

# Social Monitoring System Guidelines

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## Preface

eco-tex Institute has developed a Social Monitoring System, helping the manufacturing organizations (e.g. suppliers) in complying with social responsibilities and any codes of conduct of their retailers and buyers. This social monitoring system is a practical and pragmatic solution to all interested business parties in the supply chain (suppliers, buyers, retailers etc) in demonstrating the compliance to entrusted requirements of social responsibilities on a sustainable basis with continuous improvements.

These guidelines contain the information on aims, objectives, guidance and procedure on Social Monitoring System and are useful for all interested business parties particularly manufacturers/suppliers (named here as “Organization”) and auditors.

The chapter 1 of these guidelines contains the information on sustainable approach for the compliance to social responsibility/Code of Conduct. This chapter describes the aim and objective of social responsibility, current problems and needs in the context of social responsibility, sustainable and pragmatic approach suggested by eco-tex and benefits incurring from the sustainable approach.

The chapter 2 of these guidelines contains a complete package of various services provided by eco-tex on social monitoring system.

Chapter 3 includes core requirements of social responsibility (basically ILO core conventions which are the basis of any code of conduct). This chapter gives the expectations from each of these core requirements. In addition, guidance for implementation measures, definition of responsibility and documentation required in the organization for implementing the measures for fulfilling the requirements of the social responsibility. This chapter is basically a guidance chapter for implementation and fulfilment of the requirements for the organizations.

Chapter 4 of these guidelines consists basically the social monitoring procedure. This chapter has been divided into two sections. The first section deals with sequence of social monitoring procedure, where an overview of sequence and various steps of social monitoring procedure are described in brief. The second section of this chapter deals with detailed description of each step of social monitoring procedure, where a description of each step, and action required for these steps are given in detail. This chapter is useful for both organizations and auditors.

**Note:**

- i) In these guidelines, the word “Organization” has been frequently used. The term “Organization” is defined as contracting partner responsible for implementing code requirements. The “Organization” is also referred as “Supplier”/ “Producer”.
- ii) Definition of Terms used in these guidelines are given in Annex 1

## 1. Sustainable Approach of Compliance to Social Responsibility

### 1.1 Aim & Objective of Social Responsibility

In current global trading and sourcing, various codes of conduct (CoC) on social standards have become part of the business conditions between buyers and the manufacturers.

The objective behind code of conduct is to fulfil social standards in order to improve the social conditions of human workforce involved in manufacturing and selling of the products.

The demand of social standards is basically from public awareness for ethical and social conditions of the workers. Media, consumer organizations, trade & labour unions and NGOs are very active in watching and conscious about social, health and safety conditions of the workers. There are often news and reports in the media on exploitation and violations of human rights (i.e., poor and unethical working conditions, insufficient wages, child labour etc) of workers and employees. Due to these news and reports, producers and retailers face the risk of image damage. This image risk results to sudden financial loss in business to retailers, buyers and producers.

In order to meet the social responsibility as a corporate responsibility and to protect their image, the retailers are preparing their Codes of conduct (CoC) on social standards (besides environment and quality). In Code of conduct, some social requirements are proposed, which are expected to be fulfilled by them and their suppliers. The suppliers are obliged to accept and follow the requirements of code of conduct on social issues.

It has quite often been realized that most of the codes of conduct are formulated a general way that it is difficult to realize into practice.

## 1.2 Current Issues

Following are the major issues in context of social responsibility:

### Overload of different CoC's

In today's international market, there are more than 200 different codes of conduct on social compliance requirements. In most of the cases, each buying organizations proposes its own Code of conduct. The producers are being overloaded with varying CoC's. This gives them difficulty in understanding and adopting the variations in CoC's. Sometimes they have difficulty even in understanding the requirements of code of conduct.

### No proper understanding of CoC

Suppliers in most cases sign the legal obligation of CoC's for the sake of business, without properly understanding the motives of CoC's. Even if they understand, they do not have guidelines of what to do and how to handle the requirements. And in certain cases, codes of conduct are not feasible and possible due to some country specific situation.

### Current traditional approach

Current and traditional approach of handling the social monitoring is a simple pass and check system through audit checks. This traditional method of simple pass and fail system gives no working system & tools for the fulfillment of social compliance requirements to the suppliers and finally no sustainable improvement. Checking and inspecting the same production facility of the producers again and again for different buyers (with different CoC's) costs both suppliers and buyers time and money.

## 1.3 Present Need

### **Need of pragmatic, sustainable and added value working philosophy**

From the supplier's side, there is a need of some working guidance and a workable management system on social monitoring, through which they can comply with CoC requirements on a continuous improvement and sustainable development basis. By implementing a workable management system, the suppliers can demonstrate the verification of the compliance to their buyers and/or any third party, whenever needed.

## 1.4 eco-tex Approach of Compliance to Social Responsibility

eco-tex has developed a social monitoring system that has been implemented and installed by several suppliers worldwide, especially in small & medium enterprises (SME's) in developing countries. We have been successful in guiding the suppliers in implementing the requirements of code of conducts in practically feasible ways and on sustainable patterns.

Our social monitoring system is based on a pragmatic, practical and value added methodology of successfully complying the requirements listed in customer's codes of conduct. eco-tex provides ample guidance & documents to enable the producers to prepare themselves and to guide them the pragmatic ways of resolving compliance problems.

Through our methodology, the producers are in the position to accommodate and integrate also with new upcoming requirements of the market and new customers, which widens further market access to the producers.

The producers can create and intensify long-term partnership with their customers, improve logistics and optimize risk management. We use following approach:

- Positive Concern
- System based Methodology
- Sustainable Development
- Supply Chain Consideration

#### 1.4.1 Positive concern

We approach to suppliers with a view that they are doing good jobs, as they are already in the business with national and international customers. This positive attitude towards producers encourages them to improve further in areas where improvements need to be done. We make a status evaluation of the suppliers and guide for further suggestions, what more can be done and help the suppliers in implementation of suggestions for their betterment and improvement.

#### 1.4.2 System based Methodology

Compliance to requirements of CoC needs a methodology based on a workable management system. A base foundation in the form of system requirements is needed for proper and systematic management of compliance to social requirements. eco-tex therefore, provides the suppliers a system-based methodology.

#### 1.4.3 Sustainable Development

eco-tex develops a customer and company tailored monitoring system, which leads the suppliers working on continuous improvements and sustainable development.

#### 1.4.4 Supply Chain Consideration

In some codes of conduct, there are ecological requirements and criteria besides social requirements. It is advisable to retailers/buyers to declare and describe whether the ecological criteria are product related, process related or organization related. If these ecological criteria are product or process related, then it is important to know whether the suppliers in the production supply chain control these ecological criteria. If yes, then, we advise to include the suppliers of the supply chain for fulfilling the ecological requirements of code of conduct.

So, under product or process related ecological criteria, we consider and screen the backward supply chain.

## 1.5 Benefits from eco-tex Approach

- Cost savings to producers through good management practice
- Reduction of tests and inspections
- Highest possible security of compliance to CoC requirements
- Minimization of risks on corporate image loss
- Compliance sustainability
- Shareholder's confidence
- Preparation for upcoming future legal, market and customer requirements
- Performance becomes transparent and verifiable to stakeholders
- Affordable cost structures for small and medium industries
- Extendable to environment, quality and other compliance areas

## 2.1 Scope of Social Monitoring System

Demands of improvements in social and environmental conditions are becoming more stringent in global trade. In order to reduce the risk of corporate damage, the retailers and traders ask their producers to sign a company-specific Code of Conduct (CoC) to comply with the social standards. The objective of the code of conduct is to assist the suppliers taking over their corporate responsibilities towards their workforce for improved and good working conditions.

eco-tex has developed a full service package of social monitoring system for the retailers and suppliers to improve and maintain social standards of the workers and workplace on realistic, pragmatic and sustainable basis. This social monitoring system provides a very high level security to retailers from any damage or risk to their business image and gives suppliers a pragmatic approach through which they can be able to comply with the requirements of code of conduct on a continuous improvement basis.

**eco-tex social monitoring package contains following services:**

## 2.2 Code of Conduct

### Proposal of new Code of Conduct

eco-tex provides consultancy and advice in formulating new code of conduct for different retailers according to their need and requirement. Our approach is to prepare workable, realizable and sustainable Code of Conduct.

### Preparation of workable version of already existing CoC

eco-tex helps in developing the existing code of conduct into workable, realizable and sustainable Code of conduct, applicable to different countries.

### Expectations

The requirements listed in each code of conduct are general requirements and their meanings are not clearly defined. Therefore, it is important to know the expectations out of these requirements. We prepare and formulate for each customer the clear-cut and well-defined criteria and expectations from the requirements of code of conduct.

## 2.3 Guidance for Compliance to Requirements

There is always a question raised by supplier organization about how to fulfill the requirements, what shall they do to comply with. That means the manufacturers require a clear cut suggestions and guidance through which they are able to fulfill the requirements of code of conduct. Therefore, we have given suggestions and guidance for fulfillment of the requirements in proper, practical and pragmatic ways. These suggestions have been formulated in a way that the manufacturers can fulfill the requirements on sustainable pattern giving opportunities of continuous improvements.

## 2.4 Documentation

Documentation is one of the important aspects of fulfillment of the CoC requirements. With documentation, the organization can work systematically and can show to any third party the verification of compliance check on CoC. Here, a proper system of documentation is suggested which means that the documentation is accurate, complete and up-to-date. This information is also useful to auditors, of what documents they have to verify.



## 2.5 Pre-Assessment

Pre-assessment is aimed at conducting preliminary status analysis of the organization with regard to CoC's requirements and expectations. It may be that the organization has already been fulfilling the CoC's requirements, fully, or partially or not at all. With this pre-assessment, we will evaluate the current status of the organization regarding the fulfilment of CoC requirements.

## 2.6 Local Audit

A local audit is conducted by a local auditor of an independent auditing body, which will verify, whether and to what extent the organization complies with the requirements listed in the code of conduct. The aim of opting independent auditor is to conduct a neutral audit without any biased interest of business-interested parties. Detailed documents are provided to the auditor for preparing, conducting and reporting the audit.

## 2.7 Corrective Action Plans

After conducting the audit, if the organization has been found not complying with the requirements of CoC, and non-conformities are detected, eco-tex suggests corrective actions in order to make certain measures to rectify non-conformities. eco-tex suggests also the time plans for corrective actions as improvement phases.

## 2.8 Audit Report

Our auditor prepares a final report in the form of „audit report“. In this report, a status of compliance to code of conduct by the organization is described in detail, and the corrective actions along with time schedules, are listed.

## 2.9 Performance Report

We prepare a "Performance Report in which an overview of CoC issues and compliance status, evaluation, improvement phases with defined time frames, corrective actions and performance rating are given in matrix and graphical forms.

## 2.10 Evaluation Scheme

We evaluate the performance of the company with respect to implementation and fulfillment of the requirements. Our evaluation scheme is based on well-known VDA scheme.

## 2.11 Monitoring

Follow up activities of the manufacturers with respect to fulfillment of corrective actions on social requirements within defined time frames and improvement phases will be monitored. When and how the manufacturers fulfill the requirements will be checked on continuous basis. Assistance in the form of guidance is provided to the organization in fulfilling the requirements on continuous basis.

## 2.12 Complaint Service

In our monitoring system, a Complaint Service is provided for the workers and employees. If the workers experience the violation/non-fulfillment of the requirements of code of conduct (working hours, minimum wages etc), they can approach eco-tex directly for their complaints. The complaint service sheet is provided and accessible to all workers/employees. The workers and employees can contact to Complaint Body (eco-tex) by e-mail, fax, telephone and postal mail.

eco-tex handles the complaint as strictly confidential, without harming any interested parties. The confidential handling the complaints by eco-tex has an advantage of security to workers/employees from any negative repercussion from the employers. This also helps the organization as well as buyers and retailers in defending from any complaint made by media, news etc.

eco-tex checks the genuineness of the complaints and the genuine complaints will be treated as non-conformities. Instructions will be given to the organizations to fulfill the non-conformities resulted from the complaints. Actions will be taken, if these non-conformities are not fulfilled by the organization (such as withdrawal of certificate).

The Complaint Service is a continuous process and part of social monitoring system.

## 2.13 Certificate

The suppliers fulfilling the requirements of code of conduct can be issued a certificate from eco-tex. With this certificate, the producers can demonstrate to any business-interested parties especially to their buyers about their practical and sustainable performance on social and ethical standards.