementation to help suppliers use a management system approach in applying the Base Code:

1. Commitment (policy, communication, resources, strategy)
2. Integration with core business practices (supplier selection, terms of agreements, internal buy-in)
3. Capacity Building (worker awareness, effective industrial relations)
4. Identifying problems in the supply chain (risk assessing and sharing, monitoring and evaluation, worker complaint mechanisms)
5. Improvement actions (enabling remediation, time-bound remediation, tackling root causes)
6. Transparency (fair and accurate reporting, response to violations)

Relevant ILO Conventions
C155: Occupational Safety and Health Convention, 1981, requires employers to ensure that, so far as is reasonably practicable, the chemical, physical and biological substances and agents under their control are without risk to health when the appropriate measures of protection are taken.

Other International Standards and Guidelines:

- R164 Occupational Safety and Health Recommendation, ILO 1981
- OHSAS 18001 is an international occupational health and safety management system specification modelled after ISO 14001 (Environmental Management System). It includes criteria for a Health and Safety Management System that enables an organisation to control its risks and improve its performance. It does not specify performance criteria, but describes system elements, including:
  - hazard identification, assessment, and control
  - system structure and responsibility
  - training, awareness, and competence
  - consultation and communication
  - emergency preparedness and response
  - performance monitoring and improvement

- Social Accountability (SA8000) requires that companies:
  - provide a safe and healthy workplace
  - prevent potential occupational accidents
  - appoint a senior manager to ensure occupational safety and health
  - provide instruction on occupational safety and health for all personnel
  - implement a system to detect, avoid, and respond to risks
  - record all accidents
  - provide personal protection equipment and medical attention in event of work-related injury
  - remove and reduce risks to new and expectant mothers
  - provide for basic hygiene (toilets, potable water, and sanitary food storage)
  - provide decent worker accommodation (clean, safe, and meets basic needs)
— ensure a worker’s right to remove him/herself from imminent danger

Achieving and Maintaining Standards

How do you do it?

You can best meet standards by using a **systems approach**. In other words, you add **controls** to the **processes** you already use to run your business. And you make sure your **policies** and **procedures** are designed to ensure that:

- Workers are aware of legal and customer requirements.
- Workers know the risks that could lead to health and safety compliance issues in current business processes.
- There is a process in place to verify that workers and management are working according to legal and customer requirements.
- Workers are aware of critical health and safety risks in the workplace that may lead to accidents and injuries.
- The same health and safety issues do not occur repeatedly.
- Workers are properly trained on health and safety risks and responsibilities.

It is important that you also regularly **monitor** your processes and controls to make sure they are working.

---

**Policies (rules)**

Your company should have a health and safety policy that includes the following:

- A written statement that clearly defines your company’s approach to managing health and safety. This should include commitments to:
  - Implementing the ETI Base Code.
  - Adhering to all customer requirements, including customer-specific codes of conduct.
  - Regulatory compliance.
  - Continual improvement in health and safety performance.
- The scope of the policy should include, at a minimum, all of the following health and safety topics:
  - Health and Safety Training
  - Emergency and Fire Safety
  - Machinery and Site Vehicles
  - Hazardous Materials
  - Worker Health (Industrial Hygiene)
  - Housekeeping and Hygiene
- The policy should be signed by the most senior manager of the company.

**Procedures (practices)**

Management should **assign a responsible person** (or department) with documented roles, responsibilities and authority to make sure your policy commitments are achieved, that regulatory compliance is maintained and that health and safety standards are met. This includes:

- Communicating your policies to all managers, supervisors, and workers.
- Making sure that all managers and employees of the company have clearly defined roles and

*A systems approach is ‘self-correcting.’ It will enable to you make sure that all requirements are being consistently met.*
responsibilities for carrying out your health and safety policy.

☑ Meeting regularly with managers and supervisors responsible for production, maintenance, and other business functions to oversee the implementation of your health and safety programmes and procedures.

☑ Working with the company’s worker-management health and safety committee to make sure that identified health and safety issues are addressed.

☑ Monitoring and following up on all concerns and issues related to the implementation of health and safety policies and procedures.

☑ Performing an annual review of your management system to make sure it is effective and achieving your objectives, and to make any required adjustments.

☑ A formal process for workers, managers, supervisors, suppliers, and customers to anonymously report any concerns regarding the implementation of health and safety policies.

Your health and safety and other business function procedures should include:

☑ Ways to track and understand health and safety laws, regulations, and customer requirements.

☑ A process to identify the risks in your business processes that could lead to violations of health and safety standards.

☑ Documented safe work practices and the design, installation, and maintenance of engineering controls such as ventilation, barrier guards, and interlocks to minimise the risk of injury and illness.

☑ A formal process to screen and select your suppliers based on their ability to meet your policies and ETI Base Code standards.

☑ A formal process for workers, managers, suppliers and customers to anonymously report any concerns about the implementation of your company’s policies.

Each of the Health and Safety Standards chapters in this workbook describes in more detail the procedures needed for specific health and safety issue areas.

---

**Communication and Training**

You should use the following methods to make sure your employees are aware of your health and safety policies and procedures:

☑ Provide training programmes for new managers, supervisors, and newly hired workers on your company’s health and safety policies and procedures.

☑ All workers must be provided with health and safety training and information on the health and safety hazards of their jobs using classroom training, on-the-job training, written materials, and work area postings.

☑ Current employees must receive health and safety training on an on-going basis and when they change jobs or responsibilities.

☑ Make sure the training covers all applicable health and safety laws and regulations.

☑ Display health and safety policies and local legal requirements in areas where workers will see them and in a language they understand.

☑ Communicate the company’s health and safety requirements, as well as the laws and standards, to the company’s suppliers using your website, in contract terms and conditions, and during periodic meetings.

☑ Communicate the company’s grievance procedures and explain how to report concerns related to how health and safety polices are carried out.

---

**Documentation**

Meeting standards requires proper documentation. You will need to keep the following on file on your company premises:

☑ Copies of your health and safety policy signed by senior management.

☑ Copies of all laws and the facility’s legal responsibilities for health and safety.
Copies of key health and safety procedures, such as evacuation, electrical safety, use of personal protective equipment, industrial hygiene, and others as described in the health and safety chapters that follow.

Health and safety committee meeting minutes, action items, and attendance records.

Copies of internal and third party audit reports and inspection reports by regulatory agencies.

Health and safety corrective action plans and reports, including documented evidence of hazard control improvements made.

The topic-specific documents listed in the other health and safety chapters of this workbook.

**Monitoring**

You will need to check if your health and safety policies are being followed and that the controls to make sure your company is meeting code and legal requirements are effective. The following steps can be used to evaluate and improve the effectiveness of your programs:

1. **Audit your system** to identify actual and potential problems meeting laws and standards. Audits can be performed by trained and qualified internal staff or by external auditors—including from your own customers.

   - Self-audits should be performed annually to determine if you are meeting legal and customer requirements.

   - Any identified issues should be evaluated to determine their underlying cause(s) and action plans established to put in place corrective and preventive actions.

   - The person or department that oversees matters related to occupational health and safety systems should also be assigned to monitor safety trends. This person can then identify and/or anticipate problems and coordinate with other managers or departments to develop solutions that address concerns and prevent them from recurring.

2. **Establish and track key performance indicators (KPIs)** to measure how well your management processes and procedures are working on an ongoing basis.

   - Regularly survey workers to measure their satisfaction with workplace policies and practices.

   - If there is a worker-management health and safety committee, use regular meetings and minutes to gather evidence of problems discussed and to inform the development of action plans.

   - Measure training effectiveness and learning retention by testing workers immediately after training, and using follow-up worker questionnaires three to six months after training.

**Best Practice**

**Worker-Management Health and Safety Committee**

Even if it is not a legal requirement, forming a worker-management health and safety committee is another good way to control safety hazards. This involves workers in development and implementation of safe work procedures and other controls, which is important since workers are your eyes and ears in the work area and might spot safety risks before you do. The Committee, through regular meetings and listening to other workers’ feedback, can help the business achieve its health and safety objectives.
3. Investigate problems and analyse why they occurred. When a situation arises that indicates the existence of non-conformance with company health and safety policies and customer code(s) of conduct, the company should investigate the causes, not just the condition, and what can be done to address them.

☑ Every accident and ‘near miss’ is an opportunity to improve your procedures and other controls. Accidents should be investigated to find the underlying causes and develop action plans to make improvements that will prevent a recurrence of the same incident. Actions should also aim to prevent similar incidents throughout the business.

☑ If your internal audit finds the same or similar health and safety issues repeatedly, it could mean that your process to identify and assign responsibility for putting in place corrective and preventive actions is not working.

☑ Similarly, if you have taken action but are still not meeting standards, it could mean that the corrective actions (controls) themselves are not effective and need to be improved.

4. Work with other departments to identify reasonable solutions. Take care to develop solutions so that the problem does not recur and the solution itself does not create other problems.

☑ More than one functional department is often responsible for health and safety issues. Solutions to problems may involve, for example:

- Human Resources for the hiring of workers with different qualifications.
- The Training Department for improvement of new-hire health and safety orientation.
- Internal auditors who monitor problems.
- Supervisors to monitor the implementation of policies everyday.

When identifying a solution to a health and safety problem, work with all departments and personnel involved.

Why do management systems fail?

- Lack of senior management sponsorship and commitment.
- Failure to assign a senior manager with responsibility and accountability for implementing the system.
- Companies try to create a system that is more complicated than their current business management system.
- Management believes that the social compliance objectives of the system will conflict with business objectives.
- The system creates extra or duplicate work that the company believes does not add any value.
- Senior management fails to regularly measure and review the effectiveness of the system and make necessary improvements.

Common Audit Non-compliances from the Sedex Database

The following are the most common non-compliances against this issue. If properly implemented, the guidance in this chapter can help reduce the incidence of these problems:

- Incomplete health and safety policies.
- Inadequate training of workers on health and safety.
- Poor internal monitoring that leads to health and safety issues recurring.
- Not communicating health and safety requirements to suppliers.
- Failure to identify regulatory requirements for health and safety that apply to the business.

Sedex provides a document with suggested possible corrective actions following a SMETA audit. This is available to Sedex members only in the Sedex Members Resources section: Sedex Corrective Action Guidance.
Common Questions

Do I need a separate management system for health and safety?

No. The most efficient way to apply a management system approach to meeting health and safety standards is to use your current business management system, which can be easily adapted to help your company meet health and safety and other social responsibility standards. You should evaluate your current processes for production, maintenance, and training to make sure you have the right controls in place.

Of course, once you have put the necessary controls in place, you will need to do regular checking (monitoring) to be sure they are effective.

Will a management system require a lot of documentation and other complexity?

This is a very common concern, but a health and safety management system does not need to be any more formal or complex than the system you use to manage your business. For example, a procedure can be as simple as a short list of what is to be done, by whom, and how often. Health and safety regulations themselves can get quite complicated, so your system must be at least detailed enough to meet those requirements.

As for records, you only need to maintain items that are needed to verify that you are meeting standards, such as inspection and maintenance records, training records, audit reports, and permits.

My company has a certified Quality Management System. Can we use this system for health and safety?

Yes. In fact, any company that has a formal management system, like ISO 9000 or ISO 14001, should also use it to manage compliance to health and safety standards rather than creating a separate health and safety management system. The risk assessment, regulatory tracking, training, communication, auditing, corrective action, and other elements of these systems can very easily be adapted for health and safety management.

What is Plan-Do-Check-Act?

Plan-Do-Check-Act is a way of describing a management system to show how risks are controlled and how processes and performance are continually improved.

- **Plan** means to identify requirements (laws and standards), evaluating risks that may prevent you from meeting those standards, and establishing policies, objectives, and processes needed to meet standards and achieve objectives.
- **Do** means assigning responsibilities, implementing your policies and procedures, training, and communicating.
- **Check** is making sure that you are achieving your objectives and meeting standards. This involves measuring performance using KPIs (Key Performance Indicators (if not already explained)), performing audits, surveying workers, and other ways to evaluate how you are doing.
- **Act** is taking corrective and preventive actions when your results are different from your goals, such as when audits find non-compliances. This step also includes a regular review by senior management of your overall system.
Case Study

Health and Safety Management: Implement controls and responsibility

In the workplace, it is the responsibility of the employer to ensure that appropriate procedures and controls are in place to prevent accidents and maintain a safe place of work.

In 2011, MTM implemented a new organisational structure for Health & Safety Management in the workplace. Prior to this, they only had a Quality Assurance department, and the lack of dedicated responsible personnel for Health & Safety had resulted in non-compliances in audits.

According to Nesim Faro, MTM’s Deputy General Manager, “Improvements to health and safety were long-term plans, and audits helped us identify where we needed to improve.”

Senior management revised the HR organisation chart and added specialist Health & Safety and Environment Protection roles, as well as a senior role above the QA Manager to oversee the whole department. This new organisation ensures every area has a person responsible for Health & Safety targets. This enables regular reporting processes and a dedicated chain of responsibility, which is more efficient at managing feedback and responding to any potential Health & Safety issues.

Since the new structure, they have also rolled out first aid seminars, fire safety training from the fire department, and personal health training to workers. MTM has put in place new procedures and given new personal protective equipment to the workers. They are also measuring the noise level of the machinery to see whether there is a health impact to the workers.

“We are getting support from a private company about environment protection certification, which we anticipate will be important in a few years in Turkey. We are working towards being ISO 14001 and ISO 18001 certified by the end of 2012. We have changed the way we look at our policies and believe the way to grow is by taking this as our own responsibility internally, as defined steps not targets.”

MTM Inc. designs and produces holographic masters and holographic materials for security and brand authentication applications and supply companies, including Lipton Tea and Unilever. To find out more about MTM Inc., visit http://www.mtmsecurity.com/eng.

Sedex is always looking for new case studies. If you have a best practice example case study that you would like to be featured, please send it to content@sedexglobal.com.
Resources and Guidance

The following organisations, web sites, and documents provide additional information on Health and Safety Management systems:

- **Sedex Members Ethical Trade Audit (SMETA) Best Practice Guidance:**

- **SMETA Corrective Action Guidance:** [https://www.sedex.org.uk/sedex/go.asp?wsfedsession=0](https://www.sedex.org.uk/sedex/go.asp?wsfedsession=0)

- **International Labour Organization:** [http://www.ilo.org](http://www.ilo.org)

- **Ethical Trading Initiative (ETI):**
  - ETI Base Code: [http://www.ethicaltrade.org/resources/key-eti-resources/eti-base-code](http://www.ethicaltrade.org/resources/key-eti-resources/eti-base-code)
  - Principles of Implementation: [http://www.ethicaltrade.org/resources/key-eti-resources/principles-implementation](http://www.ethicaltrade.org/resources/key-eti-resources/principles-implementation)

- **United States Occupational Safety and Health Administration (OSHA):**


Signposts to Training


- **Sedex:** [http://www.sedexglobal.com/member-services/sedex-training/](http://www.sedexglobal.com/member-services/sedex-training/)

- **Verité:** [http://www.verite.org/Training](http://www.verite.org/Training)


Key Terms

- **Corrective Action:** The implementation of a systemic change or solution to make an immediate and on-going remedy to a non-compliance.

- **Management System:** The framework of policies, processes, and procedures used to ensure that an organisation can fulfil all tasks required to achieve its objectives.

- **Preventive Action:** The implementation of a systemic change or solution designed to prevent the recurrence of the same or similar issues elsewhere in the facility.
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Chapter 2.2

HEALTH & SAFETY TRAINING
Keeping workers safe and healthy is a critical part of operating a successful business. **Health and safety training** is how workers, supervisors and managers learn to prevent injury and illness at work. Supervisors and managers are responsible for the health and safety of their workers and therefore need to know how to identify and correct workplace hazards. Workers need to understand the health and safety risks in their jobs and the precautions they should take to work safely.

- Without the right training, there could be serious consequences for your workers. The specific training topics will vary depending on the company and workers’ jobs. Training starts when you hire a worker. All new workers should receive a **new hire orientation** to introduce the general health and safety hazards in the facility and the company’s health and safety policies and rules.

- Newly hired workers should also receive **on-the-job training** after the new hire orientation is conducted to make sure that they understand how to work safely in their specific job.

- Also, each time workers are assigned to a new job, they should always receive thorough health and safety training relevant to their new responsibilities. You will also need to conduct **refresher training** to make sure all workers’ knowledge stays relevant and updated.

This section will help you check whether there is a **risk** of not meeting this standard in your current business operations and, if so, how to put **controls** in place to make sure safety and health training standards are met.

**The right training program prevents accidents and injuries before they happen. Problems can be caused when a worker lacks knowledge on a work process, is not familiar with equipment and machinery, or is incorrectly performing a job task. All of these are risks to workers’ health and safety that can be controlled with an effective training programme.**

**Benefits**

**Why should you do it?**

Providing timely and thorough health and safety training will help you reduce accidents, injuries and illnesses, meet legal requirements, protect your workers’ general sense of well-being, avoid penalties, and meet your customers’ requirements.

There can also be **business benefits**, such as:

a) Decrease in lost worker time due to accident, injury, or occupational illness.

b) Decrease in costs related to worker injury or occupational health issues.

c) Increased worker satisfaction and safety.

d) Creation of trusting relationships with clients and customers.

e) Lower absenteeism and staff turnover.
Requirements
What do you need to do?

ETI Base Code Clause 3
states that:

3.2 Workers shall receive regular and recorded health and safety training, and such training shall be repeated for new or reassigned workers.

Relevant ILO Conventions

C119: Guarding of Machinery Convention, 1963, states that the competent authority in each country shall determine whether and how far machinery, new or second-hand, operated by manual power presents a risk of injury to the worker; such decisions shall be taken after consultation with the most representative organisations of employers and workers concerned.

C121: Employment Injury Benefits Convention, 1964, requires that employment injury benefits shall protect all employees, including apprentices, in the public and private sectors, including co-operatives, and, in respect of the death of the breadwinner, prescribed categories of beneficiaries.

C155: Occupational Safety and Health Convention, 1981, requires employers to ensure that, so far as is reasonably practicable, the chemical, physical and biological substances and agents under their control are without risk to health when the appropriate measures of protection are taken.

Other International Standards and Guidelines also contain requirements for health and safety training:

- **R164 Occupational Safety and Health Recommendation (ILO 1981)** requires companies “to give necessary instructions and training, taking into account the functions and capacities of different categories of workers.”

- **OHSAS 18001, Section 4.4.2** states that: “…any person(s) under its control performing tasks that can impact on OH&S is (are) competent on the basis of appropriate education, training or experience…”

- **SA8000, Section 9.5** requires “Training of new, reassigned, and/or temporary personnel upon hiring” and “periodic instruction, training, and awareness programs for existing personnel.”

Achieving and Maintaining Standards
How do you do it?

You can best meet standards by using a **systems approach**. In other words, you add **controls** to the **processes** you already use to run your business. And you make sure your **policies** and **procedures** are designed to ensure that:

- Workers are not operating site vehicles or equipment in a dangerous way.
- Workers wear or use correct personal protection equipment (PPE).
- Supervisors encourage workers to report safety issues and to wear their PPE.
- Legal fines are not incurred for failing to protect the occupational health or safety of workers.
- Workers are trained and aware of equipment safety procedures so that accidents do not occur.
- Accident investigations are properly performed so that there are not recurrences of the same problem.
- Workers and/or supervisors do not ignore safety procedures or disable machine safety devices in order to work faster.
- Workers are aware of risks related to worker health or the spread of disease.

It is important that you also regularly **monitor** your processes and controls to make sure they are working.
Designing a Training Program—a basic outline

- Determine if training is needed
- Identify specific training requirements
- Establish goals and objectives
- Develop training materials and learning activities
- Conduct the training
- Evaluate program effectiveness

Policies (rules)

Your company policies should include the following:

- A written statement committing to providing workers with appropriate safety and health training that meets regulatory requirements and addresses the site’s specific safety and health hazards.

- Commitment that, upon hire, all employees will be provided with health and safety orientation training. This should cover the site’s:
  - health and safety policy
  - safety rules
  - emergency procedures (including evacuation)
  - method of how to report an injury, illness or incident
  - general safety and health hazards present at the facility.

- Commitment to provide job-specific health and safety training to all workers when they begin their job.

- Commitment that when workers assume new responsibilities or are transferred, they will be provided with additional training to make sure they understand the hazards and precautions of the new job so that they remain safe.

- Commitment to provide workers with periodic ‘refresher’ training and additional training if new hazards are introduced to their jobs.

Procedures (practices)

Management should assign a responsible person (or department) to make sure your policy commitments are achieved, that regulatory compliance is maintained and that health and safety training standards are met. This includes:

- Communicating your policies to all workers, supervisors, and managers.

- Identifying the training needs for the workplace, and making sure that all health and safety risks and hazards are covered by the training programme.

- Clearly defining the roles and responsibilities for workers, supervisors, and managers for health and safety training. Make sure everyone is aware of their responsibilities.

- Hold regular meetings with managers and supervisors to discuss the implementation of training policies; review the effectiveness of the training program and identify gaps or areas for improvement in training.

- Monitoring all concerns and issues related to the effective implementation of your policies and procedures.

- Performing an annual review of your management system to make sure it is effective and achieving your objectives, and to make any required adjustments.

Your training procedures should include:

- Ways to track and understand health and safety laws and regulations around training.

- A Training Needs Assessment (TNA) process to identify the health and safety hazards in your business processes, such as production, warehousing and maintenance, which would
require training. This is one method of reducing the risk of injury or illness.

- The TNA should also consider training for non-work related issues, to address health and safety issues common in the local area. Topics could include: basic sanitation and hygiene, reproductive health, HIV/AIDS awareness, and so on.

- A way to design or purchase supervisor and worker training programs that address the relevant regulations and the training needs identified in the TNA.

- Specific training courses or modules to cover the health and safety topics contained in this workbook and those identified in your TNA (please refer to the Health and Safety Management System chapter of this workbook):
  - Emergency and Fire Safety
  - Machinery and Site Vehicles
  - Hazardous Materials
  - Worker Health (Industrial Hygiene)
  - Housekeeping and Hygiene
  - Any other operation-specific hazards (for example, working at heights, use of agricultural chemicals, and so on.)

- A process to assist workers who do not successfully complete required training by providing retraining or one-on-one tutoring.

- A method to determine the frequency of refresher training.

**Communication and Training**

You should use the following methods to make sure your employees are aware of your health and safety training policies and procedures:

- Provide training programmes for new managers, supervisors, and newly hired workers on your company’s health and safety policies and procedures, including requirements for on-going refresher training.

- Inform workers of the training they will need to complete for their jobs, including any licensing or certification required by law.

- Make sure managers, workers, and their supervisors are aware of when they need to complete training to meet regulatory requirements. Jobs such as drivers or operators of special equipment may need to obtain (and later renew) a license or operating certificate.

- Post signs in hazardous areas, restricted areas, and near machinery and equipment to remind untrained workers that certain places and activities are off limits to them.

- Advertise optional training programs on notice boards, in company newsletters and in the local community.

- Train your trainers—make sure any employee training other workers is knowledgeable of the subject matter, is appropriately qualified as a trainer, and has adequate experience to perform this critical function.

**Best Practice**

*Make training materials available to workers at all times for review and reference. Use the company’s website or intranet, or post materials in a common area. In this way workers are able to learn constantly.*
Documentation and Records

Meeting standards requires proper documentation. You will need to keep the following on file on your company premises:

- **Attendance records.** Records should include the training topic(s), date, and the worker’s name and signature.
- **Completion records for all training activities,** including results of testing and demonstration of skills. This enables you to easily track workers that have successfully completed your company’s required training.
- **Documented job descriptions,** qualifications, and training-related responsibilities for all training personnel.
- **Copies of certificates, licenses or other official records that verify that legally required trainings have been completed.**
- **Copies of all training materials and training plans available for review.**
- **Documentation related to health and safety risk assessment, hazard identification and training needs.**

Monitoring

You will need to check if your health and safety training policies are being followed and that the controls to make sure your company is meeting code and legal requirements are effective. The following steps can be used to evaluate and improve the effectiveness of your programs:

1. **Evaluate training effectiveness** to identify gaps in workers’ training and to improve the program.

   The effectiveness of health and safety training is essential in the prevention of injury and illness. Effectiveness must be measured at the time of delivery and on an on-going basis, so that programs can be continually improved.

   - Evaluate the effectiveness of your training program using verbal or written tests upon completion of every class, observation of learned skills, and discussion with workers.
   - Survey workers several weeks post-training to determine if they have understood and retained the knowledge needed to stay safe in their jobs.
   - Ask workers to evaluate the training, including instructor performance, training methods and materials. Take suggestions from workers on how the training program could be improved.
   - Talk to supervisors. Supervisors can observe a worker’s performance after the training and tell you if the training should be updated or changed.

2. **Monitor trends and statistics** to measure how well your health and safety training program is working on an on-going basis.

   - Regularly review records of accidents, injuries, and near-miss incidents. Use this data to understand if these incidents could be avoided with improvements in training.
   - Use post-training evaluations to update the training program and training materials to cover knowledge gaps.
**Best Practice**

**Get worker feedback from multiple sources**

Worker feedback is an important source of information on the effectiveness of your health and safety training program. Make sure workers can provide their thoughts in a variety of ways, such as:

- Questionnaires and surveys
- Email
- Suggestion boxes
- Verbally to supervisors
- Talking directly with trainers
- Regular team meetings

Make sure workers can offer feedback anonymously if they want to. The same grievance processes you use for labour issues can also be used for training feedback.

**Common Audit Non-compliances from the Sedex Database**

The following are the most common non-compliances against this issue. If properly implemented, the guidance in this chapter can help reduce the incidence of these problems:

- Workers do not receive new hire health and safety training.
- Workers do not receive any refresher training after onboarding.
- Insufficient numbers of workers trained in first aid.
- Only one learning measurement method is used to assess whether workers understand the health and safety aspects of their jobs.
- Workers trained for one job often have to fill in at other jobs with different hazards.
- Untrained workers handling hazardous substances.

Sedex provides a document with suggested possible corrective actions following a SMETA audit. This is available to Sedex members only in the Sedex Members Resources section: [Sedex Corrective Action Guidance](#)

**Common Questions**

Is training the best way to control health and safety hazards?

No. Effective training is only part of the solution. Eliminating a hazard completely, rather than training workers to take special precautions, works better. Even if you have the most effective training program possible, getting rid of a hazard entirely (for example, by replacing dangerous outdated equipment or switching to an alternative non-toxic chemical) is the best way to guarantee the risk is controlled.

As workers’ learning styles vary, how can I make sure that the training they receive is adequate and effective?

You should use a variety of learning measurement methods to assess whether your trainings are adequate for training workers about the health and safety aspects of their jobs.

Methods include verbal and written testing, on-the-job skills demonstration, and asking workers to ‘teach’ methods themselves. Remember that not all methods are effective for every worker, so use a variety of learning measurement methods to ensure that workers understand.

What are some other ways I can identify training needs?

Use a combination of methods to determine training needs, such as:

- Conduct job hazard analyses for each position in the company.
- Review engineering data for machinery, equipment, and site vehicles.
- Always review material safety data sheets for chemicals and hazardous materials.
- Look at the tools, materials, and equipment workers use in their jobs, then list the hazards associated with each.
- Review training programs provided by other businesses in the same or similar industry.
Case Study

Health and Safety Training and System Effectiveness

Health & Safety policy and systems effectiveness is directly linked to the effectiveness of the training that the workforce and managers receive in how to prevent accidents, assess risk, act in an emergency and use machinery and Personal Protective Equipment (PPE).

For Aluprint (the largest site of Globalpack), Health & Safety is a serious issue, says Carolina Cortés Ramírez, Head of CSR. Across their three sites their main identified risks and hazards are mechanical (due to cylinders in motion), chemical (due to hazardous substances), physical (due to handling and maintenance of dangerous machinery) and ergonomic (due to repetitive body movements).

Supervisors are given an annual training program which covers specific topics on safety and hygiene and their duty as Supervisors towards their personnel. For the rest of the staff, training is programmed on a monthly basis based on requirements identified in the annual training programme. It addresses the Health & Safety risks identified in the work areas, including ways to prevent accidents, the use of PPE, and the handling of fire extinguishers. New staff members are also subject to a thorough two-day training programme.

Despite comprehensive training, Globalpack has had recurring accidents involving cutting knives, equipment and moving machinery parts. Risk evaluation methods were applied to the machinery and equipment to detect potential risks. Inspections are carried out at the machines and evaluation and inspection results are followed up on a daily basis.

To prevent similar future accidents, actions include immediate corrective action of any issues, and training of personnel in safe handling and use of tools. A permanent action plan is also put on display. Any major accidents and the causes that have led to them are communicated to workers through their supervisors and at union meetings. This information is also displayed on internal boards distributed to all departments.

“We are committed to increasing the safety levels in all our installations, reduce accidents and improve the occupational health of all our employees. We work day-by-day to create and encourage a good health and safety culture committed to creating a better work place.”

Globalpack develops solutions for the micro-corrugated, folding carton, flexible and label packaging markets supplying the food, beverage, beauty and tobacco industries. To find out more about Globalpack, visit [http://www.globalpack-usa.com/](http://www.globalpack-usa.com/).

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Resources and Guidance

The following organisations, web sites and documents provide additional information on health and safety training.


☑ SMETA Corrective Action Guidance: https://www.sedex.org.uk/sedex/go.asp?wsfedgesession=0

☑ International Labour Organization: http://www.ilo.org

☑ Ethical Trading Initiative (ETI): http://www.ethicaltrade.org
  - ETI Base Code: http://www.ethicaltrade.org/resources/key-eti-resources/eti-base-code
  - ETI Base Code Appendices: http://www.ethicaltrade.org/resources/membership-resources/eti-base-code-appendices
  - Principles of Implementation: http://www.ethicaltrade.org/resources/key-eti-resources/principles-implementation

☑ United States Occupational Safety and Health Administration (OSHA): http://www.osha.gov


☑ OHSAS: http://www.ohsas.org/

Signposts to Training

- ETI: http://www.ethicaltrade.org/training
- Verité: http://www.verite.org/training

Key Terms

- **Health and Safety Training**: Training for workers on how to stay free from accidents, injuries, and illnesses at work. This includes new hire orientation when workers are hired, on-the-job training as workers learn how to be safe in their jobs, and refresher training to keep workers’ knowledge updated.

- **Learning Measurement Method**: A variety of Learning Measurement Methods should be used to assess whether workers have understood and retained the health and safety training provided to them. Methods include verbal testing, written testing, teaching a job, and on-the-job assessment.

- **Occupational Health**: Policies, procedures, and systems for identifying and limiting/eliminating occupational (directly job-related) accidents, injuries, or illness.
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Chapter 2.3

EMERGENCY & FIRE SAFETY
Emergency & Fire Safety

**What does it mean?**

All companies must be prepared for a fire or other emergency. Protecting your workers’ lives and safety, as well as your property, means being prepared for an emergency long before one actually happens. There are many measures a company can take to prevent and plan for a fire, natural disaster, or other emergency situation.

Fire safety is how a company prepares for and responds to a fire. This means taking steps to prevent fires, and having fire-fighting equipment, response plans, and evacuation procedures. Workers know the plans and procedures for preventing and addressing any type of fire.

Other likely emergencies that may occur include natural disasters such as floods, tsunamis, hurricanes, earthquakes, or tornados. Operational emergencies include chemical spills, explosions, gas releases and major equipment malfunctions.

A socially and environmentally responsible company makes sure that it has the policies, procedures and practices in place to prevent or minimise the impact of fires and other emergency events.

This section will help you check whether there is a risk of inadequately preparing for emergency situations in your current business operations and, if so, how to put controls in place to make sure you meet standards.

**Benefits**

**Why should you do it?**

Preparing for emergency events will protect your workers’ health, safety and wellbeing, help you meet legal requirements, avoid penalties, and meet customer requirements.

There can also be business benefits, such as:

- a) Preventing or minimising business interruption and downtime.
- b) Minimising property and equipment damage.
- c) Establishing a reputation as both an employer and supplier of choice.
- d) Preservation of data and vital records.

**Requirements**

**What do you need to do?**

ETI Base Code Clause 3 requires:

3.1 A safe and hygienic working environment shall be provided, bearing in mind the prevailing knowledge of the industry and of any specific hazards. Adequate steps shall be taken to prevent accidents and injury to health arising out of, associated with, or occurring in the course of work, by minimising, so far as is reasonably practicable, the causes of hazards inherent in the working environment.

**Your company must be prepared.** While you cannot predict all emergencies, some events, like fires or releases of hazardous materials, can be prevented. Always make sure your company is doing everything it can to prevent a likely emergency from happening.

Since not all emergencies can be prevented, be sure to put good response procedures in place so that if something does happen, workers’ lives and your business are protected.

**Relevant ILO Conventions**

C155 Occupational Safety and Health Convention, 1981, requires that employers to provide, where necessary, for measures to deal with emergencies and accidents, including adequate first-aid arrangements.

**Other International Standards** and Guidelines state:

- **OHSAS 18001**, Section 4.4.7, Emergency preparedness and response: “The organisation shall establish, implement and maintain a procedure(s): a) to identify the potential for
emergency situations; b) to respond to such emergency situations.”

ILO-OSH 2001, Section 3.10.3, Guidelines on occupational safety and health management systems state: “Emergency prevention, preparedness and response arrangements should be established and maintained. These arrangements should identify the potential for accidents and emergency situations, and address the prevention of OSH risks associated with them. The arrangements should be made according to the size and nature of activity of the organisation.”

Achieving and Maintaining Standards

*How do you do it?*

You can best meet standards by using a *systems approach*. In other words, you add *controls* to the *processes* you already use to run your business. And you make sure your *policies* and *procedures* are designed to ensure that:

- Workers’ health, safety and well-being are protected.
- Fire hazards are properly controlled,
- Workers know how to respond to a fire or other emergency situation.
- Emergency exits are never locked or blocked.
- Emergency evacuation drills are performed regularly on all shifts.
- Worker teams are specially trained to use fire fighting equipment.
- Workers use hazardous materials safely.

It is important that you also regularly *monitor* your processes and controls to make sure they are working.

**Policies**

*(rules)*

Your company policies on emergency and fire safety should include the following commitments to:

- Prepare for likely emergencies, including fires.
- Ensure the safety of all workers should an emergency event occur.
- Comply with applicable regulatory and code requirements on emergency and fire safety.
- Provide all workers with introductory and on-going training and drills on emergency preparedness and response.

**Procedures**

*(practices)*

You should *assign a responsible person* (or department) to make sure the above policies are carried out through the following practices:

- Communicating your policies to all managers, supervisors and workers.
- Making sure that all managers and employees of the company have clearly defined roles and responsibilities for carrying out your emergency and fire safety policies.
- Meeting on a regular basis with staff responsible for fire protection and emergency planning and response to oversee the implementation of your policies and procedures.
- Monitoring all concerns and issues related to the implementation of your emergency and fire safety policies and procedures.

Your emergency and fire safety *procedures* should include:

- A detailed fire and emergency preparedness plan. This should cover evacuation and response procedures for all emergencies likely to affect the company, and provide contact information for fire, police, and medical services.
Emergency evacuation procedures that describe every worker’s responsibility during an emergency event, and also specify:

- That drills are conducted every six months.
- That drills cover all workers, work areas, work shifts, canteens and dormitories.
- Designated assembly points, with post-evacuation headcounts conducted by assigned personnel.
- The names, responsibilities, and contact information for the company’s formally trained emergency fire brigade or emergency response team; as well as for team leaders nominated as evacuation coordinators to make sure workers and visitors are evacuated safely.

Distinct response or evacuation procedures for different types of emergencies such as for a fire, weather emergency, earthquake, or industrial accident.

Requirements for controlling fire hazards present in the workplace and safety practices and controls designed to prevent emergencies.

Establishing and enforcing ‘No Smoking’ rules in areas where combustible and flammable chemicals and gases are stored and used.

Requirements for training, such as making sure emergency response team members know how to use a fire extinguisher and other types of emergency response equipment.

Making sure that there are adequate exits in all areas of company premises which meet local regulatory requirements and are:

- Sufficient in number (at least two exits per floor or large enclosed work area).
- Sufficiently remote from each other so workers can escape regardless of where a fire or emergency occurs.
- Always kept clear of obstructions.
- Never locked from the outside and do not require any special operation to open.
- Equipped with exit doors that swing outward.
- Clearly marked with an illuminated signs with battery back-up.

Providing exit routes that:

- Are never obstructed and are free from tripping hazards.
- Are wide enough along their entire length to accommodate all workers (at least as wide as the exit doors to which they lead).
- Are marked to indicate the direction of travel.
- Are designed to lead to a safe location outside of the building.
- Have stairways that are wide enough to accommodate workers during an evacuation.
- Have stairways with handrails on both sides for stairwells of four steps or more.

### Fire Extinguisher Types

Different types of fire extinguishers are designed to fight different kinds of fires.

<table>
<thead>
<tr>
<th>Fire Class</th>
<th>Extinguisher Type</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ordinary combustibles (wood, coal, paper, textiles, rubber)</td>
<td>• Dry powder (type ABC)</td>
</tr>
<tr>
<td></td>
<td>• Foam</td>
</tr>
<tr>
<td></td>
<td>• Water</td>
</tr>
<tr>
<td>Fuel oil, lubricating oil, organic solvents and gasoline</td>
<td>• Carbon dioxide</td>
</tr>
<tr>
<td></td>
<td>• Dry powder (type ABC or BC)</td>
</tr>
<tr>
<td></td>
<td>• Foam</td>
</tr>
<tr>
<td>Flammable gas (butane, acetylene, propane, methane)</td>
<td>Dry powder (type ABC or BC)</td>
</tr>
<tr>
<td>Combustible metals (aluminium, sodium, potassium, magnesium)</td>
<td>Dry powder extinguisher with special metal fire powder</td>
</tr>
</tbody>
</table>

Make sure you have the types of extinguishers that are suitable for the fire risks in your company’s operations.
Providing an adequate number of fire extinguishers of the appropriate type and making sure that they are identified with signs.

Providing emergency lighting along exit routes, at exit doors, and in stairways and hallways.

An audible fire/evacuation alarm that can be activated at locations throughout the facility and at every exit door. The alarm must have a distinct sound and be loud enough to be heard in all areas of the facility. Visual strobe light alarms should be provided where noise levels are high or where hearing impaired workers are located.

Automatic fire sprinklers, fire hoses and other fire-fighting equipment are installed where required.

Explosion hazards are controlled, such as those presented by boilers, build-up of dust, hazardous/flammable/explosive substances, liquid propane tanks, and acetylene tanks.

Electrical systems are properly installed according to local code requirements to prevent fires.

All emergency preparedness equipment and installations are included in a regular inspection and maintenance programme to ensure they will work properly when needed.

Common Fire Hazards

There are many ways a fire can start. Controlling the sources of ignition listed below, combined with fire fighting equipment and evacuation procedures will help you control fire risk:

**Open flames** – from sources like welding equipment, heating appliances, tobacco smoking and fixed water boilers.

**Hot surfaces** – from welding, hot exhaust ducts, hot process piping, lighting and other electrical equipment, frictional heating (for example, from drive belts), un-lubricated bearings, and cooking appliances.

**Sparks or electrical arcs** – from hand tools, motors, switches, relays, arc welding, batteries, or other electrical equipment.

**Static electricity** – from flammable and combustible liquids moving through the air such as when pouring and spray painting.

**Chemical reactions** – from mixing of incompatible materials.

Remember that different types of fires require different responses (please see previous box), so your fire fighting equipment and response procedures must be appropriate for the potential emergency at hand.
Communication and Training

You should use the following methods to make sure your employees are aware of your policies and procedures:

- Provide introductory training for new managers, supervisors, and newly hired workers on your company’s policies and procedures.
- Make sure that the training covers all applicable laws and regulations.
- Display factory policy and local laws and regulations in areas where workers will see them and in a language they understand.
- Provide all workers with the company’s written policies and procedures covering emergency and fire safety response and preparedness.
- Include fire and emergency policies and procedures in new hire orientation and refresher training. Test workers after training to make sure they understand and remember this information.
- Make all workers aware as to the location and use of fire and evacuation alarm boxes.
- Provide practical ‘hands on’ training for a representative team of workers in emergency response procedures and the proper use of all fire fighting equipment. Representative means that there are workers on all shifts in all work areas that are formally trained.
- Conduct emergency drills every six months. Make sure you conduct drills for all types of emergencies that are likely to affect the facility, including fire, weather, natural disasters, and industrial accidents. Drills should cover all workers on all shifts. If the company provides housing, similar drills must be conducted where workers live.
- Post fire and emergency response procedures in all work areas.
- Provide each work area with up-to-date emergency evacuation maps.
- Post and enforce ‘No Smoking’ signs in areas where combustible and flammable materials, liquids and gases are stored, dispensed or used.
- Train all workers who use, adjust, or maintain fire and emergency equipment to perform these jobs safely. Operators of powered fire-fighting vehicles should be trained and qualified for the specific equipment they operate or maintain. Training should include formal instruction, practical or hands-on instruction, and observation and evaluation.

Documentation and Records

Meeting standards requires proper documentation. You will need to keep the following on file on your company premises:

- Written records of all fire and emergency evacuation drills. Record the effectiveness of the drill, such as what worked well, what did not work well, and your improvement plans.
- A list of all fire fighting and other emergency equipment. Include the equipment location, the type of equipment, and maintenance and testing records.
- Written records to show that worker training for fire or other emergency event has been completed. Keep attendance records for all workers who have taken part in training and drills.
- A list of the team of workers who are fully trained and certified in fire fighting and other emergency response skills.
- Written proof of certifications for each worker who is formally certified in first aid, emergency response, and fire response. The written certification should include at least the:
  - Operator’s name
· Training date
· Date of evaluation
· Trainer’s/training body’s name

☑ Maintain copies of all laws and regulations related to fire and emergency response. Make sure this list is kept updated.

☑ Document worker reports of safety concerns, including through informal mechanisms, such that if a worker observes a potential emergency or fire safety concern, they can immediately report it to a supervisor or manager for follow-up.

☑ Keep records of any health and safety incident involving machinery or equipment, including minor incidents and near misses that resulted in a fire or other emergency event.

☑ Regularly monitor, inspect, and maintain all machinery, equipment, and electrical systems to make sure that no fire hazards are likely due to normal operation or misuse.

☑ Always analyse the outcome of evacuation drills and monitor their effectiveness.

☑ Make sure supervisors monitor workers performing their jobs to control fire hazards.

☑ Conduct regular assessments of the hazards of chemicals and all other materials in the factory that may cause a fire or emergency event. Switch to safer alternatives where possible.

☑ Assign a supervisor or manager from each shift to ensure that all workers take part in fire and emergency drills every six months.

☑ Monitor all contractors, vendors, and visitors whose materials or processes may present potential fire or emergency hazards.

**Best Practice**

*Post the photos of trained emergency response workers in each work area, along with information about where and when they work. This will help other workers readily identify them during an emergency. Also, introduce these leaders to the workforce during meetings.*

**Monitoring**

You will need to check if your fire and emergency safety policies are being followed and that controls to make sure your company is meeting code and legal requirements are effective. The following steps can be used to evaluate and improve the effectiveness of your programs:

1. The person or department that oversees matters related to emergency and fire safety should **monitor and report on trends** to identify actual and potential problems and related to fire safety and emergency preparedness.

☑ Regularly inspect all fire-fighting equipment to make sure they are in safe and operable condition at all times.

2. **Investigate the problems and analyse why they occur.** When a situation arises that indicates the existence of non-conformance with company fire and emergency policies and customer code(s) of conduct, the company should investigate the causes not just the condition, and what can be done to address them.

For example, if regular work area inspections consistently find finished goods blocking emergency aisles the solution may not be as simple as having the department manager remove the materials, but to work with the department in question to understand why they store materials in the aisles. It could be a problem with overproduction, lack of warehouse space or issues with the shipping company.

3. **Work with other departments to identify reasonable solutions.** As the above example shows, you must take care to develop solutions so that the problem does not recur and the solution itself does not create other problems. For example:

☑ Respond quickly to problems you can fix in the short term, such as setting up a temporary storage area that does not block emergency exits.

☑ Use your analysis of why problems occur to plan longer-term solutions with other departments or functions. This might mean changing shipping companies or constructing additional warehouse facilities.
Common Questions

What if my company provides housing for workers? What are my emergency and fire safety responsibilities for worker accommodation?

Your responsibilities extend to worker housing and any other building or facility operated by the company. Requirements for fire fighting equipment, exits, and emergency drills must be met in any accommodation you provide.

How do I know how much and what type of fire-fighting equipment my company needs? How do I know how wide exits, aisles, and stairways need to be?

Your best sources for specific requirements are local regulations, customer requirements, the local fire department, your fire and property insurance company and external organisations. Using a combination of these sources will help you get the right results.

What are some measures I can take to make sure workers are adequately prepared to respond to an emergency?

Identifying the types of emergencies or fires that may take place in a facility allows management to alert workers to those potential hazards.

A good fire and emergency safety response plan includes regular maintenance of emergency equipment such as alarms, water hoses, emergency power cut-off, hazardous chemical absorbents, extinguishers, emergency lights, and other equipment.

Workers must be made completely familiar with policies and procedures in the event of various emergencies, and must take part in drills. Training review programs should also be in place and administered on a regular basis.

Fire and other emergency risks should be identified and monitored by a designated manager to make sure you always have the right prevention and response procedures in place.

If you need more help, you can always contact your local fire department, which may be willing to send representatives to your company to help conduct training.

Common Audit Non-compliances from the Sedex Database

The following are the most common non-compliances against this issue. If properly implemented, the guidance in this chapter can help reduce the incidence of these problems:

- All shifts are not covered during fire/emergency drills.
- Fire extinguishers are missing.
- Records of fire/emergency drills are not kept.
- No fire/emergency response plan is formally written and communicated to the workforce.
- Incompatible materials are stored close to each other.
- Blocked aisles, or aisles too narrow for easy escape.
- Emergency lights not functional.
- Exit signs not backed up by battery.

Sedex provides a document with suggested possible corrective actions following a SMETA audit. This is available to Sedex members only in the Sedex Members Resources section: Sedex Corrective Action Guidance.
Case Study

Fire Safety: A cultural approach

Fire Safety is a critical issue to be addressed, to ensure workers have the knowledge and tools to prevent and act appropriately in the event of a fire.

“After joining Sedex and completing the Self Assessment Questionnaire we were requested to carry out an audit,” says Anil Kariwala, owner of Kariwala Industries. Health & Safety previously had no place in the mindset of most of their factory workers, an issue that is traditionally ignored in India. This attitude has origins in oriental religions, which encourages the belief that accidents happen to other sinful people. Since few consider themselves to be sinful, Health & Safety received little attention. The major issue was to change this mindset.

“When we found that the origins of compromising on Health & Safety were tied to religious beliefs, we decided to tackle it with honest religious sentiments.”

The workers agreed that the cleanest buildings are religious buildings, suggesting that God wants to stay in clean places. The workers were thus convinced about the need for cleanliness, which led to orderliness, which had an immediate benefit on the working efficiency.

Kariwala built a small Hindu temple in the factory and held a ceremony, convincing the workers that the company practices religious harmony as a ‘working temple’.

Historically, all attempts to change were met with resistance from workers who were unsure of management motives. However, having overcome a low-trust situation, they were able to introduce further improvements whilst relating them to the spiritual values of the workforce.

“An external agency was welding carelessly in the factory warehouse and ignited rolls of fabrics. Out of panic the welder fled the scene. Our workers, who were formally trained in fire safety measures and fire drills, immediately responded by dowsing the fire using the firefighting equipment, which was put out before the firemen arrived.”

This reinforced confidence, ensuring remaining workers who considered fire safety unnecessary changed their opinion. There was a substantial increase in overall productivity and efficiency, which caused management attitudes to shift from seeing social compliance as a ‘necessary evil’ to an important part of the business model.

Kariwala Industries Ltd is a textile manufacturer of environmentally friendly bags, fashion shirts, accessories and work wear. To find out more about Kariwala Industries, visit their website: http://www.kariwala.com/.

Sedex is always looking for new case studies. If you have a best practice example case study that you would like to be featured, please send it to content@sedexglobal.com.
Resources and Guidance

The following organisations, web sites and documents provide additional information on emergency and fire safety:


☑ SMETA Corrective Action Guidance: [https://www.sedex.org.uk/sedex/go.asp?wsfedsession=0](https://www.sedex.org.uk/sedex/go.asp?wsfedsession=0)

☑ International Labour Organization: [http://www.ilo.org](http://www.ilo.org)
  
  
  - Ethical Trading Initiative (ETI): [http://www.ethicaltrade.org](http://www.ethicaltrade.org)
  
  - ETI Base Code: [http://www.ethicaltrade.org/resources/key-eti-resources/eti-base-code](http://www.ethicaltrade.org/resources/key-eti-resources/eti-base-code)
  
  - ETI Base Code Appendices: [http://www.ethicaltrade.org/resources/membership-resources/eti-base-code- appendices](http://www.ethicaltrade.org/resources/membership-resources/eti-base-code-appendices)


Signposts to Training


Key Terms

- **Fire safety**: Measures taken to prevent and respond to a fire to protect life and property.

- **Likely emergency**: Events like weather, earthquakes, tsunamis, industrial accidents, or natural disasters that are more likely because of a company’s operations and geographic location.

- **Hazard Controls**: Policies, procedures, and systems used to identify and limit or eliminate accidents, events, or injuries.
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Chapter 2.4

MACHINERY & SITE VEHICLES
Machinery & Site Vehicles

What does it mean?

Most workplaces use some kind of machine or vehicle. It is critical for workers’ health and safety that this equipment be designed, maintained and used safely. Whether using sewing machines, complicated machinery, or site vehicles like cutting presses or forklifts, every precaution should be taken to protect equipment operators and other workers from injury.

Machinery covers all kinds of equipment used for production, maintenance and facility operations purposes. The specific machinery used will vary considerably from worksite to worksite. Machines present many hazards, such as from moving parts, sharp objects and high temperatures. Workplace injuries that may be caused by machine hazards include crushed fingers or hands, amputated fingers or hands, burns, blindness, or worse.

Machine safeguards are devices that prevent these injuries. The health and wellness of your employees is extremely important, and the best way to prevent worker health problems is to promote healthy practices through education and outreach. You also have to consider the needs of those at risk in your community and among the workforce, like young workers, pregnant employees, nursing mothers and workers with disabilities or special health needs.

Site vehicles include forklifts, pallet jacks, powered hand trucks, material pickers, and utility vehicles, such as golf carts. All vehicles can cause serious injury to operators and co-workers if they are not properly maintained, or if operators are not properly trained. Vehicle equipment accidents can also damage property and interrupt production.

A socially responsible company makes sure that it has the policies, procedures and practices in place to prevent or minimise injury to workers or others and damage to property and product from the unsafe design or operation of machinery and site vehicles.

This section will help you check whether there is a risk of not meeting safety standards in your current business operations and, if so, how to put controls in place to make sure your machinery and site vehicle risks are understood and controlled.

Worker accidents and injury can occur when workers are not properly trained to operate and maintain equipment and machinery and site vehicles.

Legal violations, fines, and other penalties can be imposed when machinery malfunctions and workers or property are injured or damaged.

Fines and penalties can also be issued if workers are operating vehicles and equipment without proper certification.

Benefits

Why should you do it?

Respecting machinery and site vehicle safety will help you meet legal requirements, avoid penalties, protect your workers’ health and safety, and meet your customers’ requirements.

There can also be business benefits, such as:

a) Less time and money lost due to injury or accidents.

b) Minimising damage to property and equipment and increasing the useful life of equipment through proper maintenance.

c) Reduced cost for hiring and training new workers to replace the injured.

d) Decrease in product scrap/defect rate.
Requirements

What do you need to do?

ETI Base Code Clause 3 requires:

3.1 A safe and hygienic working environment shall be provided, bearing in mind the prevailing knowledge of the industry and of any specific hazards. Adequate steps shall be taken to prevent accidents and injury to health arising out of, associated with, or occurring in the course of work, by minimising, so far as is reasonably practicable, the causes of hazards inherent in the working environment.

3.2 Workers shall receive regular and recorded health and safety training, and such training shall be repeated for new or reassigned workers.

Relevant ILO Conventions

C119: Guarding of Machinery Convention, 1963, states that the competent authority in each country shall determine whether and how far machinery, new or second-hand, operated by manual power presents a risk of injury to the worker; such decisions shall be taken after consultation with the most representative organisations of employers and workers concerned.

C155: Occupational Safety and Health Convention, 1981, requires employers to ensure that, so far as is reasonably practicable, the chemical, physical and biological substances and agents under their control are without risk to health when the appropriate measures of protection are taken.

Other International Standards and Guidelines state:

- **OHSAS 18001**, Section 4.3.1, Hazard identification, risk assessment and determining controls: “The organisation shall establish, implement and maintain a procedure(s): for the ongoing hazard identification, risk assessment, and determination of necessary controls.”

  Section 4.4.6, Operational control: The organisation shall determine those operations and activities that are associated with the identified hazard(s) where the implementation of controls is necessary to manage the OH&S risk(s).

- **ILO-OSH 2001**, Section 3.10.1, Prevention and control measures: “Hazards and risks to workers' safety and health should be identified and assessed on an ongoing basis. Preventive and protective measures should be implemented in the following order of priority:
  a) eliminate the hazard/risk;
  b) control the hazard/risk at source, through the use of engineering controls or organizational measures;
  c) minimize the hazard/risk by the design of safe work systems, which include administrative control measures; and
  d) where residual hazards/risks cannot be controlled by collective measures, the employer should provide for appropriate personal protective equipment, including clothing, at no cost, and should implement measures to ensure its use and maintenance.”
Achieving and Maintaining Standards

*How do you do it?*

You can best meet standards by using a **systems approach**. In other words, you add **controls** to the **processes** you already use to run your business. And you make sure your **policies** and **procedures** are designed to ensure that:

- Machinery and site vehicles are equipped with required safety devices.
- Trained and licensed workers are assigned to operate site vehicles, such as forklifts.
- PPE reliance is used to protect workers from injury, rather than using engineering controls, such as guards and interlocks.
- Workers do not remove or bypass protective safeguards to speed up production equipment.
- Injuries due to lack of proper machine operation are avoided.
- There are safe work procedures and instructions in place for potentially hazardous operations.
- There is high worker awareness and understanding of the hazards of the machinery and vehicles they use.
- Machinery and vehicles are safe and have proper regular inspections and preventative maintenance.

It is important that you also regularly **monitor** your processes and controls to make sure they are working.

**Policies**

*(rules)*

Your company policies on machinery and site vehicles should include the following commitments to:

- Identify, evaluate and control safety and health hazards associated with facility machinery and site vehicles.
- Control or eliminate all machinery and vehicle-related hazards prior to being put in service for the first time.
- Ensure that all workers are trained to understand the hazard and precautions associated with the machinery and site vehicles that they operate.
- Develop safe work procedures for all tasks with potential safety hazards to workers.
- Investigate all machinery and vehicle-related accidents and injuries for root cause and implement corrective and preventive actions to prevent the same or similar accidents in the future.
General Machine Guarding Requirements

- Guarding must be provided for all machine parts that could harm or injure a worker.
- Guards should be made of metal or, where visibility is required, they may be made of sturdy plastic or safety glass.
- All pinch points on conveyors and gear drives must be guarded.
- Emergency stop buttons must be installed on all machinery with potential safety hazards.
- Machinery should be arranged to protect visitor and workers at other workstations from contact with moving parts and hot surfaces.

Procedures (practices)

You should assign a responsible person (or department) to make sure the above policies are carried out through the following practices:

- Communicating your policies to all managers, supervisors and workers.
- Making sure that all managers and employees of the company have clearly defined roles and responsibilities for carrying out your machinery and vehicle safety policies.
- Meeting on a regular basis with staff responsible for machinery and vehicle safety to oversee the implementation of your policies and procedures.
- Monitoring all concerns and issues related to the implementation of your machinery and site vehicle safety policies and procedures.

Your machinery and site vehicle procedures should include:

- A formal pre-purchase safety evaluation procedure for all new machinery and vehicle purchase.
- A safety sign-off procedure to ensure that all safety hazards are effectively controlled before machinery and vehicles are put in service.
- A formal program of regular inspection and maintenance of all machinery and vehicle safeguarding.
- A program to provide PPE to workers where hazards cannot be removed. The program should include ways to motivate workers to use the equipment.

Machine safeguarding procedures in garment or laundering facilities include:

- Providing all sewing machine needles with needle guards to prevent injuries to the operator from broken needles.
- Making sure steam irons and fabric presses have handle and pedal guards to protect the operator's arms and legs from burns.

Safety procedures for site vehicles should include:

- Allowing only allow properly trained, licensed, and authorised persons to operate site vehicles.
- A checklist for workers to use to perform a safety inspection of each vehicle at the beginning of every shift to make sure it is in good working condition.
- Providing all vehicles with audible and visible back up alarms while operating in reverse.
- If, during a pre-use inspection, an operator finds that a vehicle is not working properly, he or she should inform a supervisor and should not
operate the vehicle until it has been repaired and it is safe to use.

- A program of regular maintenance of powered industrial trucks and other site vehicles to ensure their ongoing safety.

**Best Practice**

*Facility Maintenance and Machine Shops*

- Install eye shields on grinding wheels to prevent flying objects from injuring the operator.
- Secure grinding wheels to a bench top.
- Guard all cutting blades and other points of operation on workshop machinery to prevent wood chips, splinters, or pieces of a broken cutting blade from flying off the equipment and injuring the operator.
- Belt-sanding machines should have guards at each pinch point where the sanding belt runs onto a pulley.
- Provide adjustable blade guards for all portable, power-driven, circular saws with blades greater than 5 cm (~2 inches) in diameter. The lower part of the guard should automatically and instantly return to cover the blade when the saw is not in use.
- Bolt machine tools to the floor so they don’t tip or fall when operated.

**Communication and Training**

You should use the following methods to make sure your employees are aware of policies and procedures:

- Provide training programmes for new managers, supervisors, and newly hired workers on your company’s policies and procedures.
- Make sure that the training covers all applicable laws and regulations.
- Display factory policy and local laws and regulations in areas where workers will see them and in a language they understand.
- Provide all workers with the company’s written policies covering machinery and site vehicle safety.
- Anyone who will be operating or servicing machines that may pose safety hazards should first be trained on the specific procedures for safely operating or servicing the equipment. They should be trained about the hazards of the equipment and about how to use machine guards to operate the equipment safely. Training should include:
  - Formal instruction (for example, lecture, discussion, interactive computer learning, videotape, written material).
  - Practical or hands-on instruction (for example, demonstrations by the trainer, exercises done by the trainee).
  - Observation and evaluation of the operator’s performance with the equipment in the workplace.
- Provide all workers who operate or service machines with information about the health and safety hazards of failing to wear recommended and/or required PPE, and communicate when the use of PPE is required.
- Properly train and evaluate all authorised workers who operate or maintain powered site vehicles. As with machinery, training should include formal instruction and practical hands-on instruction followed by observation and evaluation of the operator’s performance.
- Train all workers who use, adjust, or maintain powered site vehicles to perform these jobs safely. Operators of vehicles should be trained and qualified for the specific equipment they operate or maintain.
- Make sure that all site vehicle operators complete the requirements for re-qualification regularly. Operators’ safety performance must be evaluated frequently.
- Re-train and discipline site vehicle operators if they have been observed to operate the equipment in an unsafe manner or are involved in an accident or near-miss incident.
- Industrial vehicle operators shall be re-trained if, at any time, they are assigned to drive a different type of equipment, or there are
changes in the workplace that affect the safe operation of the equipment.

- Re-test operators at least every three years (or earlier if mandated by local regulations). The requalification test should evaluate the:
  - Operator’s prior knowledge and skill.
  - Types of equipment he or she will operate in the workplace.
  - Types of hazards in the workplace.
  - Operator’s ability to operate the equipment safely.

**Documentation and Records**

Meeting standards requires proper documentation. You will need to keep the following on file on your company premises.

- Copies of machinery and vehicle safety hazard assessments.

**SAMPLE MACHINE GUARDING SELF-INSPECTION CHECKLIST**

**Requirements for All Safeguards**

- Do the safeguards provided meet the minimum OSHA requirements?
- Do the safeguards prevent workers’ hands, arms, and other body parts from making contact with dangerous moving parts?
- Are the safeguards firmly secured and not easily removable?
- Do the safeguards ensure that no objects will fall into the moving parts?
- Do the safeguards permit safe, comfortable, and relatively easy operation of the machine?
- Can the machine be oiled without removing the safeguard?
- Is there a system for shutting down the machinery and locking/tagging out before safeguards are removed?
- Can the existing safeguards be improved?

**Mechanical Hazards**

The Point of Operation:

- Is there a point-of-operation safeguard provided for the machine?
- Is there evidence that the safeguards have been tampered with or removed?
- Could changes be made on the machine to eliminate the point-of-operation hazard entirely?

Power Transmission Apparatus:

- Are there any unguarded gears, sprockets, pulleys, or flywheels on the apparatus?
- Are there any exposed belts or chain drives?
- Are there any exposed set screws, key ways, collars, etc.?
- Are starting and stopping controls within easy reach of the operator?
- If there is more than one operator, are separate controls provided?

Other Moving Parts:

- Are safeguards provided for all hazardous moving parts of the machine, including auxiliary parts?

Non-Mechanical Hazards:

- Have appropriate measures been taken to safeguard workers against noise hazards?
- Have special guards, enclosures, or personal protective equipment been provided, where necessary to protect workers from exposure to harmful substances used in machine operation?

Electrical Hazards:

- Is the machine installed in accordance with National Fire Protection Association and National Electrical Code requirements?
- Are there loose conduit fittings?
- Is the machine properly grounded?
- Is the power supply correctly fused and protected?
- Do workers occasionally receive minor shocks while operating any of the machines?
Start-up authorisations for new machinery and vehicles signed by a responsible manager.

Written records of machinery, equipment and site vehicle inspections and maintenance.

A list of the equipment that has machine guards, including the equipment location, the type of equipment, and the type and numbers of machine safeguards on the equipment.

Records to show that worker training has been satisfactorily completed.

Copies of operators’ written and operational tests qualifying them to operate powered industrial vehicles.

Written proof of certifications for each powered industrial vehicle operator indicating that they have been trained and have passed qualification tests. The written certification should include at least the:

- Operator’s name
- Training date
- Date of evaluation
- Trainer’s name

Worker reports of safety concerns.

Records of any health and safety incident involving machinery or equipment, including minor incidents and near misses.

**Monitoring**

You will need to check if your machinery and site vehicle policies are being followed and that the controls to make sure your company is meeting code and legal requirements are effective. The following steps can be used to evaluate and improve the effectiveness of your programs:

1. The person or department that oversees matters related to machine or equipment safety and site vehicles should also be assigned to monitor and report on trends to identify actual and potential problems related to machinery and site vehicles.

   - Regularly monitor that all machinery with exposed or moving mechanical parts is equipped with safety devices and that the devices are functioning effectively.
   - Conduct regular assessments of the hazards of new and existing equipment to determine whether existing guards are effective in protecting workers, or if other machine guards should be added to control hazards.
   - Watch and make sure that workers use the required PPE at all times when needed.
   - Designate a manager who routinely inspects equipment to make sure equipment guards are in place and working properly.
   - Monitor that only authorised workers, who have been properly trained and evaluated, may operate or maintain powered industrial trucks.
   - Assign a supervisor or manager from each shift to inspect all vehicles at the beginning of every shift to make sure they function properly and safely, and do not create hazards.
   - Make sure that a manager is assigned to monitor industrial truck operators’ qualification and re-qualification requirements regularly. Keep qualification records on file, on site. Also designate a supervisor or manager to evaluate workers’ safety performance on a frequent basis and keep performance records on file.
Designate a manager to monitor all contractors, vendors, and visitors who may use powered industrial trucks to ensure that they are qualified to use equipment and how to meet the qualification requirements.

2. **Investigate the problems and analyse why they occur.** When a situation arises that indicates the existence of non-conformance with company machine and vehicle safety policies and customer code(s) of conduct, the company should investigate the causes not just the condition, and what can be done to address them.

For example, if regular work area inspections find over and over again that the same guards have been removed or disabled, this could indicate a number of possible causes, ranging from inadequate worker and supervisor training to setting unrealistically high production quotas.

3. **Work with other departments to identify reasonable solutions.** As the above example shows, you must take care to develop solutions so that the problem does not recur and the solution itself does not create other problems. For example:

- **Respond quickly to problems you can fix in the short term, like taking a defective machine or vehicle out of service until it can be repaired.**
- **Use your analysis of why problems occur to plan longer-term solutions with other departments or functions.** This might mean purchasing additional production equipment or converting to equipment with a higher output. This person can then identify and/or anticipate problems and coordinate with other managers or departments to develop solutions that address concerns and prevent them from recurring.

**Common Questions**

**What are some other ways I can make sure I know about health and safety risks in my operation?**

Your workers are critical in helping to control these risks, since they use machinery and equipment every day at work. Make sure workers are encouraged to report safety concerns as a critical job responsibility, no matter how minor these problems may seem. Team meetings, regular safety checks, and verbal reporting to supervisors are all ways workers can report problems. Always also provide a way to report problems anonymously through a formal grievance mechanism that protects workers’ identity in case more serious concerns need to be reported (please see Discipline and Grievance chapter).

**Common Audit Non-compliances from the Sedex Database**

The following are the most common non-compliances against this issue. If properly implemented, the guidance in this chapter can help reduce the incidence of these problems:

- **Lack of eye or needle guards on sewing machines, or belt guards on machines generally are not in place.**
- **No certificate, expired certificate, or special appliances not registered with the relevant organisation.**
- **Adequacy of inspection records for machinery/safety equipment.**
- **General machinery maintenance.**
- **Lack of trained personnel for the safe handling and maintenance of machinery.**
- **Lack of appropriate equipment or training for safe handling of loads which constitute a serious risk.**
- **Adequacy of trained personnel for the safe handling and maintenance of machinery.**

Sedex provides a document with suggested possible corrective actions following a SMETA audit. This is available to Sedex members only in the Sedex Members Resources section: Sedex Corrective Action Guidance

**What are some measures I can take to make sure that unauthorised personnel do not attempt to or actually use site vehicles such as forklifts?**

Accidents and injuries often occur when workers who are not trained or licensed to use a vehicle attempt to operate it. To ensure that unauthorised personnel do not attempt to use site vehicles, use a Lock-out Tag-out system that requires workers to swipe an authorisation card or provide a key before the vehicle will respond to attempted usage.
What is a good way to prevent workers from using machinery or equipment for which they are not trained?

Prominently posting posters and instructions about which equipment should be used in a work area by whom reminds workers not to attempt to use equipment or machinery with which they are unfamiliar. Post danger and warning signs in hazardous areas, and make sure standard operating procedures are readily available for all machinery and vehicles.

You can also colour-code worker identification badges to match the machines that they are trained and qualified to operate.

When accidents or injuries occur, how can I ensure that preventative measures are taken in the future?

Although many facility managers adequately record accidents and injuries when they occur, a lesser number remember to record minor accidents or injuries or near misses. Doing so will help managers to identify trends and consider root cause analysis to avoid future issues. It is always better to control a safety hazard immediately after a near miss.

Many countries will have regulatory requirements on how worker injuries should be recorded. In general, these records should contain:

- Continuously updated information.
- Injuries sorted by department or work area.
- Description of the injuries.
- Description of injury circumstances.
- Description of treatment administered.

In addition, always detail minor incidents and near misses.
Case Study

Machinery and Site Vehicles: Hazard prevention

Due diligence in health and safety requires appropriate preventative and protective procedures to minimise potential hazards. This involves regular monitoring systems to assess risk and identify workplace hazards prior to the introduction of any new work methods, materials, processes or machinery.

Safety incidents during loading and unloading trailers have reduced by two thirds since the introduction of more user-friendly vehicles at Amcor Paper.

Using the conventional trailer, handling large paper reels was a risky job for an Amcor co-worker, who would have to stand on the back of the truck and work near heavy machinery to complete the task.

As part of the new contract extension signed with a fleet supplier, Amcor requested that they introduce Wingliner vehicles to replace many of the conventional trailers in the network.

While the previous trailers had only a rear door for loading (similar to a shipping container), the solid sides of Wingliners can be hydraulically lifted to allow for loading through the side of a truck.

Amcor believes Wingliners are a safer option because a person does not have to stand on the back of the vehicle during loading and unloading, reducing the need to climb into the vehicle and working close to reel grabs. The new approach also reduces the risk of strains in moving heavy reels around the back of the truck or injury due to reels falling from the back of a vehicle if there is a fault with the heavy lifting equipment.

The driver can now stand safely away from the loading operation.

“The introduction of Wingliners came at a cost, but the investment is worth it to reduce the safety risks,” says Amcor Australasia General Manager of Supply Chain Jason Bourke.

Amcor Australasia is a diverse business offering a range of packaging goods and services, including beverage cans and closures, glass bottles, paper and cardboard products and paper recycling to customers in Australia, New Zealand and the Asia Pacific.

Amcor Australasia is an Amcor Limited business; to find out more about Amcor, visit http://www.amcor.com/.

Sedex is always looking for new case studies. If you have a best practice example case study that you would like to be featured then please send it to content@sedexglobal.com.
Resources and Guidance

The following organisations, web sites and documents provide additional information on machinery and site vehicles:

- Sedex Members Ethical Trade Audit (SMETA) Best Practice Guidance:  

- SMETA Corrective Action Guidance:  
  [https://www.sedex.org.uk/sedex/go.asp?wsfedsession=0](https://www.sedex.org.uk/sedex/go.asp?wsfedsession=0)

- International Labour Organization- Code of practice on safety and health in the use of machinery:  

- Ethical Trading Initiative (ETI):  
  [http://www.ethicaltrade.org](http://www.ethicaltrade.org)
  - ETI Base Code:  
    [http://www.ethicaltrade.org/resources/key-eti-resources/eti-base-code](http://www.ethicaltrade.org/resources/key-eti-resources/eti-base-code)
  - ETI Base Code Appendices:  
    [http://www.ethicaltrade.org/resources/membership-resources/eti-base-code-appendices](http://www.ethicaltrade.org/resources/membership-resources/eti-base-code-appendices)

- US Department of Labor-OSHA:
  - Principles of Machine Safeguarding -  
    [http://www.osha.gov/Publications/Mach_SafeGuard/intro.html](http://www.osha.gov/Publications/Mach_SafeGuard/intro.html)
  - Powered Industrial Trucks -  

- European Union Agency for Health and Safety at Work:  

Signposts to Training

- UK Health & Safety Laboratory:  

- UK Health & Safety Executive:  
  [http://www.hse.gov.uk/workplacetransport/index.htm](http://www.hse.gov.uk/workplacetransport/index.htm)

- EEF -- The Manufacturers’ Organisation:  

- Verité:  
  [http://www.verite.org/Training](http://www.verite.org/Training)

- ILO:  
Key Terms

- **Site Vehicles**: Any vehicle used on site, which may include but is not limited to the following: forklifts, material pickers, turret trucks, golf carts, lowboys, highboys, and powered hand trucks.

- **Machine Safeguarding**: Machines with parts that reach excessive temperatures, have moving parts, or might otherwise be hazardous to workers must have appropriate safety guards to prevent injury. Guards can be physical barriers like covers and doors, or electronic devices such as light curtains, presence sensing devices, pressure mats and two-hand controls.

- **Hazard Controls**: Policies, procedures, and systems for identifying and limiting/eliminating accidents or injuries.

- **Lock out-Tag out**: A safety procedure which is used in industry to ensure that dangerous machines are properly shut off and not started up again prior to the completion of maintenance or servicing work. It requires that hazardous power sources be ‘isolated and rendered inoperative’ before any repair procedure is started.
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Chapter 2.5

HAZARDOUS MATERIALS
Hazardous Materials
What does it mean?

A hazardous material means any substance that poses a risk to health, property, or the environment. These substances must be used safely, so when they are handled, stored, transported or disposed of, the risks they present are eliminated or minimised.

Many companies use some kind of potentially dangerous or hazardous material. Whether using alcohol, oil, grease, or more hazardous chemicals like benzene or spot removers, every precaution should be taken to protect employees working with or around these substances.

Storing these materials safely, correctly training workers, using properly designed local exhaust ventilation, and providing workers with the right Personal Protective Equipment (PPE), like goggles or respirators, are ways to help reduce risks. Make sure your company is up to date on the hazards presented by materials used on site by carefully reviewing Material Safety Data Sheets (MSDS) for critical safety information.

The health and safety of your workers should always be your primary concern, but hazardous materials also present important risks to your business.

Accidental release of material, damage to the environment through improper disposal, fines for regulatory infractions, and industrial accidents are all unfortunate outcomes if hazardous materials are mismanaged.

A socially responsible company makes sure that it has the policies, procedures and practices in place to prevent or minimise injury or illness to workers or others from the unsafe storage, handling, use or disposal of hazardous materials.

This section will help you check whether there is a risk of not meeting these standards in your current business operations and, if so, how to put controls in place to make sure your chemicals and other hazardous materials and their associated risks are understood and controlled.

Benefits
Why should you do it?

Respecting your workers’ right to be protected from the dangers of working with hazardous materials will help you meet legal requirements, avoid penalties, protect your workers’ health and safety, and meet your customers’ requirements.

There can also be business benefits, such as:

a) Less time and money lost due to injury or accident.

b) Decrease in costs due to spills, poor handling practices, or improper storage or disposal of chemicals.

c) Less future liability by properly transporting and disposing of hazardous materials.

d) Fewer business interruptions as a result of hazardous chemical releases.

e) Improving environmental impact through proper use and disposal of chemicals and hazardous materials.

Requirements
What do you need to do?

ETI Base Code Clause 3

3.1 A safe and hygienic working environment shall be provided, bearing in mind the prevailing knowledge of the industry and of any specific hazards. Adequate steps shall be taken to prevent accidents and injury to health arising out of, associated with, or occurring in the course of work, by minimising, so far as is reasonably practicable, the causes of hazards inherent in the working environment.

3.2 Workers shall receive regular and recorded health and safety training, and such training shall be repeated for new or reassigned workers.
Relevant ILO Conventions

C42: Workmen’s Compensation (Occupational Diseases) Convention (revised) 1934, establishes a list of occupational diseases and toxic substances, and the trades associated with them.

C155: Occupational Safety and Health Convention, 1981, requires employers to ensure that, so far as is reasonably practicable, the chemical, physical and biological substances and agents under their control are without risk to health when the appropriate measures of protection are taken.

C170: Chemicals Convention, 1990, requires employers to ensure that all chemicals used at work are labeled and that chemical safety data sheets have been provided and are made available to workers and their representatives; and that only chemicals which are identified and assessed and labeled are used and that any necessary precautions are taken when they are used.

C174: Prevention of Major Industrial Accidents Convention, 1993, requires employers to establish and maintain a documented system of major hazard control including the identification and analysis of hazards and the assessment of risks, technical measures, including design, safety systems, construction, choice of chemicals, operation, maintenance and systematic inspection.

Other International Standards and Guidelines state:

OHSAS 18001, Section 4.3.1, Hazard identification, risk assessment and determining controls: ‘The organisation shall establish, implement and maintain a procedure(s) for the ongoing hazard identification, risk assessment, and determination of necessary controls.

Section 4.4.6, Operational control: ‘The organisation shall determine those operations and activities that are associated with the identified hazard(s) where the implementation of controls is necessary to manage the OH&S risk(s).’

ILO-OSH 2001, Section 3.10.1, Prevention and control measures: ‘Hazards and risks to workers safety and health should be identified and assessed on an ongoing basis. Preventive and protective measures should be implemented in the following order of priority:

a) eliminate the hazard/risk;

b) control the hazard/risk at source, through the use of engineering controls or organisational measures;

c) minimise the hazard/risk by the design of safe work systems, which include administrative control measures; and

d) where residual hazards/risks cannot be controlled by collective measures, the employer should provide for appropriate personal protective equipment, including clothing, at no cost, and should implement measures to ensure its use and maintenance.’

The European Community program REACH (Registration, Evaluation, Authorisation and Restriction of Chemical substance) provides an international regulatory framework and system for the industrial management of chemical substances.

There are also a number of relevant ILO recommendations on hazardous materials:

R144: Benzene Recommendation, 1971

R147: Occupational Cancer Recommendation, 1974

R164: Occupational Safety and Health Recommendation, 1981

R172: Asbestos Recommendation, 1986

R177: Chemicals Recommendation, 1990

R194: List of Occupational Diseases Recommendation, 2002
Achieving and Maintaining Standards
How do you do it?

You can best meet standards by using a **systems approach**. In other words, you add **controls** to the processes you already use to run your business (such as production management) and you make sure your **policies** and **procedures** are designed to ensure that:

- Workers are not exposed to dangerous airborne levels of hazardous dusts, mists, fumes and vapours.
- MSDSs are provided in areas where hazardous materials are stored and used.
- Containers of hazardous materials are properly labelled.
- Chemical storage areas and rooms are properly designed and maintained.
- Chemicals are stored in approved storage containers.
- Young workers do not work with hazardous chemicals.
- Processes and areas where hazardous materials are stored and used are designed and maintained to prevent chemical leaks and spills.
- Workers are aware of the hazards of the chemicals in their work areas.

It is important that you also regularly **monitor** your processes and controls to make sure they are working.

**Policies**
*(rules)*

Your company policies regarding hazardous materials should include the following:

- Company commitment to safely transport, store, and use hazardous materials.
- Commitment to provide workers with the proper training to handle, store, transport, or dispose of hazardous materials.

- Prohibiting young workers, pregnant or nursing mothers, or other at-risk workers from working with hazardous materials.
- Providing workers with the appropriate PPE whenever hazardous materials risks cannot be controlled by other means.
- Commitment to inform workers interacting with hazardous materials with detailed information on the hazards presented by the materials.
- Commitment to dispose of hazardous waste properly, in accordance with local regulations, and in consideration of the environment.

**Example Hazardous Material Placard**
Management should assign a responsible person (or department) to make sure the above policies are carried out. This includes:

- Communicating your policies to all managers, supervisors and workers.
- Meeting regularly with managers and supervisors responsible for hazardous material purchasing, storage, transportation, use and disposal to oversee implementation.
- Monitoring and reporting all complaints and management responses related to the issue of hazardous materials.
- Performing an annual review of the implementation status of your hazardous materials policies and procedures.

Your health and safety procedures should:

- Include ways to track and understand laws and regulations on hazardous material use, including obtaining the required permits.
- Define the process to ensure that hazardous materials are properly stored. This means the materials are:
  - Kept in sealed, approved containers. Containers should always remain covered and closed when not in use.
  - Labelled in a language workers understand and using internationally accepted hazard symbols.
  - Stored away from drinking water facilities, food preparation and storage areas, canteens, and worker accommodation.
  - Stored in specially designed cabinets, rooms or outdoor areas that contain any leaks using secondary containment.
  - Stored by hazard class to prevent the accidental mixing of incompatible materials. This means never storing materials that when mixed would react to create a toxic gas, explode, or some other dangerous reaction.
  - Hazardous materials are never stored at workstations in quantities that exceed the amount needed for a work shift.
- A process to identify, evaluate and control worker exposures to airborne hazardous materials. The process should include:
  - An inventory of hazardous materials and processes and work areas where they are used and stored.
  - An estimation of potential for exposure based on the characteristics of the material and the method(s) in which it is used.
  - Exposure sampling to quantify workplace exposure levels.
  - Substitution of safer materials to eliminate health risks to workers.
  - Installation of engineering controls, such as local exhaust ventilation, where airborne levels present a health risk to workers.
  - Use of administrative controls (such as job rotation to limit exposure duration) and PPE when engineering controls cannot reduce exposures to safe levels.
- A program to provide workers with all appropriate PPE needed for their job(s), including:
  - eye protection (safety glasses, goggles and face shields)
  - chemical aprons
  - chemical resistant gloves
  - spill/splash resistant shoes or boots
  - respirators
- Where respirators are in use, the respirator program must include selection of the proper type unit, fitting, training, and medical screening. All PPE must be included in a maintenance and replacement program.
- A process to encourage and enforce the use of required PPE by workers.
- Making sure that workers have immediate and unobstructed access (no more than a 10-second walk) to eye-wash facilities in areas where hazardous materials are present.
- A process to ensure that hazardous waste is separated from other waste, and disposed of
properly by a licensed, third-party company specialising in disposal of hazardous materials.

- A process to provide workers who work with toxic chemicals with the legally required medical exams, at the time of job assignment and on a regular basis thereafter.
- Ensuring that young workers, pregnant or nursing mothers, or other at-risk workers are not exposed to hazardous materials.

### Communication and Training

You should use the following methods to make sure your employees are aware of policies and procedures:

- Provide training programmes for new managers and supervisors and newly hired workers on your company’s policies and procedures on hazardous materials.
- Provide all workers with the company’s written policies covering chemical/hazardous materials safety.
- Communicate company policies and procedures on hazardous materials to suppliers, visitors, vendors, and third-party contractors.
- Prominently display company policies and any laws relating to hazardous materials in a language that workers understand.
- Provide workers with information and instruction on the health and safety risks of not wearing appropriate PPE. Their knowledge and awareness should be regularly monitored.
- Workers who handle, store, or dispose of hazardous materials must, at a minimum, be provided with training by a person/supervisor who is formally trained in safe use and handling of hazardous materials.
- Any area where hazardous materials are present must have relevant danger and warning information posted or available, and be written in languages workers understand. This means:
  - Danger and warning signs are posted. Signs should indicate the potential safety and health hazards of the hazardous materials in use, instructions on safe use/handling, and instructions for responding to unsafe exposure.
  - Signs requiring the use of needed PPE are posted.
  - ‘No smoking’ signs are posted in areas where combustible and flammable materials are in use.
  - Signs that require workers to wash hands after handling, storing, or disposing of chemicals must be posted in bathrooms, kitchens, and production areas.
  - MSDS are posted in the work area or readily available for worker reference.
- Anyone who will be handling, transporting, storing, or disposing of materials that may pose safety hazards should first be trained on the specific procedures for safe handling. They should be trained about the hazards of the chemicals and about how to respond to unsafe exposure.
- Provide material-specific handling: workers who handle hazardous materials should be trained and qualified for the specific materials with which they come into contact (including any legally required training, like licenses or third-party training certificates).
- Provide re-training to workers if they are assigned to use new or different chemicals, or there are changes in the workplace that affect the safe usage of chemicals.
- Regularly re-evaluate hazardous material handlers (recommended every two years, or earlier if mandated by local regulations governing re-qualification) to ensure they maintain the knowledge and skills needed to safely handle hazardous materials.
- Ensure that workers are re-trained and, if necessary, disciplined if they have been observed handling hazardous materials in an unsafe manner or are involved in accidental discharge or near-miss incident.
Documentation and Records

Meeting standards requires proper documentation. You will need to keep the following on file on your company premises.

- A list of all hazardous materials in the company, including:
  - Volume of material on site
  - Storage locations and associated volumes
  - Hazard information
- Written records of worker training completion.
- Copies of workers’ written and operational tests and certifications qualifying them to handle, store, transport and dispose of hazardous materials.
- Records of health and safety incidents, injuries and illnesses involving chemicals or hazardous materials, including minor incidents and near misses.
- A database or inventory of chemical and hazardous materials safety regulations and laws.
- Records of permits, third-party assessments, government inspections, and other documentation to demonstrate legal compliance.
- Records of any internal monitoring, like workplace air sampling.
- Records of any required medical exams.
- MSDS for all hazardous materials on site.
- List of workers, like young workers, who are prohibited from handling hazardous materials and a listing of jobs/work areas that present a potential risk to such workers.
- Worker reports of any hazardous material safety concerns, including those received through informal mechanisms, so that if a worker observes a chemical safety concern, they can immediately report it to a supervisor or manager for prompt follow-up.

You will need to check if your health and safety training policies are being followed and that the controls to make sure your company is meeting code and legal requirements are effective.

Monitoring

The following steps can be used to evaluate and improve the effectiveness of your programs:

1. **Audit your systems** to identify actual and potential problems in meeting laws and standards:
   - Regularly monitor that all chemical and hazardous material handling procedures are being followed and are effective.
   - Conduct regular assessments of the hazards of new and existing chemicals to determine whether existing measures are effective in protecting workers, or if other measures, like engineering controls, should be added to control hazards.
   - Designate a manager who routinely inspects material usage, storage, and disposal to make sure procedures are in place and company policies are followed.
   - Make sure supervisors are responsible for observing and correcting workers observed improperly handling hazardous materials.
   - Make sure that a manager is assigned to monitor worker qualification and re-qualification requirements regularly. Also designate a supervisor or manager to evaluate worker safety performance on a frequent basis and keep performance records.
资管一个经理来监控所有承包商、供应商和访客，他们可能接触有害物质，确保政策和程序得到遵守。

2. **Investigate problems and analyse why they occurred.** Where data indicates the existence of non-conformities with your company’s hazardous materials policies and customer code(s) of conduct, the company should investigate these conditions to determine their causes and what can be done to address them.

资管定期审查监控数据，如空气采样报告、通风测试记录和有害材料存储和使用区域的检查报告，以识别你的政策和程序是否被遵守或是否有效，这样你就可以纠正问题。

资管保持对最新研究和信息的了解，了解有害材料使用的风险。

3. **Work with other departments to identify reasonable solutions.** Take care to develop solutions so that the problem does not recur and the solution itself does not create other problems.

资管生产部门应与采购和客户合作，识别可以减少风险但仍能满足客户产品要求的较少有害物质。

资管倾听员工的意见。工人的建议和潜在的危险是对你来说非常重要的信息，尤其是工人们每天都在使用有害物质。

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**Common Audit Non-compliances from the Sedex Database**

The following are the most common non-compliances against this issue. If properly implemented, the guidance in this chapter can help reduce the incidence of these problems:

- Young workers handling chemicals.
- Failure to provide the required medical exams.
- Chemical containers unlabelled, or labelled in a language workers do not understand.
- Workers failing to use the needed PPE.
- No chemical/hazardous materials certificates from the local government.
- Governmental fines for improper disposal of chemicals.

Sedex provides a document with suggested possible corrective actions following a SMETA audit. This is available to Sedex members only in the Sedex Members Resources section: [Sedex Corrective Action Guidance](#)
Common Questions

How do I know what types of hazards a material presents?

MSDS and other literature will give you important information about the hazards associated with the material. But in general, hazardous materials could have the following harmful effects:

- **Toxic substances** can lead to acute respiratory irritation, poisoning, chemical asphyxiation, central nervous system effects, narcotic effects, damage to the optical nerve, kidneys, liver, or other organs, and chronic anaemia, among other illness and injury.

- **Carcinogens** are substances that cause cancer.

- **Corrosive substances** lead to skin, eye, and respiratory irritations, burns, ulceration, and tissue destruction, among other effects.

- **Irritant substances** lead to skin problems, as well as eye and respiratory irritations.

- **Other harmful substances** can cause acute respiratory problems, skin, and allergic reactions.

Remember that how you control exposure and risk from hazardous substances will vary depending on the material. Always be familiar with the hazards presented by specific materials so your control measures are appropriate and effective.

How can I make sure I have the right controls in place?

One of the best approaches is to hire an occupational health and safety professional. You can also provide your responsible person or staff with professional training.

There are a number of other ways to increase and maintain your awareness of chemical/hazardous materials health and safety risks:

- Online databases that regularly update new laws and regulations.

- Keeping a file of the most current information for the chemicals used at your company

- Local and national government representatives, such as from the local fire department or hospital, are often willing to visit facilities onsite to help with training and make any necessary suggestions for improvement.

- Occupational Health and Safety and Environmental agencies are good sources of information for chemical use and disposal requirements.

- In many places, professionals from facilities in similar industries have established work groups for the purposes of support and information sharing.

How do I ensure that chemical disposal procedures are compliant with laws and regulations?

Talk to your chemical suppliers. Suppliers should be able to readily provide critical data and information on material hazards and how to control them. Many local and national governments maintain web sites on which chemical handling and disposal regulations are detailed. Also, contacting local environmental offices for guidance will often result in an offer of a site visit by a government official who can help you determine whether your disposal procedures are adequate and effective.

It is also critical that you contract only with licensed hazardous waste transportation and disposal contractors. Before selecting a vendor, review their compliance history and their current licenses and permits. You should then regularly evaluate their performance by reviewing waste disposal documentation (manifests) and by performing vendor audits.
Case Study
Protecting Workers and the Environment

Chemicals are widely used in supply chains and can have negative effects on the health and wellbeing of the workforce. PPE is essential to ensure hazardous materials are properly used and contained.

For Delbanco Meyer & Company, improvements in Health & Safety can only be reached by achieving a relationship of trust between supplier and customer. Delbanco has worked to improve standards with a Chinese supplier, Kushan Yuhua Embroidery Company, who specialises in traditional hand embroidery techniques.

Grease stains on embroidery can be removed by applying a toxic compound, which is especially dangerous to women. The issue was discovered as workers were observed spraying the solvent without proper ventilation or necessary PPE.

“As a customer, I couldn’t simply tell them this was wrong, or insist on an expensive corrective action. The short-term solution was to suggest spraying took place in a separate ventilated room and to provide masks that were cheap,” says Linda Hyldgaard, CSR Manager at Delbanco Meyer.

In 2005, Delbanco started implementing third party audits. Workers, upon inspection, were found to not be using the protective masks supplied, which were left unused in drawers. The audit highlighted the need for Health & Safety procedures and training. The factory’s HR team appointed an employee to take responsibility for Health & Safety, and training related to PPE was introduced. The factory management understood they needed to raise worker awareness of the chemicals being used.

Regular visits to the site have helped gained the factory’s confidence. Through their partnership, they have established a long-term investment in training in Health & Safety and instilled a sense of responsibility amongst the workers.

“To be successfully integrated into the factory’s standard practice, standards need to not be time consuming, complicated or expensive. Essentially, it is about building mutual trust and understanding.”

Delbanco Meyer & Company Limited is a major supplier of household textiles including quilts, pillows and bed linen. To find out more about Delbanco Meyer, visit their website at http://www.delbanco.com/

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Resources and Guidance

The following organisations, websites and documents provide additional information on hazardous materials:


☑ SMETA Corrective Action Guidance: https://www.sedex.org.uk/sedex/go.asp?wsfedsession=0

☑ International Labour Organization: http://www.ilo.org/ilolex/cgi-lex/convde.pl?R156

☑ Ethical Trading Initiative (ETI)
  
  • ETI Base Code: http://www.ethicaltrade.org/resources/key-eti-resources/eti-base-code
  
  • ETI Base Code Appendices: http://www.ethicaltrade.org/resources/membership-resources/eti-base-code-appendices

☑ United States Occupational Safety and Health Administration (OSHA): http://www.osha.gov/SLTC/hazardoustoxicsubstances/index.html


☑ European Community REACH: http://ec.europa.eu/environment/chemicals/reach/reach_intro.htm

Signposts to Training


• ILO: http://www.itcilo.org/en/training-offer

Key Terms

• **Hazardous Material**  Any substance that presents a risk to workers, property, or the environment.

• **Chemical Hazard Controls**  Policies, procedures, and systems for identifying and limiting/eliminating chemical hazards accidents or injuries.

• **Material Safety Data Sheet (MSDS)**  Document that contains critical information about a material, including physical data (such as melting points, boiling points, flammability), reactivity data, details on toxicity, health effects from exposure, first aid measures in case of exposure, PPE required, and additional information on safe storage, handling, and disposal.

• **Personal Protection Equipment (PPE)**  Equipment issued to workers that protects their health and safety when coming into contact with hazardous materials. Examples include rubber gloves, eye protection, rubber boots, aprons, filtered breathing masks or respirators.
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Chapter 2.6

WORKER HEALTH
Worker Health
What does it mean?

One way to help create a successful and efficient business is to protect your workers’ health. You can do this by making sure workers have access to good medical care while at work and in the community, and also by promoting good health practices through worker health programs.

Many companies use some kind of potentially dangerous or hazardous material. Whether using alcohol, oil, grease, or more hazardous chemicals like benzene or spot removers, every precaution should be taken to protect employees working with or around these substances.

The health and wellness of your employees is extremely important, and the best way to prevent worker health problems is to promote healthy practices through education and outreach. You also have to consider the needs of those at risk in your community and among the workforce, like young workers, pregnant employees, nursing mothers and workers with disabilities or special health needs.

A company also cannot discriminate in hiring or make an employment decision based on a worker’s medical condition or status, unless absence of a particular condition or infection is legally mandated job requirement.

A socially and environmentally responsible company makes sure that none of its policies and practices negatively impact workers’ health and that they encourage healthy living.

This section will help you check whether there a risk of not meeting these standards in your current business operations and, if so, how to put controls in place to make sure your worker health risks are understood and properly managed.

Benefits
Why should you do it?

Respecting and promoting worker health will help you meet legal requirements, avoid penalties, protect your workers’ well-being, and meet your customers’ requirements.

There can also be business benefits, such as:

a) Less time and money lost due to worker illness.
b) Increased worker satisfaction and company image in the community.
c) Improvement in worker productivity.
d) Attracting new customers through involvement in community health promotion.

Requirements
What do you need to do?

ETI Base Code Clause 3

3.1 A safe and hygienic working environment shall be provided, bearing in mind the prevailing knowledge of the industry and of any specific hazards. Adequate steps shall be taken to prevent accidents and injury to health arising out of, associated with, or occurring in the course of work, by minimising, so far as is reasonably practicable, the causes of hazards inherent in the working environment.

3.2 Workers shall receive regular and recorded health and safety training, and such training shall be repeated for new or reassigned workers.

Relevant ILO Conventions

C42: Workmen’s Compensation (Occupational Diseases) Convention (revised) 1934, requires that compensation shall be payable to workmen incapacitated by occupational diseases.
C77/78: Medical Examination of Young Persons (Industry/Non-Industrial Occupations) Conventions, 1946, state that young persons under eighteen years of age shall not be admitted to employment unless they have been found fit for the work on which they are to be employed by a thorough medical examination.

C121: Employment Injury Benefits Convention, 1964, requires that employment injury benefits shall protect all employees, including apprentices, in the public and private sectors, including co-operatives, and, in respect of the death of the breadwinner, prescribed categories of beneficiaries.

Other International Standards and Guidelines

R97 Protection of Workers’ Health Recommendation, 1953, recommends that all appropriate measures should be taken by the employer to ensure that the general conditions prevailing in places of employment are such as to provide adequate protection of the health of the workers concerned.

R112 Occupational Health Services Recommendation, 1959 recommends that occupational health services are provided for the purpose of “contributing to the establishment and maintenance of the highest possible degree of physical and mental well-being of the workers.”

R171 Occupational Health Services Recommendation, 1985 states: “surveillance of the workers’ health should include...all assessments necessary to protect the health of the workers...”

Universal Declaration of Human Rights: Article 25 (1): “Everyone has the right to a standard of living adequate for the health and well-being of himself and of his family, including food, clothing, housing and medical care and necessary social services, and the right to security in the event of unemployment, sickness, disability, widowhood, old age or other lack of livelihood in circumstances beyond his control.”

Achieving and Maintaining Standards

How do you do it?

You can best meet standards by using a systems approach. In other words, you add controls to the processes you already use to run your business. And you make sure your policies and procedures are designed to ensure that:

- Job applicants are not disqualified because they are pregnant or infected with HIV or hepatitis-B.
- Young workers are assigned only to non-hazardous jobs and tasks.
- Workers are provided adequate medical care and treatment if they are hurt or become ill on the job.
- Workers are provided with legally required medical examinations.
- Workers are offered and participate in wellness and well-being activities.
- Routine health surveillance is provided for workers who work with chemicals or in noisy areas.

It is important that you also regularly monitor your processes and controls to make sure they are working.
Having a healthy workforce starts with knowledge and prevention. Effective worker health programs go beyond making sure workers are taken care of if they become ill or injured on the job. Educating workers and their families on good health practices helps to promote healthy living in the community. Worker involvement in well-being and wellness activities, like blood drives and immunisations, help workers learn and also connects the company to the local community.

Refer to other chapters in this workbook for details on controlling health hazards associated with:

 ✓ Food and Water — See Housekeeping and Hygiene
 ✓ Chemicals — See Hazardous Materials

 Your company policies regarding worker health should include the following:

 ✓ Commitment to provide prompt access to appropriate health care for all occupational injuries and illnesses.
 ✓ Commitment to provide workers with required pre-employment and regular medical examinations and medical testing.
 ✓ Commitment to protect the health of at-risk workers, such as young workers, pregnant workers, nursing mothers and workers with disabilities and other medical conditions.
 ✓ Statement that the company will enrol workers in any required social insurance or health care programs.
 ✓ Statement that the company does not discriminate in hiring or employment decisions based on medical status or pre-existing conditions, like disabilities, HIV/AIDS, hepatitis, or pregnancy.

✓ Commitment to educating workers, their families, and the community on staying healthy.

Procedures (practices)

Management should assign a responsible person (or department) to make sure the above policies are carried out through the following practices:

 ✓ Procedures to ensure that workers have immediate access to necessary medical attention using either on site medical services or in the local community.
 ✓ Program to provide and maintain a sufficient number of first aid kits, as required by local regulations or approximately one first aid kit for every work area. Kits must be:
   - Clearly visible (indicated by a sign)
   - Readily accessible (never locked or blocked)
   - Regularly inspected and restocked as needed
   - Provided with adequate supplies

 ✓ Larger companies should have a professionally

 Stocking First Aid Kits

When deciding how to stock your first aid kits, always check local legal requirements and make sure your first aid supplies are appropriate for the types of injuries that might happen at your company. In general, first aid kits should contain the following items:

 ✓ Sterile adhesive dressings (of varying sizes)
 ✓ Sterile wound dressings
 ✓ Gauze bandages
 ✓ Disinfectant/antiseptic agent
 ✓ Scissors
 ✓ Safety pins
 ✓ Sterile eye pads
 ✓ Eye-wash bottle
 ✓ Disposable latex gloves
staffed medical clinic (with a doctor, nurse, or other professional) that is:

- Clearly identified and in a central or otherwise easily accessible location.
- Equipped to treat the types of injuries and medical emergencies likely to occur given the company’s operations.
- Kept clean and sanitary.
- Open and staffed whenever workers are present.

The company must make sure that at least one trained first-aider is available on all work shifts for every 100 workers.

Recruitment, selection and hiring procedures that ensure that workers must not be discriminated against in hiring or employment decision-making based on medical condition, pregnancy, or disability.

Procedures to provide workers with the needed medical exams and tests, which are often legally required, as follows:

- Pre-employment examinations
- Regular examinations and medical testing based on job assignment and exposure to work hazards (like chemicals or dust)
- Post-employment examinations
- Special examinations for employees at greater risk, like young workers
- Seasonal screening for illnesses common in the community (like the flu or dengue fever)

A process to ensure that young workers and workers with other medical needs are employed with consideration for their condition (such as job assignment and hours worked, or providing seating for pregnant workers).

Ensuring that workers are enrolled in required social insurance or health care schemes.

A program for the company to identify health needs among its workers and their families and the community and to provide health promotion and education activities that address the identified needs.

A program to provide or sponsor wellness and well-being activities, such as blood pressure monitoring, flu vaccinations, health fairs, blood drives and fitness programs.

Please see the other chapters of this workbook covering Hazardous Materials and Housekeeping and Hygiene for more specific procedures on identifying and controlling workplace health hazards.

Best Practice

**Identifying Medically Trained Personnel**

It is important that workers know which of their co-workers are formally trained in first aid. To make this obvious to workers, you can:

- Post photos of the workers
- Have these workers wear a unique badge or armband
- Mark their workstations

Medical emergency response is more efficient if workers know who to find when help is needed.

Communication and Training

You should use the following methods to make sure your employees are aware of policies and procedures:

- Provide training programmes for new managers and supervisors and newly hired workers on your company’s policies and procedures on worker health.
Promoting Worker Health

It is important that the company encourage workers and their families to lead healthy lives. Healthy workers have fewer absences and are more productive. There are several ways the company can do this:

- Serve healthy and balanced meals in the cafeteria
- Post prevention information on illnesses or diseases prevalent in the community
- If the company has a smoking area, post information about the serious health risks of smoking
- Offer flu shots for workers
- Eliminate standing water on company property to reduce diseases carried by mosquitos
- Offer blood pressure screening at the company.

Documentation and Records

Meeting standards requires proper documentation. You will need to keep the following on file on your company premises:

- A record of all first aid kits, their contents and their locations.
- Records indicating that first aid kits are regularly inspected to make sure they are stocked with all needed supplies that have not expired.
- List of workers formally trained in first aid and their training certificates. Make sure the list is kept updated as new workers are trained.
- Records showing that required medical exams and medical screening have been conducted.
- List of nearby, professionally staffed medical facilities.

Best Practice - Getting Involved in the Community

To support the community in which you do business, the company can get involved in community health and wellness activities. There will be many options, and your workers can also tell you which health causes are most important to them. Some examples include:

- Blood drives have the company host one
- Fundraising workers can participate in events that raise money for research, such as a cure for cancer
- Health Fairs see how the company can support one, perhaps by donating goods, services, or workers’ time
- Volunteering staff and workers could donate their time for health education or other outreach activities
Documents and records demonstrating that required social insurance and health care schemes are available to workers.

Documentation listing workers who are prohibited from performing certain tasks or jobs due to health risks (for example, pregnant workers should not handle certain chemicals), and showing that workers have received the required medical examinations.

Monitoring

You will need to check if your worker health policies are being followed and that the controls to make sure your company is meeting code and legal requirements are effective. The following steps can be used to evaluate and improve the effectiveness of your programs:

1. **Monitor and report on key performance indicators (KPIs)** to identify actual and potential problems, including:

   ✓ Regularly review worker feedback related to the administration of your company’s worker health policies.

   ✓ Establish and monitor KPIs for your worker health procedures so that you can measure their effectiveness on a continuous basis. For example, you could track the percentage of young workers who were provided annual medical examinations, or the number of workers who participate in health promotion activities.

   ✓ Set goals and objectives for meeting the company’s worker health requirements. For example, a goal might be that “first aid kits are inspected and restocked weekly.” Track if the company is meeting goals and modify systems if goals are not met.

   ✓ Regularly review and revise policies and procedures to keep them relevant and up-to-date.

   ✓ Regularly assess the adequacy of onsite medical services, including the number of available first-aiders.

   ✓ Check to see if medical examinations and screening policies are followed. If you hire more young workers, for instance, make sure these workers receive exams.

   ✓ Watch for illnesses or health problems that are common in the community, and be aware that some illnesses are more prevalent depending on the season, and so require preventative measures.

2. **Investigate problems and analyse why they occurred.** Where data indicates the existence of worker health problems or non-conformities with your company’s worker health policies and customer code(s) of conduct, the company should investigate these conditions to determine their root causes and what can be done to address them.

   ✓ Conduct regular assessments of absenteeism, illness rates and duration of illnesses to make sure worker health programs and procedures are effectively protecting workers, or if additional procedures are needed.

   ✓ Look for common or frequent medical problems among the workforce and then implement the proper controls.

   ✓ Carefully investigate worker feedback and grievances related to worker health.

3. **Work with other departments to identify reasonable solutions.** Take care to develop solutions so that the problem does not reoccur and the solution itself does not create other problems.

   Analyse on a regular basis any suggestions from worker meetings and use the results in adjusting company policies and procedures.
Common Questions

What are some other general measures I can take to improve worker health?

A variety of measures exist to help improve worker awareness of job-related health risks and concerns. Health reminder postings can be posted in each work area. Bulletin boards in central locations are ideal spots for reminders, tips and notices of upcoming trainings and events. Daily departmental meetings also provide a forum for discussing health concerns.

You can also improve worker wellness by making sure job assignments and production schedules support good health. Rotating workers between jobs is a good way to limit exposure to repetitive work and hazardous conditions. For example, you can make sure workers spend as little time as possible in high temperature areas or working with chemicals. You can also offer break areas with cold water, healthy snacks, and a relaxing environment.

What can I do to control the health risks of physically demanding work?

Physically demanding work includes jobs with repetitive, forceful, or prolonged exertions of the hands, frequent or heavy lifting, pushing, pulling, or carrying of heavy objects; and prolonged awkward postures. This work can cause various musculoskeletal illness and injuries. Like any other health risk in the workplace, the best way to deal with it is to see if you can reduce or eliminate the hazard through engineering controls. This could mean using mechanical lifting aids and automated conveyor systems, changing the work process to reduce repetitive work or forceful exertions, changing workstation layout and tool design to improve working postures.

You can also implement administrative controls, such as changing rules and procedures to add more rest breaks, rotate workers across different tasks, or adjust the work pace.

Finally, you can provide workers with Personal Protective Equipment (PPE). But remember that giving workers PPE should not be your first solution, and you should explore this option only after exhausting solutions from engineering and administrative controls.

My company would like to start a health promotion program. Where can I get more information?

Employee health and wellbeing is important to the overall health of a company. When workers are healthier they don’t use sick leave and are working at their best. There are many ways to incorporate a healthy lifestyle into the workplace.

You can begin by contacting an organisation in your area that will help you get started. Health care providers, hospitals and health insurance companies often work with facilities to put on health and wellness training programs, health fairs, and other types of health promotion activities.

An excellent source of information and assistance for community health programs is the International Federation of Red Cross and Red Crescent Societies. You should also contact your local public health department or health ministry to find out what services they provide.

Common Audit Non-compliances from the Sedex Database

The following are the most common non-compliances against this issue. If properly implemented, the guidance in this chapter can help reduce the incidence of these problems:

- First aid kits are not adequately stocked.
- Too few workers are formally trained in first aid.
- Failure to protect the health of pregnant workers.
- Medical supplies are expired.
- Workers are denied the opportunity to leave their post to seek treatment for illness.
- Young workers not provided with the legally required medical exams.

Sedex provides a document with suggested possible corrective actions following a SMETA audit. This is available to Sedex members only in the Sedex Members Resources section:
Sedex Corrective Action Guidance
Case Study

Worker Health: Preventing discrimination of infected workers

People living with HIV/AIDS suffer discrimination and stigmatisation, which threaten rights at work, undermining efforts to provide prevention, treatment, care and support.

Westfalia Ltd in Limpopo, South Africa, was experiencing the impact of running a business within a community ravaged by HIV/AIDS. When Dorcus Molomo joined as Human Resources Manager in 2005, her first task was to oversee an investigation into the business risks.

"We sensed something was wrong before we started the study. Absenteeism rates were high, and the number of workers ill or dying was escalating. As turnover increased, so did our training costs, with all the extra induction training we had to provide."

The company was losing skilled workers, union officials were dying and the quality of products and services was becoming compromised.

The first step was to develop an HIV/AIDS policy and code of conduct, which states the fundamental principles of providing confidentiality and security for affected workers.

"The policy clearly states that staff will be disciplined for discriminating against anyone who is infected, or gossiping about other peoples' status. The ultimate sanction is dismissal."

The company decided to provide anti-retroviral treatment to all infected employees along with free testing, vitamin and immune boosters. With support from the Waitrose Foundation, the company's health clinic now employs full-time nurses and a counselor who provide pre- and post-test counseling, as well as ongoing counseling for HIV positive workers.

As well as providing regular training and education, the company runs annual awareness weeks, where "Health Ambassadors" (workers who have publicly disclosed they are infected) give health talks, encouraging fellow workers to come forward for tests. The message is that they can't discriminate against someone with HIV, if they don't know their own status.

"We are proud of what we have achieved so far. Crucially, HIV/AIDS is no longer something that people are afraid to talk about. People are very involved and aware about the need to protect their status."

Westfalia Ltd is a South African supplier of avocados and citrus fruits to European supermarkets. To find out more about Westfalia, visit http://www.westfalia.co.za/.

Sedex is always looking for new case studies. If you have a best practice example case study that you would like to be featured, please send it to ccontent@sedexglobal.com.
Resources and Guidance

The following organisations, web sites and documents provide additional information on Worker Health:

- SMETA Corrective Action Guidance: [https://www.sedex.org.uk/sedex/go.asp?wsfedsession=0](https://www.sedex.org.uk/sedex/go.asp?wsfedsession=0)
- International Labour Organization: [http://www.ilo.org](http://www.ilo.org)
- Ethical Trading Initiative (ETI): [http://www.ethicaltrade.org](http://www.ethicaltrade.org)
  - ETI Base Code: [http://www.ethicaltrade.org/resources/key-eti-resources/eti-base-code](http://www.ethicaltrade.org/resources/key-eti-resources/eti-base-code)
  - ETI Base Code Appendices: [http://www.ethicaltrade.org/resources/membership-resources/eti-base-code-appendices](http://www.ethicaltrade.org/resources/membership-resources/eti-base-code-appendices)
- UK Health and Safety Executive: [http://www.hse.gov.uk](http://www.hse.gov.uk)

Signposts to Training

Key Terms

- **Worker Health**: Making sure workers stay healthy through regular medical examinations, medical screening, and access to medical care.

- **Medical Examination**: A check on a worker’s health performed by a medical professional. These are often required for all workers, but are especially important for young workers, workers performing hazardous work, and workers with medical conditions.

- **Medical Screening**: Testing for medical problems before the person develops any symptoms of an illness or medical disorder.

- **Health Fair**: An interactive educational event designed to provide basic preventive medicine and medical screening, such as blood pressure monitoring and cholesterol checks, to people in the community or employees at work in conjunction with workplace wellness. These events are typically offered in the community, at work sites or schools. A variety of vendors and exhibitors educate workers, their families and community members on all aspects of health, wellness, fitness and lifestyle improvements.
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Chapter 2.7

HOUSEKEEPING & HYGIENE
Housekeeping & Hygiene

*What does it mean?*

Every workplace is safer when it is kept **clean and sanitary**. Your workers spend many hours each day at the company where they have to drink water, eat their meals, and use the toilet facilities. It is important that company premises are kept clean enough so workers and therefore your business stay healthy and successful.

*Housekeeping and workplace hygiene* means providing adequate sanitation and hygiene facilities that are regularly cleaned and maintained so they do not pose a health and safety risk to employees.

Workers need to have potable drinking water that is safe to drink, sanitary toilet facilities, safe food prepared in sanitary kitchens and served in clean canteens, and a work environment that is otherwise kept hygienic.

Performing **regular housekeeping** and maintenance helps you identify potential issues and take preventative action before problems develop. Good housekeeping practices also help you control problems by eliminating tripping hazards, making sure floors are never slippery and keeping exit routes clear.

A socially responsible company makes sure that none of its facilities and practices create a situation where workers are at risk due to poor housekeeping and workplace hygiene.

This section will help you check whether there a **risk** of not meeting these standards in your current business operations and, if so, how to put **controls** in place to make sure your housekeeping and workplace hygiene needs are understood and controlled.

**Benefits**

*Why should you do it?*

Maintaining good workplace housekeeping and hygiene will help you meet legal requirements, avoid penalties, protect your workers’ health and safety and your business assets, and meet your customers’ requirements.

There can also be **business benefits**, such as:

- a) Improved workplace efficiency
- b) Less time and productivity lost due to worker illness
- c) Decrease in workplace accidents and associated costs
- d) Improved company image

*Having an effective housekeeping and hygiene program helps you control the chemical, physical, and biological sources of worker illness, injury, and discomfort in the workplace.*

*Keeping your company and company grounds clean can reduce the risk of disease, insect infestation, food and water-borne illness, and other threats to worker health and your business.*
ETI Base Code Provision 3

3.1 A safe and hygienic working environment shall be provided, bearing in mind the prevailing knowledge of the industry and of any specific hazards. Adequate steps shall be taken to prevent accidents and injury to health arising out of, associated with, or occurring in the course of work, by minimising, so far as is reasonably practicable, the causes of hazards inherent in the working environment.

3.3 Access to clean toilet facilities and to potable water, and, if appropriate, sanitary facilities for food storage shall be provided.

Relevant ILO Conventions

C120 Hygiene (Commerce and Offices) Convention, 1964, requires that all premises used by workers, and the equipment of such premises, shall be properly maintained and kept clean.

C155: Occupational Safety and Health Convention, 1981, requires employers to ensure that, so far as is reasonably practicable, the chemical, physical and biological substances and agents under their control are without risk to health when the appropriate measures of protection are taken.

C161 Occupational Health Services Convention, 1985, states that all members must develop progressively occupational health services for all workers, including those in the public sector and the members of production co-operatives, in all branches of economic activity and all undertakings. The provision made should be adequate and appropriate to the specific risks of the undertakings.

Other International Standards and Guidelines

ILO R120 Hygiene (Commerce and Offices) Recommendation, 1964

ILO R164 Occupational Safety and Health Recommendation, 1981

The right to water and sanitation is implicitly included in Article 11.1 of the International Covenant on Economic Social and Cultural Rights, recognising “the right of everyone to an adequate standard of living for himself and his family, including adequate food, clothing and housing, and to the continuous improvement of living conditions”.

Achieving and Maintaining Standards

How do you do it?

You can best meet standards by using a systems approach. In other words, you add controls to the processes you already use to run your business. And you make sure your policies and procedures are designed to ensure that:

- Slips, trips and falls from wet, oily or cluttered working and walking surfaces are avoided.
- There are no blocked or hard-to-access exit facilities as a result of improper storage in aisles, hallways and staircases.
- Potable water is available at all times for workers.
• Workers do not get ill from contaminated drinking water.
• There are an adequate number of toilet facilities for workers.
• Washing and toilet facilities are sanitary.
• Food storage and preparation facilities are kept sanitary to prevent food-borne illness.
• There are no infestations of insects or rodents in food storage and living areas.

It is important that you also regularly monitor your processes and controls to make sure they are working.

### Policies
*(rules)*

Your company policies on housekeeping and hygiene should include the following:

- Company commitment to maintaining a clean and sanitary work environment.
- Commitment to provide an adequate number of sanitary and properly maintained toilet facilities.
- Commitment that workers will be provided with unrestricted, 24x7 access to potable drinking water.
- Commitment that food preparation, eating, and serving areas will be kept clean and sanitary.
- Commitment to ensure that exit aisles and stairwells are never used for temporary or permanent storage of any materials, products or waste.
- Statement that all working and walking surfaces will be kept free of slipping and tripping hazards such as water and oil leaks, dust and debris.

### Procedures
*(practices)*

You should assign a responsible person (or department) to make sure your policies are carried out. This includes:

- Communicating your policies to all managers, supervisors and workers.
- Meeting regularly with managers and supervisors responsible for production and facilities maintenance to oversee implementation.
- Monitoring and reporting all complaints and management responses related to housekeeping and sanitation.
- Performing an annual review of the implementation status of your housekeeping and sanitation policies and procedures.

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### 5S ‘Making Housekeeping a Habit’

- **Sort**
  - Eliminate all the things in the workplace that are not being used and store them away

- **Set in Order**
  - Arrange the items used on a daily basis so that they can be accessed and stored quickly

- **Shine**
  - Ensure everything is clean and functioning properly

- **Standardise**
  - Develop a routine for sorting, setting and shining

- **Sustain**
  - Create a culture that follows these steps daily
Your facility housekeeping and sanitation procedures should include:

- Ways to track and understand laws and regulations on housekeeping and hygiene.
- Ensuring an adequate number of toilets for both male and female workers, based on the number of workers and local regulatory requirements.
- A regular maintenance program for toilet facilities to ensure that they are:
  - Kept clean and sanitary
  - Working properly
  - Separated by gender
  - Sufficiently private
  - Able to meet cultural norms (like provision of wash facilities) if needed for religious observances
- Ensuring that hand washing facilities are provided for all toilet facilities, in food preparation and eating areas, and all other areas where workers may touch hazardous or infectious substances.
- A program to provide clean drinking water that is:
  - Freely accessible in all working and eating areas and in worker accommodation at all times.
  - Sufficient for the size of the workforce
  - Tested regularly to make sure it is potable
- Ensuring that food preparation, storage, and canteen facilities are kept clean and sanitary. This means:
  - Food storage (food lockers, refrigerators and freezers) must be in compliance with local law, and food must always be kept in a way that prevents spoilage or illness
  - Food preparation areas are kept clean and hygienic
  - Eating areas are kept clean and hygienic
  - Keeping these free of rodents and insects
- Cooks and other food handling and preparation staff must be medically certified according to local law.
- A program of regular housekeeping, such as using ‘5S’ (best suited to factory settings), to ensure that floors, sidewalks and all other walking and working surfaces are kept free of:
  - Spills and leaks that result in slips and falls
  - Debris and improperly stored tools and materials that can cause tripping and falling
- Regular inspection and housekeeping of all aisles, hallways and stairwells to make sure workers can exit the facility quickly and safely in an emergency.
- A program of regular cleaning and disinfection to prevent other potential health problems such as dust, mould, and mildew.
- A process to keep the facility and grounds free from insect or animal infestation (for example, making sure there is no standing water that could be a breeding ground for insects that spread disease).
- A program to properly segregate and dispose of food and sanitary waste.

**Best Practice**

**Routine Housekeeping**

As part of the company’s overall housekeeping program, make all workers responsible for basic housekeeping of their work area.

At the end of every shift, they should make sure tools are put away, workstations are not cluttered, scrap material is cleaned up, rubbish is thrown away properly and dust is swept up.

Assigning these basic tasks to all company employees will go a long way toward keeping your company cleaner and safer.
Communication and Training

You should use the following methods to make sure your employees are aware of your housekeeping policies and procedures:

- Provide training programs for new managers and supervisors, and newly hired workers on your company’s policies and procedures on housekeeping and hygiene.

- Display company policies and any laws relating to housekeeping and hygiene in a language that workers understand.

- Provide relevant information to employees, such as worker handbooks or supervisor training material. This information should explain the factory rules and procedures on housekeeping and hygiene, and include feedback and grievance processes available to employees.

- Post housekeeping responsibilities in each work area/workstation.

- Train all workers who are involved with equipment or materials that require special hygiene controls to perform these jobs safely, such as facilities maintenance employees, cooks and food handlers.

Documentation and Records

Meeting standards requires proper documentation. You will need to keep the following on file on your company premises:

- Inspection records for aisles, corridors and all exit facilities that verify they are maintained free of obstructions or storage that could prevent workers from exiting safely in an emergency.

- Records of maintenance for toilet facilities demonstrating that company housekeeping and hygiene requirements are checked and consistently met.

- Records of drinking water testing for chemical and biological contaminants to make sure it is safe to drink.
Records demonstrating that food preparation, storage, and eating area housekeeping and hygiene requirements are checked and consistently met.

Records showing that food handling and preparation workers are medically certified if legally required.

Waste handling, segregation, and disposal records.

Written records to show that supervisor and worker training on housekeeping and hygiene has been completed, including for general training orientation for all worker and training for specific jobs.

Set goals and objectives for meeting the company’s housekeeping requirements. For example, goals might be that ‘toilet facilities are always stocked with hand soap’ or ‘workstations are swept for dust daily, and vacuumed weekly.’ Track if the company is meeting goals and modify systems if goals are not met.

Regularly review and revise policies and procedures to keep them relevant and up-to-date.

2. Investigate problems and analyse why they occurred. Where data indicates the existence of non-conformities with your company’s housekeeping and hygiene policies and customer code(s) of conduct, the company should investigate these conditions to determine their causes and what can be done to address them.

Conduct regular assessments of the housekeeping and hygiene hazards in all facility areas and make sure procedures are effectively protecting workers, or if additional procedures are needed.

Regularly inspect toilets, drinking water and food preparation, storage, and eating facilities to make sure your housekeeping policies are followed and control procedures implemented.

Carefully investigate worker feedback and grievances related to housekeeping and hygiene.

3. Work with other departments to identify reasonable solutions. Take care to develop solutions so that the problem does not recur and the solution itself does not create other problems.

Analyze on a regular basis any suggestions from worker meetings and use the results to adjust company policies and procedures.

Integrate good housekeeping and hygiene practices into job descriptions. Make general and job-specific housekeeping practices, like keeping workstations clean, part of each worker’s responsibility.

Integrate oversight of good housekeeping and hygiene practices into the job descriptions of supervisors and managers.
Common Questions

What is the best way to ensure that business conditions are generally kept clean and hygienic?

You have to employ a variety of methods:

- Create a list of housekeeping and hygiene requirements that are needed to meet legal, code, and customer requirements.
- Develop a regular maintenance plan.
- Prioritise areas for regular monitoring and checks. For example, toilets may need to be cleaned daily and checked to make sure they are stocked with soap.
- Once the plan is created, a manager or supervisor, or a group of the same, should be designated and required to monitor conditions on a daily, weekly, monthly, or yearly basis, according to requirements.

What are some measures I can take to make sure that workers keep their general work area clean?

Accidents and injuries can occur as a result of worker indifference to workplace cleanliness and hygiene. To encourage workers to take part in regular cleaning and maintenance of their work areas, train them such that they understand the health and safety risks of failing to do so.

Prominently post posters and instructions about how workers can help keep the company clean. Centrally located bulletin boards can also include posted reminders of cleaning needs, perhaps on a regular, rotational basis. Morning production meetings present good opportunities to remind workers of workplace hygiene needs and rules as well.

In a factory setting, implementing a formal system, such as 5S, can make housekeeping a regular part of production management and a formal part of every worker’s job.

Most workers are very eager to avoid accidents, injuries, or illness and should be willing partners to keep things clean, if made aware of what is at stake.

Common Audit Non-compliances from the Sedex Database

The following are the most common non-compliances against this issue. If properly implemented, the guidance in this chapter can help reduce the incidence of these problems:

- Kitchens not sanitary.
- Dust build-up on machines and floors.
- Worker slips due to wet or damp flooring.
- Drinking water that is unsafe to drink.
- Toilet facilities that are not stocked with hand soap or toilet paper.
- Standing water on factory grounds.

Sedex provides a document with suggested possible corrective actions following a SMETA audit. This is available to Sedex members only in the Sedex Members Resources section: Sedex Corrective Action Guidance.
Case Study

Housekeeping and Hygiene: Cleanliness and Orderliness

Occupational Health & Safety is required to prevent injuries and diseases related to work, and to protect the physical and mental health of employees.

Famar takes a strict approach to Health & Safety through continuous training and obligatory personal protective equipment (PPE) use. The site produces liquid and semi-liquid pharmaceutical products and so proper standards are vital.

“In the past some of the housekeeping staff did not follow the safety instructions that were provided (use of yellow cones) in such way to protect employees from slipping due to the wet surfaces. Issues of chemical cleaning materials management, storage and proper labelling were also important to address,” says Chris Messologitis, Corporate HSE Manager, Greek Operations, Famar.

All employees and contract cleaning staff were trained in the new CLP labelling and chemical management and the appropriate PPE were provided in accordance to the legislation requirements. In a recent audit by customer Perrigo, Famar was found to have high levels of cleanliness and tidiness. All fire equipment, eye wash stations and evacuation points were properly placed and signposted. PPE was provided and first aid kits were available, and the facility had established a system where spill kits materials were placed near exits, to enable quick collection for use in the outside area.

There was controlled access to the flammable chemicals warehouse, separate from the main production site. Famar had also implemented extra support for equipment in case of earthquakes. Management had detailed risk assessments for all processes and an action plan was being continuously developed to improve processes relating to HR management and employees’ Health & Safety.

A document is in place and Famar employees report any hazards they observe or cases where they felt they might have had an injury. From the reporting, an improvement action plan is implemented. The ‘no injuries’ objective is reported and posted through the use of a ‘red-amber-green’ communication system highlighting recent daily hazard at the site.

“A continuous communication on sharing incidents from other sites, the employees’ commitment to change their work behaviour and on the job training, are some of the actions that makes the difference and improvements to minimise incidents at workplace.”

“Perrigo UK recognises Famar as an example of a Best Practise Supplier with regards to standards. The recent SMETA audit demonstrates commitment and enthusiasm in this respect, specifically with regard to Health & Safety,” says Danielle Coletta, CSR Project Manager, Perrigo UK.

Famar S.A. is one of Europe’s leading providers of contract manufacturing and development services to the pharmaceutical and health and beauty industry. To find out more about Famar, visit http://www.famar.gr.

Sedex is always looking for new case studies. If you have a best practice example case study that you would like to be featured, please send it to content@sedexglobal.com
Resources and Guidance

The following organisations, websites and documents provide additional information on housekeeping and hygiene:

- SMETA Corrective Action Guidance: [https://www.sedex.org.uk/sedex/go.asp?wsfedsession=0](https://www.sedex.org.uk/sedex/go.asp?wsfedsession=0)
- International Labour Organization: [http://www.ilo.org](http://www.ilo.org)
- Ethical Trading Initiative (ETI): [http://www.ethicaltrade.org](http://www.ethicaltrade.org)
  - ETI Base Code: [http://www.ethicaltrade.org/resources/key-eti-resources/eti-base-code](http://www.ethicaltrade.org/resources/key-eti-resources/eti-base-code)
  - ETI Base Code Appendices: [http://www.ethicaltrade.org/resources/membership-resources/eti-base-code-appendices](http://www.ethicaltrade.org/resources/membership-resources/eti-base-code-appendices)
- European Union Agency for Health and Safety at Work:

Signposts to Training

- US Food and Drug Administration:
  - [http://www.fda.gov/Food/FoodSafety/RetailFoodProtection/IndustryandRegulatoryAssistanceandTrainingResources/ucm124134.htm](http://www.fda.gov/Food/FoodSafety/RetailFoodProtection/IndustryandRegulatoryAssistanceandTrainingResources/ucm124134.htm)
- ETI: [http://www.ethicaltrade.org/training](http://www.ethicaltrade.org/training)
Key Terms

- **5S:** The name of a workplace organisation method that uses a list of five words that all start with the letter "S". The list describes how to organise a work space for efficiency and effectiveness by identifying and storing the items used, maintaining the area and items, and sustaining the new order. One goal of 5S is improved Health & Safety. Clear pathways between workbenches and storage racks can minimise accidents, as can properly swept floors.

- **Industrial Hygiene:** The anticipation, recognition, evaluation, and control of factors in the workplace that may cause illness, impaired health and well-being, or worker discomfort.

- **Housekeeping:** Maintaining upkeep and general cleanliness and sanitation at the company.

- **Potable Water:** Water that has been tested for dangerous and/or toxic chemicals such as lead or bacteria and has been certified to be safe for drinking.
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Chapter 3.1

ENVIRONMENTAL MANAGEMENT SYSTEMS
Environmental Management Systems

What does it mean?

A management system is the set of interdependent policies, processes, and procedures that a company uses to achieve its business objectives, which include environmental responsibility.

A management system also serves to continuously improve key business processes and outcomes to meet core strategic goals. An Environmental Management System is how a company effectively controls its environmental aspects to prevent both short-term and long-term adverse environmental impacts.

Environmental management is an important business objective and a regulatory requirement. An effective Environmental Management System balances these requirements with running a successful business.

To be successful in this approach, we:

- Describe the possible unintended environmental outcomes of policies and procedures that are meant to achieve business objectives.
- Identify operational controls to manage or avoid these unwanted outcomes.
- Show how to monitor and measure the effectiveness of your controls to ensure you meet standards.

This section will help you check whether there is a risk of not maintaining essential management system elements in your current business operations, and if so, how to put controls in place to make sure you meet standards.

Benefits

Why should you do it?

Building responsibility for environmental protection into your business management system will help you stay within the law, avoid penalties and meet your customers’ requirements.

There can also be business benefits, such as:

a) Improving your company’s image and reputation.

b) Achieving both your business and environmental performance objectives.

c) Improved community relations.

d) Less time spent on audits.

e) Cost savings through improvements in system efficiency.

Advantages of a Management System approach

Effective management systems strengthen your company’s ability to:

- Develop suitable policies and plans.
- Implement the appropriate operational control processes.
- Identify the necessary human and financial resources.
- Continually improve performance.

Note: The approach described in this chapter is similar to those described in Labour Management System, Health & Safety Management System, and Business Ethics Management System.
Requirements

What do you need to do?

Although there is no ETI Base Code Clause that specifically addresses Environmental Management, Sedex recommends that its members and suppliers adopt a management system approach to environmental management, much like that used for occupational health and safety.

ETI Principles of Implementation

The ETI has also established the following Principles of Implementation to help suppliers use a management system approach in applying the Base Code:

1. Commitment (policy, communication, resources, strategy).
2. Integration with core business practices (supplier selection, terms of agreements, internal buy-in).
3. Capacity Building (worker awareness, effective industrial relations).
4. Identifying problems in the supply chain (risk assessing and sharing, monitoring and evaluation, worker complaint mechanisms).
5. Improvement actions (enabling remediation, time-bound remediation, tackling root causes).
6. Transparency (fair and accurate reporting, response to violations).

Other International Standards and Guidelines:

- ISO 14001 is an international environmental management system specification modelled after ISO 9000 (Quality Management Systems). It includes criteria for an Environmental Management System that enables an organisation to control its significant environmental aspects and improve its performance. It does not specify performance criteria, but describes system elements, including:
  - Establishing an environmental policy that includes commitments to regulatory compliance, pollution prevention and continual improvement.
  - Determining the environmental aspects that have or can have a significant impact on the environment.
  - Establishing environmental objectives and targets.
  - Assigning resources, roles, responsibility and authority.
  - Providing competence, training and awareness.
  - Communication, documentation and recordkeeping.
  - Establishing operational controls.
  - Emergency preparedness and response.
  - Monitoring and measuring.
  - Evaluation of compliance.
  - Taking corrective and preventive action.
  - Internal audits.
  - Management review of system performance.
The EU Eco-Management and Audit Scheme (EMAS) is a management tool for companies and other organisations to evaluate, report and improve their environmental performance. The ISO 14001 Environmental Management System requirements are an integral part of EMAS (Annex II). However, EMAS takes into account additional elements to support organisations that continuously improve their environmental performance, including:

- Proof of full legal compliance.
- Active involvement of employees and their representatives.
- Open dialogue with external stakeholders.
- External reporting is on the basis of a regularly published environmental statement.

United Nations Framework Convention on Climate Change (UNFCCC or FCCC), 1992; also see two important protocols for this convention contained in the Kyoto Protocols on Climate Change, 1997, and the United Nations Copenhagen Agreement on Climate Change, 2009.


ISO 50001 is a standard describing how to establish an energy management system, including how to incorporate energy awareness into daily operations.

- The risks in current business processes that could lead to environmental compliance issues are evaluated and controlled.
- Processes are in place to ensure that the facility is operating according to legal and customer requirements.
- Company management is aware of significant environmental aspects that could lead to environmental damage or degradation.
- Preventive actions are taken to prevent the same environmental issues from occurring repeatedly.
- Workers are properly trained on the potential environmental impacts associated with their jobs.
- The company continually improves its environmental performance.

It is important that you also regularly monitor your processes and controls to make sure they are working.

A systems approach is ‘self-correcting.’ It will enable you to make sure that all legal and customer requirements are being consistently met.

Policies (rules)

Your company should have an environmental policy that includes the following:

- A written statement, publicly available, that clearly defines your company’s approach to managing environmental issues. This should include commitments to:
  - Adhering to all customer requirements, including customer-specific codes of conduct.
  - Regulatory compliance.
  - Pollution prevention

Achieving and Maintaining Standards
How do you do it?

You can best meet standards by using a systems approach. In other words, you add controls to the processes you already use to run your business. And you make sure your policies and procedures are designed to ensure that:

- Company management is aware of legal and customer requirements regarding environmental issues.
Continual improvement in environmental performance.

The scope of the policy should include, at a minimum, all of the following topics:

- Waste
- Water
- Pollution
- Emissions
- Raw Materials
- Energy and Climate
- Renewable Energy
- Biodiversity
- Emergency preparedness and response

Please refer to the workbook chapters that specifically cover these topics.

The policy should be signed by the most senior manager of the facility or company.

Procedures
(practices)

Management should assign a responsible person (or department) with documented roles, responsibilities and authority to make sure your policy commitments are achieved, that regulatory compliance is maintained and that environmental standards are met. This includes:

- Communicating your policies to all managers, supervisors, and workers.
- Making sure that all managers and employees of the company have clearly defined roles and responsibilities for carrying out your environmental policy.
- Meeting regularly with managers and supervisors responsible for production, maintenance, and other business functions to oversee the implementation of your environmental programmes, procedures and improvement objectives.
- Working with the company’s worker-management environmental management committee to make sure that identified environmental issues are addressed.
- Monitoring and following up on all concerns and issues related to the implementation of environmental policies and procedures.
- Performing an annual review of your management system to make sure it is effective and achieving your objectives, and to make any required adjustments.
- A formal process for workers, managers, supervisors, suppliers, and customers to anonymously report any concerns regarding the implementation of environmental policies.

Your environmental and other business function procedures should include:

- Ways to track and understand environmental laws, regulations, and customer requirements.
- A process to identify the risks in your business processes that could lead to violations of environmental standards.
- Documented environmentally responsible operational practices.
- Programs for the design, installation, and maintenance of environmental controls, such as air emissions control equipment and wastewater treatment systems.
- Documented programs for segregation and disposal of waste products, waste minimisation, recycling and reuse of reusable materials, and energy conservation.
- A formal process to screen and select your suppliers based on their ability to meet your policies and environmental standards.
- A formal process for workers, managers, suppliers and customers to anonymously report any concerns about the implementation of your company’s policies.

Each of the environmental chapters in this workbook describes in more detail the procedures needed for specific environmental issue areas.
Best Practice – Efforts in the Community

Environmental responsibility goes beyond meeting regulatory and customer requirements. Your company can set a good example for other businesses by operating in an environmentally responsible manner and by reaching out to the community on important local environmental issues. Look for opportunities to become involved in local community environmental initiatives, with schools, the local government, universities, and NGOs.

Communication and Training

You should use the following methods to make sure your employees are aware of your environmental policies and procedures:

- Provide introductory training for new managers, supervisors, and newly hired workers on your company’s environmental policies and procedures.
- All employees must be provided with environmental training and information on the environmental aspects and impacts of their jobs using classroom training, on-the-job training, written materials, and work area postings.
- Current employees must receive environmental training on an on-going basis and when they change jobs or responsibilities.
- Make sure the training covers all applicable environmental laws and regulations.

- Display environmental policies and local legal requirements in areas where workers will see them and in a language they understand.
- Communicate the company’s environmental requirements, as well as the laws and standards, to the company’s suppliers using your website, in contract terms and conditions, and during periodic meetings.
- Communicate the company’s grievance procedures and explain how to report concerns related to how environmental policies are carried out.

Documentation and Records

Meeting standards requires proper documentation. You will need to keep the following on file on your company premises:

- Copy of your environmental policy signed by senior management.
- Copies of all applicable laws and the facility’s legal responsibilities for environmental compliance.
- Copies of key environmental procedures, such as waste prevention, minimisation and disposal, operation and maintenance of pollution control equipment, energy conservation, and others as described in the environment chapters that follow.
- Environmental committee meeting minutes, action items, and attendance records.
- Environmental corrective action plans and reports, including documented evidence of hazard control improvements made.
- Copies of internal and third party audit reports and inspection reports by regulatory agencies.
- The topic-specific documents listed in the other environment chapters of this workbook.
Involve Workers in the Company’s Environmental Efforts

It is likely that you will employ many environmentally conscious workers. Topics like recycling, pollution control, and reducing human impact on the environment may already interest them, and could be issues they’d like to get involved with through the company. Don’t hesitate to utilise the knowledge, skills, initiative, and expertise of your workers to broaden the company’s efforts and outreach in the community on the environment.

1. Audit your system to identify actual and potential problems meeting laws and standards. Audits can be performed by trained and qualified internal staff or by external auditors - including from your own customers.
   - Self-audits should be performed annually to determine if you are meeting legal and customer requirements.
   - Any identified issues should be evaluated to determine their underlying cause(s) and action plans established to put in place corrective and preventive actions.
   - The person or department that oversees matters related to environmental systems should also be assigned to monitor trends. This person can then identify and/or anticipate problems and coordinate with other managers or departments to develop solutions that address concerns and prevent them from recurring.

2. Establish and track key performance indicators (KPIs) to measure how well your management processes and procedures are working on an ongoing basis.
   - Regularly survey workers to measure their satisfaction with environmental policies and practices.
   - If there is a worker-management environmental committee, use regular meetings and minutes to gather evidence of problems discussed and to inform the development of action plans.
   - Measure training effectiveness and learning retention by testing workers immediately after training, and using follow-up worker questionnaires three to six months after training.

3. Investigate problems and analyse why they occurred. When a situation arises that indicates the existence of non-conformance with company environmental policies and customer code(s) of conduct, the company should investigate the causes, not just the condition, and what can be done to address them.
   - Every environmental incident and ‘near miss’ is an opportunity to improve your procedures and other controls. Incidents should be investigated to find the underlying causes and develop action plans to make improvements that will prevent a recurrence of the same incident. Actions should also aim to prevent similar incidents throughout the business.
   - If your internal audit finds the same or similar environmental issues repeatedly, it could mean that your process to identify and assign responsibility for putting in place corrective and preventive actions is not working.
   - Similarly, if you have taken action but are still not meeting standards, it could mean that the corrective actions (controls) themselves are not effective and need to be improved.

KPIs should also be established and tracked for consumption of energy and raw materials, for example, amount of energy consumed per unit of goods produced.

Routinely monitor the achievement of your improvement objectives in order to stay on track.
Work with other departments to identify reasonable solutions. Take care to develop solutions so that the problem does not recur and the solution itself does not create other problems.

- More than one functional department is often responsible for environmental issues and performance. Solutions to problems may involve, for example:
  - Human Resources for the hiring of workers with different qualifications.
  - The Training Department for improvement of new-hire environmental orientation.
  - Internal auditors who monitor problems.
  - Supervisors to monitor the implementation of policies every day.

When identifying a solution to an environmental problem, work with all departments and personnel involved. Be sure to make use of the expertise of staff and workers alike, and use a mix of people to ensure that all problems and potential problems are identified and none are overlooked.

Common Questions

Do I need a separate management system for environment?

No. The most efficient way to apply a management system approach to meeting environmental standards is to use your current business management system, which can be easily adapted to help your company meet environmental and other social responsibility standards. You should evaluate your current processes for production, maintenance, and training to make sure you have the right controls in place.

Of course, once you have put the necessary controls in place, you will need to do regular checking (monitoring) to be sure they are effective.

Will a management system require a lot of documentation and other complexity?

This is a very common concern, but an environmental management system does not need to be any more formal or complex than the system you use to manage your business. For example, a procedure can be as simple as a short list of what is to be done, by whom, and how often. Environmental regulations themselves can get quite complicated, so your system must be at least detailed enough to meet those requirements.

As for records, you only need to maintain items that are needed to verify that you are meeting standards, such as inspection and maintenance records, emissions monitoring data, training records, audit reports, and permits.

My company has a certified Quality Management System. Can we use this system for environment?

Yes. In fact, any company that has a formal management system, such as ISO 9001, can integrate it to manage compliance to environmental standards rather than creating a separate environmental management system. The risk assessment, regulatory tracking, training, communication, auditing, corrective action, and other elements of these systems can very easily be adapted for environmental management.
What is Plan-Do-Check-Act?

Plan-Do-Check-Act is a way of describing a management system to show how risks are controlled and how processes and performance are continually improved.

**Plan** means to identify requirements (laws and standards), evaluating risks that may prevent you from meeting those standards, and establishing policies, objectives, and processes needed to meet standards and achieve objectives.

**Do** means assigning responsibilities, implementing your policies and procedures, training, and communicating.

**Check** is making sure that you are achieving your objectives and meeting standards. This involves measuring performance using Key Performance Indicators (KPIs), performing audits, surveying workers and community members, and other ways to evaluate how you are doing.

**Act** is taking corrective and preventive actions when your results are different from your goals, such as when audits find non-compliances. This step also includes a regular review by senior management of the suitability and effectiveness of your overall system. Outcomes and decisions from that review are used to Plan system improvements.
Case Study
A Systems Approach to Raw Material Sustainability

A business with an effective Environmental Management System will take into account environmental and sustainable criteria when sourcing raw materials.

According to WRAP (Waste and Resources Action Plan), an organisation set up to promote re-use and recycling, the construction industry is the UK’s largest user of natural resources and annually produces around one-third of the UK’s waste.

Display specialist Octink, acknowledged as one of the UK’s greenest companies by the Sunday Times Green List for three years running from 2009-11, is using an ISO 14001 system approach to help its clients become more sustainable and reduce the amount of waste sent to landfills across all company services: design and artwork, project management, production, installation and delivery, maintenance, reclaim and recycling.

Will Tyler, Chief Executive of Octink, says: “As well as protecting the environment, there is a clear financial case for reducing landfill waste. The 2010 UK Budget announced that the standard rate of landfill tax would increase by £8 per tonne from April 2011 until at least 2014; that’s a net increase of around 20% per year. Cutting back on waste makes good business sense.”

Octink was the first company in the display industry to pioneer a complete recycling service: R3 Recover-Recycle-Reuse. Signage is made out of recyclable materials so that when it is no longer needed it can, for a small fee, be collected and recycled. Some items are even recycled into new display material in a ‘closed loop’ process. As well as saving money, clients who use R3 receive a report showing how much they have recycled to support their green credentials.

Taking sustainability a step further, Octink has been appointed as the sole distributor in the construction and retail sectors for GreenHoard®, the UK’s first 100% sustainable hoarding system. Manufactured from recycled steel and plastic, and fully compliant with British Standards, it can be reused and recycled time and time again, providing a superior alternative to a traditional timber and plywood hoarding. For its contribution to sustainability in the construction industry, GreenHoard® received the 2011 Construction Recycling Alliance (CRA) Innovation Award.

“GreenHoard® offers the most sustainable solution ever achieved for a construction hoarding. It is not only a high quality green product, but in the long term is expected to deliver significant cost savings,” comments Will Tyler.

Octink is a leading display specialist working in signage, large format print, interiors and event branding. To find out more about Octink, visit: http://www.octink.com/.

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Resources and Guidance

The following organisations, websites, and documents provide additional information on Environmental Management Systems:

- SMETA Corrective Action Guidance: https://www.sedex.org.uk/sedex/go.asp?wsfedsession=0
- Ethical Trading Initiative (ETI):
  - ETI Base Code: http://www.ethicaltrade.org/resources/key-eti-resources/eti-base-code
  - Principles of Implementation: http://www.ethicaltrade.org/resources/key-eti-resources/principles-implementation
- United States Environmental Protection Agency (EPA), for Business: http://www.epa.gov/epahome/business.htm
- UN Convention on Biological Diversity: http://www.cbd.int/
- ISO 14000: http://www.iso.org/iso/iso_14000_essentials/

Signposts to Training

Key Terms

- **Corrective Action:** The implementation of a systemic change or solution to make an immediate and on-going remedy to a non-compliance.

- **Environmental Aspect:** An element of a company’s activities, products or services that can interact with the environment, such as electricity use or solid waste disposal.

- **Environmental Impact:** A change in the environment (good or bad) resulting from the company’s activities and environmental aspects, such as air pollution or groundwater contamination.

- **Management System:** The framework of policies, processes, and procedures used to ensure that an organisation can fulfil all tasks required to achieve its objectives.

- **Preventive Action:** The implementation of a systemic change or solution designed to prevent the recurrence of the same or similar issues elsewhere in the facility.
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Chapter 3.2

WASTE
**Waste**

**What does it mean?**

**Waste** means any by-product, unused material, or trash from company operations. Every company creates some kind of waste. A proper waste management program that includes reusing, reducing, and recycling waste helps reduce impact on the environment and lowers costs for the company.

The most important goals of a company’s waste management program are to eliminate or minimise waste where possible and to properly treat and/or dispose of all waste materials.

Many companies also produce waste that is hazardous, like empty chemical containers or oily rags. Hazardous waste must be **segregated**, or separated, from other waste and stored safely at the company site prior to being taken offsite for safe legal treatment and disposal.

A socially responsible company makes sure that none of its practices create a situation where the environment is harmed or where workers and members of the community are harmed as a result of improper management of waste.

This section will help you check whether there is a **risk** of not meeting these standards in your current business operations and, if so, how to put **controls** in place to make sure your waste materials and their associated risks are understood and controlled.

**Benefits**

**Why should you do it?**

Implementing an effective waste management program, including handling, storage, recycling and disposal will help you meet legal requirements, avoid penalties, and protect your workers’ health and safety, and the environment. There can also be **business benefits**, such as:

- a) Lower costs by increasing efficiency - reducing and reusing materials needed for company operations.
- b) Decreased waste disposal costs.
- c) Revenue generated by selling waste materials for recycling.
- d) Improved environmental performance.
- e) Enhanced company reputation and brand image.

The separation, treatment, and proper disposal of waste materials represent good management practice for environmental health and safety.

In addition to protection of your workers’ health and of the environment, safe waste disposal is also always covered by local laws and regulations that the company must follow.
Requirements
What do you need to do?

ETI Base Code

The ETI Base Code does not specifically address waste and waste management. However, Clause 3, ‘Working Conditions are Safe and Hygienic’ applies to ‘specific hazards’ associated with waste.

3.1 A safe and hygienic working environment shall be provided, bearing in mind the prevailing knowledge of the industry and of any specific hazards. Adequate steps shall be taken to prevent accidents and injury to health arising out of, associated with, or occurring in the course of work, by minimising, so far as is reasonably practicable, the causes of hazards inherent in the working environment.

Relevant ILO Conventions

C170: Chemicals Convention, 1990, requires employers to ensure that all chemicals used at work are labeled and that chemical safety data sheets have been provided and are made available to workers and their representatives; and that only chemicals which are identified and assessed and labeled are used and that any necessary precautions are taken when they are used.

R177 Chemicals Recommendation, 1990 (No. 177), recommends that as far as is reasonably practicable, the competent authority should compile and periodically update a consolidated list of the chemical elements and compounds used at work, together with relevant hazard information.

Other International Standards and Guidelines state:

- ISO 14001, Section 4.3.1 Environmental Aspects: The organisation shall establish, implement and maintain a procedure(s):
  a) To identify the environmental aspects of its activities, products and services within the defined scope of the environmental management system that it can control.
  b) To determine those aspects which have or can have significant impact(s) on the environment (that is to say, significant environmental aspects.)

- The European Community program REACH (Registration, Evaluation, Authorisation and Restriction of Chemical substance) provides an international regulatory framework and system for the industrial management of chemical substances, including hazardous waste.

Waste Management Options

Achieving and Maintaining Standards
How do you do it?

You can best meet standards by using a systems approach. In other words, you add controls to the processes you already use to run your business. And you make sure your policies and procedures are designed to ensure that:

- You properly dispose of hazardous waste.
- Workers are not exposed to chemical hazards from improper storage or handling waste.
- You do not dispose of waste materials that can be recycled or reused.
• Hazardous waste materials are not stored near work areas, worker accommodation or food storage.
• There is no soil or groundwater contamination from improper waste storage and disposal.
• You are not fined for improper transportation and disposal of waste.

It is important that you also regularly monitor your processes and controls to make sure they are working.

Hazardous Waste Management
Hazardous waste can be dangerous to workers and the environment. If your company generates hazardous waste, make sure you:
✓ Identify all types of hazardous waste.
✓ Assess the health and safety risks and environmental impacts associated with each.
✓ Develop procedures for the safe handling, storage, transportation and disposal of hazardous waste and train workers accordingly.
✓ Use only licensed and approved hazardous waste vendors for waste transportation and disposal.
✓ Implement response plans to address accidental discharge, worker exposure and other accidents.
✓ Monitor the effectiveness of your program and makes improvements as needed.

✓ Statement that the company will prevent and minimise waste generation whenever possible.
✓ Commitment to reuse or recycle materials whenever possible.
✓ Commitment to control the health and safety risks associated with hazardous waste, and that the company will dispose of hazardous waste safely and properly.
✓ Statement that company will train all workers on waste policies, and the safe handling and disposal of general and hazardous waste.

Procedures
(practices)
Management should assign a responsible person (or department) to make sure the above policies are carried out. This includes:
✓ Communicating your policies to all managers, supervisors and workers.
✓ Meeting regularly with managers and supervisors responsible for waste material storage, transportation and disposal to oversee implementation.
✓ Reviewing company operations to determine how the facility can prevent or minimise the generation of waste. Set objectives for waste recycling, minimisation and elimination.
✓ Monitoring and reporting all complaints and management responses related to the issue of waste.
✓ Performing an annual review of the implementation status of your waste policies and procedures.

Your environmental procedures should include:
✓ Ways to track and understand laws and regulations on waste management, including any government permitting requirements.
✓ A program to ensure that you comply with all applicable laws and regulations governing waste management. The program should
include obtaining the required permits and following permit conditions. An individual or department should be made responsible for waste management regulatory compliance.

✔ Processes to segregate your facility’s different waste streams to enable reuse, recycling and proper disposal. This could include installing waste segregation bins throughout the company site to separate recyclables, materials for reuse, ordinary trash, and hazardous waste.

✔ A program to recycle waste materials whenever possible. This includes reviewing all regularly purchased items to see which can be recycled or replaced with recyclable alternatives. Set annual objectives for recycling.

✔ Define the process to ensure that hazardous waste materials are properly identified, segregated from other materials and stored safely. This means the materials are:
   - Kept in sealed, approved containers. Containers should always remain covered and closed.
   - Labelled in a language workers understand and using internationally accepted hazard symbols.
   - Stored away from drinking water facilities, food preparation and storage areas, canteens, and worker accommodation.
   - Stored in specially designed cabinets, rooms or outdoor areas that contain any leaks using secondary containment.
   - Stored by hazard class to prevent the accidental mixing of incompatible materials. This means never storing materials that when mixed would react to create a toxic gas, explode, or some other dangerous reaction.

✔ If you use third party contractors to dispose of your waste, make sure they are licensed and qualified to do so. Hazardous waste should only be hauled away by a licensed, third-party company specialising in disposal of hazardous materials at a controlled site.

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**Best Practice**

**Environmentally Friendly Alternatives**

One of the best ways to reduce or eliminate the risks presented by hazardous waste materials is to switch to less toxic or more environmentally friendly materials. Stay updated on the latest developments in your industry to see if non-toxic or more environmentally responsible substances and materials are available.

Handling and having hazardous waste hauled off the company site is expensive, so even if these alternative materials cost more, you might still be saving money by switching to an alternative.

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**Communication and Training**

You should use the following methods to make sure your employees are aware of policies and procedures:

✔ Provide training programmes for new managers and supervisors, and newly hired workers on your company’s policies and procedures on waste management.

✔ Provide all workers with the company’s written policies covering waste materials.

✔ Communicate company policies and procedures on waste materials to suppliers, visitors, vendors, and third-party contractors.

✔ Prominently display company policies and any laws relating to waste management in a language that workers understand.
Many materials you use at your company can be recycled. Check with your waste disposal vendor(s) to find out what specific materials can be taken for recycling. You can typically recycle:

- Paper and cardboard, like office paper or packing materials from your warehouse.
- Plastic containers, like empty water or food containers from your cafeteria.
- Metal and glass cans, like from your company’s beverage vending machines.
- Metal production waste, like copper wire or metal shavings.
- Waste from old electronics.

Review your company’s operations and the waste materials generated carefully to take advantage of all recycling opportunities at the company.

### Documentation and Records

Meeting standards requires proper documentation. You will need to keep the following on file on your company premises:

- Records of permits, third-party assessments, government inspections, and other documentation to demonstrate legal compliance.
- Records of regular internal monitoring, like for waste volumes, leak inspections, and waste storage areas inspections.
- Records showing how the company is performing against its waste prevention, minimisation, recycling, and disposal goals.
- Copies of all laws related to hazardous and non-hazardous waste handling and disposal.
- A list of all types and quantities of hazardous waste produced at the company. Detail the hazards associated with each, the proper usage and storage processes, the type of materials (to check compatibility with other materials), the means of disposal of each waste type, and the type and occasions of safety training for each worker.
- Records to show that worker training on waste prevention, minimisation, recycling, segregation, and disposal has been completed.

### Monitoring

You will need to check whether your waste management policies are being followed and that the controls to make sure your company is meeting code and legal requirements are effective. The following steps can be used to evaluate and improve the effectiveness of your programs:

1. **Monitor waste management practices and conditions** to identify actual and potential problems in meeting company requirements and laws and standards:
The following are the most common non-compliances against this issue. If properly implemented, the guidance in this chapter can help reduce the incidence of these problems:

- Non-compliance with local and international environmental laws and regulations.
- Inadequate waste disposal systems.
- Lack of a recycling policy at the site.
- Inadequate documentation for waste disposal.
- Site did not measure the effects of its environmental impacts, such as disposal of waste.

Sedex provides a document with suggested possible corrective actions following a SMETA audit. This is available to Sedex members only in the Sedex Members Resources section: Sedex Corrective Action Guidance.

Common Audit Non-compliances from the Sedex Database

2. Investigate problems and analyse why they occurred. Where data indicates the existence of non-conformities with your company’s waste management policies and customer code(s) of conduct, the company should investigate these conditions to determine their causes and what can be done to address them.

- Regularly review monitoring data, such as waste storage area inspection reports, hazardous waste manifests and audit reports of hazardous waste vendors to identify where your policies and procedures are not being followed or are not effective so you can correct the problem.

- Stay up to date on the latest research and information on the risks presented by the waste materials generated at the company.

- Examine company performance on waste prevention, minimisation, and recycling to identify and implement improvements.

- Use any incident reports of improper waste handling, such as leaks and spills, as an opportunity for performance improvement.

How does waste management relate to management systems I already have in place, like for ISO 14001 or OHSAS 18001?

Effective waste management procedures are key components of an ISO 14001 Environmental Management System. Your experience using ISO 14001 will be useful in implementing proper waste management procedures. In fact, waste minimisation, prevention, and recycling are critical to ISO 14001. Waste disposal, in particular hazardous waste disposal, can be a company’s significant environmental aspect and must therefore be addressed either through operational controls or improvement objectives.

How can I make sure that my company’s waste disposal procedures are compliant with laws and regulations?

There are many public and private sources that can help. Be sure to thoroughly review the laws and regulations that apply to your company, since the fines and penalties for harming the environment through improper waste management practices can be significant.
Talk to your suppliers, clients, or third-party consultants. Material suppliers especially should be able to readily provide critical data and information on material hazards and how to control leftover waste. They can also help you select alternative materials that are less hazardous, are recyclable, or can be re-used.

Many local and national governments maintain websites on which waste handling and disposal regulations are detailed. Also, contacting local environmental offices for guidance will often result in an offer of a site visit by a government official who can help you determine whether your storage and disposal practices are adequate and effective. Material Safety Data Sheets (MSDS) for hazardous materials can also provide information on safe disposal.

**How do I know which waste is hazardous?**

Always research the hazards of specific substances used on site. In general, chemical wastes have the following characteristics (often more than one):

- **Reactivity**: the waste will react with other incompatible substances, creating a fire, poisonous gas, or otherwise becoming more toxic.

- **Flammable or combustible**: the waste could catch fire or explode.

- **Corrosive**: the waste could destroy or corrode another surface, particularly metal surfaces. Corrosive substances must be properly stored in the correct containers to avoid accidents.

- **Toxic**: the waste is poisonous.

Make sure you are aware of your company’s hazardous waste characteristics, since different hazard classes will require different engineering controls, storage requirements, exposure prevention, Personal Protective Equipment (PPE), and handling/disposal procedures. This information can be obtained from Material Safety Data Sheets, government environmental agencies or from licensed hazardous waste disposal companies.
Case Study

Amcor-Danone collaboration to reduce total life cycle impacts

Demand for natural resources continues to increase, yet as many are becoming increasingly scarce, companies need to manage their consumption and processes to work to promote resource efficiency. Not only does this help ensure the best use of raw materials, avoid waste to landfill and cut CO2 emissions; it can also improve efficiency and cut costs.

The contribution of packaged products to the overall well being of our world, and the challenge of minimising the inherent impacts of their production and consumption, are becoming increasingly important to consumers in their everyday lives. As a result, brand owners, retailers, industry bodies, governments and local communities are more invested in packaging’s sustainability.

Amcor’s approach to sustainability is about more than just the sustainability of the packaging itself. In general, if a product is spoiled, ruined or lost, far greater resources are wasted than those invested in the packaging alone. Responsible packaging protects the product, keeping it clean, fresh, safe and secure, without over-packaging or under-packaging.

“Responsible packaging reduces waste across the supply chain by protecting products and extending their shelf life”, says Amcor Ltd. Director of Group Sustainability Andy Jones.

Amcor takes a total Life Cycle Approach (LCA), and has implemented tools to systematically evaluate and improve packaging sustainability from concept to consumer. Amcor assesses sustainability throughout the life cycle of the packaged product, from design and development, through raw material sourcing, manufacturing, distribution and use to recycling/disposal.

Working closely with customers, Amcor’s global network of sustainability specialists explores various options, including incremental improvements, down-gauging (reducing material thickness), optimisation of production processes, redesign of existing packaging and new, more sustainable packaging concepts. In 2010/11 Amcor completed more than 800 life cycle assessments.

“We work closely with our customers to evaluate their product range to find improvement opportunities that help them achieve their packaging sustainability objectives, and meet the expectations of their customers and other stakeholders”, says Amcor Flexibles Sustainability Leader Dr. Gerald Rebitzer.

Amcor has a long history of working collaboratively with customer Danone to optimise packaging and minimise total life cycle impacts. This relationship was formalised in 2009 under the ‘Danone Carbon Pact’—an initiative committing suppliers to a duty of transparency and actions to reduce carbon footprint.

The collaborative approach between Amcor and Danone has resulted in substantial improvements in total life cycle carbon footprint, resource use, water consumption and other environmental impacts. For instance, Amcor and Danone recently collaborated to reduce the life cycle impact of yogurt cup lids and labels, resulting in reduced use of paper and plastic and improvements in resource efficiency.

Amcor is a world leading packaging manufacturer producing a broad range of plastic, fibre, metal and glass packaging related products and services for beverages, food, healthcare, personal and homecare, tobacco, and industrial applications. To find out more about Amcor, visit http://www.amcor.com.

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Resources and Guidance

The following organisations, websites, and documents provide additional information on waste management:


Signposts to Training

- US EPA, Professional Training for Waste Management: [http://www.epa.gov/osw/education/train.htm](http://www.epa.gov/osw/education/train.htm)
- United Nations Environment Program (UNEP):
Key Terms

- **Recyclable Waste**: Material that can be processed for reuse, like paper or plastic containers. This is done with recycling and replacement programs, which comprise policies and procedures for reducing or eliminating waste by-products for the purpose of cost reduction, environmental protection, resource management, and community and internal health and safety.

- **Hazardous Waste**: Any waste or by-product material or substance that presents a risk to workers, property, the surrounding community, or the environment.

- **Material Safety Data Sheet (MSDS)**: Document that contains critical information about a material, including physical data (such as melting points, boiling points, flammability), reactivity data, details on toxicity, health effects from exposure, first aid measures in case of exposure, PPE required, and additional information on safe storage, handling, and disposal.
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Chapter 3.3

RAW MATERIALS
Raw Materials

What does it mean?

Raw materials are unprocessed resources from nature that a company uses to make a product, such as latex, cotton, crude oil, wood, or metal. The growing, extraction, and sourcing of these materials often have a significant impact on the environments from which they come.

It is important that companies source raw materials in a way that preserves their sustainability, meaning that the resource will be available for the future. Activities such as clearing forests for agriculture or grazing of animals can damage ecosystems and make it impossible to continue deriving resources from the land. Also, large scale mining or failure to reuse or recycle metals makes it more likely that the supply of ore will be exhausted.

For a business, raw materials are necessary for the sustainability and health of the company, and without them, the business would not exist. By striving for sustainability and environmental protection, companies are protecting their business assets. Companies do this first through environmental management, or responsible stewardship of the environment to maintain healthy ecosystems. Secondly, companies must practice consumption management, which involves controlling the amount of the raw material that is used, and making the entire production process more sustainable.

A socially responsible company makes sure that none of its policies and practices create a situation where raw materials sourcing or use harms the environment or adversely impacts the sustainability of raw material supplies.

This section will help you check whether there a risk of not meeting these standards in your current business operations and, if so, how to put controls in place to make sure your materials sustainability challenges are understood and controlled.

Benefits

Why should you do it?

Maintaining responsible raw materials sourcing and use practices will help you meet legal requirements, protect the environment, avoid penalties, protect your business assets, and meet your customers’ requirements.

There can also be business benefits, such as:

☑ Long-term sustainability and health of the business.
☑ Decreased costs for waste disposal, energy and packaging.
☑ Confidence in the long term availability of needed raw materials.
☑ Improved company reputation and image gained through environmental responsibility.
Requirements

What do you need to do?

International Standards and Guidelines

There are many international agreements and standards that provide a framework for international environmental law covering sustainability. Internally accepted management system frameworks will also help you manage your company’s raw materials supply chain responsibly. Key examples are:

- ISO 26000 (2010), Contains guidance on the sustainable use of resources:
  
  Section 6.5.4, Environmental issue 2: Sustainable resource use, states: To ensure the availability of resources in the future, current patterns and volumes of consumption and production need to change so that they operate within the earth’s carrying capacity. The sustainable use of renewable resources means that they are used at a rate that is less than, or equal to, their rate of natural replenishment. For non-renewable resources (such as fossil fuels, metals and minerals), long-term sustainability requires that the rate of use be less than the rate at which a renewable resource can be substituted for it. An organisation can progress towards sustainable resource use by using electricity, fuels, raw and processed materials, land and water more responsibly, and by combining or replacing non-renewable resources with sustainable, renewable resources, for example, by using innovative technologies.

- Efficiency in the use of materials: An organisation should implement materials efficiency programmes to reduce the environmental impact caused by the use of raw materials for production processes, or for finished products used in its activities or in the delivery of its services. Materials efficiency programmes are based on identification of ways to increase the efficiency of raw material use within the sphere of influence of the organisation. Use of materials causes numerous direct and indirect environmental impacts, associated, for example, with the impact on ecosystems of mining and forestry, and the emissions resulting from the use, transport and processing of materials; and,

- Minimised resource requirements of a product: Consideration should be given to the resource requirements of the finished product during use.

- UN Conference on Sustainable Development (UNCSD), June 2012.
- UN Johannesburg Declaration on Sustainable Development, 2002.

- International standards for environmental management systems, such as ISO 14001, address many environmentally responsible practices, such as waste and recycling. Also see ISO 14040 and ISO 14044 for standards on product lifecycle assessments.

Source: Marks & Spencer, Plan A
http://plana.marksandspencer.com/about/the-plan/sustainable-raw-materials/
Achieving and Maintaining Standards

How do you do it?

You can best meet standards by using a systems approach. In other words, you add controls to the processes you already use to run your business. And you make sure your policies and procedures are designed to ensure that:

- Raw materials are sourced from suppliers that practice environmental responsibility and social responsibility.
- A raw material recycling or reuse programme is implemented.
- Products and production processes are not designed to minimise the use of raw materials.
- There is management awareness of how sustainability affects the company.
- You have an ability to procure needed raw materials.
- There is communication with suppliers on environmental sustainability issues.

It is important that you also regularly monitor your processes and controls to make sure they are working.

Policies
(rules)

Your company policies on raw material sustainability should include the following commitments:

- Sourcing of all raw materials in an environmentally responsible way.
- The company considers environmental responsibility and sustainability an integral part of business decision-making.
- Protecting the sustainability of the raw materials used by the company. The policy should state that the company is committed to:

- Preventing and minimising impact on ecosystems, biodiversity, and the environment of the natural systems from which the company obtains, sources, and produces raw materials.
- Conservation of natural resources and raw materials used by the company in the processes to make its products and in the products themselves.
- Prevention and minimisation of pollution, waste, and energy use.

- The company will communicate its environmental sustainability policies, requirements and objectives to all suppliers and to the public.
- Practice consumption management in all company production, sourcing, and product development activities.
- Continually improve the company’s performance in 1) minimising the overall amount of raw materials used, 2) increasing the proportion of responsibly sourced raw materials and 3) increasing the percentage of renewable materials in its products and operations.

More on Sustainability

Good sustainability practices require companies to conserve, recycle, and reuse raw materials as much as possible in company operations. See the Waste, Water, Energy and Climate, Biodiversity, and Renewable Energy chapters in this workbook for further details.
**Procedures (practices)**

You should **assign a responsible person** (or department) to make sure your policies are carried out. This includes:

- **✓** Communicating your raw materials sustainability policies to all managers, supervisors, and workers.
- **✓** Conducting an assessment to determine the potential raw materials sustainability impacts of the company’s products, production methods, buildings, and activities.
- **✓** Meeting regularly with managers and supervisors responsible for raw materials sourcing and production to oversee implementation of your policies.
- **✓** Reviewing the raw materials sustainability programme regularly to determine whether goals are being achieved, and if there are gaps or areas where the company could be doing more.
- **✓** Continuously improving the programme based on the results of your reviews.

Your raw materials sustainability **procedures** should include:

- **✓** A process to alter production processes and company operations to practice consumption management. This means minimising the use of raw materials, and recycling or reusing them whenever possible.
- **✓** Analysing the raw material sustainability risks from company operations and activities in order to prevent and reduce impact. For companies with limited in-house expertise this may require working with consultants, local government agencies or NGOs.
- **✓** A process and requirements to source raw materials in an environmentally responsible way, including working closely with suppliers to maximise the sustainability of resources extracted from the environment.
- **✓** A way to integrate environmental responsibility and raw material sustainability into decision-making on sourcing and supplier engagement.

These should be key factors in choosing suppliers with which to do business, and supplier performance on these issues should be critical to the continuation of business relationships.

- **✓** Designing products and packaging to minimise the use of raw materials and to maximise recycling and reuse.

**Best Practice**

**Use Workers’ Skills and Knowledge**

*Working closely with workers will help you improve your performance on raw materials use and consumption. Since workers perform the processes to make your company’s products every day, they likely have useful suggestions on how to alter these processes to conserve raw materials. On the surface, it might seem like changing production processes will cost more. However, you might find that your company is actually saving money by decreasing energy and material inputs.*

**Communication and Training**

You should use the following methods to make sure your employees are aware of your raw materials policies and procedures:

- **✓** Provide all workers with the company’s written policies covering raw materials sustainability.

- **✓** Regularly communicate with suppliers on environmental and raw materials sustainability. Make sure suppliers are aware that the company considers environmental stewardship as an important aspect of the business relationship.

- **✓** Provide training for suppliers on the company’s environmental and raw materials sustainability policies and requirements. Work closely with suppliers to improve knowledge, skills, and performance.

- **✓** Provide training programmes for new managers and supervisors and newly hired workers on your
company’s policies and procedures on raw materials use and consumption management.

- Train product developers and designers on how to minimise the use of raw materials and utilise recycled or reused materials in the design of new products.

- Display company policies on consumption management in a language that workers understand. Make sure policies and practices are posted at workstations, and that other policies, like for recycling or material reuse, are communicated and displayed company-wide.

**Sustainability – Involve all Stakeholders**

When thinking about sustainability in your raw materials selection and sourcing, remember that there are many stakeholders involved that are internal or external to the company. For example, if you are sourcing an agricultural product, your raw material supply chain might involve the company’s headquarters, multiple company manufacturing sites, regional buyers, local sourcing agents, and finally the smallholder farmers that actually grow your material. All of these actors need to be involved in your sustainability efforts.

Don’t forget to look for help and resources outside of your organisation. There are many government offices, international bodies, and community NGOs that can help you understand environmental issues down to the local level. Working with these groups can help you better understand how to help the businesses and smallholders directly involved in growing and extracting the raw material.

**Documentation and Records**

Meeting standards requires proper documentation. You will need to keep the following on file on your company premises:

- Documentation indicating that raw material suppliers are aware of and have agreed to the company’s requirements on sustainable raw materials extraction, production, and sourcing.

- Records of efforts by the company to monitor raw materials sourcing practices, such as audits, risk analyses, performance evaluations, or other regular assessments.

- A listing of laws, regulations and customer requirements relevant to company operations on raw material sourcing and sustainability.

- Data showing how the company is performing on consumption management, such as documents tracking raw material reductions in product design and production, and the performance of recycling and reuse programmes.

- Written records to show that supervisor and worker training on sustainability and consumption management has been completed, including for general training orientation for all workers and training for specific jobs.

**Monitoring**

You will need to check if your raw materials policies are being followed and that the controls to make sure your company is meeting code and legal requirements are effective. The following steps can be used to evaluate and improve the effectiveness of your programs:

1. **Monitor and report on trends** to identify actual and potential problems, including:

   - Tracking how your raw material sustainability objectives are being achieved, if targets are being met, and whether the overall goals are being realised. Adjust objectives if they are off track, or if changes in company
operations result in new or increased impacts on raw material sustainability.

- Regularly review and revise your raw material sustainability policies and procedures to keep them relevant and up-to-date.

- Establish and monitor key performance indicators (KPI’s) for suppliers on raw materials sustainability and environmental responsibility so that you can measure their effectiveness on a continual basis.

- Establish and monitor KPI’s for consumption management programmes (such as material recycling and reuse) so that you can continually measure their effectiveness at all company sites.

- Set goals and objectives for meeting the company’s raw materials requirements. For example, goals might be that “all cotton will be sourced sustainably in five years," “we will not buy paper from suppliers that fail to practice responsible forestry," or “75% of boxes in the warehouse will be reused." Track if the company is meeting goals and modify systems if goals are not met.

- Regularly review and revise policies and procedures to keep them relevant and up-to-date.

- Regularly meet with suppliers to understand any difficulties or issues they have in implementing your raw materials sustainability policies and practices.

2. Investigate problems and analyse why they occurred. Where data indicates the existence of non-compliances with your company’s raw materials policies and customer code(s) of conduct, the company should investigate these conditions to determine their causes and what can be done to address them.

- Where raw materials KPI’s and assessment data indicates that programmes are not effective or objectives are not being met, perform a root cause analysis to determine why, and then make any necessary changes in your procedures and other controls.

- Use the results of your regular reviews and investigations to implement new controls and improve your raw materials sustainability management programmes.

- Make sure that your suppliers implement corrective actions to address the findings from your assessments of their raw materials sustainability performance.

- Address the issues identified in regular assessments of your company’s raw materials consumption management programmes to make sure procedures are effectively reducing the company’s environmental impact, and that raw materials are used in the most environmentally sustainable way possible.

- Regularly review production processes, raw materials sourcing practices, the use of raw materials at the company, and recycling, reuse, and waste programmes, and address any non-compliances that you find to make sure your raw materials policies are followed and the most effective procedures implemented.

3. Work with other departments to identify reasonable solutions. Take care to develop solutions so that the problem does not recur and the solution itself does not create other problems.

- Creating good raw materials and sustainability practices will require working with departments across the company. Work with production and sourcing departments, for example, to develop solutions and improve your programmes.

- Work closely with suppliers to improve their environmental sustainability practices. Integrate performance in this area in the selection of and business relationships with suppliers.

- Integrate consumption management practices into job descriptions. Make general and job-specific practices, like recycling and reuse, part of each worker’s responsibility.

- Integrate oversight of consumption management and raw material sourcing
practices into the job descriptions of supervisors and managers.

**Common Questions**

**What is a life cycle assessment (LCA)? How can it help me better manage raw materials?**

A LCA could be a very useful tool for your company, and is a way to assess the environmental impacts at all stages of a product’s life—starting with raw material extraction and processing, through manufacturing and distribution, and going all the way to the use and final end-life of the product. A LCA starts by looking at all of the material, energy, and resource inputs for a product, followed by the environmental impacts of these inputs. You can then interpret the results of your analysis to make more informed decisions on raw materials sourcing, how raw materials are used at your company, and how to source and use materials in a more responsible way. Importantly, LCAs cover how a product is used and disposed, meaning your analysis could show you how to make the product more recyclable or reusable, or even how to use less material in its packaging.

What is also useful about this approach is that it considers all inputs into a product, such as energy consumption or water use. Environmental sustainability and consumption management is not simply limited to the materials used to make your company’s products. Energy itself, for example, is a raw material, since its production uses raw materials (such as coal or natural gas). Saving energy during production results in fewer raw materials required in the future for energy production.

For more information, the procedures for a LCA are covered under ISO 14001, and see ISO 14040:2006 and 14044:2006.

**What is sustainable agriculture? What about organic agriculture?**

Numerous raw materials are grown and come from agriculture. Sustainable agriculture is when growing operations improve environmental quality, preserve natural resources, maintain the economic viability of the agricultural operation, and take advantage of natural ecology as much as possible. Organic agriculture avoids the use of synthetic crop protection agents, and relies on natural cycles to grow crops without the use of fertilisers, pesticides, and herbicides that could harm the environment. If your company uses an agricultural raw material, sustainable or organic agriculture practices will help your company improve its raw materials environmental sustainability and performance. Examples include:

- More efficient water use through crop choice and rotation
- Using non-synthetic pesticides and herbicides
- Soil management strategies to prevent erosion
- Avoiding monoculture, or growing one crop in a large amount of land, thereby limiting biodiversity

There are many resources from governments, industry groups, consumer groups, and NGOs that can help you understand how sustainable or organic agriculture could work for your raw materials supply chain. Sustainability and organic agriculture are also increasingly important to consumers, and might be an opportunity for your company to attract new customers and improve business performance.

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**Common Audit Non-compliances from the Sedex Database**

The following are the most common non-compliances against this issue. If properly implemented, the guidance in this chapter can help reduce the incidence of these problems:

- **Non-compliance site with local and international environmental laws and regulations.**
- **Company is/is not aware of legal and customer’s environmental requirements.**
- **Inadequate system for checking environmental performance against relevant laws and customer requirements.**
- **Lack of infrastructure for improving environmental performance.**
- **Inadequate recycling policy at site.**

Sedex provides a document with suggested possible corrective actions following a SMETA audit. This is available to Sedex members only in the Sedex Members Resources section: [Sedex Corrective Action Guidance](#)
Case Study

Raw Materials: Securing supply through education

Challenges around the scarcity of resources, energy and land combined with an increasing demand for them mean that companies need to better manage their supply chains to secure and maximise future supply of their raw materials.

Almost 80% of the world’s vanilla comes from Madagascar. Approximately 80,000 farmers grow it, making it difficult to secure traceable vanilla of a consistent quality.

Givaudan is working with farmers in Madagascar to improve the quantity, quality and traceability of vanilla within the supply chain. It is also committed to improving access to education and helping farmers implement a System of Rice Intensification (SRI), a local staple food, preventing the compromise of agricultural cash crops.

Scott May, Global Vice President, Strategic Materials at Givaudan, says: “As the world changes and the population explodes past seven billion we need to ensure that high-quality raw materials will be available in sufficient quantities in the future.

“Our objective is to support Malagasy farmers with education and by sharing specific sustainable agricultural practices to ensure they can maximise revenues for generations to come.”

Working in an exclusive partnership with a local partner, who has been curing and exporting vanilla from Madagascar since 1911, Givaudan has developed a relationship with growers that offers complete control over the growing, harvesting and curing in exchange for giving the farmers a guaranteed market for their crop.

“We have an agronomist working closely with our local partner to improve vanilla crops. Together they are also helping villagers implement a System of Rice Intensification, to double or even triple the yield of rice, preventing the reliance on expensive imports.”

Givaudan has appointed a local ‘bureau d’étude’ to teach farming practices for the prevention and control of root fungi, as well as the proper maintenance of ‘host trees’ on which vanilla grows.

Givaudan has made a commitment to future vanilla farmers by helping to build 14 new schools by 2014, assisting more than 2,000 families in rural vanilla growing areas. In 2011, new schools were completed in eight villages.

“Not only does investing in educating our vanilla growers help secure future supplies, but the use of designated areas and organic farming practices have also secured completely traceable and certifiable sources of vanilla, increasing the price farmers can achieve for their crop.”

Givaudan is a global leader in the fragrance and flavour industry, supplying food, beverage, consumer goods and fragrance companies. To find out more about Givaudan, visit www.givaudan.com.

Sedex is always looking for new case studies. If you have a best practice example case study that you would like to be featured, please send it to content@sedexglobal.com.
Resources and Guidance

The following organisations, websites and documents provide additional information on raw materials and environmental sustainability:

☑ United States Environmental Protection Agency (US EPA), Sustainable Materials Management: http://www.epa.gov/wastes/conserve/ismm/

☑ US EPA, Sustainability-based Decision-making: http://www.epa.gov/nrmrl/std/decision_making.html


☑ United Nations Environment Programme (UNEP), Ecosystem Management: http://www.unep.org/ecosystemmanagement/


☑ Also see the European Environment Agency’s main webpage for many resources and industry-specific information on environmental protection and sustainability: http://www.eea.europa.eu/themes

☑ United States Department of Agriculture (USDA), Sustainability in Agriculture: http://afsic.nal.usda.gov/sustainability-agriculture-0

Signposts to Training


- SAI Platform: http://www.saiplatform.org/activities/training
Key Terms

- **Consumption Management**: controlling the amount of the raw material that is used, and recycling and reusing all materials whenever possible.

- **Environmentally Responsible**: means 1) procuring materials from suppliers that comply with local and international environmental standards and guidelines, and 2) selecting and using materials that are certified to be sustainably produced, contain fewer toxic materials, minimise waste, contain recycled content, conserve energy and water and contain plant-based materials.

- **Raw Materials**: unprocessed materials extracted from the natural environment that a company uses to make a product. The growing, extraction, and sourcing of these materials often have a significant impact on the environment.

- **Sustainability**: protecting and responsibly using natural resources so they are available indefinitely.
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Chapter 3.4

WATER
There is a severe global shortage of fresh water. Roughly 70% of all water consumed in the world is used for irrigation in agriculture. If your company is involved in agriculture, you can make a meaningful impact on the amount of water that is available for people to drink by adopting water conservation methods, such as drip irrigation, instead of surface irrigation.

Benefits

Why should you do it?

Implementing an effective water management program will help you meet legal requirements, protect the environment, preserve water resources, and meet your customers’ requirements.

There can also be business benefits, such as:

a) Lower water bills by minimising water use.
b) Enhanced reputation in the local community.
c) Ability to attract environmentally conscious customers.
d) Improved long-term financial sustainability of the business.
e) Avoiding fines or regulatory action for water pollution.
Requirements
What do you need to do?

ETI Base Code
The ETI Base Code does not specifically address water management. However, Clause 3, ‘Working Conditions are Safe and Hygienic,’ applies to ‘specific hazards’ associated with wastewater.

3.1 A safe and hygienic working environment shall be provided, bearing in mind the prevailing knowledge of the industry and of any specific hazards. Adequate steps shall be taken to prevent accidents and injury to health arising out of, associated with, or occurring in the course of work, by minimising, so far as is reasonably practicable, the causes of hazards inherent in the working environment.

Relevant ILO Conventions
C170: Chemicals Convention, 1990, requires employers to ensure that all chemicals used at work are labeled and that chemical safety data sheets have been provided and are made available to workers and their representatives; and that only chemicals which are identified and assessed and labeled are used and that any necessary precautions are taken when they are used.

R177: Chemicals Recommendation, 1990 (No. 177), recommends that as far as is reasonably practicable, the competent authority should compile and periodically update a consolidated list of the chemical elements and compounds used at work, together with relevant hazard information.

Other International Standards and Guidelines state:
- ISO 14001, Section 4.3.1 Environmental Aspects: The organisation shall establish, implement and maintain a procedure(s)
  a) To identify the environmental aspects of its activities, products and services within the defined scope of the environmental management system that it can control.
  b) To determine those aspects that have or can have significant impact(s) on the environment (i.e. significant environmental aspects).
- There are several ISO Technical Committees that have either published or are currently developing ISO standards specific to water and wastewater. ISO Technical Committee (TC) 147 addresses water quality, ISO/TC 113 covers groundwater planning and conservation, ISO/TC 23/SC 18 covers irrigation, and ISO/PC 253 covers wastewater reuse for irrigation.
- ISO/CD 14046 is a forthcoming standard on calculating a company’s water footprint.

Becoming a Responsible Water Steward
A Framework for Action
(from the CEO Water Mandate)
Achieving and Maintaining Standards

How do you do it?

You can best meet standards by using a systems approach. In other words, you add controls to the processes you already use to run your business. And you make sure your policies and procedures are designed to ensure that:

- Local drinking water sources are not depleted by excessive use of water.
- You are not depleting bodies of water and waterways used by others for their livelihood, such as fishermen and farmers.
- Storm water is not contaminated due to run-off of hazardous materials.
- There is no excessive fertiliser run-off in agricultural operations.
- Groundwater contamination from leaks and spills of hazardous materials and industrial wastewater.
- There are no sewage pipe leaks.
- You are not fined for improper water and wastewater management.

It is important that you also regularly monitor your processes and controls to make sure they are working.

Incident Response

In the event of a significant water contamination, rapid response is critical to preventing potential environmental damage. Depending on your company's operations, this could be a serious concern. Make sure you have:

- Readily available, trained and properly equipped response teams, including contact names, addresses, and phone numbers.
- Procedures to take immediate response measures for minimising contamination events, including spill containment and clean-up.
- First-aid response measures.
- A list of any government agencies which must be immediately contacted.
- A list of community emergency response organisations with contact information.

Policies (rules)

Your company policies should include the following company commitments to:

- Protect the environment and the local community through responsible use of water resources.
- Conserve and minimise water use in all company operations and at all company sites.
- Adhere to all legal requirements regarding water use and wastewater disposal, including making sure that water is not unnecessarily polluted, contaminated, or irresponsibly handled or discharged.
- Re-use wastewater for other purposes, rather than discharging. For example, treated wastewater can be used for landscaping irrigation.
- Immediately respond to any incidents of accidental water contamination, damage to the environment, or unsafe discharge of water contaminants and wastewater.
Inform the local community and stakeholders of the company’s goals, objectives and progress in responsible water management.

Procedures (practices)

Management should assign a responsible person or department to make sure your policies are carried out. This includes:

- Communicating your policies on water to all managers, supervisors, and workers.
- Meeting regularly with managers and supervisors responsible for water-using processes and wastewater treatment to oversee policy implementation.
- Reviewing company operations to determine how the facility can minimise the use of water and maximise on-site water recycling. Set objectives accordingly.
- Monitoring and reporting all complaints and management responses related to the issue of water management.
- Performing an annual review of the implementation status of your water management policies and procedures.

Your water management procedures should include:

- Programs to conserve water in company operations. Investigate alternate methods of production, different equipment, and opportunities to reuse water onsite. For example, use low water consumption toilets, taps and shower heads.
- A process to regularly check wastewater, sewage, and groundwater conditions to make sure that the company is in compliance with water and wastewater laws and standards. Testing may be legally required depending on the company’s operations.
- A comprehensive water contamination incident response plan. Make sure that you identify all of the potential risks for water contamination, and include response to these incidents in your company’s emergency response procedures.
- A process and controls to ensure that hazardous waste or other contaminants cannot run off into storm water or into the ground when it rains.

- Good water management strategies and practices for agricultural operations. Work with farmers and agriculture suppliers to conserve water and use this limited resource responsibly through such methods as drip irrigation, rain water capture, reduced tillage, and switching to more drought resistant plant species.

Best Practice

Regular Internal Monitoring and Testing of Wastewater

Most businesses receive semi-regular governmental monitoring of waste/ground water and potential contaminants. However, internal monitoring and testing of wastewater contaminants may identify contamination problems in advance of government visits and minimise the extent of contamination. This can also help you minimise the high costs associated with clean-up and response.
**Communication and Training**

You should use the following methods to make sure your employees are aware of your policies and procedures:

- Provide training programmes for new managers and supervisors and newly hired workers on your company’s policies and procedures on water management.
- Provide all workers with the company’s written policies covering water management.
- Communicate company policies and procedures on water management to suppliers, visitors, vendors, and third-party contractors.
- Prominently display company policies and any laws relating to water in a language that workers understand.
- Inform workers of both their job-related and personal responsibilities relating to water conservation.
- Train all workers who are assigned to operations that use water or generate wastewater of the company’s water management requirements and how to do their jobs in a way that protects water and the environment.
- Make sure all workers are informed of the company’s emergency water contamination response policies.
- Workers should receive training detailing how to perform their jobs in a way that eliminates or minimises the risk of groundwater and surface water contamination, and what to do in the event of a contamination emergency, such as a spill or leak.
- Communicate the company’s water conservation policies and goals to all suppliers, especially farms and agricultural suppliers.

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**Best Practice**

**Water Footprint Analysis**

A Water Footprint Analysis looks at water use in all stages of production and use. Conducting one will show you the impacts of the company’s water use, where water is used the most, and will help you identify ways to conserve water. At your company, water might be used:

- By suppliers or agriculture in growing crops, or otherwise during the production of raw materials.
- By your factories and production sites as an ingredient or during the manufacturing process.
- By your consumers when they use your company’s products.

For more information, you can research the forthcoming ISO/CD 14046 standard on conducting a water footprint analysis.
Meeting standards requires proper documentation. You will need to keep the following on file on your company premises:

- Risk assessment reports detailing water consumption, identified hazards to ground and surface water with action plans to implement controls.
- Documentation tracking the company’s progress in meeting goals and objectives for preventing ground and surface water contamination and minimising water use.
- Records of completion for training on the company’s water policies for all workers
- Copies of all laws related to water use and discharge.
- Copies of any needed permits for water use or discharge.
- Documentation detailing communication with suppliers and stakeholders regarding the company’s water requirements.
- Copies of internal, external third-party, or government monitoring reports of wastewater contaminants or discharge. Also maintain any records from government and other third-party clean-up participants regarding any water contamination incidents and their clean-up.

You will need to check whether your water safety policies are being followed and that the controls to make sure your company is meeting code and legal requirements are effective. The following steps can be used to evaluate and improve the effectiveness of your programs:

1. Monitor and report on conditions and trends to identify actual and potential problems, including:
   - Establish and monitor key performance indicators (KPIs) for water conservation and water use.
   - Set goals and objectives for monitoring the company’s water requirements. For example, goals might be to use less water in production and in worker accommodation, to make sure that water contamination levels are kept well below a minimum threshold, or to reduce water used for growing crops.
   - Monitor existing controls for workplace water hazard prevention, such as sewage line checks, potential water line leaks, water disposal, and standing water monitoring to make sure existing controls are adequate. Many locations will have legal requirements for assessment of water discharges’ environmental impact.

2. Investigate problems and analyse why they occurred. Where data indicates the existence of non-conformities with your water policies and customer code(s) of conduct, the company should investigate these conditions to determine their causes and what can be done to address them.
   - Regularly assess your water conservation controls and procedures to make sure you are conserving water as much as possible.
   - Regularly review wastewater discharge, contamination, and quality reports to make sure than any irregular incidents are addressed, such as high volume water use in a given time period or higher-than-expected contamination levels.
   - Use the results of your reviews and investigation to implement controls and improve the company’s water management programs.
3. **Work with others to identify reasonable solutions.** Taking care to develop solutions with feedback from your supervisors and especially your workers, as this helps to make sure the solution is appropriate, permanent, and does not create another problem.

## Good Agriculture Practices (GAP) - Water

If your company is involved in agriculture, you may already use some form of good agriculture practices. GAP standards cover a variety of topics, including water use. The UN Food and Agriculture Organization have many standards for water use, and some key points are below:

- Use surface irrigation only when necessary.
- Use drip irrigation where feasible.
- Recycle water (such as furrow run off) when possible.
- Avoid growing crops that need a lot of water in areas where water is scarce.
- Avoid fertiliser run-off into surface water.
- Maintain permanent soil covering (especially during winter) to avoid nitrogen run-off.
- Contribute to the preservation and restoration of local wetlands.

## Common Questions

**What are common sources of water contamination and pollution?**

Pollution from industrial sources is a major factor contributing to water pollution. Water pollution and contamination occur when industrial wastewater containing toxic chemicals is leaked or dumped into water sources. Excessive levels of contaminants in industrial wastewater can result in polluting the water supply of not only the company, but potentially the surrounding community as well.

Common industrial sources of water contamination include acids, alkalis, toxic metals, oil, grease, dyes, pesticides, and fertilisers. Some other damaging pollutants include petroleum products (oils, solvents and fuels) and hot water (which causes thermal pollution, damaging fish and plant life).

Pollutants discharged into water bodies can dissolve, remain suspended in water, or accumulate on the bottom of the water bodies or waterways. All of these outcomes may result in water becoming seriously contaminated. Identifying what types of products and production processes are in use at the company will lay the groundwork for understanding and taking necessary precautions.

**What can I do to control risks of water contamination?**

Identify potential hazards including chemical compounds and structural issues (for instance, old water pipes). Regularly monitor and test wastewater and compare test results to standards to identify changes, non-compliances or trends. Investigate and consider using environmentally safe alternatives to toxic chemicals or hazardous processes currently used by the company. Regularly educate supervisors and workers about wastewater contamination risks and controls.

**How can my company best respond to a water contamination incident?**

Every company that uses hazardous materials that could contaminate surface or groundwater needs an emergency spill response plan. The plan should include a description of the potential danger of an emergency or accidental release of substances, and the procedures that will be used following a spill or accidental release. This includes, but is not limited to:

- A description of the reporting system which will be used to alert spill response personnel, responsible managers, and legal authorities;
- A list of all types of substances used, processed, or stored at the facility which could be spilled;
- For each type of substance listed under (b), a detailed description of preventative measures, operating procedures, and facilities which will be used to prevent, contain, recover and/or treat spills, and;
- A site layout drawing showing all surface drainage routes and bodies of water and waterways.

The Emergency Spill Response plan should be reviewed annually and amended as necessary by facility management. Everyone with an identified role in the response plan should be trained on how to carry out those responsibilities.
Common Audit Non-compliances from the Sedex Database

The following are the most common non-compliances against this issue. If properly implemented, the guidance in this chapter can help reduce the incidence of these problems:

- Lack of site compliance with local and international environmental laws and regulations.
- Relevant permits not available for use and disposal of water.
- Inadequate wastewater treatment.
- Lack of an effluent treatment plant for the effective treatment of wastewater.
- Inadequate management of water usage.
- The company does not monitor wastewater discharge for excessive levels of pollutants.

Sedex provides a document with suggested possible corrective actions following a SMETA audit. This is available to Sedex members only in the Sedex Members Resources section: Sedex Corrective Action Guidance
Case Study

Water: Preservation and Conservation

Only 3% of the world’s water is fresh, of which 2.5% is frozen and unavailable. Due to growing industrial, agricultural and domestic water demand from an increasing population, water availability and use of water is escalating in importance.

Water is essential to PepsiCo and their goal is to improve water-use efficiency by 20% per unit of production by 2015. Part of their water stewardship goal has focused on addressing the broader challenge of water scarcity, especially in water-distressed areas.

PepsiCo formed a partnership in 2010 with The Nature Conservancy, a leading conservation organisation working to protect ecologically important lands and waters. The partnership piloted a credible, scientifically sound system to assess the water risk of selected plants and identify local initiatives that will improve water availability.

In India, water scarcity affects approximately 40% of the potato-growing area. One method PepsiCo used to achieve a positive water balance was to work with their potato suppliers to reduce the amount of water used in farming by converting to drip irrigation techniques, which delivers water and nutrients directly to the plant roots, a more productive and efficient method compared with conventional flood irrigation.

By implementing drip irrigation, 850 farmers covering more than 1,000 acres in the state of Maharashtra achieved significant water savings in 2010. In addition, the average yield has increased by 31%, from 5.5 metric tons to 7.2 metric tons per acre, and delivered a 50% reduction in water usage in potato cultivation, resulting in total water saving in 2010 of 200 million litres of water. The program continued to expand in 2011 and into 2012.

Drip irrigation also provides sustainable income for these farmers. PepsiCo supported its farmers by facilitating loans at favourable rates and providing financial assistance to help procure the necessary equipment.

“By working closely with Indian farmers, we were able to not only help secure potatoes for our supply chain by using less water but also support local communities, and in turn grow our business,” says Nishchint Bhatia, Senior Director Agriculture, AMEA, PepsiCo.

Based on the programme’s success, PepsiCo is expanding drip irrigation acreages threefold, by rolling out to suppliers across other water-scarce Indian states.

“One of the biggest strengths of a company like PepsiCo is our ability to scale. We can start a small project, learn from the process, then expand it to have the biggest impact for our business,” says Ian Hope-Johnstone, Director of Agriculture Sustainability, PepsiCo.

PepsiCo is a global food and beverage leader with net revenues of more than $65 billion and a product portfolio that includes 22 brands that generate more than $1 billion each in annual retail sales. To find out more about PepsiCo visit, http://www.pepsico.com.

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Resources and Guidance

The following organisations, websites and documents provide additional information on water:

- United Nations Water Programs, including many documents and studies for free download: http://www.unwater.org/
- United States Occupational Safety and Health Administration (OSHA), Hazardous Waste (including information on contaminated water): http://www.osha.gov/SLTC/hazardouswaste/index.html
- United States Environmental Protection Agency, Water Pollution: http://water.epa.gov/polwaste/

Signposts to Training

- US Environmental Protection Agency – Water: Education & Training: http://water.epa.gov/learn/
- UNESCO-IHE Institute for Water Education: http://www.unesco-ihe.org/Education
- International Water Centre: http://www.watercentre.org/consultancy/approach

Key Terms

- **Wastewater**: Water where the quality is negatively affected through human impact, contaminants, or its use in manufacturing, agriculture, and industry.

- **Water Monitoring Programs**: Risks to human health and the environment from industrial water pollution are identified before a problem develops, so the risk can be controlled or eliminated, or the proper response is initiated to pollution/contamination incidents.
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Chapter 3.5

POLLUTION
Pollution
What does it mean?

Pollution is when the environment is damaged by human and industrial impact. This means the contamination of soil, water, and the atmosphere due to releases or discharge of harmful substances. A company must prevent and minimise pollution as much as possible in order to protect workers and the environment.

Pollution can come from a variety of sources at a company, such as air emissions from production equipment, boilers and generators, solid and hazardous waste, chemical leaks and spills, and wastewater discharge. All of these sources of pollution can damage the environment and harm human health.

Pollution prevention is eliminating and reducing pollution at the source by modifying production processes, promoting the use of less harmful substances, implementing conservation techniques, and re-using materials rather than putting them into the waste stream. A company should always take measures to eliminate pollution at the source, and also have pollution response plans. This means being able to address any type of pollution incident, including contamination of the soil, water, and the atmosphere.

A socially responsible company makes sure that it prevents and minimises pollution as much as is feasible, and responds promptly and effectively to pollution incidents, to ensure that the environment, workers, and the community are not unnecessarily affected by pollution.

This section will help you check whether there a risk of not meeting these standards in your current business operations and, if so, how to put controls in place to make sure pollution risks are understood and managed.

Benefits
Why should you do it?

Preventing, minimising, and properly responding to pollution will protect the health of your workers and community members, preserve the natural environment, and help you meet customer and legal requirements.

There can also be business benefits, such as:

a) Elimination of fines or other government penalties for non-compliant pollutant emissions and discharges.

b) Reducing the cost of operating pollution control equipment by switching to more environmentally friendly production materials and processes.

c) Attracting new environmentally conscious customers.

d) Contributing to the long-term sustainability of raw materials and natural resources.

e) Avoiding the high financial, reputational and other costs associated with cleaning up leaks, spills and other pollution incidents.
Requirements
What do you need to do?

ETI Base Code Clause 3

The ETI Base Code does not specifically address pollution. However, Clause 3, ‘Working Conditions are Safe and Hygienic,’ applies to ‘specific hazards’ associated with pollutants.

3.1 A safe and hygienic working environment shall be provided, bearing in mind the prevailing knowledge of the industry and of any specific hazards.

Adequate steps shall be taken to prevent accidents and injury to health arising out of, associated with, or occurring in the course of work, by minimising, so far as is reasonably practicable, the causes of hazards inherent in the working environment.

Relevant ILO Conventions

C170: Chemicals Convention, 1990, requires that each member shall formulate, implement and periodically review a coherent policy on safety in the use of chemicals at work.


R177: Chemicals Recommendation, 1990 (No. 177).

R192: Safety and Health in Agriculture Recommendation, 2001, which states in Section 7:

b) spraying and post-spraying precautions in areas treated with chemicals, including measures to prevent pollution of food, drinking, washing and irrigation water sources;

c) handling and disposal of hazardous chemicals which are no longer required, and containers which have been emptied but which may contain residues of hazardous chemicals, in a manner which eliminates or minimises the risk to safety and health and to the environment, in accordance with national law and practice;

d) keeping a register of the application of pesticides used in agriculture.

International Standards and Guidelines

☑ ISO 26000 (2010), Contains guidance on Pollution Prevention:

Section 6.5.3, Prevention of pollution, Energy Efficiency, states: An organisation can improve its environmental performance by preventing pollution, including:

— Emissions to air: An organisation's emissions to air of pollutants such as lead, mercury, volatile organic compounds (VOCs), sulphur oxides (SOx), nitrogen oxides (NOx), dioxins, particulates and ozone-depleting substances can cause environmental and health impacts that affect individuals differently. These emissions may come directly from an organisation's facilities and activities, or be caused indirectly;

— Discharges to water: An organisation may cause water to become polluted through direct, intentional or accidental discharges into surface water bodies, including the marine environment, unintentional runoff to surface water or infiltration to ground water. These discharges may come directly from an organisation's facilities, or be caused indirectly by the use of its products and services;
Waste management: An organisation’s activities may lead to the generation of liquid or solid waste that, if improperly managed, may cause contamination of air, water, land, soils and outer space. Responsible waste management seeks avoidance of waste. It follows the waste reduction hierarchy, that is: source reduction, reuse, recycling and reprocessing, waste treatment and waste disposal. The waste reduction hierarchy should be used in a flexible manner based on the life cycle approach. Hazardous waste, including radioactive waste, should be managed in an appropriate and transparent manner;

Use and disposal of toxic and hazardous chemicals: An organisation utilizing or producing toxic and hazardous chemicals (both naturally occurring and man-made) can adversely affect ecosystems and human health through acute (immediate) or chronic (long-term) impacts resulting from emissions or releases. These can affect individuals differently, depending on age and gender; and,

Other identifiable forms of pollution: An organisation’s activities, products and services may cause other forms of pollution that negatively affect the health and wellbeing of communities and that can affect individuals differently. These include noise, odour, visual impressions, light pollution, vibration, electromagnetic emissions, radiation, infectious agents (for example, viral or bacterial), emissions from diffused or dispersed sources and biological hazards (for example, invasive species), by the use or end-of-life handling of its products and services or the generation of the energy it consumes.

The European Community program REACH (Registration, Evaluation, Authorisation and Restriction of Chemical substance) provides an international regulatory framework and system for the industrial management of chemical substances that could cause pollution.

The UN Framework Convention on Climate Change, 1992 and The Kyoto Protocol to the UN Framework Convention on Climate Change, 1998, which cover pollution and climate change.

United States Pollution Prevention Act, 1990, declares it to be the national policy of the United States that pollution should be prevented or reduced at the source whenever feasible; pollution that cannot be prevented should be recycled in an environmentally safe manner, whenever feasible; pollution that cannot be prevented or recycled should be treated in an environmentally safe manner whenever feasible; and disposal or other release into the environment should be employed only as a last resort and should be conducted in an environmentally safe manner.

International standards for environmental management systems, such as ISO 14001, have guidelines on pollution prevention from a variety of common industrial sources, such as waste control and water discharge. Also see ISO 50001, 2011, which covers energy management.


UN Conference on Sustainable Development (UNCSD), June 2012.

Achieving and Maintaining Standards

How do you do it?

You can best meet standards by using a systems approach. In other words, you add controls to the processes you already use to run your business. And you make sure your policies and procedures are designed to ensure that:

- Air emissions do not exceed the legal limit for regulated contaminants.
- The adequate design, maintenance and inspection of process equipment and chemical and waste storage and treatment systems prevent leaks, spills and releases of pollutants.
- There is no illegal transportation and disposal of hazardous waste.
- Managers have adequate understanding of legal and customer requirements for pollution prevention.
- Workers do not use hazardous materials in a way that is dangerous to the environment.
- There is prevention of leaks, spills and run-off resulting in contamination of groundwater and surface water.
- Odours and noise from facility operations do not cause a nuisance to neighbours.

It is important that you also regularly monitor your processes and controls to make sure they are working.

Policies (rules)

Your company policies on preventing and minimising pollution should include the following commitments:

- Protection of the environment by preventing and minimising pollution from company operations and activities.
- Minimisation of solid and hazardous waste disposal by using less hazardous alternatives, and through reuse and recycling.
- Pollutants that cannot be eliminated, recycled, or reused will be treated before discharge to ensure both legal compliance and minimal environmental impact.
- Disposal or discharge of environmental pollutants will only be done in ways that comply with all legal and customer requirements, and minimise environmental impacts.
- The company will only source raw materials and components from suppliers that also prevent and minimise pollution.
- Minimise the impact on facility neighbours from light, noise, odours, vibration and other sources of disturbing environmental pollution.
- Provide immediate and proactive response to any accidental pollution incidents, and pursue every effort to mitigate impact to the environment, the community, and the health and safety of workers and other community members.
Procedures
(practices)

Management should assign a responsible person (or department) to make sure the above policies are carried out through the following practices:

☑ Communicating your pollution prevention, minimisation, and response policies to all managers, supervisors, and workers.

☑ Meeting regularly with managers and supervisors of operations that generate or control pollutants to oversee policy implementation.

☑ Reviewing company operations to determine how the facility can prevent or minimise the generation of pollutants. Set objectives for reducing the use of hazardous materials and processes for minimising emissions.

☑ Monitoring and reporting all complaints—both internal and external—and management responses related to the issue of pollution.

☑ Performing an annual review of the implementation status of your waste policies and procedures.

Your pollution prevention procedures should include:

☑ Making sure appropriate procedural and engineering controls are in place to prevent and minimise pollution from the company’s operations. This includes:
  - Installing and maintaining appropriate controls for air emissions.
  - Programs for waste recycling and reuse.
  - Management of hazardous waste, including storage, transportation and proper disposal procedures.
  - Treating storm water and wastewater before discharge, as required.
  - Ensuring rainwater does not wash hazardous materials into storm drains.
  - Installing spill containment, and leak detection and alarm systems.
  - Creating and testing pollution incident response plans for likely types of incidents, including training all employees with response, containment and clean-up responsibilities.
  - Coordinating with local environmental emergency response agencies and organisations.
  - For farming operations, minimising the use of chemical fertilisers and pesticides, combined with water conservation techniques, such as drip irrigation, to prevent runoff into rivers, streams and lakes.

☑ Making sure that there are emergency response and evacuation procedures in case dangerous or hazardous pollution/contamination incidents occur.

☑ Conducting risk evaluations to identify potential pollution and contamination risks and proper response plans.

Specific Pollution Controls

Refer to the other environment and health and safety chapters in this workbook for specific procedures related to pollution:

☑ Hazardous Materials – controlling risks of hazardous materials that might damage the environment.

☑ Emissions – controlling the release of contaminants into the atmosphere.

☑ Water – responsible use of water resources and for proper management of wastewater.

☑ Waste – environmentally responsible practices for waste handling, reuse, and recycling (including hazardous waste).

☑ Emergency and Fire Safety – making sure the company can properly prepare for and respond to a pollution.

☑ Raw Materials – environmentally responsible sourcing of materials and resources.

☑ Renewable Energy and Energy and Climate – responsible use of energy and pursuing renewable sources of energy.

☑ Biodiversity – biodiversity and ecosystem protection.

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☑ Raw Materials – environmentally responsible sourcing of materials and resources.

☑ Renewable Energy and Energy and Climate – responsible use of energy and pursuing renewable sources of energy.

☑ Biodiversity – biodiversity and ecosystem protection.
Performing regular reviews of the implementation status of your pollution policies and procedures in order to identify opportunities for improvement in preventing, minimising, and responding to company created pollution.

**Communication and Training**

You should use the following methods to make sure your employees are aware of your pollution policies and procedures:

- Provide training programmes for new managers, supervisors and newly hired workers on your company’s policies and procedures on pollution prevention, minimisation, and contamination response.
- Conduct refresher training on an annual basis, especially if policies or company operations change.
- Provide all workers with the company’s written policies covering pollution and contamination incident response procedures.
- Communicate company policies and procedures on pollution prevention and your company’s objectives to suppliers, visitors, vendors, and third-party contractors.
- Prominently display company policies and any laws relating to pollution in a language that workers understand.
- Test workers immediately after all training sessions to make sure they understand and remember procedures for contamination events, and make sure affected workers are oriented as to the location and use of contamination/pollution emergency control equipment.
- If needed, depending on company operations, fully and formally train a representative team of workers (using hands-on training conducted by qualified personnel, such as a local government environmental professional or the local fire department) in the safe response to chemical contamination incidents.
- Conduct pollution incident emergency response drills at least every six months. Make sure you conduct drills for all types of pollution/contamination emergencies that are likely to affect the company.

**Documentation and Records**

Meeting standards requires proper documentation. You will need to keep the following on file on your company premises:

- Written records detailing the company’s efforts in pollution prevention and minimisation.
- Written records demonstrating compliance with legal requirements, such as environmental permits and environmental discharge monitoring reports.
- Written records to show that worker training on the company’s pollution policies has been completed, including training and drills for pollution/contamination emergency events. Keep attendance records for all workers who have taken part in training and emergency drills.
- Depending on the pollution risks at your company, you might need to have workers specially trained in pollution response, such as for hazardous material clean up. Maintain training and certification documentation for those workers who are fully and formally certified and trained in pollution/contamination emergency response.
- A listing of all pollution prevention and emergency response/clean-up equipment.
Include the equipment location, the type of equipment, and maintenance and testing records.

☑ Copies of all laws, regulations and customer requirements related to pollution and contamination emergency response. Make sure this list is kept updated.

☑ Worker and community reports of pollution concerns, including through both formal and informal mechanisms.

☑ Records of any incidents that resulted in an abnormal contamination or pollution emergency event.

☑ Readily available and up-to-date lists of any government or community partners who must be alerted in the event of a pollution or contamination event.

☑ Review your pollution prevention procedures, programs and monitoring data to make sure that your controls are working as intended.

☑ Establish and monitor key performance indicators (KPIs) for pollution prevention and minimisation controls so that you can measure their effectiveness on a continual basis.

☑ Monitor and test all sources of pollution to watch for non-compliances with permit requirements, indications of production process issues, abnormal changes, and to meet customer requirements.

☑ Set goals and objectives for meeting the company’s pollution prevention requirements. For example, goals might be to reduce air emissions, replace hazardous materials with environmentally friendly ones, generate less waste, or conserve water. Track if the company is meeting goals and modify systems if goals are not met.

☑ Regularly review and revise policies and procedures to keep them relevant and up to date.

2. **Investigate problems and analyse why they occurred.** Where data indicates the existence of non-conformities with your company’s pollution prevention policies and customer code(s) of conduct, the company should investigate these conditions to determine their **causes** and what can be done to address them.

☑ Identify all of the potential pollution sources in the facility. Regularly review monitoring data, such as air emissions and wastewater discharge monitoring reports, waste storage area inspection reports, hazardous waste manifests and audit reports of hazardous waste vendors, to identify where your policies and procedures are not being followed or are not effective, so you can correct the problem.

☑ Regularly investigate all spill, leak and pollution incidents to determine the cause and if your response to the incident was adequate, in order to determine if any improvements are needed in your control equipment or procedures.

☑ Regularly monitor, inspect, and maintain all machinery, equipment, and systems (for

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**Monitoring**

You will need to check if your pollution prevention policies are being followed and that the controls to make sure your company is meeting code and legal requirements are effective. The following steps can be used to evaluate and improve the effectiveness of your programs:

1. **Monitor and report on trends** to identify actual and potential problems in meeting company requirements and laws and standards, including:

☑ Regularly review your process in meeting your pollution prevention objectives to determine if you are accomplishing your goals.
instance, sewage lines, chemical storage containers, boilers, drainage piping) to make sure that no uncontrolled pollution hazards exist due to faulty or damaged equipment.

✔ Regularly make sure that supervisors monitor workers while they perform their jobs, so that supervisors can confirm that pollution and contamination hazards are properly controlled.

✔ Monitor all suppliers, contractors, vendors, and visitors whose materials or processes may present potential pollution/contamination emergency hazards.

3. **Work with other departments to identify reasonable solutions.** Take care to develop solutions so that the problem does not recur and the solution itself does not create other problems.

✔ Analyse on a regular basis any suggestions from workers and use the results in improving company policies and procedures.

✔ Integrate pollution prevention, minimisation, and control practices into job descriptions. Make general and job-specific practices, such as properly disposing of trash and conserving water, part of each worker’s responsibility.

✔ Integrate oversight of pollution prevention and minimisation practices into the job descriptions of supervisors and managers.

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**Common Audit Non-compliances from the Sedex Database**

The following issues are the most common non-compliances against this issue. If properly implemented, the guidance in this chapter can help reduce the incidence of these issues:

- Non-compliance with local and international environmental laws and regulations.
- Inadequate waste disposal programs.
- Company unaware of the customer’s environmental requirements.
- Lack of permits for use and disposal of resources, such as water and air emissions.
- Inadequate wastewater treatment.
- Site is unaware of the laws and regulations governing the environment.

Sedex provides a document with suggested possible corrective actions following a SMETA audit. This is available to Sedex members only in the Sedex Members Resources section: [Sedex Corrective Action Guidance](#)

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**Common Questions**

**How do I identify pollution sources and implement good pollution prevention approaches?**

You will have to first review company operations and determine all sources of pollution caused by company activities. Pollution prevention approaches should be applied to all pollution-generating activities and all pollutants, and in any case, pollution prevention should never result in practices that create new risks or concerns. Pollution can come from the following sources:

- **Air Pollution** – the release of chemicals, gases, mists and other contaminants into the atmosphere.
- **Water Pollution** – the discharge of industrial materials into bodies of water, or discharge of wastewater contaminated with industrial or domestic waste (sewage) waste into the environment.

- **Soil Contamination** – when chemicals or other pollutants are spilled or leak into the soil.

- **Solid Waste** – disposing of trash outside of designated disposal facilities, directly on company grounds, or otherwise in the environment.

- **Radioactive Contamination** – when hazardous radioactive materials are improperly disposed of or released into the environment.

- **Light Pollution** – excessive, unnecessary, or intrusive artificial light.

- **Noise Pollution** – excessive industrial noise which passes beyond the facility to cause annoyance, impact the health of community members or damage to wildlife.

- **Thermal Pollution** – caused when water of elevated temperature is discharged into bodies of water or waterways, impacting fish and other aquatic life.

Remember that controls will be different depending on your company’s operations. For example, in the agricultural sector, pollution prevention approaches might include reducing the use of water and agricultural chemicals; adoption of less environmentally harmful pesticides or cultivation of crop strains with natural resistance to pests; and protection of sensitive ecosystems, such as wetlands. The impairment of wetlands, ground water sources, and other critical natural resources is pollution, and prevention practices are essential to protect and preserve these habitats.

Practices may include conservation techniques and changes in management practices to prevent harm to sensitive areas. Also, especially in industrial settings, make sure you have the right engineering controls in place, like dust collection systems, scrubbers for air emissions, waste segregation and control facilities, sewage treatment facilities, and industrial wastewater treatment facilities. Consider all of these factors when developing your pollution prevention approach.

What are some measures I can take to make sure workers are adequately prepared for pollution or contamination emergencies?

Identifying specific hazards and adopting appropriate responses can often be accomplished by several means. Local government environment regulation agencies, customers, the local fire and other emergency response departments, and external organisations all can help you identify the risks inherent in company operations, as well as safe handling and processing procedures. Using a combination of these sources will help you create a program that identifies and addresses the pollution and contamination risks in your company.

In addition, identifying the types of pollutants or contaminants that are present in your company sites allows management to design various means for alerting workers to those potential hazards. A good pollution safety response plan includes regular maintenance of emergency equipment, such as alarms, water hoses, emergency power cut-off, valve wrenches, hazardous chemical absorbents, extinguishers, emergency lights, and other equipment. Workers must also be completely familiar with policies and procedures in the event of various emergencies, and must take part in drills. Training review programs should also be in place and administered on a regular basis. Pollution/contamination risks should be identified and monitored by a designated manager responsible to ensure the correct prevention and response procedures are in place.
Case Study

Pollution

Human and industrial practices can cause pollution to the natural environment through discharge of harmful materials into soil, water and the atmosphere.

Fuji Oil (Zhang Jia Gang) Co. Ltd was founded in 1995 and, in accordance with China environment laws and regulations, completed an Environment Impact Assessment (EIA), which was approved. The factory invested 3,680,000 CNY to build a wastewater treatment plant (WWTP), which mainly treats production wastewater. The WWTP was designed with a maximum daily capacity is 235 tonnes, and the CODCR (Chemical Oxygen Demand) of treated water was 80mg/litre, less than the national standard of 100mg/Litre.

As the factory expanded in 2003, in order to be compliant with stricter China laws and regulations, the factory invested one million CNY to upgrade the WWTP. The upgrade resulted in a significant reduction of CODCR to below 60mg/L. As China’s environment protection requirements continued to increase, explicit requirements were also made on the control mineral and organic nutrients in wastewater that promote an intensity of plant life, such as algae, reducing dissolved oxygen and often causing the extinction of other organisms. This led to Fuji Oil to invest in new equipment and control measures, including over 100,000 CNY to install a continuous CODCR tester, which is connected to the monitoring system of local Environmental Protection Bureau, for their monitoring of the factory’s WWPT’s overall performance.

“We achieved Cleaner Production certification in 2005, enforced by China’s Cleaner Production Promotion Law. By implementing an environmental protection system, the concept of saving resources, preventing pollution, and compliance with legal requirements, environmental protection and sustainability have been embedded in company management system and daily operations,” says Mr. Qian, Factory Maintenance Manager, Fuji Oil.

Every department head of the factory is responsible for environmental compliance and an environmental protection working group has been established. Fuji Oil also provides environmental protection trainings to employees to raise their awareness and organises relevant activities to encourage employee participation.

“In implementing the Cleaner Production system and analysing wastewater data has enabled control of pollution at the source to reduce the total amount of wastewater for the WWPT. Through the Cleaner Production system, we 1) rerouted our wastewater piping, 2) reduced the amount of wastewater from production, 3) separately collect domestic wastewater and send it into municipal wastewater treatment system - reducing the wastewater amount of the factory WWTP, and 4) collect rain water and discharge it directly.”

In addition, by improving technical treatment technology to meet legal requirements for the control of eutrophic materials, Fuji Oil’s total phosphorus concentration in treated wastewater has been reduced to not more than 0.2mg/l, a significant improvement over the legal requirement of 0.5mg/l.

“Fuji Oil is supplying Chocolate and Specialty Oil to Kraft China. The performance of Fuji Oil in terms of quality and service is good. We’re happy to know that Fuji Oil has implemented pollution management and hopefully this good practice will be sustainable and benefit both Fuji Oil and Kraft,” says Tony Luo, Kraft China Procurement Manager, Ingredients.

Fuji Oil (Zhang Jia Gang) Co. Ltd. is a Japanese manufacturer of oils and fats used worldwide in chocolate, confectioneries, bakery goods, and dairy products. To find out more about Fuji Oil, visit http://www.fujioil.com.cn/.

Sedex is always looking for new case studies. If you have a best practice example case study that you would like to be featured, please send it to content@sedexglobal.com
Resources and Guidance

The following organisations, websites and documents provide additional information on pollution and contamination safety:

- United States Environmental Protection Agency (EPA), P2 Pollution Prevention: [http://www.epa.gov/p2/pubs/basic.htm](http://www.epa.gov/p2/pubs/basic.htm)
- Pollution Prevention Resource Exchange, National Partnership funded by the US EPA: [http://p2rx.org/](http://p2rx.org/)

Signposts to Training

- Environmental Protection Agency, State of Ohio – Pollution Prevention Training: [http://www.epa.state.oh.us/ocapp/p2/onlinep2training/onlinep2training.aspx](http://www.epa.state.oh.us/ocapp/p2/onlinep2training/onlinep2training.aspx)
Key Terms

- **Pollution**: The contamination of the environment, such as soil, water, and the atmosphere due to human impact, industrial activity, or the discharge of harmful substances.

- **Contamination**: When safety and prevention systems fail to protect soil, water, and the atmosphere from pollution or impurity, environmental contamination takes place.

- **Pollution Prevention**: eliminating and reducing waste at the source by modifying production processes, promoting the use of non-toxic or less-toxic substances, implementing conservation techniques, and reusing materials rather than putting them into the waste stream.

- **Habitat**: The natural home or environment of an animal, plant, or other organism.

- **Radioactive**: A radioactive material (solid, liquid or gas) is one that emits radiation energy in the form of alpha or beta particles, or gamma or x-rays—all of which can damage or kill living organisms.

- **Ecosystem**: A complex system that includes the communities of organisms (plants, animals and microbes) in a particular area and the interactions with the non-living (such as air, water, and mineral soil) environment.
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Chapter 3.6

EMISSIONS
Emissions
What does it mean?

**Emissions** are the gases, vapours and particulate (dust) discharged into the air from sources, such as exhaust stacks, vehicle exhausts, generators, and facility vents. These emissions cause air pollution, which can affect the environment and the health of workers and community members.

The type and quantity of air emissions depends on industrial activity, technology, energy consumption, traffic, farming trends, and many other factors. But all air emissions can cause health problems and harm the environment. **Greenhouse gases**, such as carbon dioxide (CO₂) and fluorinated gases, also known as Ozone Depleting Substances (ODS), are major contributors to climate change and are generated by most industries.

In order to protect the health of workers, the environment, and surrounding communities, **air emissions** from company operations must be minimised, controlled and regularly monitored to make sure legal and customer requirements are met.

A socially responsible company makes sure that none of its practices and operations create a situation where workers, community members, or the environment are exposed to harm due to air emissions.

This section will help you check whether there is a risk of not meeting these standards in your current business operations and, if so, how to put **controls** in place to make sure your air emissions are understood and controlled.

**Benefits**
Why should you do it?

Implementing an effective air emissions management program will help you meet legal requirements, avoid penalties, protect your workers’ and surrounding communities’ health, your business assets, and the environment, as well as meet your customers’ requirements.

There can also be **business benefits**, such as:

a) Avoiding fines for discharge of toxic emissions.

b) Improved worker health and wellness.

c) More efficient and better performance during Environmental, Health and Safety (EHS) audits.

d) Improved company image and reputation within the community.

e) Reduced costs.

In 2010, China, the United States, India and Russia generated well over 50% of global carbon dioxide emissions from energy consumption.

Source: U.S. Environmental Protection Agency
Requirements
What do you need to do?

ETI Base Code

The ETI Base Code does not specifically address air emissions. However, Clause 3, ‘Working Conditions are Safe and Hygienic’, applies to ‘specific hazards’ associated with emissions that may impact workers.

3.1 A safe and hygienic working environment shall be provided, bearing in mind the prevailing knowledge of the industry and of any specific hazards. Adequate steps shall be taken to prevent accidents and injury to health arising out of, associated with, or occurring in the course of work, by minimizing, so far as is reasonably practicable, the causes of hazards inherent in the working environment.

International Standards and Guidelines

- **UN Framework Convention on Climate Change, 1992** and the **Kyoto Protocol to the UN Framework Convention on Climate Change, 1998.**
  
  In 1992, countries joined an international treaty, the United Nations Framework Convention on Climate Change, to cooperatively consider what they could do to limit average global temperature increases and the resulting climate change, and to cope with whatever impacts were, by then, inevitable. In 2010, governments agreed that emissions need to be reduced so that global temperature increases are limited to below 2 degrees Celsius.

- **UN Convention on Long-Range Transboundary Air Pollution, 1979.**
  
  The aim of the Convention is that Parties shall endeavour to limit and, as far as possible, gradually reduce and prevent air pollution including long-range transboundary air pollution.

- **UN Montreal Protocol on Substances that Deplete the Ozone Layer, 1989.**
  
  An international treaty designed to protect the ozone layer by phasing out the production of numerous substances believed to be responsible for ozone depletion.

- **UN Vienna Convention for the Protection of the Ozone Layer, 1985.**

- The ISO standard for environmental management systems, **ISO 14001** contains requirements on how a company should manage its significant environmental aspects, such as air emissions.

- **ISO 14064-2006, Specification with guidance at the organisation level for quantification and reporting of greenhouse gas emissions and removals.**
  
  Specifies principles and requirements at the organisation level for quantification and reporting of greenhouse gas (GHG) emissions and removals. It includes requirements for the design, development, management, reporting and verification of an organisation’s GHG inventory.
Achieving and Maintaining Standards

How do you do it?

You can best meet standards by using a **systems approach**. In other words, you add **controls** to the **processes** you already use to run your business. And you make sure your **policies** and **procedures** are designed to ensure that:

- Air contaminants are within legal limits.
- There are no unknown greenhouse gas emissions.
- Process emissions inside the facility do not cause worker health problems.
- Air emissions control equipment is well maintained.
- Air quality is not poor in the immediate vicinity around the facility.

It is important that you also regularly **monitor** your processes and controls to make sure they are working.

### Policies (rules)

Your company policies should include the following company commitments to:

- ✔ Compliance with all legal requirements governing air emissions.
- ✔ Protection of the environment and the health of workers and the community by minimising and controlling air emissions, including greenhouse gases.
- ✔ Monitoring and maintenance for emissions control equipment and for sources of emissions, such as boilers, generators, and production equipment.
- ✔ Train workers and supervisors on the company’s air emissions policies, programs and improvement objectives.
- ✔ Understand and quantify the company’s carbon footprint (CO₂ emissions), including of its suppliers, and establish programs and objectives to reduce them.

### Procedures (practices)

Management should **assign a responsible person** (or department) to make sure your policy commitments are achieved, that regulatory compliance is maintained, and that emissions standards are met. This includes:

- ✔ Developing programs to reduce or eliminate air pollutants and greenhouse gases generated by company operations.
- ✔ Implementing an air emissions management program, so that air emissions are:
  - Characterised (inventoried by type and volume) on a regular basis.
  - Controlled as needed.

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**Greenhouse Gases**

In addition to controlling the amount of greenhouse gases generated by production, there are many ways the company can help reduce its overall greenhouse gas output:

- ✔ Encourage workers to use public transportation, cycle or carpool to work.
- ✔ Switch to electric-powered site vehicles.
- ✔ Increase the efficiency of plant equipment, like boilers, air compressors and air conditioning systems.
- ✔ Participate in a carbon offset program.
- ✔ Sourcing raw materials from suppliers that limit greenhouse gas output.

Utility companies are major emitters of carbon dioxide. By reducing energy consumption, your company can help reduce these emissions. See the Energy and Climate chapter in this workbook for more detailed information.
• Regularly tested and the results compared to regulatory and permit requirements and improvement objectives.

• Subject to prompt remedial action when testing indicates noncompliance.

☑ Establishing routine inspection and maintenance procedures for emissions control equipment, such as scrubbers and bag houses.

☑ Programs to identify mobile sources of air emissions, such as trucks, site vehicles, company cars, and landscaping equipment, and to reduce their emissions by keeping them properly maintained, minimising their use, and replacing them with more efficient or electric models in order to limit greenhouse gas emissions.

☑ Outreach to the local community to provide information on company operations and air emissions programs and performance.

☑ Programs to ensure that facility indoor air is free of contaminants from air emissions and is not a health hazard for workers.

Communication and Training

You should use the following methods to make sure your employees are aware of your air emissions policies and procedures:

☑ Provide training programmes for new managers, supervisors and newly hired workers on your company’s policies and procedures on air emissions management.

☑ Provide all workers with the company’s written policies covering air emissions.

☑ Communicate company policies and procedures on air emissions, including greenhouse gases, to suppliers, visitors, vendors, and third-party contractors.

☑ Prominently display company policies and any laws relating to air emissions in a language that workers understand.

☑ Post job responsibilities specific to emissions in each work area/workstation.

☑ Make sure workers performing specific functions (such as inspecting and maintaining emissions control equipment) have received any certifications or special training that might be required.

☑ Make sure workers are aware of the company’s efforts to reduce greenhouse gases in production, in the supply chain, and from worker commuting.

☑ Attend community and local government meetings to describe the company’s efforts to minimise and control air emissions.
Meeting standards requires proper documentation. You will need to keep the following on file on your company premises.

- A list of the air emissions generated, specific risks/hazards of each emission source, corresponding controls, testing and monitoring requirements, and associated inspection and maintenance.
- Inspection and maintenance records to show that your company’s required controls are in place and always functional.
- Records of regular monitoring of emissions for regulated contaminants, such as particulate, gases, vapours, mists and fumes.
- Written records of maintenance for emissions point sources (boilers, generators, and production equipment) to show that company requirements and legal regulations are checked and consistently achieved.
- Documentation for any emissions permits that are required by the company.
- Written records for workers’ general training orientation and training for specific jobs (including any special certification), as needed.
- Up-to-date copies of all laws and regulations related to air emissions and emergency response.

You will need to check whether your emissions policies are being followed and that the controls to make sure your company is meeting code and legal requirements are effective. The following steps can be used to evaluate and improve the effectiveness of your programs:

1. **Monitor and report on trends** to identify actual and potential problems, including:
   - Stay up-to-date on the latest research and information on the risks presented by the air contaminants in the company’s air emissions.
   - Conduct regular assessments of the emissions in each work area and make sure procedures are effectively protecting workers, community members, and the environment, or if additional procedures are needed. Inspect emissions point sources to make sure your emissions prevention policies are followed and control procedures implemented.
Establish and monitor key performance indicators for your emissions procedures so that you can measure their effectiveness on a continuous basis.

Set goals and objectives for meeting the company’s emissions requirements. For example, goals might be to upgrade scrubbing equipment over a multi-year period, switch all site vehicles to electric alternatives, or to continuously reduce greenhouse gas output. Track if the company is meeting goals and modify systems if goals are not met.

Regularly review and revise policies and procedures to keep them relevant and up to date.

2. Investigate problems and analyse why they occurred. Where data indicates the existence of non-compliance with your company’s emissions policies and customer code(s) of conduct, the company should investigate these conditions to determine their causes and what can be done to address them.

Conduct regular assessments of company-wide emissions issues and make any necessary changes to controls and procedures to effectively protect workers, community members, and the environment.

Address issues found in inspections of emissions point sources to make sure your emissions prevention policies are followed, and proper and effective control procedures are in place.

Regularly review the company performance objectives on reducing and minimising air emissions to determine if you are on track and to identify if changes are needed in your approach.

Use any incident reports of unplanned releases of air emissions, such as leaks and accidents, as an opportunity for performance improvement.

3. Work with other departments to identify reasonable solutions. Take care to develop solutions so that the problem does not recur and the solution itself does not create other problems.

Integrate oversight of emissions management into the job descriptions of workers, supervisors, and managers.

Work with representatives from across the company to reduce emissions of regulated air contaminants and greenhouse gases. Explore alternatives, such as cleaner burning fuels, installation of more efficient emissions control equipment, or otherwise altering production processes to minimise and eliminate emissions.

A company should regularly discuss ways to reduce emissions, and whenever changes are anticipated in operations. You should always take preventative measures before changes are made.

Common Audit Non-compliances from the Sedex Database

The following issues are the most common non-compliances against this issue. If properly implemented, the guidance in this chapter can help reduce the incidence of these issues:

- Air emissions monitoring equipment is broken or non-existent.
- Emissions monitoring reports are not kept.
- Emissions monitoring reports are not reviewed by necessary personnel.
- Emissions exceed legal requirements.
- The company does not make efforts to reduce or eliminate emissions.

Sedex provides a document with suggested possible corrective actions following a SMETA audit. This is available to Sedex members only in the Sedex Members Resources section: Sedex Corrective Action Guidance.
Common Questions

What are some measures I can take to prevent air emissions emergencies?

Having an effective emissions management plan in place not only keeps the company in compliance with legal and customer environmental standards, but it will help you ensure the well-being of workers and community members. For example:

- **Emissions Inventory** – keeping lists of the types of air emissions generated by your production processes and accompanying standards helps reduce risks.

- **Inspecting Source Points** – keeping smoke stacks, air vents, and other air emissions discharge points well-maintained means they are less likely to break down and create a hazard.

- **Regular Maintenance of Control Equipment** – control equipment such as bag houses, scrubbers and electrostatic precipitators require regular maintenance in order to effectively remove contaminants from your facility’s air emissions.

- **Emergency Planning** – Creating an emergency response plan and procedures and practicing them, such as for the accidental discharge of a toxic gas, will enable you to respond quickly and prevent a major event and limit potential damage.

It is also critical to obtain worker buy-in for controlling air emissions. Each work area should have a list of air emissions control requirements needed to meet legal, code, and customer requirements. Involving workers in the creation of regular maintenance plans prioritised by the most important areas for regular inspection will also create an informed and invested work force. Prioritise areas for regular monitoring, and inform workers of how critical they are for maintaining emissions standards that ensure their health, and that of their community and the general environment.

What about indoor air quality? How important is that?

Indoor air quality is critically important, since emissions of harmful contaminants from facility activity can become more concentrated inside where air circulation is more limited. In many cases, indoor air quality may be significantly poorer than outside the facility. Pollutants like carbon monoxide, ozone, or organic vapours can build up to harmful levels. Your emissions monitoring program should include indoor air quality to make sure that the concentrations of hazardous or toxic pollutants are maintained within safe limits at all times. Workplace exposures can often be caused by equipment malfunction, making regular inspection of your emissions control facilities critically important. Make sure you also have effective engineering controls in place for heating, ventilation, and air conditioning so air is well-circulated where potential emissions hazards are present.

Why should I care about greenhouse gas emissions?

The majority of scientists believe that generation of greenhouse gases from burning of fossil fuels and from certain industrial operations is causing climate change. Global climate change is predicted to cause potentially catastrophic change, such as rising sea levels, loss of wildlife habitat and biodiversity, and serious economic harm in the medium and long term. Your company should try to do what it can to reduce emissions of greenhouse gases from both its own operations and that of your supply chain. Simple actions include:

- Reducing energy consumption by installing more energy efficient lighting, and purchasing boilers, production equipment, vehicles and air conditioning systems that use less energy.

- Installing solar panels to generate a portion of your facility’s electricity needs.

- Purchasing some of your power from utilities that utilise wind, solar and other renewable sources of energy.

- Working with your suppliers to make some of the same improvements in their operations.
Case Study

Emissions: Working collaboratively

As world energy prices rise, organisations need to improve their energy performance, increase energy efficiency and reduce climate change impacts.

In 2010/11, Tesco asked UK suppliers to complete questionnaires on their carbon reduction, water-saving, and waste and packaging reduction projects. Using the 2degrees platform, an online community for driving growth and efficiency through sustainability, they set up the Tesco Knowledge Hub.

Tesco’s supplier engagement programme on 2degrees is now the world’s largest-ever online collaboration between retail suppliers. The collaboration helps to reduce the energy costs, waste and environmental impacts of the products Tesco buys, and aims to cut 30% of the carbon emissions from the supply chain by 2020. The project was recognized with a Gigaton Award for outstanding carbon reductions and sustainability performance.

The Hub is a private online community that links Tesco suppliers to share sustainable business best practices; to exchange experiences, solve practical problems; and make informed decisions. The Hub currently includes 750 supplier members from over 470 companies, plus 100 Tesco representatives and partners like WRAP, IGD and the Carbon Trust.

A full-time team at 2degrees works with members to both identify and articulate challenges, and find solutions. This knowledge sharing is clustered around key topics across the value chain, including renewable energy, water, sustainable sourcing, energy efficiency, facilities management and logistics.

“With hundreds of suppliers in many countries, many with expertise in different aspects of sustainability, the best way to make progress is to share knowledge through our supply chains, across the industry, and across national boundaries,” says Helen Fleming, Climate Change Director, Tesco.

By partnering with 2degrees to deliver the Knowledge Hub, Tesco and its suppliers are able to continue to explore challenges and opportunities between events, with suppliers sharing know-how and experience, sourcing information and learning through online discussions, forums, meetings and presentations. This is a much more efficient way of identifying and implementing business improvements that save money, guard against risks, support current business and open up opportunities for new products.

The results of the Knowledge Hub in its first year means the programme can be expanded to engage all of Tesco’s top 1,000 suppliers. The tools of new media are being used to forge better relationships, drive business innovation and problem solving, and unlock growth from environmental constraints.

“We have seen suppliers who would be too small to implement big carbon reduction changes on their own work together to innovatively reduce their carbon emissions. For example, two suppliers in close proximity have established a joint anaerobic digester facility, together producing enough food waste to run it efficiently. With the international growth of the hub, comes further opportunity to develop the community,” says Andrew Yeo, Head of Supply Chain Carbon Reduction at Tesco.

Tesco PLC is one of the world’s largest supermarket chains operating in 14 markets across Europe, Asia and North America. To find out more about Tesco, visit http://www.tesco.com/.

Sedex is always looking for new case studies. If you have a best practice example case study that you would like to be featured, please send it to content@sedexglobal.com.
Resources and Guidance

The following organisations, websites and documents provide additional information on emissions:

- United States Occupational Safety and Health Administration (OSHA), Indoor Air Quality: http://www.osha.gov/SLTC/indoorairquality/index.html
- US Environmental Protection Agency (US EPA), Air Pollutants: http://www.epa.gov/air/airpollutants.html
- WRI GHG Measuring and Accounting: http://www.ghgprotocol.org/about-ghgp
- WWF Climate Savers: http://wwf.panda.org/what_we_do/how_we_work/businesses/climate/climate_savers/

Signposts to Training

Key Terms

- **Electrostatic Precipitator**: An emissions control device that can remove very fine particulate matter from exhaust air using an electrostatic charge.

- **Emissions**: The gases and particulate discharged into the air from various sources, such as smoke stacks, car exhausts, and industrial vents. These emissions cause air pollution, which must be controlled to protect the environment and the health of workers and community members.

- **Emissions Inventory**: A detailed list of the emissions generated by the company, tracked by work area, type of emission, and risk prevention tactics and emergency response plans.

- **Greenhouse Gas**: gases generated by industry, internal combustion engines, energy generation, and other sources that is a main cause of climate change.

- **Ozone Layer**: A layer in the Earth’s atmosphere that contains relatively high concentrations of ozone (O₃). This layer of ozone helps absorb some of the sun’s harmful ultraviolet (UV) radiation.

- **Particulate**: Small pieces of solids or liquids suspended in the atmosphere. Particulate can be natural, such as dust or sea salt, or man-made, such as smoke and soot.

- **Point Sources**: Origination points of emissions release and/or pollution, like incinerator stacks.
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Chapter 3.7

ENERGY & CLIMATE

SEDEX SUPPLIER WORKBOOK
Energy & Climate

What does it mean?

Energy is what runs your business, and electricity and power are critical to the functioning of your company. Scientists believe that energy generated by burning fossil fuels such as coal, natural gas and oil can adversely impact global climate. It is therefore important to use energy as efficiently as possible.

In order to operate, most offices, factories and farms use electricity. They may also use fuels such as natural gas, gasoline, wood, diesel oil or propane to power plant and production equipment and vehicles. Energy represents one of the major costs associated with running a business, and the production of energy has a significant impact on the environment, since most of the world’s energy is generated by burning fossil fuels. This produces carbon dioxide (CO₂), a greenhouse gas, which traps heat in the atmosphere.

Most scientists believe that the build-up of CO₂ and other greenhouse gases in the atmosphere is causing global climate change. Clear signs of climate change include increases in air and ocean temperatures, widespread melting of snow and ice, and rising sea levels. A warmer Earth is generally less able to regulate temperature shifts, so weather patterns become more extreme and unstable, greatly impacting important activities, such as agriculture.

Given all of these serious environmental impacts from energy generation and greenhouse gas emissions, it is critical that a company conserves energy. Companies should develop a strategy of adjusting and optimising energy use, using systems and procedures to reduce energy requirements, and thereby minimising negative impacts on environment.

Benefits

Why should you do it?

Maintaining responsible energy practices will help you meet legal requirements, protect the environment, avoid penalties, be more competitive and meet your customers’ requirements.

There are business benefits, such as:

a) Lower utility costs and therefore reduced cost of production  
b) Ability to attract environmentally conscious customers  
c) Lower transportation costs as a result of using more fuel efficient vehicles and other means of transportation  
d) Improved company reputation and image in the community

Companies should also calculate their carbon footprint, or record an inventory of greenhouse gases released as a result of the organisation’s activities and that of its supply chain. The carbon footprint can help identify the best ways to manage and conserve energy.

A socially responsible company makes sure that none of its policies and practices create a situation where its use of energy harms the environment.

This section will help you check whether there is a risk of not meeting these standards in your current business operations and, if so, how to put controls in place to make sure your use of energy is minimised.
Requirements
What do you need to do?

ETI Base Code

The ETI Base Code does not specifically address environmental issues, such as energy and climate. However, there are numerous other international standards and guidelines that address energy use.

International Standards and Guidelines

☑ ISO 26000 (2010) contains guidance on both the sustainable use of resources and climate change mitigation:

Section 6.5.4, Sustainable Resource Use, Energy Efficiency, states: An organisation should implement energy efficiency programmes to reduce the energy demand of buildings, transportation, production processes, appliances and electronic equipment, the provision of services or other purposes. Efficiency improvements in energy use should also complement efforts to advance sustainable use of renewable resources such as solar energy, geothermal energy, hydroelectricity, tidal and wave energy, wind power and biomass.

Section 6.5.5.2.1, Climate Change Mitigation, states: To mitigate climate change impacts related to its activities an organisation should:

— Identify the sources of direct and indirect accumulated greenhouse gas (GHG) emissions and define the boundaries (scope) of its responsibility;

— Measure, record and report on its significant GHG emissions, preferably using methods well defined in internationally agreed standards;

— Implement optimised measures to progressively reduce and minimise the direct and indirect GHG emissions within its control and encourage similar actions within its sphere of influence;

— Review the quantity and type of significant fuels usage within the organisation and implement programmes to improve efficiency and effectiveness. A life cycle approach should be undertaken to ensure net reduction in GHG emissions, even when low-emissions technologies and renewable energies are considered;

— Prevent or reduce the release of GHG emissions (particularly those also causing ozone depletion) from land use and land use change, processes or equipment, including but not limited to heating, ventilation and air conditioning units;

— Realise energy savings wherever possible in the organisation, including purchasing of energy efficient goods and development of energy efficient products and services; and

— Consider aiming for carbon neutrality by implementing measures to offset remaining GHG emissions, for example through supporting reliable emissions reduction programmes that operate in a transparent way, and carbon capture and storage.

☑ United Nations Framework Convention on Climate Change.

☑ The Kyoto Protocol to the UN Framework Convention on Climate Change.

☑ Internationally accepted management system standards, such as ISO 14001, address environmental responsibility. Also refer to ISO 50001, 2011 for an energy management system, ISO 14064:2006 for standards on the quantification, monitoring, and reporting on greenhouse gases by organisations, and ISO/DIS 14067 for guidance on the calculation of a carbon footprint.
Achieving and Maintaining Standards

How do you do it?

You can best meet standards by using a **systems approach**. In other words, you add **controls** to the **processes** you already use to run your business. And you make sure your **policies** and **procedures** are designed to ensure that:

- An effective energy conservation program is implemented.
- Lights, computers and other equipment are turned off when areas are unoccupied or the facility is closed.
- Regular maintenance is performed for site vehicles and facility machinery to maintain maximum fuel efficiency.
- Site equipment and vehicles are turned off when not in use.
- Heating and air conditioning temperatures are set to minimise energy consumption.
- Employees and managers are aware of energy use and the company’s impact on climate change.
- The company has a program to replace energy inefficient machines, equipment and vehicles.
- Communication with suppliers on energy and climate issues.

It is important that you also regularly **monitor** your processes and controls to make sure they are working.

**Policies**

*(rules)*

Your company policies on energy and climate should include the following commitments:

- Minimising the use of energy generated by fossil fuels in order to reduce the company’s impact on climate change.
- Improving the energy efficiency of lighting, production equipment, site vehicles and other uses of energy in facility operations.
- Establishing objectives to track and reduce the company’s carbon footprint.
- Reducing the output of greenhouse gases from the company’s supply chain.

**Procedures**

*(practices)*

You should **assign a responsible person** (or department) to make sure your policies are carried out. This includes:

- Communicating your energy policies to all managers, supervisors and workers.
- Developing an energy conservation program for the company that identifies where energy is used (energy inventory), sets energy reduction goals and regularly measures energy use.
- Developing department-specific energy conservation programs. For example, making sure maintenance employees turn off lights when completing off-shift work, or making sure warehouse personnel do not leave site vehicles running when not in use.
- Meeting regularly with managers and supervisors across the company to oversee implementation of the energy management program. Energy conservation will involve all company operations, so it is important that you include managers and supervisors from all departments.
Performing an annual review to assess effectiveness of the implementation of your energy management policies and procedures.

Your energy management procedures should include:

- A way to link performance objectives for employees and managers to the company’s energy reduction goals.
- Programs to determine how the company can replace or redesign equipment and facilities to reduce energy use, such as by replacing outdated equipment and vehicles with energy efficient alternatives or renovating facilities to improve the efficiency of lighting, heating and air conditioning systems.
- Regular inspection and maintenance of vehicles, production machinery and facility equipment to make sure they are operating at peak energy efficiency.
- Performing a greenhouse gas inventory and calculating the company’s carbon footprint, then implementing programs to reduce greenhouse gas output caused directly or indirectly by the company. Track the carbon footprint over time to make sure it is decreasing.
- A process to ensure that products are shipped in the most energy efficient way.
- Working with suppliers to decrease the energy consumption and the carbon footprint of the company’s raw materials sourcing activities.

Communication and Training

You should use the following methods to make sure your employees are aware of your energy and climate policies and procedures:

- Provide introductory training programmes for new managers and supervisors, and newly hired workers on your company’s policies and procedures on energy and climate.
- Provide all workers with the company’s written policies on energy management.
- Post reminders on energy conservation throughout company facilities to remind workers of their responsibilities for saving energy and decreasing the company’s carbon footprint.
- Involve workers or worker representatives in the energy conservation programme.
- Make sure that training programmes are tailored for specific groups of workers. Energy conservation, lowering greenhouse gas output, and reducing the company’s carbon footprint will likely vary according to employees’ individual responsibilities.
- Communicate your energy conservation and carbon footprint reduction requirements to all suppliers as basic expectations for doing business with the company.

Best Practice

Energy and Climate as Part of Worker-Management Communication

In addition to the many impacts management can have on the company’s energy use and carbon footprint, workers should be your partners in energy conservation.

Your employees are the ones actually using machines, adjusting thermostats, or turning lights on and off, and can help make your energy programs successful. Work closely with them to find ways to save energy and reduce greenhouse gas output. For example, the company’s environmental committee could likely include discussion of energy conservation programs and reviews of energy management performance in their regular meeting agendas.

Continually look for ways to facilitate simple changes in behaviour that can go a long way to helping the company save energy.
Documentation and Records

Meeting standards requires proper documentation. You will need to keep the following on file on your company premises:

☑ Copy of your company’s energy and climate policies signed by senior management.
☑ Records indicating the company’s energy use in order to track if the company is reducing energy consumption.
☑ Records of internal monitoring or assessments related to energy and climate, such as for the efficiency of generators, boilers, air conditioning, vehicles and other energy using equipment.
☑ The company’s greenhouse gas inventory and carbon footprint, as well as documentation tracking progress in reducing these.
☑ Records of any laws, regulations and customer requirements that apply to the company’s use of energy and greenhouse gas emissions.
☑ Records of general and job-specific training on the company’s energy and climate policies.

Monitoring

You will need to check if your energy and climate policies are being followed and that the controls to make sure your company is meeting code and legal requirements are effective. The following steps can be used to evaluate and improve the effectiveness of your programs:

1. **Monitor and report on trends** to identify actual and potential problems, including:
   - Establish and monitor key performance indicators for your energy conservation programs so that you can measure their effectiveness on an on-going basis. For example, you can track the energy required per unit of finished goods (kilowatt hours per unit) or the kilograms of CO₂ generated per product.
   - Set goals and objectives for meeting the company’s energy management and greenhouse gas reduction requirements. For example, objectives might be “heating is kept two degrees cooler for one month longer each year,” or “the company will use 10% less electricity this year,” or “we will replace all light bulbs with compact fluorescent bulbs within six months.” Track if the company is meeting goals and modify systems if goals are not met.
   - Regularly review and revise policies and procedures to keep them relevant and up-to-date.
   - Monitor existing controls for energy management, such as vehicle and equipment maintenance programmes, to make sure existing controls are adequate.

2. **Investigate problems and analyse why they occurred.** Where data indicates the existence of non-compliances with your company’s energy and climate policies and customer code(s) of conduct, the company should investigate these conditions to determine their causes and what can be done to address them.
   - Where energy usage data indicates that programmes are not effective or objectives are not being met, perform a root cause analysis to determine why, and then make any necessary changes in your controls.
   - Use the results of your regular reviews and incident investigations to implement new controls and improve your energy management programs.
3. **Work with other departments to identify reasonable solutions.** Take care to develop solutions so that the problem does not recur and the solution itself does not create other problems.

- Collaborate closely with workers and worker committees to find more effective ways of saving energy and reducing greenhouse gas output.
- Work with departments, such as procurement and production, to make sure that energy efficiency is included in decisions to purchase new machines, equipment, and vehicles, and in the selection of suppliers and contractors.
- Integrate good energy and climate practices into job descriptions. Make general and job-specific energy saving requirements, like turning equipment off when not in use, part of each worker’s responsibility.
- Integrate oversight of good energy and climate practices into the job descriptions of supervisors and managers.

### Common Questions

**What are carbon offsets? Can they help my company reduce emissions?**

Carbon offsets are when emissions are reduced in one place in order to offset emissions in another place. However, these are not a long term solution for your company. The trade in carbon offsets has become big business in many countries, and is one way companies are able to meet goals and objectives for reducing emissions, as well as to help meet legal requirements (or other agreements under international law, like Kyoto protocols.) A company can buy emissions reductions in one place, allowing emissions to continue in some other aspect of company operations.

While you may consider carbon offsets while developing your company’s energy and climate change programs, always make sure you are taking more targeted energy reduction actions within the company. A carbon offset may help you meet a shorter term goal (for example, while you wait for funding to become available to buy more energy efficient equipment), but the most effective way to prevent climate change, and reduce energy costs, is to eliminate emissions at the source, conserve energy, and switch to renewable sources.

**How should I set targets for greenhouse gas reduction?**

It varies by company, but a combination of common sense, reviewing company operations, taking a greenhouse gas inventory, and calculating a carbon footprint will help. For starters, common sense will tell you that turning off lights, running vehicles less, and otherwise saving energy will get the company moving toward greenhouse gas reduction.

Take careful inventory of emissions from each company business unit and identify specific opportunities for reductions, and then add up those opportunities to inform your target. Benchmark with peer companies, including company responses* to the Carbon Disclosure Project (CDP)

*<https://www.cdpproject.net/en-US/Results/Pages/responses.aspx>

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**Common Audit Non-compliances from the Sedex Database**

The following are the most common non-compliances against this issue. If properly implemented, the guidance in this chapter can help reduce the incidence of these problems:

- **Lack of compliance with local and international environmental laws and regulations.**
- **Company is unaware of the customer’s environmental requirements.**
- **Inadequate system to check environmental performance against relevant laws and customer requirements.**
- **Inadequate infrastructure for improving environmental performance.**

Sedex provides a document with suggested possible corrective actions following a SMETA audit. This is available to Sedex members only in the Sedex Members Resources section: [Sedex Corrective Action Guidance](https://www.cdpproject.net/en-US/Results/Pages/responses.aspx)
Companies also have to make strategic decisions as to what kind of target to set. For example, to what extent the company should target greenhouse gases directly or indirectly through electricity use; whether to set an absolute target or one that is relative to product units or sales; or whether to target direct emissions or those of their suppliers. These are important decisions that depend on the specific characteristics of the company. In any case, set targets that are challenging but achievable and that can make a meaningful impact, with an overall objective of continual improvement.

Courtesy of the Department of Ecology, State of Washington:
http://www.ecy.wa.gov/climatechange/whatis.htm
Case Study

Energy and Climate: Collaborative, Practical Tools

With escalating energy costs, depleting energy resources and increasing awareness of climate change, more companies are looking to create a framework to manage their energy consumption.

Sainsbury’s is committed to the provision of quality food to its customers, and recognises that sustainability of food supply and producers is fundamental. As such, and in-line with Government targets of carbon reductions of 80% by 2050, they have taken an industry leading position to carbon footprint their UK supply base.

To achieve this, in 2007 Sainsbury’s partnered with third party AB Sustain to build an exclusive carbon footprint model for dairy farmers to the highest level of Carbon Trust accreditation, the only model of its kind across the globe.

Within just 2 years of data collection carbon savings had been made, with producers reaping considerable cost savings. Based on this success, the initiative was rolled out to multiple sectors, including beef, lamb, pork, egg and chicken throughout 2009-2011, with 2012 now seeing the expansion into produce. All models are accredited, each specific to each species group, for which there are now 7.

By implementing the Sainsbury’s Development Groups across all sectors, in conjunction with Sainsbury’s investment in a specific Sainsbury’s Agricultural team focused on building mutually beneficial relationships with producers, the initiative now encompasses some 2,700 producers across the UK. Each producer participates in an annual carbon footprint assessment, fully funded by Sainsbury’s.

The agricultural team communicate at farm level to seek the most effective, practical solutions to drive improvement. The success of this joined up approach, and the resource embedded into the supply base to understand producer challenges and work to seek solutions is evident through the savings made to date. These have amounted to £10.4 million of producer savings, and 48,000 tonnes of carbon.

“The initiative has been fundamental to us at Sainsbury’s for unlocking the door, allowing us to begin to communicate and build relationships at the farm base without being intrusive.” Natalie Smith, Agriculture Manager at Sainsbury’s.

“The concept of carbon is relatively new to producers, and we have invested heavily in ensuring we at Sainsbury’s provide a clear message and support our farmers, to ensure trust is built and sustainability, both environmentally and economically, is achieved at the supply base.”

“We are very proud of our achievements to date with our producers and hope to continue and grow the initiative going forward.”

Sainsbury’s Supermarket Ltd. is a major UK supermarket chain with over 900 stores, stocking approximately 30,000 products, half of which are its own label. To find out more about Sainsbury’s, visit http://www.sainsburys.co.uk.

Sedex is always looking for new case studies. If you have a best practice example case study that you would like to be featured, please send it to content@sedexglobal.com.
Resources and Guidance

The following organisations, websites and documents provide additional information on energy and climate:

- United States Environmental Protection Agency (USEPA), Climate Change: [http://www.epa.gov/climatechange/](http://www.epa.gov/climatechange/)
- Carbon Disclosure Project (CDP): [https://www.cdproject.net](https://www.cdproject.net)

Signposts to Training

Key Terms

- **Energy Efficient**: Energy efficient machines, equipment, and vehicles use the least amount of energy possible to maintain usability and functionality.

- **Climate Change**: Changes in the planet’s climate attributed directly or indirectly to human and industrial activity.

- **Greenhouse Gases**: Gases, like carbon dioxide (CO₂) and fluorinated gases (halon and refrigerants), that absorb and re-emit infrared radiation (sunlight), causing global warming and climate change.

- **Greenhouse Gas Inventory**: A detailed list of all sources of greenhouse gases created by the company.

- **Carbon Footprint**: The total greenhouse gas output from an organisation, typically listed in tons of CO₂ per year, which is a good gauge of the company’s impact on climate change and global warming.

- **Carbon Neutrality**: Achieving net zero carbon emissions by offsetting the amount of carbon released by company operations with an equivalent amount captured or sequestered, or by buying carbon credits to make up the difference.

- **Carbon Sequestration**: Carbon sequestration is the process by which atmospheric carbon dioxide is taken up by trees, grasses, and other plants through photosynthesis and stored as carbon in biomass (trunks, branches, foliage, and roots) and soils.
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**Renewable Energy**

*What does it mean?*

Most of the world’s energy is produced using resources that are limited, such as oil, natural gas and coal. Since these resources also produce pollution and contribute to climate change, it is important that businesses utilise sources of **renewable energy** to save money and protect the environment.

**Renewable energy** is energy which comes from natural resources such as sunlight, wind, biofuels and geothermal heat. This energy is produced from sources that are replenished naturally, and are called renewable because they cannot be used up. Although renewable, the use of biofuels can contribute to climate change because they generate carbon dioxide (CO₂) when burned. This type of energy is also known as **sustainable energy**.

At a business, renewable energy replaces conventional fossil fuels in electricity generation, powering machines and equipment, and for running site vehicles. There are many ways a business can make use of renewable energy, which is not only better for the environment, but can also help the company save money by reducing on-going energy costs.

Companies can generate renewable power onsite, for example, by installing solar panels or a wind turbine on company property. There are also sources of renewable power that might be available from local utility companies, such as hydroelectric, solar and wind-generated power. Companies can maximise their use of renewable energy by both generating it onsite and purchasing it from other sources.

A socially responsible company makes sure that none of its policies and practices create a situation where failing to use renewable energy could potentially harm the environment.

This section will help you check whether there is a **risk** of not meeting these standards in your current business operations and, if so, how to put **controls** in place to make sure your renewable energy needs are met and fulfilled.

**Benefits**

*Why should you do it?*

Using energy from renewable sources will help you protect the environment, meet customer’s requirements, conserve energy, and generate less pollution.

There can also be **business benefits**, such as:

a) Lower monthly utility bills.

b) More stable energy costs by avoiding price fluctuations of the oil and gas markets.

c) A more reliable energy supply largely unaffected by municipal power outages.

d) Improved company image and reputation in the community.

e) Ability to take advantage of government benefits, such as tax write offs or other reimbursements, by switching to renewable energy.
Requirements

What do you need to do?

International Standards and Guidelines

- **ISO 26000** (2010), Contains guidance on both the sustainable use of resources and climate change mitigation:
  
  Section 6.5.4, *Sustainable Resource Use, Energy Efficiency*, states: ‘Efficiency improvements in energy use should also complement efforts to advance sustainable use of renewable resources such as solar energy, geothermal energy, hydroelectricity, tidal and wave energy, wind power and biomass.’

  Section 6.5.5.2.1, *Climate Change Mitigation*, states: To mitigate climate change impacts related to its activities, an organisation should:

  - Implement optimised measures to progressively reduce and minimise the direct and indirect GHG emissions within its control and encourage similar actions within its sphere of influence.

  - Review the quantity and type of significant fuels used within the organisation and implement programmes to improve efficiency and effectiveness. A life cycle approach should be undertaken to ensure overall reduction in GHG emissions, even when low-emissions technologies and renewable energies are considered.

Many of the international standards and guidelines referenced in this guidebook for climate change and pollution will be useful for your company’s renewable energy programs.

- **United Nations Framework Convention on Climate Change**

- **UN Montreal Protocol on Substances that Deplete the Ozone Layer, 1987**

- **The Kyoto Protocol to the UN Framework Convention on Climate Change**

- Internationally accepted management system standards, such as **ISO 14001**, address environmental responsibility. See **ISO 50001, 2011** for an energy management system.

- The ISO Technical Committee (TC) 180 on **Solar Energy** has developed a number of guidance documents on solar energy systems and components.

- Many countries and municipalities have put in place regulations to require and encourage the use of renewable energy sources. The World Bank ([http://ppp.worldbank.org/public-private-partnership/sector/clean-tech/laws-regulations#renewable](http://ppp.worldbank.org/public-private-partnership/sector/clean-tech/laws-regulations#renewable)) and other organisations are excellent sources of information on regulatory requirements.
What is Renewable?

There are many sources of renewable energy your company should consider producing or purchasing. Look at all of your options to make sure you are maximising benefits to the environment and generating cost savings. Renewable energy comes from the following sources:

- **Solar**: electricity generated by solar panels can be used almost anywhere to supplement a facility’s electricity needs. Solar water heaters can be used to provide hot water for wash rooms.
- **Wind**: electricity is efficiently generated by wind turbines. Your company might be able to construct a turbine on company property.
- **Biomass**: organic matter, such as plant mulch and waste from food production, can be burned to generate electricity or converted into methane gas and other fuels. However, burning biomass fuels does generate greenhouse gases.
- **Hydrogen**: hydrogen can be extracted and used as fuel, often to power vehicles.
- **Geothermal**: taps the Earth’s internal heat for electric power production and the heating and cooling of buildings.
- **Hydropower**: electricity generated from flowing water, such as hydroelectric dams on a river.
- **Ocean/Tidal**: the action of waves in the ocean can be tapped to produce electricity.

Achieving and Maintaining Standards

*How do you do it?*

You can best meet standards by using a **systems approach**. In other words, you add **controls** to the **processes** you already use to run your business. And you make sure your **policies** and **procedures** are designed to ensure that:

- You are aware of local requirements and initiatives on renewable energy.
- You meet greenhouse gas emission reduction goals due to utilising renewable energy.
- You consider renewable energy when constructing or renovating company facilities.
- There are no delays to operations due to dependence on unreliable public sources of power.
- You consider purchasing vehicles that run on alternative sources when replacing company cars or trucks.

It is important that you also regularly **monitor** your processes and controls to make sure they are working.

**Policies**

*(rules)*

Your company policies on energy and climate should include the following commitments:

- Using renewable energy is an important component of the company’s strategy and programs for environmental protection, including reducing its carbon footprint.
- The company will use as much renewable energy as feasible, and continuously increase the amount of energy used that is derived from renewable sources.
- Renewable energy will be a critical component of business decisions on constructing new company facilities, upgrading existing facilities, and purchasing/replacing equipment, machines, and vehicles.
- Working with suppliers to make sure that at least some of the energy used in the production of raw materials, parts and components comes from renewable sources.
Procedures
(practices)

You should **assign a responsible person** (or department) to make sure your renewable energy policies are carried out. This includes:

- ✔ Communicating your energy policies to all managers, supervisors and workers.
- ✔ Conducting an assessment to determine the costs and benefits of potential renewable energy technologies. The assessment should include factors such as your company’s location and the nature of its facilities.
- ✔ Developing and managing a renewable energy program for the company.
- ✔ Developing building-specific renewable energy programs. For example, warehouses with their large flat roofs are well suited for solar panel installations, and small office buildings can easily be heated and cooled using geothermal HVAC (heating, ventilation, and air conditioning) systems.
- ✔ Meeting regularly with managers and supervisors across the company to oversee implementation of the renewable energy program. Finding appropriate uses for renewable energy will involve all company operations, so it is important that you include managers and supervisors from all departments.
- ✔ Performing an annual review of the implementation status of your renewable energy policies and procedures.

Your renewable energy **procedures** should include:

- ✔ A program to install and operate renewable energy facilities at company sites, such as solar panels, solar water heaters, wind mills and geothermal heating and cooling systems.
- ✔ A process to determine how much renewable energy the company can cost-effectively purchase from other sources. Governments often provide tax incentives for companies that purchase at least some of their power from renewable sources.
- ✔ Include energy consumption beyond electricity use in the company's renewable energy programs. Switch to electric, hydrogen, or biodiesel vehicles for on-site work, employee transportation, or transporting finished goods.
- ✔ Work with local governments, NGOs, and industry associations to advance the company's renewable energy programs.
- ✔ Explore funding sources that could help you upgrade to renewable technology. In many locations, companies can, for example, deduct capital expenditure for renewable technology against taxable profits.
- ✔ Work with raw materials suppliers to expand their use of renewable energy. Share the lessons and learnings from your own company’s experiences.

Source: *Technology Review, published by MIT*
Communication and Training

You should use the following methods to make sure your employees are aware of your renewable energy policies and procedures:

☑ Provide training programmes for new managers and supervisors, and newly hired workers on your company’s policies and procedures on renewable energy.

☑ Provide all workers, supervisors, and managers with copies of your renewable energy policies.

☑ Publicise the company’s plans and objectives for renewable energy company-wide. Update workers on the company’s progress in switching to renewable technology, such as through the company intranet, website, or on company notice boards.

☑ Provide on-going training programmes for supervisors, workers, and management on renewable energy. The renewable energy technology you install may require some workers to acquire new skills, such as maintenance workers.

☑ Communicate the company’s renewable energy policies and requirements to suppliers. Discuss with suppliers how they can also increase their use of renewable energy.

Documentation and Records

Meeting standards requires proper documentation. You will need to keep the following on file on your company premises:

☑ Copy of your company’s renewable energy policies signed by senior management.

☑ Copies of assessments and feasibility studies on different types of renewable energy technology, as well as the plans to take advantage of this technology.

☑ Energy consumption and cost data that can demonstrate the cost-effectiveness of using renewable energy over time.

☑ Any laws and regulations relevant to company operations on energy conservation and renewable energy, especially for new company construction.

☑ Copies of contracts, agreements and communication on renewable energy requirements with suppliers.

Monitoring

You will need to check if your renewable energy policies are being followed and that the controls to make sure your company is meeting code and legal requirements are effective. The following steps can be used to evaluate and improve the effectiveness of your programs:

1. **Monitor and report on trends** to identify actual and potential problems, including:

   ☑ Establish and monitor key performance indicators for your renewable energy programs so that you can measure their effectiveness on an on-going basis. For example, you can track the percentage of electricity from renewable sources of the total amount of electricity used by the facility.

Best Practice

Renewable Energy – Get a Head Start

Not too far into the future, use of renewable energy will become increasingly enforced by law. Regulations requiring companies to use renewable energy are coming as climate change and pollution increase, and non-renewable energy costs increase. Even now, many governments require energy conservation and renewable energy considerations when constructing or renovating facilities.

Your company can get ahead of this trend by implementing renewable energy solutions now. Doing so is a good business decision.
Set objectives and targets for meeting the company’s renewable energy goals. For example, an objective could be to “convert one company building each year to have 50% of its energy needs supplied by solar power,” or “each year we will increase the percentage of renewable energy used by 10% until we operate fully on renewable energy,” or “within five years the company vehicle fleet will be powered entirely by renewable sources of energy.” Track if the company is meeting goals and modify your implementation plans if goals are not met.

Make sure you regularly review new options and advancements in renewable energy. Technology in this area is moving rapidly, so even if a renewable source was not feasible last year, it might work now.

2. **Investigate problems and analyse why they occurred.** Where data indicates the existence of non-compliances with your company’s renewable energy policies and customer code(s) of conduct, the company should investigate these conditions to determine their causes and what can be done to address them.

Conduct a regular assessment of your company’s renewable energy programs to make sure your procedures and other controls are effective. When your assessments identify potential issues, perform a root cause analysis and implement changes that address the identified cause(s) of the problem.

Make sure your assessments examine your success at generating renewable energy on-site, purchasing it from other sources, and using renewable transportation fuels. Check to see if the company is maximising its use of renewable energy in line with your policies.

Use the results of your regular reviews and investigations to implement new initiatives and controls, and improve your renewable energy programs.

3. **Work with other departments to identify reasonable solutions.** Take care to develop solutions so that the problem does not recur and the solution itself does not create other problems.

- Work with departments such as facilities, production and procurement to determine ways more energy can be obtained from renewable sources.
- Work with facilities management to determine the feasibility of renewable energy sources such as solar and wind at company sites.

### Common Audit Non-compliances from the Sedex Database

The following are the most common non-compliances against this issue. If properly implemented, the guidance in this chapter can help reduce the incidence of these problems:

- **Lack of compliance with local and international environmental laws and regulations.**
- **Company is unaware of the customer’s environmental requirements.**
- **Inadequate system to check environmental performance against relevant laws and customer requirements.**
- **Inadequate infrastructure for improving environmental performance.**

Sedex provides a document with suggested possible corrective actions following a SMETA audit. This is available to Sedex members only in the Sedex Members Resources section: [Sedex Corrective Action Guidance](#)
Common Questions

Which form of renewable energy is best for my company?

Solar, wind, geothermal, biomass/biogas, and hydroelectric are the most common forms of renewable energy, but you will have to determine which is most appropriate. While there isn’t one form of energy that is “best,” different kinds of renewable energy may work better depending on the climate in which you live. In the sun-drenched southeast and southwest regions of the United States, solar energy has a great deal of potential. In the wetter northwest regions, hydro is a popular renewable option. Wind power is a feasible option for many coastal communities in the UK. Your choice will also depend on the nature of your business. For example, if you have lots of large industrial sites, you probably have plenty of roof space for installing solar panels. But if you operate farms, wind turbines might work much better.

Your choice can also depend on the local regulatory and tax environment. Some countries and communities offer significant tax incentives for investing in certain types of renewable energy.

There are many diverse forms of renewable power, and they are all beneficial, so choose the one that is most cost-effective and works best with your company’s operations.

Are renewables financially competitive?

Yes. The renewable energy sector is increasingly demonstrating its capacity to deliver cost reductions, and deployment is expanding rapidly. Non-hydro renewables, such as wind and solar, are increasing at high annual growth rates. Costs have been going down and renewable energy technologies are becoming cost-competitive in an increasingly broad range of circumstances. Established technologies such as hydroelectric and geothermal are often fully competitive already. Where resources are favourable, technologies such as onshore wind are nearing full competitiveness. However, economic and cost barriers remain in some cases. While costs need to decrease further to make renewables financially possible in a wider variety of settings, the trend is clear. Considering that non-renewable energy costs continue to rise, renewable sources are a good business decision right now. Also, there might be national or local government incentives you can take advantage of. Talk to local government environment offices to see if they offer any programmes for businesses that could result in reimbursement or tax write-offs for installing renewable technology.

I can only install so much renewable technology at my company, and the power company doesn’t really use much in the way of renewables. What else can I do?

If you’ve maximised the technology you can use at company sites, and you know that the local power company only provides limited renewable energy, there are other options. First, see if you can work with other companies in your area. Many companies are located in industrial zones or parks. See if you can collaborate with industrial zone authorities and other companies to share technology. For example, multiple companies might be able to pool resources and share a solar or wind farm, or construct a geothermal power plant to provide power to several businesses. Also, while you wait for more renewable options at main company sites, see what you can do for suppliers. If you work with smallholder farms, for instance, see if there are ways you can help them buy equipment that runs on renewable energy. Even one wind turbine could potentially provide enough power to share among a couple of smallholders. If your suppliers are saving on energy costs, you might see cost savings for your own company.
Case Study

Biomass Fuels: Innovation and opportunity

There are significant risks to businesses associated with biodiversity and ecosystem degradation, such as a lack of natural pollinators and soil biodiversity, which can lead to serious human, environmental and economic costs.

According to UNEP (United Nations Environment Programme), farmers and farming communities have a significant part to play in the promoting of sustainable livelihoods. UNEP reports that it is vital for countries to mainstream climate change issues into national economic and development plans. Conversion of emissions can reduce climate change impacts.

Dutch sugar producer Suiker Unie had wanted to prevent sugar-rich wastewater ending up in the municipal sewer system, and started producing biogas through anaerobic water-purification. In addition to financial and energy savings, the system also reduces CO2 emissions. The initiative has been rolled out at three of their plants.

“We started thinking how we could create the most value out of the sugar beet, in a sustainable way,” says Bertram de Crom, Jr., Environment Engineer at Suiker Unie.

Suiker Unie discovered another opportunity to produce biogas through fermentation of their residual sugar beet waste prior to composting. With government support, Suiker Unie opened their first biomass fermentation plant in the Netherlands in November 2011, with a production capacity of 16 million cubic metres (m³) per annum of biogas, which can be fed into the national grid.

“In 1990, Suiker Unie has already reduced their energy consumption by 42%. For the remaining 58% of energy consumption, 15% will be supplied by green gas from our fermentation plants by the end of 2012.”

In addition to energy savings, the initiative has opened up a revenue stream for Suiker Unie as they receive €0.58 per m³ of green gas they produce, by supplying the national grid. Future plans include expanding biogas production by fermenting residual products from other business.

“We will soon open our second biomass fermentation plant. Almost 20 million m³ of green gas will be produced, which will be sufficient for 15,000 households. We will then become one of the largest suppliers of green gas in the Netherlands.”

Suiker Unie is a producer of granulated sugar and sugar specialties derived from sugar beets. To find out more about Suiker Unie, visit their website: http://www.suikerunie.nl/.

Sedex is always looking for new case studies. If you have a best practice example case study that you would like to be featured, please send it to content@sedexglobal.com
Resources and Guidance

The following organisations, websites and documents provide additional information on renewable energy:

- United States Environmental Protection Agency (US EPA), Clean Energy: [http://www.epa.gov/cleanenergy/](http://www.epa.gov/cleanenergy/)

Signposts to Training

- The European Energy Centre – Energy Courses: [http://www.euenergycentre.org/training](http://www.euenergycentre.org/training)
Key Terms

- **Biomass**: Energy from plants and plant-derived materials. Wood is the largest biomass energy resource, but biomass also includes such things as waste materials from agriculture and forestry, oil-rich algae, methane from landfills, and the organic parts of industrial and municipal solid waste.

- **Climate Change**: Changes in the planet’s climate attributed directly or indirectly to human and industrial activity.

- **Geothermal Energy**: Uses the heat from the earth to generate electrical power or provide heating and cooling for buildings.

- **Greenhouse Gases**: Gases, such as carbon dioxide, that absorb and re-emit infrared radiation (sunlight), causing global warming and climate change. Biomass fuels, although renewable, produce greenhouse gases when burned.

- **Hydroelectric Power**: Uses dams to convert the movement of running water into electricity. Hydroelectric power is currently the largest source of renewable power in the world.

- **Renewable Energy**: Energy sources that are either inexhaustible (solar, wind) or replenished over a short period of time (biomass, geothermal) are considered renewable. Also called **sustainable energy**.

- **Solar Energy**: Energy from the sun. ‘Passive’ solar energy is using heat from sunlight to heat water or a building. ‘Active’ solar systems convert sunlight to electrical energy using solar (photovoltaic) cells.

- **Wind Energy**: Energy from wind is captured by wind turbines (wind mills) and converted into emissions-free electrical power.
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Biodiversity

What does it mean?

Biodiversity is a way to describe the variety of life on earth. It is also a way to measure the health of natural ecosystems. Many companies, whether directly or indirectly, rely on natural resources to sustain their business. Failing to maintain biodiversity and the health of natural environments can have serious impacts on the economic sustainability of business.

Biodiversity is the variety of life in the natural world, from insects to plants to trees. Ecosystems are communities of plants and animals in a limited, defined area, such as forests or lakes.

It is important that ecosystems are healthy, since they provide many natural resources that humans and businesses need and use. The benefits ecosystems provide are also known as ecosystem services.

Maintaining biodiversity is critical, since all of the plants and animals within an ecosystem rely on each other for survival. Without biodiversity, many of the natural resources and raw materials used by business and manufacturing would not exist.

All companies rely on natural resources in all parts of their business, be it the raw materials used in manufacturing, or the furniture and paper at the company offices. Thus sustainable procurement is a vital part of controlling a company's direct and indirect biodiversity impacts.

These resources have to be used responsibly so that they are sustainable in the long term and can continue to be used by the business.

Maintaining biodiversity in the ecosystems affected by your company—and the raw materials and natural resources they provide—is essential, since this supports your business.

This section will help you check whether there is a risk of not meeting standards on biodiversity in your current business operations and, if so, how to put controls in place to make sure environmental training standards are met.

Benefits

Why should you do it?

Paying attention to biodiversity in your company and its supply chain will help improve the company’s image and environmental programs. There can also be important business benefits, such as:

- Strengthening supply chain viability
- Appealing to ethical consumers
- Ensuring sustainable economic growth
- Attracting socially responsible investors
- Avoiding damage to company image and reputation
**Requirements**

**What do you need to do?**

The ETI Principles of Implementation require that member companies commit to ethical trading and sourcing practices. This includes integrating ethical trade into company culture and business practices, capacity building for suppliers, identifying problems in the supply chain, taking action for improvement, and transparency in reporting.

**Relevant International Standards and Guidelines**

- **ISO 26000** (2010) contains guidance on protection of the environment and biodiversity:
  
  Section 6.5.6, *Protection of the environment, biodiversity and restoration of natural habitats*, states: Since the 1960s, human activity has changed ecosystems more rapidly and extensively than in any comparable period in history. Rapidly growing demand for natural resources has resulted in a substantial and often irreversible loss of habitat and diversity of life on earth [119]. Vast areas—both urban and rural—have been transformed by human action.

  An organisation can become more socially responsible by acting to protect the environment and restore natural habitats and the various functions and services that ecosystems provide (such as food and water, climate regulation, soil formation and recreational opportunities) [119]. Key aspects of this issue include:

  - **Valuing and protecting biodiversity:** Biodiversity is the variety of life in all its forms, levels and combinations; it includes ecosystem diversity, species diversity and genetic diversity. Protecting biodiversity aims to ensure the survival of terrestrial and aquatic species, genetic diversity and natural ecosystems;

  - **Valuing, protecting and restoring ecosystem services:** Ecosystems contribute to the well-being of society by providing services such as food, water, fuel, flood control, soil, pollinators, natural fibres, recreation and the absorption of pollution and waste. As ecosystems are degraded or destroyed, they lose the ability to provide these services;

  - **Using land and natural resources sustainably:** An organisation’s land-use projects may protect or degrade habitat, water, soils and ecosystems; and,

  - **Advancing environmentally sound urban and rural development:** Decisions and activities of organisations can have significant impacts on the urban or rural environment and their related ecosystems. These impacts can be associated with, for example, urban planning, building and construction, transport systems, waste and sewage management, and agricultural techniques.

- **UN Convention on Biological Diversity, 1992:** An international legally binding agreement covering the use and conservation of biodiversity, and that requires countries to develop and implement strategies for sustainable use and protection of biodiversity.

Source: Marks & Spencer
UN Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES), 1975: an international agreement between governments aiming to ensure that international trade in specimens of wild animals and plants does not threaten their survival.

UN Convention on Migratory Species (CMS), 2004: strives to strictly protecting animals threatened with extinction, conserving or restoring the places where they live, mitigating obstacles to migration and controlling other factors that might endanger them.


Internationally accepted management system standards, like ISO 14001, provide guidance on how to minimise the environmental impacts of business operations using a system approach.

Biodiversity management involves designing processes, products, and projects to safeguard business success while protecting biodiversity. To start, your company should analyse the impact of business activities on biodiversity. Review business practices with particular regard to what effects they have on the environment generally, and with a view to minimising impacts on biodiversity.

All businesses use natural resources like paper and electricity from fossil fuels, even if they do not grow crops or source cotton. Examine how the company can use resources responsibly.

- The company is aware of its impacts on the environment that could result in damage to local ecosystems from pollution, waste disposal and unsustainable use of resources, both directly and indirectly.
- The company is not subject to consumer boycotts and campaigns by environmental NGOs.
- Economic impact on the local community from depletion of animal and plant species and of natural resources on which it depends for livelihoods and well-being is minimised.

Policies (rules)

Your company policies on biodiversity should include the following commitments:

- Regular assessments and plans to evaluate and minimise the impacts on biodiversity from your company’s buildings, operations and activities.
- Evaluation of the biodiversity impacts in your supply chain and working with supply chain partners and stakeholders to minimise the biodiversity impacts of their operations.
- Pursuit of biodiversity conservation opportunities and responsible management of biodiversity are important company goals.

Achieving and Maintaining Standards

How do you do it?

You can best meet standards by using a systems approach. In other words, you add controls to the processes you already use to run your business. And you make sure your policies and procedures are designed to ensure that:

- The company prevents legal infractions and fines by adhering to environmental regulations.
- Cost savings from efficient use of natural resources and materials.
Responsible stewardship of the natural resources used by the company.

Integration of biodiversity conservation into the company’s environmental and social decision-making.

Staff and worker involvement in biodiversity conservation activities and in work habits that support biodiversity.

**Procedures (practices)**

Management should assign a responsible person or department to make sure your policies are carried out. This includes:

- Communicating your biodiversity policies to all workers, supervisors, and managers.
- Conducting an assessment to determine the potential biodiversity impacts of the company’s buildings, operations and activities.
- Creating a biodiversity program for the company that involves all stakeholders, including workers, community organisations, suppliers, and customers.
- Assessing the company’s impact on biodiversity at all levels of the supply chain. Look at how all company activities impact the environment and biodiversity.
- Prioritising the risks and impacts on biodiversity created through the company’s activities.
- Reviewing the biodiversity program regularly with senior management to determine whether goals are being achieved, and if there are gaps or areas where the company could be doing more.
- Continuously improving the program based on the results of your reviews.

Your biodiversity procedures should include:

- A process to review the company’s biodiversity impacts and risks, and determine what the company can do to mitigate them. The process should enable management to identify ways to reduce resource consumption, manage resources responsibly, and work with suppliers to do the same.
- A way to understand and comply with any legal or customer requirements governing biodiversity.
- A program to involve workers in the biodiversity program and to encourage their participation. This can include paid time to participate in community projects.
- A process to identify and align with similar efforts among other companies in the area and within the local community that the company might be able to support.
- Setting regular objectives and targets for improved biodiversity management at the company and among suppliers.

**Creating a Biodiversity Action Program**

*Develop a biodiversity action program to help shape the company’s positive impact on the environment:*

- Assess the company’s impacts
- Assess impacts in the supply chain
- Prioritise risks and impacts on biodiversity
- Determine actions the company can take to minimise impact and risk
- Develop targets and indicators for performance improvement
- Implement actions and programs
- Monitor the program and review progress
- Improve the program
- Report progress to employees, board of directors, shareholders, and customers.
Communication and Training

You should use the following methods to make sure your employees are aware of your biodiversity policies and procedures:

- Provide all workers with the company’s written policies covering biodiversity conservation.
- Provide introductory training for management and workers on your company’s policies and procedures on biodiversity. You can do this as part of training on other environmental topics, such as energy and climate, renewable energy, pollution, emissions, waste and water.
- Publicise ways workers can contribute to the company’s biodiversity program, both inside and outside of the company.
- Communicate with community leaders and organisations on the company’s biodiversity programs and objectives.
- Communicate the company’s biodiversity program and requirements to suppliers.
- Talk to workers. A business’s staff can provide a good source of ideas, skills, and commitment for biodiversity initiatives at its own site, or externally in the community. Identify the skills and interests of your workers, which will be of great use to you to make your biodiversity action program successful.

Documentation and Records

Meeting standards requires proper documentation. You will need to keep the following on file on your company premises:

- Copies of your biodiversity policies and plans.
- Copies of your biodiversity action program, including identification of the company’s biodiversity impacts and risk assessment.
- Copies of all laws and regulations and customer requirements related to biodiversity conservation. Make sure this list is kept updated.
- Documents that track company progress on biodiversity goals, as well as documentation on reviews and corrective action if progress is off track.
- Copies of agreements with and requirements for suppliers to uphold the company’s biodiversity requirements.

Monitoring

You will need to check if your biodiversity policies are being followed and that the controls to make sure your company is meeting code and legal requirements are effective. The following steps can be used to evaluate and improve the effectiveness of your programs:

1. **Monitor and report on trends** to identify actual and potential problems, including:

   - Tracking how your biodiversity objectives are being achieved, if targets are being met, and whether the overall biodiversity goals are...
being realised. Adjust objectives if they are off track, or if changes in company operations result in new or increased impacts on biodiversity.

- Regularly review and revise your biodiversity policies and procedures to keep them relevant and up-to-date.

- Establish and monitor key performance indicators (KPI’s) for your biodiversity program so that you can measure its effectiveness on an ongoing basis. For example, you can track the percentage of company-owned land that is undisturbed (natural state).

- Make sure you include suppliers and subcontractors in your assessment of biodiversity impacts, as well as impacts at headquarters.

2. Investigate problems and analyse why they occurred. Where data indicates the existence of non-compliances with your company’s biodiversity policies and customer code(s) of conduct, the company should investigate these conditions to determine their causes and what can be done to address them.

- Where biodiversity KPI’s and assessment data indicates that programmes are not effective or objectives are not being met, perform a root cause analysis to determine why, and then make any necessary changes in your procedures and other controls.

- Use the results of your regular reviews and incident investigations to implement new controls and improve your biodiversity management programs.

3. Work with other departments to identify reasonable solutions. Take care to develop solutions so that the problem does not recur and the solution itself does not create other problems.

- Collaborate closely with workers and worker committees to find more effective ways of implementing your biodiversity programs and achieving your objectives.

- Work with departments such as planning and facilities to make sure that enhancement of and impact to biodiversity are included and considered in decisions regarding site selection, building construction and renovations.

- Integrate oversight of biodiversity programs and practices into the job descriptions of supervisors and managers.

Best Practice – Build Partnerships in the Local Community

There are many ways a company can go beyond focusing on its own activities to have a positive impact on biodiversity:

- Contributing to a local school or community biodiversity project, like planting trees or cleaning up a wetland.

- Donating expertise to a local biodiversity initiative.

- Working with local environmental NGOs on projects within the community.

- Setting good practices regarding the environment and biodiversity, and publicising these to inspire best practice by other companies.

Common Questions

What issues related to biodiversity are particularly relevant to companies?

All companies rely on resources that depend on biodiversity. Finding out which biodiversity issues are specifically relevant to the company depends on several factors, and will require you to assess company activities and operations and their relationship with and impact on biodiversity. Consider the company’s indirect and direct impacts in its operations, within the supply chain, and through company use of products and services. Examine the natural resources and raw materials used by the company, as well as how company sites impact the environment (such as through new construction). Find
ways the company can reduce impacts or ways that resource use can be responsible and sustainable.

**Are there any policies, practices, and procedures my company already has in place that address or relate to any of these issues? Does my company need to implement new systems?**

It is possible that the company already has policies, activities, or procedures that relate to biodiversity in some way, perhaps as yet unrecognised. Recycling, for example, is something the company probably already does. This is not only a good environmental practice (and may help save the company money), but also has a positive impact on biodiversity since it contributes to saving resources and reducing impact on environmental ecosystems. Many of the management systems, you already have in place can work for your biodiversity program, such as systems for environmental protection, waste management, and supplier engagement.

**Why is the supply chain so important for biodiversity?**

Numerous companies are involved in meeting the demands of your company for energy, materials, goods, and services. All of these companies have impacts on biodiversity, as does how your company utilises the materials and services provided by suppliers. Your company could have a significant impact on making sure that other suppliers and all of the stakeholders in your supply chain minimise their impacts on biodiversity (and make positive contributions to conservation where possible). Use biodiversity and environmental practices as part of your criteria for selecting and engaging with suppliers, which can help ensure security of supply for resources on which you depend.

Suppliers of raw materials, whose operations involve significant land use (and potential degradation) such as mining and farming, are particularly important to include in your program.

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**Common Audit Non-compliances from the Sedex Database**

The following are the most common non-compliances against this issue. If properly implemented, the guidance in this chapter can help reduce the incidence of these problems:

- Lack of compliance with local and international environmental laws and regulations.
- Company is unaware of the customer’s environmental requirements.
- Inadequate system to check environmental performance against relevant laws and customer requirements.
- Inadequate infrastructure for improving environmental performance.

Sedex provides a document with suggested possible corrective actions following a SMETA audit. This is available to Sedex members only in the Sedex Members Resources section: Sedex Corrective Action Guidance
Noble Foods Ltd.
are the leading supplier of fresh eggs to major UK retailers. To find out more about Noble Foods, visit www.noblefoods.co.uk.

Sedex is always looking for new case studies. If you have a best practice example case study that you would like to be featured, please send it to content@sedexglobal.com.
Resources and Guidance

The following organisations, websites and documents provide additional information on biological diversity:

☑ General Information:

☑ United Nations resources:
  - See the following for good practice guides: http://www.cbd.int/development/training/guides/

☑ Earthwatch Institute, resources on biodiversity for businesses:
  - Earthwatch Institute, Business and Biodiversity Resource Center: http://www.businessandbiodiversity.org/index.html
  - Earthwatch Institute, Employee Involvement in Conservation: http://www.businessandbiodiversity.org/action_involve.html

☑ Other resources for businesses from NGOs active on biodiversity:
  - Global Environmental Facility (GEF) NGO Network, Biodiversity: http://www.gefngo.org/index.cfm?&menuid=36&parentid=35
  - The Economics of Ecosystems and Biodiversity (TEEB): www.teebweb.org/
  - WBCSD, Ecosystems: http://www.wbcsd.org/work-program/ecosystems.aspx
Key Terms

- **Biodiversity**: the variability among living things that maintains the health of ecosystems that provides natural resources and raw materials. Many companies, whether directly or indirectly, rely on natural resources to sustain their business.

- **Natural resources**: any resource used by a company that is derived from the natural environment.

- **Raw materials**: the basic material(s) from which a product is made or produced.

- **Ecosystem**: communities of plants and animals in a limited, defined area, such as forests or lakes.

- **Ecosystem services**: People and businesses benefit from a wide variety of resources and processes that are supplied by ecosystems. Collectively, these benefits are known as ecosystem services and include products such as clean drinking water and timber, and processes such as the decomposition of wastes.
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Chapter 3.10

SUPPLIER SOURCING
Supplier Sourcing
What does it mean?

Supplier sourcing is the system a company uses to make sure that social and environmental responsibility standards are met by the suppliers who provide products and services to the company.

Supplier sourcing, also called Ethical Trading, means that companies require their suppliers to meet code of conduct and legal requirements and that continued or new business with the supplier should be based on the supplier’s performance to those requirements.

Implementation of a supplier sourcing programme includes: an ethical sourcing policy, contract terms and conditions, supplier monitoring and verification procedures, supplier training and capacity building, and the development and implementation of corrective action plans.

An effective supplier sourcing programme also helps a company to continuously improve supplier performance to meet customer requirements.

To be successful in this approach, this section:

- Describes the possible unintended social and environmental outcomes of policies and procedures that are meant to achieve business objectives.

- Identifies operational controls to manage or avoid these unwanted outcomes.

- Shows how to monitor and measure the effectiveness of your controls to ensure you meet standards.

This section will help you identify the risks in your current sourcing processes and, if so, how to put controls in place to make sure you and your suppliers meet standards.

Benefits
Why should you do it?

Building responsibility for supplier sourcing into your business management system will help you stay within the law, avoid penalties and meet your customers’ requirements.

There can also be business benefits, such as:

a) Improving your company’s image and reputation.

b) Achieving both your business and social and environmental responsibility performance objectives.

c) Improved community relations.

d) Less time spent on audits.

e) Cost savings through improvements in system efficiency.

Advantages of Ethical Supplier Sourcing

Effective supplier sourcing programs strengthen your company’s ability to:

- Select suppliers who can meet cost, quality and social responsibility requirements.

- Maintain long-term supplier relationships.

- Continually improve the business and social performance of your suppliers.

- Achieve your social and environmental responsibility objectives.

Note: The approach described in this chapter is similar to those described in Labour Management Systems, Health & Safety Management Systems, Environmental Management Systems and Business Ethics Management Systems.
Requirements

**What do you need to do?**

All of the clauses of the ETI Base Code apply to your suppliers’ operations. Sedex recommends that its members and suppliers adopt a management system approach to supplier sourcing.

**ETI Principles of Implementation**

The ETI has also established the following Principles of Implementation to help companies use a management system approach in applying the Base Code to its supply chain:

1. Commitment (policy, communication, resources, strategy).
2. Integration with core business practices (supplier selection, terms of agreements, internal buy-in).
3. Capacity Building (worker awareness, effective industrial relations).
4. Identifying problems in the supply chain (risk assessing and sharing, on-going monitoring and evaluation, worker complaint mechanisms).
5. Improvement actions (enabling remediation, time-bound remediation, tackling root causes).
6. Transparency (fair and accurate reporting, response to violations).

**Other International Standards and Guidelines:**

- **ISO 26000** (2010), Contains guidance on promoting social responsibility in the value chain (Section 6.6.6):
  
  To promote social responsibility in its value chain, an organisation should:
  
  - Integrate ethical, social, environmental and gender equality criteria, and health and safety, in its purchasing, distribution and contracting policies and practices to improve consistency with social responsibility objectives;

  - Encourage other organisations to adopt similar policies;

  - Carry out appropriate due diligence and monitoring of the organisations with which it has relationships;

  - Actively participate in raising the awareness of organisations with which it has relationships about principles and issues of social responsibility; and,

  - Promote fair and practical treatment of the costs and benefits of implementing socially responsible practices throughout the value chain, including, where possible, enhancing the capacity of organisations in the value chain to meet socially responsible objectives. This includes adequate purchasing practices, such as ensuring that fair prices are paid and that there are reasonable delivery times and stable contracts.
Achieving and Maintaining Standards

How do you do it?

You can best meet standards by using a systems approach. In other words, you add controls to the processes you already use to run your business. And you make sure your policies and procedures are designed to ensure that:

- Company management is aware of the risks in its supply chain.
- Supplier management is aware of customer and legal social and environmental responsibility requirements.
- Risks in supplier selection and management that could lead to social and environmental responsibility issues are identified and controlled.
- Effective processes in place to verify that suppliers are operating according to legal and customer requirements.
- There are no significant supplier non-compliances that can damage the company’s reputation and business.
- Suppliers have the internal capability to properly manage their social and environmental compliance and to correct deficiencies identified in customer audits and government inspections.

It is important that you also regularly monitor your processes and controls to make sure they are working.

Companies who practice ethical supplier sourcing require their suppliers to meet legal and customer standards for social and environmental responsibility.

Procedures (practices)

Management should assign a responsible person (or department) with documented roles, responsibilities and authority to make sure your policy commitments are achieved, that regulatory compliance is maintained and that social and environmental standards are met. This includes:

- Communicating your policies to all managers, supervisors, and workers who work with suppliers and contractors.
- Meeting regularly with managers and supervisors responsible for procurement, supplier management and other business functions to oversee the implementation of your supplier sourcing programme and procedures.
- Working with supplier management to make sure that identified social, environmental and sustainability issues are addressed.

Policies (rules)

Your company should have a supplier sourcing policy stating that the company is committed to ethical sourcing and includes the following commitments:

- The company will require all suppliers to adhere to legal compliance and the ETI Base Code (or equivalent).
- Monitoring and verification of supplier compliance.
- Providing suppliers with awareness and capability building training.
- Working with suppliers to ensure corrective action(s) is taken for identified non-compliances.
- Considering a supplier’s social and environmental responsibility performance when awarding or renewing contracts.
- Continually improve the social and environmental performance of the company’s supply chain.
- The policy should be signed by the most senior manager of the facility or company and reviewed and updated on a regular basis.
✓ Monitoring and following up on all reported concerns and allegations related to supplier compliance with your company’s code of conduct.

✓ Performing an annual review of your supplier sourcing programme to make sure it is effective and achieving your objectives, and to make any required adjustments.

Your supplier sourcing procedures should include:

✓ Ways to track and understand social and environmental laws and regulations that pertain to your suppliers’ operations.

✓ A process to identify the risks in your supply chain that could lead to non-compliance with social and environmental regulatory and code requirements or other impacts.

✓ A formal process to screen and select your suppliers based on their ability to meet your social and environmental standards.

✓ A procedure to communicate your social and environmental expectations to suppliers and contractors.

✓ Contract terms and conditions that commit a supplier or contractor to compliance with legal requirements and your company’s social and environmental code requirements.

✓ Procedures to monitor the social and environmental performance of your suppliers and contractors. This should include supplier self-assessments and audits performed by company staff or independent third parties.

✓ A formal corrective action management process to ensure that suppliers and contractors correct identified non-compliances in a reasonable time period.

✓ A programme to identify supplier training and awareness needs and to provide the required training and information.

✓ A way(s) for workers, managers, suppliers and customers to anonymously report any concerns about the implementation of your company’s supplier sourcing policies.

✓ A process to recognize and provide incentives to suppliers who demonstrate good social and environmental performance.
Measuring the performance of your suppliers goes beyond evaluating cost, quality and on-time delivery. Social and environmental compliance must also be considered.

Develop a ‘supplier scorecard’ that grades supplier performance in meeting both business and social and environmental responsibility objectives. Use the scorecard as part of your regular business reviews with supplier management.

Communication and Training

You should use the following methods to make sure your employees and suppliers are aware of your supplier sourcing policies and procedures:

**Company employees:**

☑ Provide introductory and on-going training for supplier-facing company staff on your company’s supplier sourcing policies and procedures, including their implementation responsibilities.

☑ Provide all company employees with awareness training on your supplier sourcing policy.

**Suppliers and contractors:**

☑ Provide all suppliers and contractors with copies of your company’s code of conduct and social and environmental policies, and your requirements for supplier certification, if any.

☑ Explain how the supplier’s commitment to social and environmental compliance is a requirement for doing business with your company.

☑ Explain your contract provisions regarding social and environmental compliance.

☑ Communicate the benefits of working toward legal and code compliance.

☑ How the supplier can achieve compliance, including the support offered by your company.

☑ Explain how the company will work with the supplier or contractor to identify and correct legal and code non-compliances.

☑ Make sure the supplier understands how their social and environmental performance will be measured, the incentives for good performance and the business consequences of non-compliance.

☑ Communicate your company’s whistleblower policy and procedures on how to report concerns related to how company employees are carrying out your supplier sourcing policies.

**Documentation and Records**

Meeting standards requires proper documentation. You will need to keep the following on file on your company premises:

☑ A copy of your supplier sourcing policy signed by senior management.

☑ A copy of the ETI Base Code or your company’s own supplier code of conduct, if different from the ETI Base Code.

☑ Copies of all applicable social and environmental laws related to supplier sourcing.

☑ Copies of key supplier sourcing procedures, such as risk identification and evaluation, supplier selection, supplier self-assessment, performance...
verification and auditing, corrective action management, performance scoring, and the process for considering social and environmental performance in determining continued or new business.

☑ Copies of supplier contracts, including signed commitments to fulfil your social and environmental responsibility requirements.

☑ Copies of supplier audit reports, corrective action plans and training records.

☑ Track the compliance status of each of your suppliers on a regular basis to identify suppliers in need of additional assistance or recognition for good performance. Self-audits of your supplier sourcing programme should be performed annually to determine if you are complying with your policies and meeting legal and customer requirements.

☑ The person or department that oversees matters related to supplier sourcing should also be assigned to monitor trends. This person can then identify and/or anticipate problems and coordinate with other managers or departments to develop solutions that address concerns and prevent them from recurring.

Monitoring

You will need to check if your supplier sourcing policies are being followed and that the controls to make sure your company is meeting code and legal requirements are effective. The following steps can be used to evaluate and improve the effectiveness of your programs:

1. **Monitor and report on trends** to identify actual and potential problems in meeting your company’s supplier sourcing policies, including:

   ☑ Regularly review your process in meeting your supplier sourcing objectives to determine if you are accomplishing your goals.

   ☑ Review your supplier sourcing procedures, programmes and monitoring data to make sure that your controls are working as intended.

Excerpt from:

Sedex Supplier Self-Assessment Questionnaire (SAQ)
2. **Establish and track key performance indicators (KPIs)** to measure how well your supplier management processes and procedures are working on an on-going basis.

- Ask your suppliers to report KPI’s for key compliance areas. Depending on the identified issues for a specific supplier, indicators could include:
  - Total hours worked per worker per week.
  - Percentage of workers receiving one rest day off per week.
  - Percentage of workers covered by social insurance.
  - Percentage of non-compliances corrected within 30 days.
  - Number of emissions measurements exceeding permit requirements.
  - Percentage of solid waste recycled.

- Regularly survey suppliers to understand any difficulties or issues they have in implementing your supplier sourcing policies and practices.

- Use regular supplier business review meetings to review KPI’s and identify compliance problems where you may need to work closely with them to identify sustainable solutions.

- Measure training effectiveness and knowledge retention by testing workers immediately after training, and using follow-up worker questionnaires three to six months after training.

3. **Investigate problems and analyse why they occurred.** When a situation arises that indicates the existence of either supplier non-compliance with your company supplier code of conduct, or issues with your implementation of the supplier sourcing programme, the company should investigate the **causes**, not just the condition, and what can be done to address them.

- Any identified issues should be evaluated to determine their root cause(s) and action plans established to put in place corrective and preventive actions.

- Every environmental incident and ‘near miss’ is an opportunity to improve your procedures and other controls. Incidents should be investigated to find the root causes and action plans developed to make improvements that will prevent a recurrence of the same or similar incident throughout the business.

- If your internal audit finds the same or similar environmental issues repeatedly, it could mean that your process to identify and assign responsibility for putting in place corrective and preventive actions is not working.

- Similarly, if you have taken action but are still not meeting standards, it could mean that the corrective actions (controls) themselves are not effective and need to be improved.

4. **Work with other departments to identify reasonable solutions.** Take care to develop solutions so that the problem does not recur and the solution itself does not create other problems.

- More than one functional department is often responsible for supplier selection, management and performance. Solutions to problems may involve, for example:
  - Pre-screening and risk assessment by procurement before selection of new suppliers and contractors.
  - Production management and engineering for the day-to-day management of supplier performance.
  - Internal and external auditors who monitor supplier facilities for compliance.
  - The entire management team for deciding whether or not to reward additional or new business to suppliers, based on their social and responsibility performance.

The thing to remember is that to find solutions to supplier performance problems, you need to work with all departments and personnel involved.
How to Assess Supplier Social and Environmental Risks

- Map your supply chain, including:
  - Countries where your suppliers are located
  - What they supply to you
  - Volume of business with the supplier
- Understand the legal requirements in the countries where your suppliers do business.
- Know the social and environmental risks of the supplier’s location and type of business.
- Ask the supplier to complete a self-assessment, such as the Sedex Self-Assessment Questionnaire (SAQ). Evaluate the SAQ for potential compliance risks.
- Audit or request audit report of those supplier sites with potential compliance risks.

Common Questions

Why is it important for my company to make ethical supplier sourcing part of how we do business?

A company’s supplier sourcing programme directly impacts the social and environmental practices of its suppliers. If your company wants to improve working conditions in the supply chain, you must integrate your commitments to ethical sourcing into core business decision-making and management practices. A socially responsible company understands that nearly all the commercial decisions made in different parts of the company can either worsen or improve working conditions and environmental practices in its suppliers’ operations.

A supplier is more likely to comply with legal and code requirements if those requirements are a formal part of their commercial relationship with the company and if on-going monitoring and verification of compliance is part of the supplier management process. Finally, if the ability to remain a supplier to your company or to obtain more business depends on good social and environmental performance, then the supplier may begin to manage social and environmental compliance in the same way that it does cost, quality, delivery, and other business performance areas.

How can my company assess supplier social and environmental responsibility risks?

A company can take a simple step-by-step approach to assessing supplier social and environmental responsibility (SER) risks.

1) Read the human rights and environmental reports on the web for those countries where your suppliers are located.
2) Map your suppliers’ operations by country.
3) Look for connections between 1) and 2) and create a list of potential risks for each supplier based on type of operation and location.
4) Ask suppliers to complete a social and environmental responsibility self-assessment.

Please note that Sedex A and AB members can use the Sedex Risk Assessment Tool for this purpose.

My company has a certified Quality Management System. Can we use this system for supplier sourcing?

Yes. In fact, any formal management system, such as ISO 9001, could also be used to manage a supplier’s compliance to social and environmental standards rather than creating a separate supplier sourcing management system. The risk assessment, regulatory tracking, training, communication, auditing, corrective action, and other elements of these systems can very easily be adapted for supplier management.

What is Plan-Do-Check-Act?

Plan-Do-Check-Act is a way of describing a management system to show how risks are controlled and how processes and performance are continually improved.

Plan means to identify requirements (laws and standards), evaluating risks that may prevent you from meeting those standards, and establishing policies, objectives, and processes needed to meet standards and achieve objectives.

Do means assigning responsibilities, implementing your policies and procedures, training, and communicating.

Check is making sure that you are achieving your objectives and meeting standards. This involves measuring performance using KPI’s, performing audits, surveying suppliers and the community, and other ways to evaluate how you are doing.

Act is taking corrective and preventive actions when your results are different from your goals, such as when audits find non-compliances. This step also includes a regular review by senior management of your overall system.
Common Audit Non-compliances from the Sedex Database

The following are the most common non-compliances against this issue. If properly implemented, the guidance in this chapter can help reduce the incidence of these problems:

- There is no programme in place to assess the social accountability of suppliers.
- Lack of management awareness of the social and ethical standard the company upholds.

Sedex provides a document with suggested possible corrective actions following a SMETA audit. This is available to Sedex members only in the Sedex Members Resources section:

Sedex Corrective Action Guidance

Case Study

Environmental Management Systems—Incentivise Environmental Performance

Companies are responsible for their impact on the environment and consumption of natural resources in their business and throughout their global supply chains. Environmental Management Systems are a crucial set of policies and procedures companies use to set business objectives, monitor progress, boost efficiency and achieve targets.

Led from the top of the business, Waitrose shares with its own label supply base common objectives to reduce the negative aspects and enhance the positive aspects of its business footprint to contribute to a more sustainable future, communicated via their mission ‘The Waitrose Way’. The focus is on three areas that are directly measurable, namely Carbon Dioxide Equivalent (CO₂e), Waste and Water.

In 2012, Waitrose launched the Waitrose Way Awards to recognise and reward suppliers who achieve high environmental performance and to incentivise their environmental management.

Their entry included building the UK’s first sweet corn-fuelled anaerobic digestion (AD) plant—which converts all of the company’s green waste into three times the amount of energy needed to power its processing facilities—with the residual energy being fed into the national grid and residue matter providing an organic fertiliser, used on their crops, creating a sustainable, integrated farming production system. The plant waste saves 50,000 miles of diesel per year by eliminating waste transportation and, to date, has offset 125 percent of CO₂e.

Notably, Barfoots also set up a new business, Barfoots Projects Ltd, to offer project management advice to landowners interested in building their own plants—demonstrating their commitment to encouraging renewable energy usage.

Laura Strangeway, Sustainable and Ethical Sourcing Manager, said, “Barfoots have developed a solution that not only makes them self-sufficient in energy at their processing factory, but also diverts waste from landfill. Barfoots is an outstanding example of how to rise to the challenge.”

“A characteristic of our business model is that we have close, long-term relationships with our key suppliers. This means we are closely aligned through a joint business planning process, which is also covered through third party auditing and membership of a variety of environmental stewardship schemes, such as LEAF,” says uentin Clark, Head of Ethical Sourcing and Sustainability at Waitrose.

“We had a very large number of entries (circa 200) reflecting the high levels of activity and motivation in this area amongst the Waitrose supply base.”

“Scale is an issue and clarity is essential. Sometimes you can be the catalyst that starts the change everybody wanted to make.”

Waitrose is a UK supermarket retailer and a part of the John Lewis Partnership. To find out more about Waitrose, visit http://www.waitrose.com/.

Sedex is always looking for new case studies. If you have a best practice example case study that you would like to be featured, please send it to content@sedexglobal.com
Resources and Guidance

The following organisations, websites, and documents provide additional information on Environmental Management Systems and Supplier Sourcing guidance:


☑ Ethical Corporation: [http://www.ethicalcorp.com/supply-chains](http://www.ethicalcorp.com/supply-chains)


☑ Ethical Trading Initiative (ETI):
  - ETI Base Code: [http://www.ethicaltrade.org/resources/key-eti-resources/eti-base-code](http://www.ethicaltrade.org/resources/key-eti-resources/eti-base-code)
  - Principles of Implementation: [http://www.ethicaltrade.org/resources/key-eti-resources/principles-implementation](http://www.ethicaltrade.org/resources/key-eti-resources/principles-implementation)
  - Managing compliance with labour codes at supplier level: [http://www.ethicaltrade.org/resources/key-eti-resources/managing-compliance-with-labour-codes-at-supplier-level](http://www.ethicaltrade.org/resources/key-eti-resources/managing-compliance-with-labour-codes-at-supplier-level)
  - ETI Workbook (Edition 2), Ethical trade…a comprehensive guide for companies: [http://www.ethicaltrade.org/resources/key-eti-resources/eti-workbook](http://www.ethicaltrade.org/resources/key-eti-resources/eti-workbook)


Signposts to Training

- ETI: [http://www.ethicaltrade.org/training/essentials-of-ethical-trade](http://www.ethicaltrade.org/training/essentials-of-ethical-trade)


Key Terms

- **Ethical Sourcing**: The business processes that promote more social and environmental practices in the supply chain.

- **Corrective Action**: The implementation of a systemic change or solution to make an immediate and on-going remedy to a non-compliance.

- **Management System**: The framework of policies, processes, and procedures used to ensure that an organisation can fulfil all tasks required to achieve its objectives.

- **Preventive Action**: The implementation of a systemic change or solution designed to prevent the recurrence of the same or similar issues elsewhere in the facility.
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PART 4:
BUSINESS ETHICS
## Part 4: Business Ethics

### 4.1 Business Ethics Management Systems

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### 4.2 Anti-Corruption

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Business Ethics Management Systems

What does it mean?

A Business Ethics Management System is the set of interdependent policies, processes, and procedures that a company uses to conduct its operations legally, ethically and consistent with its values.

A management system also serves to continuously improve key business processes and outcomes to meet core strategic goals. A Business Ethics Management System is how a company effectively controls risks of bribery, corruption, collusion and other business conduct issues.

Conducting your business in an ethical manner is an important social responsibility objective and a regulatory requirement. An effective Business Ethics Management System balances these requirements with running a successful business.

To be successful in this approach, we:

- Describe the possible unintended ‘business ethics’ outcomes of policies and procedures that are meant to achieve business objectives.
- Identify operational controls to manage or avoid these unwanted outcomes.
- Show how to monitor and measure the effectiveness of your controls to ensure you meet standards.

This section will help you check whether there is a risk of not maintaining essential management system elements in your current business operations, and if so, how to put controls in place to make sure you meet standards.

Benefits

Why should you do it?

Building responsibility for business ethics into your business management system will help you stay within the law, avoid penalties and meet your customers’ requirements.

There can also be business benefits, such as:

a) Improving your company’s image and reputation.

b) Achieving both your business and social responsibility objectives.

c) Building and maintaining customer trust.

d) Avoiding ethical dilemmas.

e) Cost savings through improvements in system efficiency.

Advantages of a Management System approach to Business Ethics

Effective management systems strengthen your company’s ability to:

- Develop suitable policies, plans and objectives.
- Implement the appropriate business process controls.
- Identify the necessary human and financial resources.
- Measure and continually improve performance.

Note: The approach described in this chapter is similar to those described in Labour Management Systems, Environmental Management Systems, and Health & Safety Management Systems.
Requirements

*What do you need to do?*

There are no ETI Base Code Clauses that address business ethics. However, business ethics is an essential component of corporate responsibility and social compliance. As such, Sedex recommends member companies to use a management systems approach to control business ethics risks like bribery, corruption, legal compliance, protecting sensitive information and whistleblower protection.

**ETI Principles of Implementation**

Although developed primarily to improve conditions for workers, the ETI Principles of Implementation provide useful guidance for suppliers who would like to integrate ethical business practices into their business management system.

1. Commitment (policy, communication, resources, strategy).
2. Integration with core business practices (supplier selection, terms of agreements, internal buy-in).
3. Capacity Building (worker awareness, effective industrial relations).
4. Identifying problems in the supply chain (risk assessing and sharing, monitoring and evaluation, worker complaint mechanisms).
5. Improvement actions (enabling remediation, time-bound remediation, tackling root causes).
6. Transparency (fair and accurate reporting, response to violations).

**Relevant ILO Conventions**

All of the ILO core conventions are essential for compliance to good business ethics, as well as important considerations in supply chain management.

**Other International Standards and Guidelines:**

- ISO 26000 (2010), Section 6.6, Fair Operating Practices, contains specific guidance on how companies can manage business practices risks:
  
  Fair operating practices concern ethical conduct in an organisation’s dealings with other organisations. These include relationships between organisations and government agencies, as well as between organisations and their partners, suppliers, contractors, customers, competitors, and the associations of which they are members.
  
  Fair operating practice issues arise in the areas of anti-corruption, responsible involvement with public officials, fair competition, socially responsible behaviour, relations with other organisations and respect for property rights.

- **FCPA – Foreign Corrupt Practices Act (1998)** requires:
  
  - Due diligence on customers, the nature of their business and the types of financial transactions they undertake.
  - Conducting senior management meetings where the risks of bribery and
corruption are reviewed, discussed and recorded.

- Staff training.
- Independent monitoring.

☑ Sarbanes-Oxley Act (2002) requires companies ‘to protect investors by improving the accuracy and reliability of corporate disclosures made pursuant to the securities laws.’

☑ UK Bribery Act (2010) creates the following offences:

- Active bribery: promising or giving a financial or other advantage.
- Passive bribery: agreeing to receive or accepting a financial or other advantage.
- Bribery of foreign public officials.
- The failure of commercial organisations to prevent bribery by an associated person (corporate offence).

Achieving and Maintaining Standards

How do you do it?

You can best meet standards by using a systems approach. In other words, you add controls to the processes you already use to run your business. And you make sure your policies and procedures are designed to ensure that:

- You are aware of legal and customer requirements.
- There is a company or facility policy on business ethics.
- You know the risks in current business ethics that could lead to compliance issues.
- There is a process in place to verify that workers and management are working according to legal and customer requirements.
- There is no damage to company reputation as a result of fraudulent or unfair business practice.
- The same business ethics issues do not occur repeatedly.
- Workers, supervisors and managers are properly trained on ethical business practices and responsibilities.
- There is a process to protect the confidentiality of supplier and employee whistleblowers.

It is important that you also regularly monitor your processes and controls to make sure they are working.

A systems approach is ‘self-correcting.’ It will enable you to make sure that all requirements are being consistently met.

Policies (rules)

Your company should have a business ethics policy or code that includes the following:

☑ A written statement that clearly defines your company’s approach to conducting business in a fair and ethical manner. This should include commitments to:

- Compliance with applicable local and international laws and regulations.
- Adhering to all customer requirements, including customer-specific codes of conduct.
- Continual improvement in ethical business performance.

☑ The scope of the policy should include, at a minimum, all of the following business ethics topics:
• Prohibiting bribery, corruption and extortion.
• Giving and receiving gifts.
• Protection of company and customer intellectual property and information.
• Fair business practices (anti-collusion, advertising).
• Protection of identity (whistleblower protection).
• Protecting privacy of personal information.
• Accuracy of financial records and reports.

Please refer to the Anti-Corruption chapter that provides more details on these topics.

☑ The policy should be signed by the most senior manager of the company.

Procedures
(practices)

Management should assign a responsible person (or department) with documented roles, responsibilities and authority to make sure your policy commitments are achieved, that regulatory compliance is maintained and that business ethics standards are met. This includes:

☑ Communicating your policies to all managers, supervisors, and workers.
☑ Making sure that all managers and employees of the company have clearly defined roles and responsibilities for carrying out your business ethics policies.
☑ Meeting regularly with managers and supervisors responsible for sales, supplier and vendor management, advertising, finance, and other functions, to oversee the implementation of your business ethics programmes and procedures.
☑ Working with the individual or department responsible for the company’s business ethics allegation reporting process to make sure that alleged business conduct issues are addressed.

☑ Monitoring and following up on all concerns and issues related to the implementation of business conduct policies and procedures.
☑ Performing an annual review of your management system to make sure it is effective and achieving your objectives, and to make any required adjustments.
☑ A formal process for workers, managers, supervisors, suppliers, and customers to anonymously report any concerns regarding the implementation of business ethics policies.

Your business ethics and other business function procedures should include:

☑ Ways to track and understand business ethics laws, regulations, and customer requirements.
☑ A process to identify the risks in the way you conduct business that could lead to violations of business ethics standards.
☑ A procedure that limits the amount and frequency of business gifts that employees can give or receive from suppliers and customers.
☑ A formal process to screen and select your suppliers based on their ability to meet your policies and business ethics laws and regulations.
☑ A process describing how the company records, discloses and reports its business activities and financial performance.
☑ A procedure that describes how the company protects its own intellectual property and that of its suppliers and customers.
The ways in which the company protects the privacy of personal information of every person you do business with.

A formal process for workers, managers, suppliers and customers to anonymously report any concerns about the implementation of your company’s policies. The process should detail the way your company investigates and resolves reported allegations.

A disciplinary procedure for company employees and managers who are found to have violated company business conduct policies and standards.

The Anti-Corruption chapter in this workbook describes in more detail the procedures needed for specific business ethics issue areas.

**Communication and Training**

You should use the following methods to make sure your employees are aware of your business ethics policies and procedures:

- Provide training programmes for new managers, supervisors, and newly hired workers on your company’s business ethics policies and procedures.
- All employees must be provided with on-going training and information on the business ethics issues associated with their jobs using classroom training, team and department meetings, written materials, and work area postings.
- Make sure the training covers all applicable business ethics laws and regulations.
- Use scenarios in the training that are tailored to local issues and culture.
- Display business ethics policies and local legal requirements in areas where all employees will see them and in a language they understand.
- Communicate the company’s business ethics requirements, as well as the laws and standards, to the company’s suppliers using your website, in contract terms and conditions, and during periodic meetings.
- Communicate the company’s allegation reporting procedures and explain how to report concerns related to how the company conducts its business.
Living Up to Your Company’s Values

- **Always do the right thing in business dealings with customers, suppliers or governments, even with pressure or incentive to do otherwise.**
- **However, do not put yourself in danger. Report any incidents of threats or pressure to violate business ethics policies to your company’s responsible manager.**
- **Remember that your company’s reputation is your most valuable asset but can be easily lost.**

**Documentation and Records**

Meeting standards requires proper documentation. You will need to keep the following on file on your company premises:

- Copies of your business ethics policy signed by senior management.
- Copies of all applicable laws and the facility’s legal responsibilities for business ethics.
- Copies of key business conduct procedures, such as anti-bribery, fair advertising, gifts, reporting allegations of misconduct, and others as described in the chapter that follows.
- Management and Board of Directors meeting minutes, action items, and attendance records.
- Copies of internal and third party business and financial audit reports, and inspection reports by regulatory agencies.
- Records of allegations of business misconduct.
- Business ethics corrective action plans and reports, including documented evidence of improvements made.

- The topic-specific documents listed in the Anti-Corruption chapter of this workbook.

**Monitoring**

You will need to check if your business ethics policies are being followed and that the controls to make sure your company is meeting code and legal requirements are effective. The following steps can be used to evaluate and improve the effectiveness of your programs:

1. **Audit your system** to identify actual and potential problems meeting laws and standards. Audits can be performed by trained and qualified internal staff or by external auditors—including from your own customers.

   - Self-audits, including ‘spot’ audits, should be performed regularly to determine if you are meeting internal standards and both legal and customer requirements.

   - Any audit issues should be evaluated to determine their underlying cause(s) and action plans established to put in place corrective and preventive actions.

   - The person or department that oversees matters related to ethical business practices should also be assigned to monitor issue trends. This person can then identify and/or anticipate problems and coordinate with other managers or departments to develop solutions that address concerns and prevent them from recurring.

**What Are Examples of Conflicts of Interest?**

- **Company employee has outside employment or receives compensation from a supplier, customer or competitor.**
- **Officer or owner of the company has a major financial interest in a supplier, customer or competitor.**
- **Conducting business with a company when someone in your family has a major role in that company.**
2. **Establish and track key performance indicators (KPIs)** to measure how well your business management processes and procedures are working on an on-going basis.

- Regularly survey workers to measure their satisfaction with the implementation of your business conduct policies and practices.
- Track the number and type of reported allegations of business misconduct. Establish goals and metrics for issue areas that may be in need of improvement.
- Measure training effectiveness and learning retention by testing employees immediately after training, and using follow-up questionnaires three to six months after training.

3. **Investigate problems and analyse why they occurred.** When a situation arises that indicates the existence of non-conformance with company business ethics policies and customer code(s) of conduct, the company should investigate the causes, not just the condition, and what can be done to address them.

- Every allegation and incident is an opportunity to improve your procedures and other controls. Every reported issue should be investigated to find the underlying causes and develop action plans to make improvements that will prevent a recurrence. Actions should also aim to prevent similar incidents throughout the business.
- If your internal audit finds the same or similar business ethics issues repeatedly, it could mean that your process to identify and assign responsibility for putting in place corrective and preventive actions is not working.
- Similarly, if you have taken action but are still not meeting standards, it could mean that the corrective actions (controls) themselves are not effective and need to be improved.

4. **Work with other departments to identify reasonable solutions.** Take care to develop solutions so that the problem does not recur and the solution itself does not create other problems.

- More than one functional department is often responsible for business conduct issues. Solutions to problems may involve, for example:
  - Procurement staff who manage contracts with sub-contractors, on-site contractors and other suppliers.
  - Finance staff for the practices of reporting business and financial performance.
  - Internal auditors who monitor problems.
  - Supervisors to monitor the implementation of policies every day.

When identifying a solution to a business ethics problem, work with all departments and personnel involved.

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### Best Practice

**Cooperate with Internal Investigations**

- **Make sure that everyone in your company cooperates with investigations of alleged misconduct.**
- **Be sure to answer any questions from investigators or regulators openly and honestly.**
- **Preserve all documents and records that may be requested as part of an investigation or audit.**
Common Audit Non-compliances from the Sedex Database

The following are the most common non-compliances against this issue. If properly implemented, the guidance in this chapter can help reduce the incidence of these problems:

- Inadequate code and system implementation.
- Inconsistent recordkeeping.
- No general management systems in place.
- Lack of employee awareness of the social and ethical standards the company upholds.

Sedex provides a document with suggested possible corrective actions following a SMETA audit. This is available to Sedex members only in the Sedex Members Resources section: Sedex Corrective Action Guidance

Common Questions

What resources should I make available to employees who need help thinking through an ethical dilemma?

The best thing you can provide your employees is a business ethics policy and accompanying procedures that describe the types of issues that may be encountered, the company’s position on them, and how to address them. With that, you need to make available a confidential way for employees to report allegations of misconduct that guarantee there will be no reprisal against the person making the report.

Will a management system require a lot of documentation and other complexity?

This is a very common concern, but a business ethics management system does not need to be any more formal or complex than the system you use to manage your business. For example, a procedure can be as simple as a short list of what is to be done, by whom, and how often. Business and financial regulations themselves can get quite complicated, so your system must be at least detailed enough to meet those requirements.

As for records, you only need to maintain items that are needed to verify that you are meeting standards, such as financial records, copies of non-disclosure agreements, and records of allegations of misconduct and how they were investigated and resolved.

My company has a certified Quality Management System. Can we use this system for business ethics?

Yes. In fact, any company that has a formal management system, like ISO 9000 or ISO 14001, can also use it to manage compliance to business ethics standards rather than creating a separate business ethics management system. The risk assessment, regulatory tracking, training, communication, grievance process, auditing, corrective action, and other elements of these systems can very easily be adapted for business ethics management.

What is Plan-Do-Check-Act?

Plan-Do-Check-Act is a way of describing a management system to show how risks are controlled and how processes and performance are continually improved.

Plan means to identify requirements (laws and standards), evaluating risks that may prevent you from meeting those standards, and establishing policies, objectives, and processes needed to meet standards and achieve objectives.

Do means assigning responsibilities, implementing your policies and procedures, training, and communicating.

Check is making sure that you are achieving your objectives and meeting standards. This involves measuring performance using KPIs, performing audits and investigation, surveying workers, and other ways to evaluate how you are doing.

Act is taking corrective and preventive actions when actual practices differ from your business ethics policy, such as when audits and allegation investigations find non-compliances. This step also includes a regular review by senior management of your overall system.
The government is investigating a company in the area that my company does business with. The investigation is looking closely at all documents, including email. What should I advise my employees to do?

Your employees need to understand that whenever they create documents and records, including emails, it is important to always assume that they may be made public. Your training should instruct them that they need to cooperate fully with any investigation and that once written, emails and other documents are company business records. Their original form should not be altered.

### Why do management systems fail?

- Lack of senior management sponsorship and commitment.
- Failure to assign a senior manager with responsibility and accountability for implementing the system.
- Companies try to create a system that is more complicated than their current business management system.
- Management believes that the business ethics compliance objectives of the system will conflict with business objectives.
- The system creates extra or duplicate work that the company believes does not add any value.
- Senior management fails to regularly measure and review the effectiveness of the system and make necessary improvements.
Case Study

Business Ethics Management Systems: Collaborative responsibility

Corruption presents significant risks to businesses, including poor use of management time and resources, legal liability and damage to a company’s reputation. By engaging with their supply chain through meaningful anti-corruption programmes, firms can reduce fraud and related costs, enhance their reputation and create a more sustainable growth platform.

As a global business, Diageo has a large responsibility to manage standards in their supply chain. David Lawrence, Diageo’s Compliance & Ethics Programme Director, says, “Corruption is an inhibitor to our business, meaning we have to pay more and it takes us longer to do business, especially across country boundaries.”

To prevent corruption it’s vital to have strong, coherent communication from the top of your company of your policy, and to implement systems to support your employees to resist corruption.

Diageo has a comprehensive human rights policy that applies to all company, subsidiary and joint-venture employees, and to their upstream and downstream supply chain as far as is reasonably achievable. Diageo’s policy is fully endorsed internally and is sponsored by the Group HR Director. Each Diageo employee is responsible for compliance with the Code of Business Conduct and Diageo policies in addition to all laws, regulations and industry standards.

Breaches of conduct are reported through official processes to the global Compliance & Ethics team, who monitor and work to resolve issues on the ground. The Diageo Audit and Risk Committee will also receive regular reports on compliance to this policy. Any employee can raise a concern or report breaches to SpeakUp, a whistleblowing hotline managed by a company independent from Diageo. All contact is confidentially reported to Diageo, who thoroughly investigates and follows up any issues.

For Diageo, progress has been made by working collaboratively with their peers. This has been via industry groups such as AIM-PROGRESS, a forum of consumer goods manufacturers and suppliers assembled to enable and promote responsible sourcing practices and sustainable production systems, and business integrity coalitions in Nigeria and Cameroon. Through collaboration, they have formed more influential movements and raised awareness, often escalating the issue up to governments in order to build more robust legal frameworks.

“There’s nothing so powerful as acting collaboratively.”

Diageo is a global alcoholic beverages company trading in approximately 180 markets with manufacturing facilities across the globe. To find out more about Diageo, visit http://www.diageo.com.

Sedex is always looking for new case studies. If you have a best practice example case study that you would like to be featured, please send it to content@sedexglobal.com.
Resources and Guidance

The following organisations, websites, and documents provide additional information on Business Ethics Management systems:

☑ Sedex Members Ethical Trade Audit (SMETA) Best Practice Guidance: 
  [URL]

☑ SMETA Corrective Action Guidance (behind member log in): 
  [URL]


☑ Ethical Trading Initiative (ETI):
  - Principles of Implementation: [URL]


☑ UK Bribery Act: [URL]

☑ US Foreign Corrupt Practices Act: [URL]

☑ Sarbanes-Oxley: [URL]

☑ Transparency International Business Principles for Countering Bribery: [URL]

Signposts to Training

- ISO 26000: [URL]
- Transparency International: [URL]
- DuPont Sustainable Solutions Ethics and Compliance Training: [URL]
- Global Compliance Compliance and Ethics Courses: [URL]
Key Terms

- **Corrective Action**: The implementation of a systemic change or solution to make an immediate and on-going remedy to a non-compliance.

- **Management System**: The framework of policies, processes, and procedures used to ensure that an organisation can fulfil all tasks required to achieve its objectives.

- **Preventive Action**: The implementation of a systemic change or solution designed to prevent the recurrence of the same or similar issues elsewhere in the facility.

- **Whistleblower**: An informant who exposes wrongdoing within an organisation in the hope of stopping it. A whistleblower can be from within the organisation itself, from a supplier or customer, or from the general public. Persons who act as whistleblowers are often the subject of retaliation by their employers. Typically the employer will discharge the whistleblower.
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Chapter 4.2

ANTI-CORRUPTION
Anti-Corruption
What does it mean?

Corruption is making or receiving illegal or improper payment for goods or services. Examples include such things as ‘facilitation’ payments to government officials to obtain needed government approvals or ‘kickbacks’ to customers in order to obtain their business. Anti-corruption programmes help protect companies and their employees against these and other risks of bribery and corruption.

An effective anti-corruption program helps a company understand its corruption and bribery risks, practice good due diligence, and investigate and resolve reports of unethical behaviour by employees of the company.

Bribery and corruption are issues faced by nearly all companies. Those faced by small companies may be very different than the situations that challenge large multi-national corporations. Whether a company is large or small, the corruption risks it faces can fall into one or more of the following categories:

- Geographic location
- Business sector
- Use of business partners (contractors, agents and other intermediaries)
- Type of business transaction (for example: permitting and public procurement)

Benefits
Why should you do it?

Establishing and implementing firm anti-corruption policies and procedures will help you stay within the law, avoid penalties and meet your customers’ requirements.

There can also be business benefits, such as:

a) Improving your company’s image and reputation.
b) Achieving both your business and social responsibility objectives.
c) Building and maintaining customer trust.
d) Avoiding ethical dilemmas.
e) Reduced cost of doing business.
f) Less pressure to pay bribes.

If a company engages in or tolerates corrupt business practices, it will be widely known to its employees, customers, suppliers, business partners, and government officials.

This section will help you identify the risks in your current business processes that could lead to knowingly or unknowingly engaging in corrupt business practices and to put in place controls to make sure bribery and corruption issues are properly addressed.

Note: Please refer to the Business Ethics Management Systems chapter for more information on controlling the risks of bribery, corruption and other business ethics issues.
Requirements
What do you need to do?

There are no ETI Base Code Clauses that address corruption and bribery. However, anti-corruption is an essential component of corporate responsibility and social compliance. As such, Sedex recommends that members establish programmes and procedures to control business ethics risks such as bribery and corruption.

Other International Standards and Guidelines:

- **OECD Anti-bribery Convention**, establishes legally binding standards to criminalise bribery of foreign public officials in international business transactions and provides for a host of related measures that make this effective.

- **ISO 26000 (2010), Section 6.6, Fair Operating Practices**, contains specific guidance on how companies can manage corruption risks:

  - Fair operating practices concern ethical conduct in an organisation’s dealings with other organisations. These include relationships between organisations and government agencies, as well as between organisations and their partners, suppliers, contractors, customers, competitors, and the associations of which they are members.

  6.6.3 Fair operating practices issue 1: Anti-corruption

  Description of the issue
  Corruption is the abuse of entrusted power for private gain. Corruption can take many forms. Examples of corruption include bribery (soliciting, offering or accepting a bribe in money or in kind) involving public officials or people in the private sector, conflict of interest, fraud, money laundering, embezzlement, concealment and obstruction of justice, and trading in influence.

  Corruption undermines an organisation’s effectiveness and ethical reputation, and can make it liable to criminal prosecution, as well as civil and administrative sanctions. Corruption can result in the violation of human rights, the erosion of political processes, impoverishment of societies and damage to the environment.

  It can also distort competition, distribution of wealth and economic growth.

  Related actions and expectations
  To prevent corruption an organisation should:

  - Identify the risks of corruption and implement and maintain policies and practices that counter corruption and extortion;

  - Ensure its leadership sets an example for anti-corruption and provides commitment, encouragement and oversight for implementation of the anti-corruption policies;

  - Support and train its employees and representatives in their efforts to eradicate bribery and corruption, and provide incentives for progress;

  - Raise the awareness of its employees, representatives, contractors and suppliers about corruption and how to counter it;

  - Ensure that the remuneration of its employees and representatives is appropriate and for legitimate services only;

  - Establish and maintain an effective system to counter corruption;

  - Encourage its employees, partners, representatives and suppliers to report violations of the organisation’s policies and unethical and unfair treatment by adopting mechanisms that enable reporting and follow-up action without fear of reprisal;

  - Bring violations of the criminal law to the attention of appropriate law enforcement authorities; and,

  - Work to oppose corruption by encouraging others with which the organisation has operating relationships to adopt similar anti-corruption practices.
FCPA – Foreign Corrupt Practices Act (1998) requires:

- Due diligence on customers, the nature of their business and the types of financial transactions they undertake.
- Conducting senior management meetings where the risks of bribery and corruption are reviewed, discussed and recorded.
- Staff training.
- Independent monitoring.

Sarbanes-Oxley Act (2002) requires companies ‘to protect investors by improving the accuracy and reliability of corporate disclosures...’

UK Bribery Act (2010) creates the following offences:

- Active bribery: promising or giving a financial or other advantage.
- Passive bribery: agreeing to receive or accepting a financial or other advantage.
- Bribery of foreign public officials.
- The failure of commercial organisations to prevent bribery by an associated person (corporate offence).

UN Global Compact, Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery.

Achieving and Maintaining Standards

How do you do it?

You can best meet standards by using a systems approach. In other words, you add controls to the processes you already use to run your business (such as procurement and permitting) and you make sure your policies and procedures are designed to ensure that:

- There is no pressure to make facilitation payments in order to ensure prompt shipment of products from ports and airports.
- Company employees are not faced with requests from customers for favours, gifts or kickbacks in exchange for orders.
- You understand the bribery and corruption risks faced by the company.
- You establish and broadly communicate a company anti-corruption policy.
- When entering into business relationships with partners, agents and contractors, you perform due diligence to learn their business practices.
- You evaluate the company’s compliance with the US Foreign Corrupt Practices Act, UK Anti-Bribery Act and other applicable legal requirements.
- There is a procedure for company employees and external parties to report allegations of bribery and corruption and no procedure to investigate such allegations.
- There is no intimidation or punishment of workers for raising issues of bribery or corruption to company management.
- Company managers and employees follow the established anti-corruption policy and procedures.

It is important that you also regularly monitor your processes and controls to make sure they are working.
Your company policies should include the following commitments:

- Written public statement that ethical business practice is a core value, supported by the owner, board and senior management, and the company will not participate in or tolerate any kind of bribery or corruption.

- The company will comply with all legal and customer requirements concerning bribery and corruption.

- All allegations of ethical misconduct reported to the company will be thoroughly investigated and addressed.

- The company will cooperate with investigations regarding bribery and corruption conducted by government agencies.

- Company employees will only provide and accept gifts that are of nominal value and only to foster goodwill in business relationships.

- Company will demonstrate ethical business practices through transparent financial reporting.

Management should appoint a responsible person (or department) to make sure these policies are carried out through the following practices:

- Communicating your policies to all managers, supervisors and workers.

- Making sure that all managers and employees of the company have clearly defined roles and responsibilities for carrying out your anti-corruption policies.

- Meeting regularly with managers and supervisors responsible for procurement, finance, sales and supplier and contractor selection and management to oversee implementation.

- Working with the individual or department responsible for the company’s bribery and corruption allegation reporting process to make sure that alleged issues are addressed.

- Monitoring and following up on all concerns and issues related to the implementation of anti-corruption policies and procedures.

- Performing an annual review of your anti-corruption programme to make sure it is effective and achieving your objectives, and to make any required adjustments.

- Maintaining and controlling all records relating to allegations and investigations of bribery and corruption.
Your anti-corruption procedures should include:

- A bribery and corruption risk assessment process by which the company can understand and rank risks presented by country, business sector, business partners, and types of business transactions.
- Ways to track and understand laws and regulations on bribery and corruption.
- A formal process for workers, managers, supervisors, suppliers, and customers to report through secure and confidential channels any concerns regarding the implementation of anti-corruption policies.
- Methods to ensure confidentiality and prevent retaliation against workers who raise concerns.
- A procedure that limits the amount and frequency of business gifts that employees can give or receive from suppliers and customers and ensures that such gifts are open and genuine and not related to a current business transaction.
- Process that specifically prohibits bribes, kickbacks and other types of corruption, and includes the consequences for doing so.
- A process for management to investigate reported allegations of bribery and corruption, take action and communicate the results to workers.
- A clear process for discipline and termination as a result of proven acts of bribery and corruption.

- A code of behaviour (business conduct) for managers, supervisors, and employees that aligns with international anti-corruption standards, local laws and regulations, and customer requirements.
- A formal process to screen, select and monitor your business associates, including agents and suppliers, to assess their compliance with your policies and business ethics laws and regulations.

**Corruption and Bribery ‘Red Flags’**

- Business partner refuses to certify compliance with anti-bribery legal requirements.
- Business partner refuses to participate in due diligence regarding relationship with or interests involving government officials.
- A company or individual does not appear to be qualified to deliver the services for which it has been engaged.
- Bribery and corruption reputation of the country.
- The industry sector has a history of corruption issues.
- Potential business partner is related to a government official with jurisdiction over your business.
- Requests for commissions to be paid to a third party, or in cash or untraceable funds.
- A desire to keep third party representation secret.
- Relationship problems with other companies.
Communication and Training

You should use the following methods to make sure your employees are aware of your anti-corruption policies and procedures:

- Provide training programs for new managers and supervisors and newly hired workers on your company’s policies and procedures on anti-corruption.
- All employees must be provided with ongoing tailored training and information on the bribery and corruption issues associated with their jobs using classroom training, team and department meetings, written materials, and work area postings.
- Make sure the training covers all applicable business ethics laws and regulations, and use scenarios in the training that are tailored to local issues and culture.
- Display anti-corruption policies and local legal requirements in areas where all employees will see them and in a language they understand.
- Communicate the company’s anti-corruption requirements, as well as the laws and standards, to the company’s suppliers and vendors using your website, in contract terms and conditions, and during periodic meetings.
- For allegations of policy violations, make sure workers know when to report and how to report (and to whom).
Training should emphasise the standard way to apply the anti-corruption procedures so that all supervisors and managers do it the same way.

Communicate internal regulations to all workers through postings and by providing workers with the policies in an employee handbook.

Documentation and Records

Meeting standards requires proper documentation. You will need to keep on file on company premises:

- Copies of your anti-corruption policy signed by senior management or the board.
  Note: Your company may have a business ethics policy that covers all ethics issues and is not specific to anti-corruption.

- Copies of all applicable laws and the facility’s legal responsibilities for anti-corruption.

- Copies of key anti-corruption procedures, such as giving and receiving gifts, facilitation payments, reporting allegations of misconduct, and others as needed.

- Records of reporting to Management and Board, including Management and Board of Directors meeting minutes, action items, and attendance records.

- Copies of internal and third party business and financial audit reports, and inspection reports by regulatory agencies.

- Records of allegations of bribery and corruption.

- Anti-corruption investigations, corrective action plans and reports, including documented evidence of improvements made.

- Documentation of any disciplinary proceedings and actions taken for proven cases of bribery and corruption, including the following information:
  - Name of the employee.
  - Summary of issue.
  - Results of the committee’s discussions and the disciplinary action taken.
  - Signature of members of the disciplinary committee.

Monitoring

You will need to check if your anti-corruption policies are being followed and that controls intended to make sure the company is meeting code and legal requirements are effective. The following steps can be used to evaluate and improve the effectiveness of your programs:

1. **Monitor trends and statistics** to identify actual and potential problems, including:
   - Regularly review allegations of corruption.
   - Determine if employees, suppliers and customers are comfortable using the existing reporting methods.
   - Establish and monitor *key performance indicators (metrics)* to measure how well anti-

Best Practice

Accepting an expensive gift from a supplier can send the wrong message to both suppliers and your fellow employees. You should never give or accept gifts of more than nominal value. If you are given an expensive gift, notify your manager and send it back to the giver with a note explaining the company’s gift policy.
What does ‘Nominal Value’ mean?

A gift is of nominal value if its cost or worth is so small that no one would think that it could influence the judgment of the person receiving the gift.

Periodic review and revision of anti-corruption policies and procedures to keep them relevant and up to date.

2. Investigate the problem and analyse why it occurs. If you have evidence that your anti-corruption policy (or customer’s code of conduct) is not being followed, you should investigate to find out the root cause, and then address it.

The lack of allegations filed by workers, suppliers and others may not mean that acts of bribery or corruption are not occurring. It could simply be that individuals are not comfortable using your reporting procedure. You should survey employees and suppliers to determine if they are comfortable using your existing reporting channels.

Another common reason given for not reporting allegations of misconduct is that ‘management does not respond anyway, so it is just a waste of time.’

Make sure there is a procedure for following up on corruption allegations and taking action within a certain timeframe after it is determined the report is justified.

Review and analyse common violations of anti-corruption rules to identify the root cause of why they are being broken, and address them, for example, with employee awareness training or meetings with suppliers to review your policies and contract terms.

Carefully evaluate any threats made to your employees for failing to make a facilitation payment or take part in any other corrupt activity. Serious threat may require involving law enforcement authorities.

3. Work with other departments to identify reasonable solutions. Take care to develop solutions that make sure the problem does not recur and the solution does not create other problems.

Analyse issues and suggestions raised during employee meetings, supplier forums and use the results to improve your company anti-corruption policies and procedures.
Common Audit Non-compliances from the Sedex Database

The following are the most common non-compliances against this issue. If properly implemented, the guidance in this chapter can help reduce the incidence of these problems:

- Inadequate code and system implementation.
- Inconsistent recordkeeping.
- No general management systems in place.
- Lack of employee awareness of the social and ethical standards the company upholds.

Sedex provides a document with suggested possible corrective actions following a SMETA audit. This is available to Sedex members only in the Sedex Members Resources section: Sedex Corrective Action Guidance

What kind of allegation reporting does my company need?

As with your grievance procedure (see the ‘Discipline and Grievance’ chapter), your reporting process must be anonymous and must protect the person or organisation making the allegation from reprisal. It is suggested that a specific individual or department be assigned to manage the process. This person should have no responsibilities in purchasing, procurement, contracting, or managing contractors and vendors.

The reporting mechanism can be a hotline phone number, email, or a special postal address. Each of these communication channels must be accessible only by the designated person or department.

All reports of misconduct should be thoroughly investigated and the results of the investigation communicated back to the person or organisation making the report (if known).

Common Questions

Is it ever appropriate to accept a gift or business courtesy from a supplier?

It depends on the situation. You should not accept anything of value from a current or prospective supplier or vendor if there is a competitive bid or other procurement process pending or underway.

If you work in purchasing or procurement or in a similar role, you should not accept gifts or business courtesies from anyone who may seek contracts or business from the company. However, if you do not make procurement or contracting decisions and work with an existing supplier on a regular basis, some business courtesies may be allowable. For example, it might benefit your company to have lunch with a business partner if the lunch is a meeting to discuss business issues and build working relationships. That is a valid business purpose. In contrast, it does not benefit your company to accept gifts of personal items, such as jewelry.

If in doubt, politely refuse the gift or courtesy, or ask your manager for guidance.

What does it take to perform due diligence on a prospective business partner?

The type of due diligence depends on the potential risk of the engagement. In low risk situations, your company may decide that there is no need to conduct any due diligence. In higher risk engagements, due diligence may include conducting direct questioning of the prospective partner, indirect investigations, or general research on proposed associated persons or organisations. Appraisal and ongoing monitoring of ‘associated’ persons, once engaged, may also be required, depending on the identified risks. Generally, more information is needed from prospective and existing companies than from individuals.

**Best Practice**

_In order to reduce the threat of bribery and corruption in your locale, work with other companies to adopt the same or similar anti-corruption policies and practices._

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Case Study

Anti-Corruption: Combat through Alliance

Corruption has financial costs, impacts on management time and resources, and can impair reputation. To prevent corruption in your supply chain, it is critical to focus on capacity building, implementing systems and building comprehension.

Diageo subsidiary Guinness Cameroon SA was having multiple issues with corruption, such as drivers being stopped on the road and asked for money due to a real or imaginary infringement.

“These were frustrating as employees knew that paying these bribes was against company policy and was adding unnecessary complications to doing business,” says David Lawrence, Compliance & Ethics Programme Director. Diageo decided to use its position as a leading company in the country to influence the government to commit to legislate against corruption.

Diageo gained Government sponsorship and brought together sixty other companies, NGOs and government bodies to discuss ways of tackling corruption; who, by signing up to an anti-corruption pact, formed the Business Coalition against Corruption in Cameroun. The aim was to better develop the government’s anti-corruption agenda and it was officially launched in 2011.

The event, which included a presentation by Transparency International (TI), the world’s leading anti-corruption NGO, made the front page of the main national newspaper, showing the importance and impact it had in Cameroun and that corruption will not be tolerated.

In 2012, a partnership project was initiated between the German Development Cooperation and the Business Council for Africa. The project’s second phase sees the establishment of a permanent office for the Coalition, with the appointment of a project manager supported with a budget of €200,000. An event attended by several ministers, including the Prime Minister, and the Head of Police, marked the occasion.

Among the Coalition’s 2013 objectives is to sign up 200 additional companies. Meanwhile, with the assistance of TI, Diageo will continue to provide training programmes to companies who have already signed up to the initiative, to help organisations and companies embed core values such as respect for the rule of the law, probity, accountability, integrity and transparency. The Coalition is committed to supporting organisations to practically and consistently embed ethics and compliance principles in their day-to-day business, by creating a platform for public bodies and private companies to combat corruption together.

“We are convinced that this initiative will make a difference in Cameroun as we plan for the third phase of the project when we aim to introduce anti-corruption legislation. The results on the ground are visible with Guinness employees experiencing significantly reduced levels of interference at airports, on the roads and at customs.”

Diageo is the world’s leading premium drinks business with its products sold in more than 180 countries around the world with manufacturing facilities across the globe. To find out more about Diageo, visit: http://www.diageo.com.

Sedex is always looking for new case studies. If you have a best practice example case study that you would like to be featured, please send it to content@sedexglobal.com.
Resources and Guidance

The following organisations, websites, and documents provide additional information on anti-corruption:

- Ethical Trading Initiative (ETI): Principles of Implementation: http://www.ethicaltrade.org/resources/key-eti-resources/principles-implementation
- Sarbanes-Oxley Act: http://www.soxlaw.com/
- Transparency International
Signposts to Training

- ISO 26000: [http://www.ethicalperformance.com/training/course/40](http://www.ethicalperformance.com/training/course/40)

Key Terms

- **Absenteeism**: A measure of the number of workers who do not come to work when they are scheduled to do so.

- **Conflict of Interest**: When someone has competing personal or professional financial interests or obligations that could wrongly influence that person’s decision making.

- **Due diligence**: The investigation or audit of a potential business partner (individual or company) before entering into a contract, in order to determine the corruption or bribery risks of the engagement.

- **Facilitation payment**: A form of bribery made for the purpose of expediting or ‘facilitating’ performance of a routine government action by a public official, such as approval of a shipment from a port or airport.

- **Nominal value gift**: A value so small that it is not likely to influence the judgment or behaviour of the recipient.

- **Reprisal**: Unjust punishment of an individual worker for filing an allegation of bribery or corruption.
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