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Is lack of SEDEX/ WRAP/SA 8000 certification hurting your business?

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Introduction

Over the last few decades, global trading has scaled up tremendously making the whole world one market place. Global trading has created economic wealth across the world for exporting countries. Importing countries have benefited from diverse product availability and have overcome geographical limitations restricting their capabilities. But one of the unintended fall outs of the global trading boom is the inhuman working conditions and unethical practices in the supply chain. How do you know the factory where your favourite tee shirt is manufactured does not employ minors & bonded labor? How do you know if the unit, to which you outsource your activity, ensures safety of its employees? History is replete with incidents of factory fires and mishaps where narrow or blocked exits and total disregard for worker safety resulted in loss of lives. Fire is not the only threat to thousands of workers in factories struggling to earn a living. Employing bonded labour, even children in harsh and unsafe working conditions, is a major issue.

What are Social compliance audits and certifications?

Various initiatives have been taken to ensure that working conditions of workers across the globe are improved and organizations are focussing on the safety of their workers. In 1998, the Ethical Trading Initiative (ETI), a UK based organization was formed with a belief that collective action can make a difference in the lives of factory workers. Since its inception, ETI has reached out to 9.8 million workers per year. ETI is committed to implementing ethical trade practices by enforcing participating organizations to follow the ETI base code or code of conduct in their supply chains.

In 2013, Accord on Fire and Building Safety in Bangladesh, a safety pact signed by global unions and more than 200 brands, has taken important steps towards making global apparel companies accountable for the safety of factories in their supply chains. Social compliance audits are carried out to ensure safety of workers, structural safety of buildings, reasonable work hours and hygienic working conditions. There are now many organizations which serve as a collaborative platform to share data on responsible sourcing practices. Members can use these platforms to manage their performance on labour rights, health and safety, environment and business ethics. SEDEX is one such enterprise which is a platform for organizations to share their socially responsible practices with other members and customers. Affiliate audit companies with these organizations carry out social compliance audit, SMETA, at organizations wishing to follow ethical trading practices. Many brands also insist that members of their supply chain are certified through this audit to ensure ethical trading practices percolates through their supply chain.

There are various audits, such as, SMETA (by SEDEX-Supplier Ethical Data Exchange), SA8000 (by Social Accountability International), WRAP (by Worldwide Responsible Accredited Production), FLA Accreditation (by Fair labour Association), and ETP-Ethical Toy Program (by International Council of Toy Industries) which are carried out by affiliate auditing companies of these organizations. These affiliate auditing companies visit the supply chain member, carry out the audit and ensure that ethical trading practices are followed.

What are the benefits of Social Compliance Certifications?

Many brands and organizations are now insisting that they will partner with only those supply chain members who are certified to follow ethical trading practices. Hence social compliance certification has many benefits for the complying organizations:

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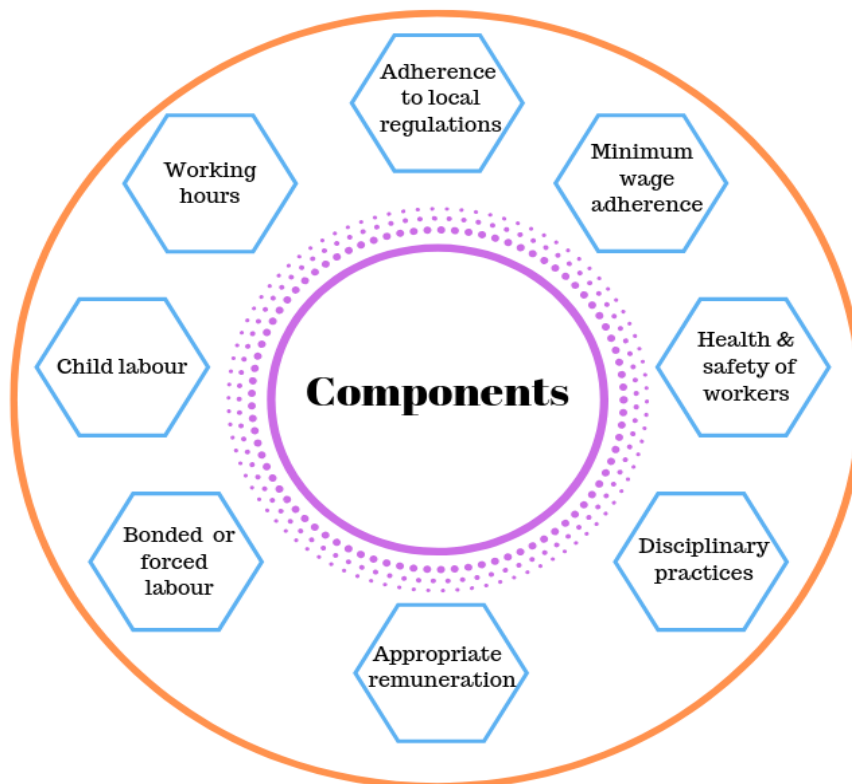
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It improves business prospects since one can now be a supplier to various international brands and organization. Most of the certifications are internationally recognised and shared among member organizations. Hence there would be no need to go through a different audit process for every customer. A single certification can be shared with all existing and prospective customers. This makes it a cost effective process. It has a great impact on the safety and working conditions in the factory which will prevent any incident which puts lives of employees at risk. It is very useful for buyers to understand the performance of their supply chain and areas for continuous improvement

What do social compliance audits cover?

Social compliance & ethical audits are concerned with the workers and working conditions in an organization and not with the product manufactured or service offered as shown in Figure 1.

Figure 1: Components of social audits

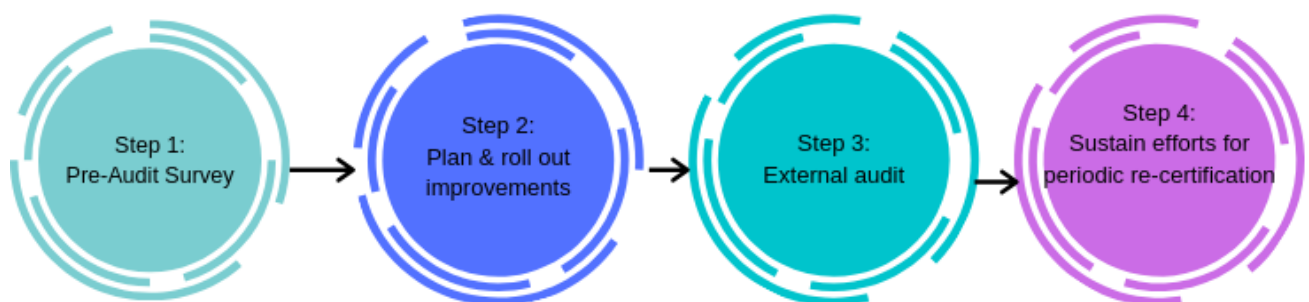


The audit lays emphasis on health, safety and reasonable compensation of workers. The auditors interact with the workforce to assess if the welfare of workers is considered by management. Adherence to local regulations is also important. The audit also assesses the safety of the building and premises.

How to prepare for a social compliance audit?

Every organization requires a permit from local government and hence would, ideally, already be following all the required local regulations. Additional measures would have to be put in place for all the other parameters covered by the audit. Preparation stages for social & ethical audits involves four stages: Pre-audit survey, Plan & roll out improvements, External audit and sustained efforts for re-certification as shown in Figure 2.

Figure 2: Social audit cycle



1. Pre-audit survey will involve.

- a) Identifying certified auditing partner: There are many Certification Bodies (CB) who are authorized affiliates of the certifying organizations. The first step would be to identify such a CB depending on location, cost and relevant parameters.
- b) Complete the registration process: There will be a specific registration process and fees for the chosen audit. This is usually an online process which has to be completed to enrol for the audit.
- c) Identifying a social compliance consultant, if required: Social compliance consultants help an organization prepare for the audit. There are many document requirements, government permits, norms and procedures to be followed for adherence to social audit requirements. A social audit consultant will be able to guide one to prepare for the audit to ensure successful audit clearance.
- d) Understanding audit requirements: The Certification Body usually provides a list of documents that would be required. Apart from that, as mentioned earlier, there are other regulatory requirements which have to be fulfilled.
- e) Internal Walk-through to identify gaps: Internal walk through will help understand the gaps and actions to be taken to plug the gaps.
- f) Assign responsibilities for implementation measures: It would help to assign clear responsibilities for each activity to ensure timely implementation. Welfare officers, compliance officers and human resource managers have a key role to play in the implementation.

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2. Plan & roll out improvements

- a) Plan course of action to fill the gaps identified in pre-audit survey: Clear action plan has to be prepared for each of the gaps identified and responsible teams have to work towards timely completion.
- b) Identify external vendors, if required, to work on all gaps identified in pre-audit survey: External vendors are to be identified for activities, such as, fire safety training, first aid training, maintenance of elevators etc.
- c) Prepare a budget for all measures to be implemented: A budget plan has to be prepared for all the trainings, calibrations, maintenance activities and presented to management for approval and information
- d) Roll out the improvements: All improvement measures are to be rolled out in planned timeframe.

3. External Audit

- a) Inform the certified auditing partner, the CB, of preparedness for audit.
- b) External audit to be carried out: The audit may be announced/semi-announced or unannounced and will be carried out by the CB. Depending upon the size of the organization, the operations head, HR officer, welfare officer, compliance & safety officer would be required on day of audit.
- c) Plan corrective measures for any non-conformances identified in audit: At the completion of the audit, the NCs (Non-conformances), observations, good practices, if any, are highlighted by the CB. A timeframe is given to take corrective action for observed non-conformances.
- d) Roll out corrective measures within specified time frame.
- e) Follow up audit to be carried out to ensure corrective actions are carried out: Depending on the severity of the NC, follow-up audit may be required at the end of given time period. If the NCs are minor, then photographic and documentary evidence of corrective action will suffice.
- f) Successful certification: Many social audits are not typically pass/fail audits. The observations, including non-conformances, are uploaded in the collaborative platform of the certifying authority. The results of the audit are available for viewing for all members of the certifying authority, which would be existing and potential customers.

4. Sustain efforts for successful re-certification

- a) Identify and list periodic activities to be carried out to ensure sustenance of efforts: This is a very important aspect to social audits. Certifications are usually valid for specified time frame and re-certification is required at end of time period.
- b) Assign responsibilities for each of these activities.
- c) Plan and carry out periodic activities: Activities, such as, fire safety training, evacuation drills, etc have to be done periodically. All these activities must be carried out regularly to sustain efforts.

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d) Carry out internal audit: Internal audit must be carried out at pre-determined frequency to ensure all efforts taken are sustained. Corrective action must be taken for any problems identified.

e) Ensure re-certification is carried out at pre-determined time frame.

Conclusion

Social compliance is not a onetime activity which concludes with an audit. It is a continuous process where the welfare efforts initiated have to be sustained effectively. Creating Task-force teams, Welfare Warriors and conducting internal social audits help sustaining efforts. With many organizations now undergoing these certifications, either voluntarily or yielding to customer insistence, there is hope that workplaces will grow safer across the globe. However, the effectiveness of these audits lies in the hands of the auditing organizations and the collaborative platforms. Audits must be carried out assiduously in true spirit because unlike financial audits, the stakes are high in social audits – human lives.

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