

MADE-BY



Benchmark for Social Standards

Second Version
Amsterdam, the Netherlands.
Oktober 2009.

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General

MADE-BY stimulates the production and consumption of sustainable fashion by making sustainably produced fashion available to the consumer. To reach the consumer, MADE-BY engages and supports fashion brands that take responsibility for and are transparent about the social and ecological circumstances of their supply chain. While the MADE-BY logo communicates the message to the consumer, the social and environmental improvements realised in the production process will be made based on independent and internationally acknowledged certification or monitoring instruments.

This document relates to MADE-BY's vision of social changes to be realized. In other documents MADE-BY's vision on environmental issues is set apart.

In order to improve social circumstances in the chain of production MADE-BY for the moment puts a priority on the conditions in sewing factories. This is the last stage in the chain of production where apparel and footwear is assembled into the final product. Reason for this focus is the relatively large amount of workers involved in this stage of production when compared to other stages.

Monitoring and certifying instruments and codes have been developed to help brands, retailers and factories to improve the social conditions in sewing factories. The used instruments and codes vary in its content and in its way of implementation and verification. At the moment six internationally recognized codes are widely used within the industry. Referred is to the Business Social Compliance Initiative (BSCI), the Ethical Trading Initiative (ETI), the Fair Labor Association (FLA), the Fair Wear Foundation (FWF), Social Accountability 8000 (SA8000) and Worldwide Responsible Apparel Production (WRAP).

MADE-BY has no intention of launching its own code of conduct. MADE-BY is an umbrella label accepting several internationally acknowledged standards. MADE-BY promotes the exchange of information on code, brand and supplier level in order to avoid multiple audits and corrective action plans per supplier.

MADE-BY has defined a benchmark for social standards. By comparing each code or standard to the benchmark, the differences between the codes will become clear and transparent and will also make it possible to classify codes according to their social effectiveness. MADE-BY will always stimulate the adoption of codes with the highest social effectiveness and assists brands and suppliers in the implementation process.

The document consists of two parts. The first part is a reflection on the effectiveness of the use of social standards in the garment industry. Evaluating the use of standards in general creates a perspective which makes the comparison of the effectiveness of individual codes more valuable. The second and main part of the document contains the actual Benchmark. In this part the characteristics forming the MADE-BY Benchmark and the preference of MADE-BY per characteristic are described. This is followed by the description of six internationally recognized codes using the characteristics of the Benchmark. The codes will then be compared to the Benchmark and classified according to their social effectiveness.

Though the document reflects MADE-BY's vision it is for transparency reasons important to note that MADE-BY is founded and supported by Solidaridad. Solidaridad is one of the NGOs in the Board of MADE-BY. Solidaridad is member of the Advisory Board of Social Accountability International and member of the Stakeholder Board of BSCI.

Part 1

The Effectiveness of Social Standards in the Garment Industry

Since codes of conduct or social standards play an important role in MADE-BY's activities, the structure, development and effectiveness of the codes are closely monitored. MADE-BY sees two conflicting trends. A positive trend on the one hand is the fact that more and more brands and suppliers adopt codes of conducts and that most standards seem to develop in the right direction due to the fact that they evolve towards multi-stakeholder initiatives, adopt new elements in the codes of conduct, and/or gradually increase their transparency. This positive trend contradicts with more and more evidence and recognition among brands, NGOs, suppliers and other stakeholders that the standards used do not necessarily have the effectiveness we would like them to have. This contradiction has led to a more in depth reflection on the systems behind current standards and gives perspective to the activities employed by the several involved parties trying to realize more optimal social conditions in the garment industry.

1. Analysis

1.1 Current status and thinking on effectiveness of codes of conduct

The current codes of conduct are meant to bring the working conditions to a level generally accepted as the minimum, referring to international standards and International Labour Organization (ILO) conventions. Freedom of association and collective bargaining, forced labour, child labour, non-discrimination, wages, working hours, health and safety, employment relationship and abuse are key provisions in most standards used. The awareness of the limited effect of current standards in changing the working conditions to the level as specified in international conventions is growing due to the feedback of stakeholders in the field and due to the outcomes of several impact studies.

The Clean Clothes Campaign report on social auditing shows a positive impact of social auditing on forced and child labour and health and safety. The Ethical Trading Initiative reports positive impact on health and safety, wages and working hours. Research executed by the Fondation des droits de l'Homme au travail and the report prepared for John Ruggie, UN Special Representative on Business and Human Rights, by Roseann Casey show similar findings. The sum of these studies leads to the insight that systems used so far seem to be most effective on the improvement of the health and safety within factories, sometimes positively influence wages, overtime, child labour and forced labour and fail on more complex issues like realizing freedom of association and collective bargaining and non-discrimination.

The initiatives behind the codes are more and more aware of their limited effectiveness so far.

The Fair Labor Association (FLA) stated "Recognizing the limits of traditional monitoring to effect real and lasting change in working conditions, the FLA is moving toward a new

monitoring methodology called 'FLA 3.0' that seeks to create sustainable compliance by working with local stakeholders to address the root causes of noncompliance". The Worker Rights Consortium stated "It has become increasingly clear that there are fundamental obstacles to labor rights compliance that current code enforcement strategies cannot overcome".

What reasons explain the limited effectiveness so far?

Management of social compliance: control based versus values based

Trevino, Weaver, Gibson and Toffler describe the effectiveness of systems used to manage social compliance. Their findings partly explain the earlier described results of the impact studies and statements above. They demonstrate that compliance and control mechanisms are effective where strict rules and punishment are sufficient and necessary (for instance on health and safety issues) but are by nature not effective in addressing socially more complex issues. To manage these issues values-based and external stakeholders oriented systems are far more effective.

The systems currently used within the fashion industry are mostly control systems. They are top-down models based on the control of suppliers in order to protect brands from loss of reputation and/or as an answer to concern of western NGOs, consumers and the brands themselves. This compliance based approach leads to rules (the codes of conduct), procedures to enforce them (audits) and punishment (no certificate and/or no business). Control based systems have their merits. Control based management is about clear structures, rules and procedures. Though effective to a certain extent, control often leads to the instinctive response of making sure not to get caught. There is no emphasis on shared values or stakeholder dialogue. Though each initiative over time has tried to make systems more democratic by working with multi stakeholder boards, external verification and/or complaint procedures, their essence is still based on control.

The reliance on control systems does not only partly explain the limited effectiveness, it also explains the occurrence of fraud, audit fatigue and feelings of cynicism and humiliation on the supplier side when control systems are used to manage complex issues like discrimination, overtime or freedom of association. Other points of criticism on control based methods are: the central role of (not always capable) internal or external auditors, insufficient attention to the root causes related to the non compliances, insufficient involvement of local organizations as unions and NGOs, lack of worker involvement, buying practices which do not support or undermine improvement of working conditions, the lack of a business case for suppliers and brands and the lack of knowledge of major stakeholders (brands, workers and factory management).

A values-based and stakeholder oriented approach is not based on control but is based on shared values and the encouragement of brands and suppliers to commit themselves to these values. Values based systems can be characterized by self-governance, active responsibility, clear values, training and dialogue. Within such an approach the structure (code, rules and procedures) is less important than the actual follow-through of the brand and supplier. When the process goes beyond control and window dressing and really follows up on ethical concerns and consistently aligns organizational and ethical practices,

genuine commitment will emerge. Instead of a control culture, an ethical culture based on leadership, reward systems, fair buying behaviour, open dialogue on social problems and accountability of all parties starts to exist.

Both systems –control and values based- have their limitations and strengths. Both systems naturally complement each other. A balance between control based and values based elements is needed to optimize the effectiveness of certification standards.

Transitional Phase

While most initiatives realize that an effectiveness problem is faced, the proper response is not yet clear. It seems that the audit and monitoring “industry” is in a transitional phase. The “old” approach has its merits. It was the first step in the gradual evolution of the management of social compliance. A lot of improvements have been realized and it made consumers, brands and suppliers aware that improvements are necessary. However there is more and more shared awareness that new techniques must be found in order to make current systems more effective. Responses sought after are so far still in the test, anecdotal or best practice phase. No real structural changes have been built in existing systems or have replaced existing systems yet.

Some of the current tests can be seen as a way to improve the existing control systems. They include more and better auditor training and improved accreditation procedures, improvement of management systems, code and practices harmonization between the several codes, databases in order to collect and share audit results, improvement of complaint procedures and increased transparency.

Although these efforts are very welcome, their effectiveness will most likely be limited due to the fact that they are based on the already existing control mechanisms.

Other tests or best practices seem to be based on a values-based and stakeholder oriented approach and could therefore be more promising. The tendency towards the integration of values-based elements will not only raise the effectiveness of the systems used, it also fits the changing mentality of brands who also changed their approach of risk management to more genuine involvement in the societies they work with. Values-based and stakeholder oriented techniques also recognize the complexity of the problems to be solved.

Current tests are among others: finding out and addressing the root causes of the social problems; country and/or industry wide dialogue on identification, reasons and solutions of problems; the integration of ethical sourcing into core business practices of brands; addressing purchasing practices of brands; the integration of quality, productivity and human resource management in social compliance management; building a business case for social compliance for both brands and suppliers; the identification and creation of compliant factories which can be used by brands who joined the particular initiative; the engagement of local stakeholders (mostly unions and/or NGOs) in the monitoring or certification process and the education and training of workers and factory management.

These initiatives deserve active follow-up of all stakeholder involved and if proven successful eventually need to be integrated in existing systems.

1.2 A Social-Historic and Macro-Economic Perspective

Above the effectiveness of current standards has been evaluated following their reliance on control based elements. The effectiveness of social standards can also be evaluated from a social-historic and macro-economic approach.

The current systems build their efforts to improve working conditions on the relationship between brands and suppliers. Although these parties are key stakeholders, they can only be held partly accountable for current working conditions. This is due to their restricted influence. Complex issues like discrimination, a living wage and freedom of association can only (or more easily) be accomplished in societies which have socially and economically developed itself over time to a certain development stage. Due to the labour intensive character of garment production, garments are mainly produced in so called low wage countries with lower levels of social and economical development. It is therefore wise to look upon the role of the garment industry within developing countries.

Sachs describes the development of countries in various stages. Starting as economically poorly developed agricultural societies, the first step up the developing ladder is the one towards lightly industrialised societies which are labour intensive and technology and capital extensive. The garment industry is a typical example of such an industry. Further steps up the ladder are towards more technology and capital intensive industries and finally to more service and innovation driven economies. Sachs describes this process for countries like Bangladesh, India and China, countries presently leading in the garment industry. In Bangladesh the garment industry is the main force behind an ongoing annual economic growth of 5%. The job creation following this growth enabled women to gradually improve their situation by taking part in the economic process. Taking part in this process gave them more freedom and possibilities then in the past. It also leads to a decrease in the average number of children per family which dropped from 6 to 7 before the industrialisation process to 2 to 3 children nowadays. A lower number of children per family in combination with rising incomes will stimulate sending children to school and creates more household budget for health care. Countries like India and China are already higher up the ladder than Bangladesh but especially China also built its development on labour intensive industries like the garment industry.

The fact that the garment industry is an economic driver within countries with generally low levels of development makes it clear that is hard if not impossible to realize working conditions on ILO level since the overall development of the countries where the garment industry is dominant does not enable this to happen. One cannot isolate the brand-supplier relationship from this context. As an example Sachs warns for simply raising wages (in order to realize living wage provisions). Raising wages to a level not in line with overall productivity could reverse the positive economic development within countries. In western countries it took decades or more to (partly) realize the ILO-conventions. Developing countries need decades as well.

The garment industry is an industry “moving around”. The industry has left in the past and will leave in the future countries developing to a higher level and will find new less developed societies with lower wage levels. We saw this development in countries in North West Europe and the USA in the past and in Southern and Eastern Europe at present. The same tendency is going on in Guangdong Province in China, where factories are being moved to eastern and northern regions and neighbouring countries like Vietnam and Cambodia.

It leads to an industry with a “split-personality”. On the one hand the garment industry will always be criticized and will be directly connected to labour conditions not seen as matching with the minimum conditions we would like to see. On the other hand the often described “race to the bottom” also brings positive elements by bringing countries the essential possibilities to develop to a higher level.

The role of the garment industry in developing countries will in most cases lead to the situation where only parts of the codes are implementable while the garment industry is still strong and will only be fully implementable on a development level where the garment industry is already leaving. This constrains the effectiveness of standard implementation in most countries and partly explains the limited effectiveness earlier addressed.

2. The actionable and aspirational character of codes of conduct

The previous sections relate the limited effectiveness of current standards to the use of control systems not appropriate to manage complex social problems and the fact that the desired change is constrained by the level of development of the countries where the industry operates. Due to the limited effect of current standards their content can be described as aspirational (what we would like to achieve) or actionable (what is realistically implementable)

The ETI and Levi Strauss case makes this issue more clear. ETI decided to suspend the membership of Levi’s because they refused to adopt the living wage provision in the ETI base code.

The position of ETI in this matter is that companies are not expected to immediately implement the living wage provision, since active implementation will require collaboration among a significant number of companies, as well as governments, trade unions, and civil society organizations. The acceptance of the principle of a living wage is however necessary as a first step toward ensuring that workers wages meet their basic needs. Levi’s view is that it does not believe that its suppliers can implement the living wage provision. They provide detailed information to suppliers on what the company’s expectations are, and those expectations have to be implementable. Levi’s does not oppose living wage but wants to emphasize code implementation rather than aspirational standards.

Who is right in the case ETI vs. Levi’s? The living wage provision is very hard or impossible to implement given current techniques. Miller and Williams describe possible ways to implement living wage within the garment industries but also describe the shortcomings of these techniques. They conclude that given the set-up of the industry

implementation of the living wage provision is “very problematic”. As mentioned earlier, Sachs warns that even if it would be possible it might not be recommendable to do so. Raising wages above certain levels of productivity might negatively influence the development process of an industry or country.

So Levi’s might be right when a practical, short term and macro-economic perspective is chosen though ETI could be right when the longer term and the key principles of international conventions are considered.

This example focuses on the living wage issue but could also focus on other more complex provisions such as freedom of association or discrimination. It is therefore important to think about the reasons of initiatives to work with aspirational codes instead of actionable codes. The answer is twofold. Most important is the fact that the “world” has agreed on universal rights which are valid for everybody. They have been formulated in the Human Rights Declaration of the United Nations and the core ILO-conventions. Since these principles are generally adopted within legislation of most countries, its (corporate) citizens have the responsibility and obligation to strive towards compliance with these basic rights. The second reason for adopting aspirational codes can be the simple fact that bigger claims sell much better than more modest claims. It is easier to convince a consumer, a company or a funder to respectively buy a product, adopt a system or to fund a program if the social impact is high. Big claims create bigger economic value and make it easier to convince stakeholders to participate.

Given the limited effectiveness one can say that the described standards in this document are of a partly actionable and partly aspirational character. Aspirational especially when the more complex provisions of codes are addressed. The acceptance of this viewpoint is important in order to keep striving for new values based approaches improving current procedures. It also leads to realistic and balanced communication of stakeholders which does justice to the partly actionable and partly aspirational character of efforts employed. The latter is important in order to avoid claims which cannot be realized and in order to maintain the credibility of the stakeholders involved.

3. Conclusion

In conclusion, one can say that the existing standards for social compliance in the garment industry have their merits. They are the first step in the evolution of managing social compliance. Though effective to a certain level, they are not as effective as we would like them to be. This is due to the existing reliance on control systems which are by nature not suitable for addressing complex social problems and the presence of the garment industry in developing countries where the more complex provisions in codes are hardly implementable. Therefore the codes described in this document can be regarded as partly aspirational and partly actionable. New elements based on a values-based and stakeholder oriented approach might over time raise the effectiveness of systems used.

4. Implications for MADE-BY

MADE-BY does not have the ambition to create its own social standard. It does however advise brands and garment factories on how to improve the sustainability in the supply chain. Through the MADE-BY partner network, improvement programs on supplier level are initiated and executed leading to better social conditions. The previous paragraphs imply that a realistic approach will be chosen when advice is given, a standard is selected or support is offered. For some suppliers a more ambitious standard might be appropriate while for others a less progressive standard will be selected. When a system with a lower level of ambition is chosen, they can serve as a stepping stone leading to the implementation of additional support programs bringing them on a higher level of social compliance over time. In selecting standards MADE-BY does not have a preference for one single standard.

Most important is the fact that MADE-BY will always aim to “make a difference” with respect to the workers. MADE-BY favours integral long term improvement programs, which are never based on certification or monitoring alone, but consist of additional elements like capacity building and training, market access, improved trade conditions and dialogue with local civil society. MADE-BY will keep focusing on this integrated approach since these values-based and stakeholder orientated approaches can contribute to higher effectiveness of the standards used. The preference for this way of working is underlined by the double weight factor for the indicator capacity building in the later described Benchmark.

MADE-BY will also actively inform and train its member brands on how they can contribute to better worker conditions in factories and on how to make their overall policies in alignment with their social policy.

Through its support programs MADE-BY will receive practical feedback from brands, suppliers, employees and local civil society on the successes and failures of the different standards. MADE-BY will use this input in interaction with stakeholders, including the initiatives initiating the standards used.

Since MADE-BY is fully aware of the partly aspirational character of standards used, MADE-BY and its member brands will follow a cautious and balanced tone of voice when addressing social compliance in public.

Part 2

The MADE-BY Benchmark for Social Standards

1. Characteristics of the MADE-BY Benchmark for Social Standards

The MADE-BY Benchmark for Social Standards is developed in order to describe standards, to compare standards and in order to classify them according to their social effectiveness. The Benchmark is build up out of eight characteristics carefully selected in order to realize these purposes

The Characteristics taken into account are the following:

- Type
- Content
- Management system
- Monitoring or certification
- Audits and verification
- Transparency
- Scope
- Empowerment

Below each characteristic is described and per characteristic MADE-BY's preference is explained.

1.1 Type

A code of conduct is a set of standards or rules for ethical behavior. They refer to the minimum labour standards that a brand expects their suppliers and sub-contractors to comply with.

The Ethical Trading Initiative describes three types of codes:

a. Company code

This refers to a code developed and adopted at the level of an individual company, with or without reference to an external set of standards.

b. Industry code

This is a code developed by an industry, usually through an industry association, that refers specifically to companies within that industry. An example is the Business Social Compliance Initiative (BSCI).

c. Multi-stakeholder code

A multi-stakeholder code is one developed and approved by both corporate and "civil society" representatives. Typically, the "stakeholders" involved in such code initiatives are companies, trade union organizations, other workers' organizations, labour and human rights NGOs, relevant government departments, and/or academics. Such

“multi-stakeholder” codes have evolved in response to the regulatory vacuum in which corporate codes have developed. Stakeholders, in particular trade union organizations and NGOs, have sought to address this vacuum by setting certain minimum requirements, both in terms of what labour standards they believe a corporate code should contain, and in terms of how such a code should be monitored and implemented. The ETI Base Code, the code of the Fair Wear Foundation and the SA 8000 standard, are examples of multi-stakeholder codes.

MADE-BY prefers codes which are constituted as a multi-stakeholder initiative. Because parties with diverse interests are engaged a balanced process is created. Industry codes are then preferred over company codes. Though both types are not balanced by the influence of various stakeholders, industry codes have the advantage that they do not contribute to further proliferation of codes as is the case when each company works with its own code of conduct.

1.2 Content

Most codes of conduct used are based upon internationally accepted conventions of which the conventions and recommendations of the International Labour Organization (ILO) are most important.

The International Labour Organization (ILO) is a UN related agency which seeks the promotion of social justice and internationally recognized human and labour rights. Unlike other UN agencies, it has a tripartite structure, being governed by employers’ and workers’ representatives as well as national governments. It formulates international labour standards in the form of Conventions and Recommendations setting out minimum standards of basic labour rights.

ILO Conventions have the force of international law. States that ratify them are required to incorporate the principles into national law and to ensure the implementation of the law. In addition, all ILO member states, regardless of ratification, are obliged to respect, promote and realize the principles contained in the core ILO Conventions, which address freedom of association and the right to collective bargaining, forced labour, child labour, discrimination and equal remuneration.

The MADE-BY Benchmark for Social Standards is based on ILO-conventions, The Universal Declaration of Human Rights, The United Nations Convention on the Rights of the Child and The United Nations Convention to Eliminate All Forms of Discrimination Against Women.

MADE-BY follows the “Workplace Standards” as described in the Draft Code of Labour Practice of the Joint Initiative on Corporate Accountability and Workers Rights (JO-IN)¹

¹ The Joint Initiative on Corporate Accountability and Workers Rights (JO-IN) is an effort to bring together key organizations and different aspects of code implementation and/or enforcement in a programme of collaborative work. Participating organizations are: Clean Clothes Campaign, Ethical Trading Initiative, Fair Labour Association, Fair Wear Foundation, Social Accountability International and Workers Rights Consortium. Each of these organizations is involved in improving working conditions in global supply chains.

when it comes to the content of a code of conduct. The main reason for adopting this code is the fact that it is built using the expertise of six organizations active in improving supply chain conditions worldwide. The result can be regarded as best practice and has led to a standard² with the highest level so far.

The Workplace Standards comprises of the below:

FREEDOM OF ASSOCIATION & RIGHT TO COLLECTIVE BARGAINING (Relevant ILO conventions are: No. 87, 98, 135 and 154 - Relevant ILO Recommendation 143)

The right of all workers to form or join trade unions of their choice and to bargain collectively shall be recognised and respected. The company shall recognise the trade union(s) of the workers' choice. The company shall adopt a positive approach towards the activities of trade unions and an open attitude towards the organisational activities of workers.

No worker, or prospective worker, shall be subject to dismissal, discrimination, harassment, intimidation or retaliation for reason of union membership or participation in trade union activities.

The company shall ensure that workers' representatives have free access to all workplaces to carry out their representation functions and shall not, without justification, impede access for union organisers to employees.

FORCED LABOUR (Relevant ILO conventions are: No. 29 and 105 - Relevant ILO Recommendation: No. 35)

Forced labour, that is any work or service exacted under the threat of penalty or for which the person concerned has not offered himself or herself voluntarily including prison and bonded labour, shall not be used. Workers shall not be required to lodge 'deposits' or identity papers with their employer and shall be free to terminate their employment after reasonable notice.

Workers shall be free to leave the factory at all times and the freedom of movement of those who live in employer controlled residences shall not be restricted.

CHILD LABOUR (Relevant ILO conventions are: No. 138 and 182 - Relevant ILO Recommendation No. 146 and 190)

No person shall be employed under the age of 15 or under the age for completion of compulsory education, whichever is higher.

The company shall establish, document, maintain, and effectively communicate to personnel and other interested parties policies and procedures for remediation of children found to be working in situations which are prohibited by the ILO Convention No. 138 and

² The "Workplace Standards" is a joint effort of the 6 organizations active in JO-IN. As input the expertise and existing codes of all organizations were used.

Convention No. 182. The company shall provide adequate, financial and other, support to enable such children to attend and remain in education until no longer a child.

The company shall not expose young workers under the age of 18 to situations in or outside of the workplace that are likely to jeopardise their health, safety or morals. This includes night work.

NON-DISCRIMINATION (Relevant ILO conventions are: No. 100, 111 and 183 - Relevant ILO Recommendation: No. 90 and 111)

The company shall not engage in or support discrimination in hiring, remuneration, access to training, promotion, discipline, termination of employment, retirement or any other terms of employment based on race, colour, sex, religion, political opinion or affiliation, national extraction or social origin, caste, marital status, sexual orientation, pregnancy, family responsibilities, trade union activities or membership, disability or age.

The company shall not interfere with the exercise of the rights of workers to observe tenets or practices, or to meet needs relating to on race, colour, sex, religion, political opinion or affiliation, national extraction or social origin, caste, marital status, sexual orientation, trade union membership, disability or age.

Women and men shall receive equal remuneration for work of equal value, equal evaluation of the quality of their work and equal opportunities to fill all positions open. No behaviour that is sexually coercive, threatening, abusive or exploitative, including gestures, language and physical contact, shall be allowed.

The right of all individual men and women to decide freely the number, spacing and timing of their children, to attain the highest standard of sexual and reproductive health and to make decisions concerning reproduction free of discrimination, coercion and violence shall be fully respected. Pregnancy tests will not be a condition of employment, nor will they be demanded of employees.

Workers will not be forced or pressured to use contraception. Companies shall provide appropriate services and accommodation to women workers in connection with pregnancy, childbirth and nursing.

Workers shall have all entitlements and protection provided in national law and practice with respect to maternity. Workers taking maternity leave shall be entitled to return to their employment on the same terms and conditions that applied to them prior to taking leave and they shall not be subject to any discrimination, loss of seniority or deduction of wages. While an individual is absent from work on maternity leave, the company must not give her notice of dismissal or give her notice of dismissal at such a time that the notice would expire during such absence.

WAGES (Relevant ILO conventions are: No. 95 and No. 131. Relevant ILO Recommendations are: No. 131 and 135)

Workers shall have the right to a living wage. Wages and benefits paid for a standard working week shall, as a floor, always comply with all applicable laws, regulations and

industry minimum standards and shall be sufficient to meet basic needs of workers and their families and provide some discretionary income. The level of wages and benefits will be reviewed on a regular basis. Freedom of collective bargaining will be respected.

Deductions from wages shall not be made for disciplinary purposes, nor shall any deductions not provided for by national law be permitted without the express written permission of the worker concerned.

All workers shall be provided with written and understandable information about their employment conditions, including wages and benefits, before entering employment. The particulars of their wages shall be provided to the workers concerned for the whole pay period each time they are paid. Remuneration shall be rendered either in cash or check form, in a manner convenient to workers. Wages and other benefits shall be paid on a regular and timely basis.

WORKING HOURS (Relevant ILO conventions are: No. 1)

The company shall comply with applicable laws and industry standards on working hours, whichever offers greater protection. The regular workweek shall be as defined by law but shall not exceed 48 hours. Workers shall be provided with at least one day off after each six consecutive days of work, as well as public and annual holidays. All overtime work shall be voluntary, shall not be demanded on a regular basis, shall be reimbursed at least at such a premium rate as required by

law and under no circumstances shall exceed 12 hours per employee per week.

In those countries where a premium rate for overtime is not legally required, workers shall be compensated for overtime at a premium rate at least one and one half of their regular hourly compensation rate.

HEALTH AND SAFETY (Relevant ILO conventions are: No. 155 - Relevant ILO Recommendation 164)

The company, bearing in mind the prevailing knowledge of the industry and of any specific hazards, shall provide a safe, hygienic and healthy working environment and shall take adequate steps to prevent accidents and injury to health arising out of, associated with or occurring in the course of work, by minimising the causes of hazards inherent in the working environment.

Men and woman workers shall not be exposed to hazards, including glues and solvents, which may endanger their reproductive health.

The company shall appoint a senior management representative who will be responsible for the health and safety of all workers, and be accountable for the implementation of the Health and Safety elements of this code.

The company shall establish a safety and health cooperation committee with worker representative participation. All workers shall receive regular and recorded health and safety training, and such training shall be repeated for new and reassigned workers. A worker shall have the right to remove herself or himself from imminent serious danger.

The company shall establish systems to detect, avoid or respond to potential threats to the health and safety of all workers.

The company shall provide, for use by all workers, access to potable water and clean toilet facilities, and, when necessary, suitable facilities for food storage.

The company shall ensure that accommodation, where provided, is clean, safe, and meets the basic needs of the workers.

EMPLOYMENT RELATIONSHIP

Work performed must be on the basis of a recognised employment relationship established through national law and/or practice.

The obligations to workers 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, subcontracting or homeworking arrangements or through apprenticeship schemes where there is no real intent to impart skills or to provide regular employment. Nor shall any such obligations be avoided through the excessive use of fixed-term contracts of employment.

ABUSE

Every worker will be treated with dignity and respect. The company shall not engage in or tolerate the use of corporal punishment, mental or physical coercion, threats of physical abuse, unusual punishment or discipline, sexual or other harassment, intimidation and verbal abuse. Such conduct shall give rise to disciplinary or other action in accordance with established procedures.

The described code is a private mechanism for regulating labour practices and promoting respect for international labour standards in supply chains in the garment sector. It is not a substitute for international intergovernmental cooperation or international labour standards. Nor is it a substitute for national law and the enforcement thereof or for systems of industrial relations (involving trade unions and collective bargaining). Where national and other applicable law and the workplace standards in this Code address the same issue, the provision that is the highest workplace standard will apply

1.3 Management System

Just communicating the code to a brand or suppliers is not enough to make sure the desired social change becomes reality. The code has to be effectively implemented in the factories.

Implementation of the content of the chosen code is best implemented when integrated in a management system. A management system integrates the social policy into the overall policy of an organization, involves (top)management, makes it possible to structure, follow and report on topics addressed and therefore supports continuous improvements.

When a code is implemented without using a management system, chances that certification or monitoring becomes superficial and is aimed at just passing the audit

becomes greater.

When a management system is used, the system is often located on brand or supplier level. A management system on brand level creates involvement of the brand and gives insight in the supply chain and social progress realized within the brands operation. MADE-BY prefers a management system on supplier level. This helps implementing, structuring and measuring progress on the level where change is desired.

1.4 Monitoring or certification

In the garment industry one can distinguish between codes based on a monitoring system and codes based on a certification system.

Monitoring is based on the principle that the brand is “supply chain responsible”. The brand has committed to a code, promotes the code through its supply chain and is monitoring the process and improvements made. The “ownership” and initiative lies with the brand. Costs for monitoring, verification and maintaining the management system are normally paid by the brand. The brand is also responsible for reporting improvements to the initiative who has initiated the code adopted.

Within a certification system the supplier is responsible. The “ownership” lies with the supplier. Costs, reporting and maintaining the management system also lies with the supplier. When the supplier is compliant with the level as described in the used code, the supplier is officially certified.

When put in a more general context both systems have their (dis)advantages.

Monitoring -brand ownership- is appealing because the initiative for social improvements in most cases comes from the brand. Since the brand hosts the management system, the brand is also able to report directly to its stakeholders. Brand ownership is also based on the principle that western brands have the financial resources and knowledge and suppliers in developing countries lack the financial resources and knowledge to go through such a process. This argument is valid especially when bigger brands are working together with smaller suppliers.

Despite the advantages of working with a monitoring system, MADE-BY prefers certification -factory ownership- above monitoring. This is based on two basic principles. The first principle is based on MADE-BY’s vision that a sustainable way of working is more likely realized when an integral supply chain approach is followed. Per link in the chain sustainability problems are addressed by certifying to appropriate standards. Per link each form of certification of a product or producer adds economic value to the product. The second principle comes from MADE-BY’s believe in the importance of empowerment of a supplier. Ideally the supplier independently decides to adopt social changes. The responsibility, costs and efforts but also the added value is for the supplier. When owned by the factory the process of social change continues when the brand leaves. When the certification process is successfully completed the factory receives a certificate which they can use to prove their level of social conditions to their stakeholders but also provides a

unique selling point attracting brands who regard good working conditions as a clear added value.

The preference of MADE-BY for certification is also based on Corporate Social Responsibility models outside the garment industry. While in the apparel business monitoring and certification systems are operated, certification systems are more dominant when other products or commodities are regarded. FSC, Good Inside (Utz Certified), Max Havelaar, Rain Forest Alliance and EKO are also certification systems. These forms of certification are also based on adding extra economic value to a product by certifying a product according to a social or environmental standard. The producers and/or products produced are being certified according to certain criteria. The brand communicates the message to the consumer. Since certification seems to set the standard outside the apparel business, MADE-BY feels a certification policy in the apparel business is the logical approach.

1.5 Audits and verification

In order to establish the social situation in a factory, audits are conducted. Normally an audit takes place in the starting phase of the process to see whether the situation in a factory is matching the situation desired in the code used. When there are circumstances that can be improved (non-conformities), a corrective action plan is drafted in order to describe how to improve the situation. While the process of improvement is running, audits are still conducted. This time in order to establish whether the corrective action is successfully implemented or in order to check whether the situation in a certified or approved factory is still matching with the level the code is subscribing.

Internal and external audits can be distinguished. Internal audits which are executed by a brand are linked to a monitoring system. The brand involved sends an internal team of auditors to its suppliers in order to discuss the situation. External audits are audits done by an independent third party.

Besides the quality of the audits and the implementation of corrective action plan, verification is important to make the process more credible. Verification enables the cross check of data but also enables other parties to influence or question the outcome of the process. In order to ensure a qualitative audit and verification process, MADE-BY values the following aspects:

- a. An open, balanced and long term partnership between the brand and its supplier is crucial. Both parties have to believe in the changes to be realized. The process should take place within an open atmosphere where a supplier can be open about non-conformities and its causes. Emphasis should be on dialogue and remediation and not on control.
- b. The audit team should be diversely skilled and experienced in social auditing. Besides knowledge regarding the code audited, audit techniques, the law and the problems and structure of the industry, one should also consult local and national expertise organizations like human rights organizations and trade unions.
- c. Auditing is a mean not an end. The steps to be made should be put central in the process. The corrective action plan must be bodied and complete and address the causes

of the non-compliances.

d. By interviewing employees and management the structure and culture of a supplier can be established and social problems and its causes can come forward. It is important to interview management and workers to get a balanced input. Interviews can be conducted on premises but must always include off premises interviews so workers are enabled to be more open and honest about the social reality.

e. Announced audits should be mixed with unannounced audits. Covering up non-compliances is becoming more difficult.

f. By a complaint procedure which enables workers to complain anonymously or without fear of repercussions, non conformities can come up. Complaints could be made on supplier level, brand level and/or the level of the initiative drafting the code.

g. Third party verification is essential. When the code is based on a monitoring system, the internal audits conducted by a brand, must be complemented by external audits by a third independent party.

h. Though the quality of an audit is more important than the frequency, frequent (re)auditing of suppliers lowers the risk of under performance of the factories concerned. When a code is used based on the principle of certification of the factory, a factory should be audited twice a year (once announced and once unannounced). When the code adopted is based on the principle of monitoring, the brand should audit all its (key) suppliers each year (internal audits) and at least 30% of the suppliers should be audited by an independent third party (external audits).

1.6 Transparency

Efforts done by a brand, supplier and the initiatives drafting the codes should be transparent to other than the direct involved parties. This makes it possible to let the efforts be judged by other parties and therefore raises credibility of the results reported.

Codes based on monitoring by a brand, report on initiative level and/or brand level. When reported on initiative level, the number of internal audits (by all brands together), the number of external audits, the number of internal and external audits per country and the number and type of non compliances are reported. When reports are shared per brand the same reporting is done per brand. MADE-BY believes that if the code is based on the principle of monitoring the level of reporting should be at least on brand level. Reporting on initiative level only is not sufficient.

Positive about transparency on brand level is that stakeholders can judge a brand on their social profile. Consumers, press, shareholders and other related parties can “punish” or “reward” brands for their social efforts.

A disadvantage of transparency on brand level alone is that the names and location of the factories where the brand works are not open to the public. Stakeholders are therefore not able to see if the social situation reported is matching to the social reality. Therefore MADE-BY stimulates transparency on factory level besides transparency on brand level. Factory transparency creates openness on the level where the social changes are implemented and desired.

Codes based on factory certification often report on a public accessible website which

factories are certified. MADE-BY thinks this is crucial in order to create sufficient transparency. This enables workers, unions, press and other parties to check the situation themselves. If one of these parties believes that the situation is not as described in the code of conduct communicated they are able to raise awareness of these non compliances by complaining on factory level, brand level, at the initiative issuing the code or can go to the press. Since involved parties want to avoid these forms of negative publicity this can help parties to stick to regulations of the code of conduct adopted.

Stimulating transparency on factory level is in line with the earlier made choice to prefer certification above monitoring. The lack of transparency on brand level when a certification model is chosen is compensated by MADE-BY's reports per brand.

1.7 Scope

Depending on the size of the brand, they are working with one to hundreds of suppliers. Each supplier is responsible for delivering one or several ready made articles according to the agreed quality standard, within the agreed time frame and in the agreed volume. Depending on the setup of the supplier, a supplier engages other factories (subcontracting) or individuals (homeworkers) for work it is unable to do by itself or in cases of insufficient production capacity. An example of subcontracting can be the outsourcing of printing to printing factories. An example of homework is embroidery done by women specialized in this work.

Depending on the instrument used the scope of the code varies. The main unit with whom the brand is in direct contact is always included. Factories used for subcontracting or homeworkers are not always included in the scope of the code. MADE-BY prefers codes including subcontractors and homeworkers within its scope.

1.8 Capacity Building

Capacity building is here defined as the creation of an enabling environment in a long term, continuing process based on the values of all participating stake holders. It relates to the in Part one described importance of values based and stakeholder oriented approaches complementing the existing reliance on control mechanisms.

MADE-BY sees two important components enabling stakeholders to operate in a more effective manner. The first component is research and analysis, the second is the development of organizations, management and workers.

1. Research and analysis

Due to the limited effectiveness of current practices, research and analysis is necessary in order to evaluate the effect of current standards and in order to find techniques and approaches bringing standards to a higher level. Impact analysis is necessary in order to find out what works and what needs to be improved. Research addressing living wage can lead to a uniform way of defining, calculating and implementing living wage provisions. The influence of the garment industry on the position of women and minorities needs to be carefully assessed and can lead to more comprehensive methods to address discrimination. Getting a better insight into the root causes of non compliances at factory

level can help brands and suppliers in addressing the causes instead of the symptoms. The acquired knowledge of these and other studies needs to be actively shared with interested stakeholders in order to form new insights and help the industry forward.

2. The development of organizations, management and workers.

Based on the insights gained through research and analysis, organizations (brands, suppliers, governments, unions, civil society) and their management and personnel can be developed in terms of structure, culture, practices and knowledge. Training is an important tool but also structural changes in the set up of organizations, their policies and stakeholder dialogue can contribute. Development practices are among others:

a. Training of management

By training the management of suppliers, the necessary skills and knowledge can be provided in order to realize changes. Skills and knowledge can relate to policies regarding the hiring, promotion and labour contracts of personnel, implementation of management systems and learning how to manage worker and/or union influence.

b. Training of workers

Workers can be made aware of their rights, how to organize themselves via unions or worker committees and how to communicate effectively with co-workers, unions and management.

c. Training of brands and retailers

Besides training the workers and management on supplier level it is also important to train the buyers, product developers, auditors and management on brand level. If the brand has enough understanding of social compliance in terms of knowledge, audit and implementation techniques and the influence of buying practices, the chance of success becomes much bigger.

e. Engaging local NGOs and unions

NGOs and unions form an essential source of local relevant information. They can approach factories on both management and worker level to support them in the process of change, can perform trainings for management and workers and can be in contact with (internal and external) audit teams in order to give them the necessary input. Ultimately networks can be created made up of NGOs, unions, factories, auditors and brands openly discussing problems and solutions for local problems faced.

f. Integration of social compliance in general company policy

Social compliance can not be regarded as a stand alone topic. Social compliance issues can more easily and effectively be addressed if a connection is made to quality, productivity and human resource management on supplier level.

g. Creating a business case

Creating business cases for both suppliers and brands will increase the efforts made on both levels to realize social compliance.

h. Shared ownership

Workers can have more influence by making them shareholder in the company where they work. Being a shareholder, workers have a direct say in the strategy, spending of the company's resources and are involved and feel responsible for the company as a whole. They also share in the profit made by the company. By creating shareholding for workers, worker rights and priorities are automatically integrated in the overall policy of the company. Shared ownership will not be an option in many cases and can not be regarded as a mainstream solution. However in the MADE-BY supply chains built in countries such

as India and Peru shared ownership is integrated in the chain.

MADE-BY prefers to work with codes who take capacity building seriously. Ideally this can be done by integrating these elements in the audit and remediation process but in this phase of development in the social “industry” also loose or pilot projects and trainings are necessary in order to come to best practices which can be integrated in a later stage. Due to its crucial role to increase effectiveness, capacity building has a double weight factor when standards are evaluated.

2. Description of codes

After describing the characteristics which can be used to describe and compare social standards and the preference of MADE-BY per characteristic, six worldwide used standards are described using these characteristics. The standards are described following their development until December 2008.

The selected standards are:

- Business Social Compliance Initiative
- Ethical Trade Initiative
- Fair Labor Association
- Fair Wear Foundation
- Social Accountability 8000
- Worldwide Responsible Apparel Production

There are more standards than the listed standards above. If these standards will develop to become internationally used and acknowledged, they will be taken into account.

2.1 Business Social Compliance Initiative (BSCI)

BSCI is an initiative of the Foreign Trade Association (FTA). The initiative was started in 2003 and has about 170 members among which Ahold, Claudia Sträter, Coop Switzerland, De Bijenkorf, Esprit, IC Companys, Migros, M&S, Otto, V&D and WE. Besides retailers and brands also importers and associations can become member of BSCI. BSCI is active in food and non food.

Type: BSCI can be described as an Industry Code with companies and associations as members. The secretariat of BSCI lies with the FTA. Key decision making body is the Members Assembly. A Stakeholder Board consisting of among others NGOs, unions, consumer organisations and the EU commission, gives input to and advises the Members Assembly on systemic questions. Organizations in the Stakeholder Board do not have a voting right.

Content: The code of conduct promoted by the BSCI is compared to the code adopted by the JO-IN initiative. Most important differences are that JO-IN promotes the right to a living wage, while BSCI just encourages suppliers to reach this level. Furthermore JO-IN is more progressive on issues under discrimination. JO-IN more specifically addresses gender, birth control and planning and maternity issues. BSCI does not define requirements on employment relationship.

Management System: BSCI monitoring is based on using a management system at the supplier.

Monitoring/certification: BSCI is a monitoring system. Member brands report to BSCI on the progress made in their supply chain. This progress is controlled by the BSCI Supervisory Board.

Audits and verification: BSCI subscribes a complaint mechanism on factory level but does not require a mechanism enabling workers to complain at brand or initiative level. Audits are being conducted by accredited third parties. The accreditation process is overseen by Social Accountability Accreditation Services. Audits are announced. Members must audit 2/3 of their suppliers or buying volume within 3 1/2 years. The initial audit is repeated every three years. If the initial audit shows non-compliances, re-audits are performed at the latest within one year after the initial audit

Transparency: Data about the quantity of audits in total, quantity of audits per country and its results are reported on initiative level. There is no transparency on brand and supplier level. Audit results are shared between BSCI members only via the BSCI database.

Scope: BSCI addresses social conditions at suppliers and subcontractors but does not include homeworkers within its procedures.

Capacity Building: BSCI is active in organizing training sessions in various countries for the management of suppliers and representatives of the brands. In China BSCI works with the China National Textile and Apparel Council. In Turkey BSCI co-operates with SAI and the Istanbul Textile Manufacturers and Exporters Association (ITKIB) on training and works with ITKIB in the framework of the Turkish Round Table on CSR. BSCI in co-operation with SAI conducted training sessions for suppliers in Vietnam. BSCI is a facilitator of the Supply Chain Laboratory in the European Alliance for CSR. On BSCI headquarters in Brussels but also on national level, gatherings are organized to inform member companies about BSCI policy and procedures.

BSCI recognises SA8000 as best practice. The content of the BSCI code is almost similar to the content of SA8000. The most important differences between the two initiatives can be found in the facts that BSCI is an industry code and not a multi stakeholder initiative, BSCI is a monitoring system and not a certification system, BSCI is transparent on initiative level not on supplier level and BSCI does not operate a complaint mechanism on initiative level.

2.2 Ethical Trade Initiative (ETI)

ETI was constituted in 1998 and is a multi-stakeholder initiative with members representing brands, unions and NGOs. ETI is active in the garment and footwear industry but also in the food industry. About 50 companies have joined the ETI among which Chiquita, Gap, Inditex, Marks and Spencer, Sainsbury's, Tesco and The Body Shop.

Type: ETI is a multi stakeholder initiative representing companies, unions and NGOs. Each group selects three members in order to represent their interests in the ETI Board. The ETI Board also has a tenth, non-voting director, who is a representative appointed by the UK Department for International Development.

Content: The ETI Base Code is in its most important elements comparable to the JO-IN standard. JO-IN is however more progressive on a few issues especially those under discrimination. JO-IN more specifically addresses gender, birth control and planning and maternity issues.

Management system: A management system is used by the member brands of ETI.

Monitoring/certification: Though ETI defines itself as a research and learning group, member brands are required to monitor their supply chains. ETI member companies are expected to adopt the ETI Base Code, or to adopt their own code so long as it incorporates the ETI Base Code. Member brands report to ETI on progress made on an annual basis.

Audits and verification: Member brands are required to monitor their supply chain in a frequency and manner depending on the capacity and choice of the brand. Most brands rely on external verification to some extent. ETI benchmarks its members on their brand management system and progress. Per key management principle companies are rated beginner, improver, achiever or leader.

Transparency: ETI reports on initiative level. Information is shared on topics like the total amount of audits, the amount of improvement actions per topic in the Base Code, and the amount of people trained. No information per individual company or supplier is shared.

Scope: The ETI is the only initiative enabling brands to deal effectively with suppliers, subcontractors and homeworkers.

Capacity Building: ETI is very active in running training programs. ETI organises round tables for members, seminars and trainings open to members and non members and international conferences. Studies are undertaken after various subjects and shared with the outside world. ETI supports and is active in local multi stake holder initiatives. ETI shares information with a wide variety of stakeholders in order to come to best practice. ETI is active in the JO-IN program and the MFA Forum.

2.3 Fair Labor Association (FLA)

FLA was set up in 1999 and represents a multi-stakeholder coalition of companies, universities and NGOs. There are currently 27 companies participating in the FLA. These are among others Adidas, H&M (China production only), Nike, Nordstrom, Liz Claiborne, Patagonia, Puma and Nike. Besides companies also suppliers can commit to implementing the FLA standard. Currently 11 suppliers joined the FLA.

Type: The FLA is a multi-stakeholder initiative based on the participation of companies,

colleges and universities and NGOs. Each group holds six positions in the FLA Board of Directors.

Content: When compared to the code of the JO-IN initiative, the FLA is less strict especially on wages. The FLA strives for wages on industry level or at level of local law, where JO-IN strives for living wages. Overtime must be paid at premium level as legally required but if local law does not exist on this topic the normal hourly rate is accepted.

Management system: The FLA method is built on using a management system. The companies who are member of the FLA run the management system.

Monitoring/certification: The FLA is a monitoring system. Member brands report to FLA on progress made in their supply chains. The FLA annually audits the compliance program operated by the brands

Auditing and verification: The FLA has a credible complaints mechanism enabling workers to complain on brand and/or initiative level. Brands are required to audit their facilities every three years. Besides internal audits executed by the member companies, the FLA initiates the so called Independent External Monitoring (IEM) program and Independent External Verification (IEV) program. The IEMs are conducted by accredited third parties in 4% of all suppliers of all companies together. As a follow up on a small part of the IEMs, the FLA conducts IEVs to confirm that the corrective action plans part of the IEMs executed, have been implemented and that the remediation was still in place and therefore demonstrated a degree of sustainability and prevention of recurrence.

Transparency: The FLA reports on initiative and brand level on audits performed. Reporting is done on the third party IEMs and IEVs and per brand an oversight is given on the amount of internal audits performed and the achievements accomplished. There is no transparency on supplier level. So called tracking charts with details of supplier audits are provided, but the supplier identities are replaced by code numbers. Although extensive reporting is done per brand, no reporting is done for the member suppliers. This might change when the year rapport accounting for 2007 will be made available.

Scope: The FLA method addresses the suppliers of the member companies. Subcontractors and homeworkers are not addressed.

Capacity Building: The FLA organizes training sessions in diverse countries, is active in the JO-IN initiative, develops guidelines for member companies whose suppliers or facilities may be involved in retrenchment and closures and is active in the MFA forum. The FLA actively stimulates involvement of local stakeholders in the monitoring process. The FLA has also initiated FLA 3.0. FLA3.0 is recognizing the limited effectiveness of monitoring alone and is focusing on the root causes of non compliances. (Local) multi stakeholder partnerships are stimulated in order to create more problem solving capacity at supplier level.

2.4 Fair Wear Foundation (FWF)

FWF is an initiative of business associations, trade unions, and NGOs. FWF was founded in The Netherlands in 1999. 58 companies in company wear, promotional wear and fashion joined the FWF. Well known members are Gsus, Filippa K, Mammut, Mexx and McGregor. FWF is only active in the garment industry.

Type: FWF is a multi stakeholder initiative constituted as an initiative of business associations, unions and NGOs. Each party is represented in the FWF Board. The Board and staff are advised by a Committee of Experts formed by representatives from unions, NGOs and business associations.

Content: The content of the FWF Code of Labour Practices is in its most relevant aspects comparable to the JO-IN code of conduct. JO-IN is however more progressive on a few issues especially those under discrimination. JO-IN more specifically addresses gender, birth control and planning and maternity issues.

Management system: The FWF method of monitoring is based on a management system located at the brand. FWF works with a Management Rating System in order to give feedback to brands on the efforts made, the effectiveness and results. Through annual Management System Audits the progress per brand is monitored.

Monitoring/certification: FWF is a monitoring system. Each member brand annually reports to FWF on the progress in the supply chain.

Auditing and verification: The FWF method consists of a complaint procedure for workers enabling to complain at brand and initiative level. The brands are required to have audited 40% of their suppliers the first year, 60% of their suppliers in the second year and 90% of their suppliers in the third year of participation in the FWF program. FWF trains local teams of auditors in which FWF is active (13 countries). The team members are elected, following the advice of local partners. Each team consists of a specialist in health and safety, bookkeeping and social work. A brand can do internal audits using its own staff or hire the local teams trained by FWF. For 3% of all suppliers producing for the members of FWF, the trained teams also conduct verification audits in order to check the quality of the audits and the monitoring system.

Transparency: The FWF does not report on initiative, brand or supplier level regarding the amount of audits in total, per country and the type of non conformities.

Scope: The FWF includes suppliers and subcontractors in its way of working. Home workers are not addressed.

Capacity Building: The FWF is active in building its own monitoring teams in several countries, participates in local projects, organizes awareness raising sessions for brands, conducts and publishes background studies on country level, policy documents on specific issues in the FWF Code of Labour Practices and organizes workers rights training programs and factory management trainings. FWF participates in the JO-IN initiative.

In general one can say that the FLA and the FWF are similar initiatives. However FWF is stricter when it comes to the wages provision in its code. The FLA is more transparent in its reporting. FLA and FWF are currently working together on the harmonization of standards. This is done within the perspective of JO-IN but also within the context of monitoring the supply chain of Mexx. Mexx is a subsidiary of Liz Claiborne. Liz Claiborne is a member company of the FLA. Mexx is a FWF member but being a subsidiary of Liz Claiborne, Mexx for the moment is bound to FLA principles. FWF will however start monitoring a part of the factories of Mexx.

2.5 SA8000

SA8000 is a social standard drafted by Social Accountability International (SAI). SAI was founded in 1997. About 1800 facilities worldwide are SA8000 certified. 23% of the certified facilities are active in the garment and textile industry. 77% is active in a wide variety of other industries and services.

Type: SAI is a multi stakeholder initiative. The Board of Directors has members from business, trade unions and NGOs, including some with a legal or a finance background. The Advisory Board is made up of representatives of unions, NGOs and companies. The Advisory Board provides the president of SAI with advice regarding the drafting, operation, policy, and development of SA8000.

Content: The code of conduct of SAI and the code used in the JO-IN initiative are similar on the most crucial issues. JO-IN is however more progressive on a few issues especially those under discrimination. JO-IN more specifically addresses gender, birth control and planning and maternity issues. SAI revises its standard periodically. The revised SA8000:2008 standard was recently published. All certifications are expected to be in line with the new standard in the beginning of 2010. Therefore this document uses the "old" SA8000:2001 standard for comparison with the JO-IN standard.

Management system: A management system is used. The system is located at the supplier.

Monitoring/certification: SA8000 is a certification system. Facilities audited and compliant receive an SA8000 certificate.

Auditing and verification: A complaint mechanism enables workers to complain at certified facility and at initiative level. All audits are done by accredited third party certification bodies. The accreditation process, the quality of the audit process and the complaint procedure are managed by Social Accountability Accreditation Services (SAAS). SAAS used to be a department within SAI but was formally established as an independent, not-for-profit organization in 2007. The formal split between SAI and SAAS was realised to avoid potential conflicts of interest between promotion of the SA8000 standard and training and technical assistance on the one hand and the independence and quality of accreditation, audit and complaint procedures on the other hand.

When a certificate is granted, certification lasts for three years. Within this three year period annual or bi-annual surveillance audits are conducted as a review of the certified

facility's quality management system. Surveillance audits are conducted unannounced and announced.

Transparency: All SA8000 certified facilities are listed on the SAAS website. On initiative level SAAS does not provide a general oversight of non conformities or general results of audits and re-audits per country, region and/or industry. There is no transparency on brand level.

Scope: SA8000 addresses suppliers and subcontractors. A guidance section on homeworkers is drafted but not ready to be used yet. Members are advised to rely on the ETI guidance for homeworkers.

Capacity Building: SAI is active in organizing training sessions and technical assistance in various countries on worker, management and brand level, organizes multi stakeholder, public/private partnership projects in different countries and involves brands and NGOs in its Corporate Programs. The SA8000 Guidance Document has been widely available for nearly a decade, and it is engaged in several research and pilot projects with the results made publicly available. SAI shares information with a wide variety of stakeholders, in order to agree best practice and share learning. SAI is active in the JO-IN initiative, the MFA Forum and the ISEAL Alliance.

2.6 Worldwide Responsible Apparel Production (WRAP)

Worldwide Responsible Accredited Production is the organization behind the already longer existing WRAP standard and the recently introduced Universal Code of Ethical Conduct (UCEC). WRAP is used as the standard for organizations active in the apparel industry, UCEC is the standard applicable for other industries (home furnishings, furniture, electronics and others). Since this document is related to the apparel industry only, UCEC is not included in the scope of this document. Since 1998 about 600 facilities were WRAP certified.

Type: WRAP is a multi stakeholder initiative. Though NGOs, university- and government-representatives are in the board, there is a dominant role in the initiative for companies and trade associations.

Content: When compared to the JO-IN code, WRAP is less strict on several issues. On wages, overtime and compensation of overtime WRAP settles for local law. WRAP does not explicitly protect young workers and is less strict on forced labour. JO-IN is also more progressive on issues under discrimination. JO-IN more specifically addresses gender, birth control and planning and maternity issues. WRAP does not specify requirements on employment relationship.

Management system: A management system is not required on brand and/or supplier level.

Monitoring/certification: WRAP is a certification system. After meeting the level required a certificate is issued to the supplier.

Audits and verification: There is no complaint mechanism operational at brand or initiative level. All audits are executed by third parties. After certification announced and unannounced audits are scheduled. WRAP certificates are issued on A, B and C level. Factories on A and B level are fully compliant with the WRAP code, factories on C level are not fully compliant (audits have revealed minor non-compliances). C level certificates are valid for 6 months. A factory may be awarded a six-month certificate for no more than three consecutive periods (maximum of 18 months). B level certificates are valid for one year, A level certificates are valid for a two year period. The audit frequency depends on the level of the certificate.

Transparency: WRAP lists certified suppliers per country on the website. Not all suppliers are included though. WRAP certified suppliers can give their permission to be included in the list published. On initiative level WRAP does not provide a general oversight of non conformities or general results of audits and re-audits per country or region. There is no transparency on brand level.

Scope: WRAP addresses both suppliers and subcontractors in its procedures. Homeworkers are not addressed.

Capacity Building: WRAP organizes factory training sessions in various countries.

3. Comparing codes to the MADE-BY Benchmark

After describing the above mentioned codes using the earlier defined characteristics, the same characteristics are used to compare the codes to the MADE-BY benchmark. It is important to note that this is a comparison of standards. Situations in the field can be different from the standards drafted.

Comparing the description of the codes per characteristic to the Benchmark leads to the overview on the next page. Per characteristic and sub-characteristic the codes are rated on a scale from 1 (lowest) to 5 (highest). The evaluation and weight per characteristic and sub-characteristic lead to an end evaluation per code.

		Weight	BSCI	ETI	FLA	FWF	SA8000	WRAP
Multi stakeholder	MSI on board level	1	3	5	5	5	4	4
	Sub evaluation	1	3	5	5	5	4	4
Content	FoA and CB	1	4	5	5	4	4	3
	Forced labour	1	4	4	5	4	4	3
	Child labour	1	5	5	4	5	5	3
	Non-discrimination	1	3	3	5	3	3	3
	Wages	1	3	5	3	5	5	3
	Working hours	1	5	5	5	5	5	3
	Health and safety	1	5	5	5	4	5	3
	Employment relationship	1	1	5	3	4	4	1
	Abuse	1	5	5	5	5	5	5
	Sub evaluation	1	3,9	4,7	4,4	4,3	4,4	3
Management System	MS on brand level	1	1	5	5	5	1	1
	MS on supplier level	2	5	1	1	1	5	1
	Sub evaluation	1	3,7	2,3	2,3	2,3	3,7	1
Monitoring/certification	Brand involvement	1	5	5	5	5	3	3
	Creating economic value	2	3	3	3	3	4	4
	Supplier empowering	2	3	3	3	3	4	4
	Sub evaluation	1	3,4	3,4	3,4	3,4	3,8	3,8
Audits and verification	Frequency	1	2	2	3	3	4	4
	Third party verification	1	5	2	3	3	5	5
	Complaint procedure	1	2	5	5	5	5	2
	Audit procedure	1	3	3	3	4	3	3
	Sub evaluation	1	3	3	3,5	3,8	4,3	3,5
Transparency	Initiative level	1	5	5	5	2	2	2
	Brand level	1	1	1	5	1	1	1
	Supplier level	2	1	1	1	1	5	3
	Sub evaluation	1	2	2	3	1,3	3,3	2,3
Scope	Supplier	2	5	5	5	5	5	5
	Subcontractor	1	5	5	1	5	5	5
	Homeworker	1	1	5	1	1	1	1
	Sub evaluation	1	4	5	3	4	4	4
Capacity Building	Research and analysis	1	2	4	3	3	3	1
	Development	1	3	4	3	3	3	2
	Sub evaluation	2	2,5	4	3	3	3	1,5
End evaluation			3,1	3,7	3,4	3,3	3,7	2,7

4. Classifying codes

MADE-BY classifies the initiatives following the categorization below: are classified as below (A = highest, C = lowest, 0 = not relevant):

<u>Classification</u>	<u>End evaluation</u>
-A	≥3,5
-B	≥3,0 and <3,5
-C	≥2,5 and <3,0
- 0	<2,5

Initiatives evaluated in a lower class when compared to the evaluation of last year, keep their score in the higher class for a period of one year. The reasons are to give the initiative involved the chance to improve over a period of one year and in order to limit possible negative influences of changes in the rating of standards for brands and suppliers involved. Initiatives classified higher than last year will be classified in the higher category in order to “reward” them for their better performance.

If looked at the end evaluation of the initiatives, the initiatives can be divided into four groups. ETI and SA8000 generally do better than FLA, FWF and BSCI followed by WRAP. Of the higher evaluated initiatives, ETI outperforms on the characteristics scope and capacity building while SA8000 is the most transparent initiative and performs best on audits and verification. In the first version of the MADE-BY Benchmark for Social Standards –published March 2008- , the group of the highest evaluated initiatives was formed by ETI, SA8000 and FWF. FWF is now evaluated less positive than last year. This is due to the lower score on transparency. In last years report FWF was still transparent on initiative level. This year FWF did not continue to report on initiative level. The classification of FWF in the highest class is maintained for one year following the rules for classification just described. Just as last year BSCI and FLA form the middle group. The rating of BSCI is negatively influenced due to its relatively low scores on multi stake holder level and low transparency. The FLA -together with ETI and FWF- score highest on multi stake holder level. As last year the relatively low end evaluation of WRAP follows the weak content of the code, the absence of a management system, the low transparency and the low emphasis on empowerment.

Following the above the standards are classified as below:

<u>Classification</u>	<u>End evaluation</u>
-A	ETI, FWF and SA8000
-B	BSCI and FLA
-C	WRAP
-0	Non certified and monitored factories

Because of the importance of transparency, MADE-BY communicates the performance per member brand on environmental and social aspects. This is done by a scorecard published in the MADE-BY year report and on the MADE-BY website. In order to be able to report on the level of social compliance of a brand, a score is built up taking into account the volume produced per supplier and the level of compliance per supplier. The level of

compliance per supplier is established by looking at the certification or monitoring program running. Following the above described classification the status of each supplier is established. The status of a certified supplier is easy to verify using the regular updated lists of certified suppliers on the SAI and WRAP websites or checking the certificate of the supplier. The status of a supplier being monitored through a member brand of BSCI, ETI, FLA or FWF is more difficult since there is no transparency on supplier level and because a supplier might be in the beginning or the end of the improvement process. In order to establish the level of compliance, MADE-BY relies on (audit) reports issued by the brand, suppliers or initiator of the code. Suppliers in the beginning of the process are classified as non certified or monitored, suppliers at the end are classified in category A (ETI and FWF) or B (BSCI and FLA). Suppliers in the process of being certified (but not certified yet) are classified as non certified or monitored.

As described in the MADE-BY document regarding social policy in developing countries, factories in the defined developed countries are classified in the highest category (A).

5. Policy implementation and communication.

The policy is approved by the MADE-BY Board. The complete policy was shared with the described initiatives. Their comments are used to revise the document where appropriate.

The policy will be implemented starting the 1st of January 2009.

The policy will be updated on a yearly basis in order to incorporate changes in the described codes and in order to include international recognized codes not yet described.

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