Overview of Recent Developments

on Monitoring and Verification

in the Garment and Sportswear Industry

in Europe

May 2001
Second edition

Nina Ascoly
Joris Oldenziel
Ineke Zeldenrust

SOMO
Centre for Research on Multinational Corporations
Keizersgracht 132
1015 CW Amsterdam
The Netherlands
Tel: +31 (0)20 6391291
Fax: +31 (0)20 6391321
E-mail: info@somo.nl

More information on this project and the national initiatives can be found at the project website:
www.somo.nl/monitoring

CONTENTS

1. Introduction

In November 2000 SOMO (Centre for Research on Multinational Corporations) and the international secretariat of the Clean Clothes Campaign (CCC) started a one-year project called "European Initiatives on Monitoring and Verification of Codes of Conduct in the Garment and Sportswear Industry." This project will examine five national-level initiatives on the monitoring and verification of codes of conduct that have started in the Netherlands, UK, Sweden, France, and Switzerland in recent years. In these initiatives, companies, business federations, trade unions, and NGOs are cooperating within different frameworks, amongst others through pilot projects, in order to gain practical experience in the field of implementation, monitoring, and verification of an agreed-upon set of social standards.

This project aims to:
• **collect information** so as to provide an overview of recent experiences of the five national level initiatives;
• **improve the exchange of experiences** between the national level initiatives so that the synergy between them increases;
• **increase knowledge of common problems, bottlenecks, and best practices** in the implementation, monitoring, and verification of codes of conduct;
• **increase agreement of the consistent use and interpretation of terminology** used in code implementation; and
• **provide guidance for future national- or European-level initiatives** and pilot projects on monitoring and verification of codes of conduct;

This overview provides a comparative analysis of the national-level initiatives, including information about the organisational set-up of the national level projects, the structure of the pilot projects, and the lessons learned to date. This paper will serve as the starting point from which key elements of further discussion will be derived. Therefore, not only will the main characteristics and lessons learned during the initiatives be highlighted, but also critical issues that require additional attention. The paper starts out with a glossary of terms that are relevant to monitoring and verification. Experience has shown that it is essential to come to a common understanding of use and interpretation of terminology used in code implementation.

Then the most essential characteristics of the initiatives are presented in a table. An outline of each initiative follows. Next, a more detailed description is given of the set-up and structure of the relevant pilot projects that have been initiated to date within the context of the five projects, as well as information on the design of several pilots to be started in the near future.

The five national-level initiatives all aim to generate experience in the field of independent verification and to determine what good models for monitoring and verification of codes of conduct look like. However, the initiatives differ in their ideas of how to operate. In this overview, the different ideas and models that have been drafted and developed will be compared.

Importantly, some points for future discussion are presented at the end of this overview. These are the issues that have emerged thus far as critical to the development of good monitoring and verification systems. This should be considered an early inventory of items to consider. As project participants continue to learn from ongoing experiences new issues for discussion are anticipated.

This overview was compiled by SOMO, with input from the members of the project group: Dan Rees (UK), Astrid Kaag (NL), Coralie Hermeloup and Pascal Erard (FR), Renée Andersson (SW), Isabelle Scherer and Lara Cataldi (CH).

2.   Terminology Use

In each of the different national level initiatives there are differences in wording and interpretation of wording. While reaching a consensus on wording may be difficult it is also helpful to note what terminology is used by participants in each of the initiatives and what activities they refer to. Therefore, this section examines the different terms used in the different initiatives.

The terms "audit," "implementation," "monitoring," and "verification" are the most critical terms in relation to this project which can be interpreted in more than one way and therefore are often the subject of debate and confusion. It is difficult to define these terms because they refer to processes and actions which are currently being tested in various ways in many different initiatives. Therefore, this section is more of an overview of the discussions surrounding these terms rather than clear definitions. Another reason for confusion is the fact that many terms (such as auditing) are used in different processes (such as monitoring and verification). It is important to distinguish what is a tool and what is a process, and which tools are used in which processes.

Audit

The primary meaning of the word audit is a "formal, often periodic examination and checking of accounts or financial records to verify their correctness." An audit is also "any thorough examination and evaluation of a problem." The essence of an audit is the examination of evidence and the cross-checking of the evidence to establish its truth.

In the context of the European initiatives discussed in this project, an audit involves checking and examining the labor practices of a particular work place or company against a certain set of standards, following a certain agreed protocol. It is an external check to determine that the systems and procedures adopted by the company and the supplier meet the stated aims, based on the collection of verbal or written evidence. In this context "external" means that an audit is always done by someone from outside the audited workplace.

In recent years, the terms "social audit" and "social auditing" are increasingly used, to distinguish the auditing of labor conditions from other auditing, such as financial auditing. Social auditing can refer to the entire environmental and social "footprint." In the context of the initiatives discussed in this overview, the term auditing is used to refer to social auditing of labor conditions throughout the supply chain.

Elements of audits:

There is currently a lot of discussion on when the term audit should be used, and in particular what constitutes an audit. For example, "auditing" is often used by certification or accounting firms to describe a factory visit. As more and more garment retailers hire such certification firms to audit their suppliers, the terms audit and auditing are increasingly associated (especially by workers and worker representatives in the production country) with the factory visits made by these commercial auditors. However, despite these associations it is important to note that the term audit itself does not say anything about the quality and scope of an audit. An audit can include representative interviews with employees and management and a thorough checking and cross-referencing of documentary information (such as pay and time records). For example, the audits in the Swedish pilots were much broader than a factory visit (which in that case was referred to as an "inspection"), and contained both interviews with the workers (outside the factory premises), by someone other than the commercial auditor, as well as an "inspection" at the factory by the commercial auditor. The result of an audit is a report based on such an examination, including a letter or certificate summarizing the auditor's view of the work place in relation to the code it was audited against.

An audit can consist of a factory visit, but can also refer to an examination of the entire company or its books, depending on the audit protocol. An audit is a tool in a certain process depending on how, by whom, and where the audit is executed. Thus, an audit can be a tool in monitoring as well as in verification (see below). In the national initiatives, the term audit is used in many different ways and at many different levels.

Auditors

An auditor can be a senior manager, an external auditing company, specialised NGO, or trade union organization (or a combination of these). In terms of relationship between retailer and auditor there are three levels to distinguish. A first party audit is, for example, an audit of a supplier by a retailer. Second party audit is when the retailer hires an auditor to audit the supplier, and a third party audit takes place when another person/organization that is independent from both the retailer and supplier carries out the audit.

Implementation

As defined in the CCC model code, this term refers to activities that should be undertaken by the (buying) company to make sure that the standards set in the code are being met. It includes making the code part of the contract between the supplier and the buying company, which in turn makes it part of the national legal framework. Another part of the implementation is adapting the buying practices so that the supplier is able to meet the standards outlined in the code. For example, when an order is negotiated, buyers should assess whether or not the supplier can comply with the maximum hours of work provision in the code, given the order size and delivery time that is negotiated. It is also important that companies work towards long-term relationships with the suppliers. To implement a code of conduct it must be integrated into the company's management system and business practices, especially with regard to profit margins, prices, and deadlines.

Management system

A management system refers to all the organizational structures, procedures, processes, and means that are necessary for the proper implementation of a company's policies. Within the context of the issues taken up in these initiatives, management systems have a double aim: to ensure that the labour standards are code is implemented and monitored, but also to ensure that regular business is conducted in such a way that suppliers can meet the standards they are supposed to uphold.

Monitoring

Monitoring is the term used to describe the activities carried out to keep a close watch over the implementation -- to check that the code is consistently being complied with. One of the main characteristics of monitoring is that it is a frequent or continuous process. Frequent in this context means being present in the work place often enough so as to be able to detect variations in behavior or circumstances.

Presently, the role of the retailers in monitoring is increasingly recognized. For example, one of requirements of companies participating in the ETI is that they must "monitor the compliance of their supply chain with the Base Code." Companies themselves have to put procedures into place that enable them to have that knowledge. It is not sufficient to just send the code and assume that that will be enough. They will have to train their employees, instruct their buyers, establish appropriate measures in cases of violation of the code including accompanying measures. This process is sometimes also called "internal monitoring" or "company monitoring."

Independent monitoring

There is currently a lot of confusion about the use of the term "independent monitoring". The term was originally used in the CCC model code to describe a process where an external or independent organization would be in charge of overseeing that monitoring and implementation happen as intended. This external body would include different stakeholders, and guarantee access of workers and worker organizations.

Two different tracks of monitoring were distinguished. The first track consists of checks to the supplier: checking records and pay slips, pay unannounced visits, interview workers out of hearing of management, etc. This kind of monitoring can be done by the companies themselves, or external organizations. Second track monitoring refers to the establishment of a complaints systems, so that each time a code violation occurs, the workers can report it. This is to guarantee direct involvement of organizations at the local production level, and ultimately of the workers themselves. In the national initiatives examined in this overview, ideas are being developed on how to set up such a system, for example with local contac t points of organizations trusted by the workers. Second track monitoring is sometimes also called worker monitoring, in addition to the abovementioned company monitoring.

In the Central American context the term independent monitoring is used when an organization that is independent from all other parties (companies, trade unions), for example a specialized NGO, is doing the monitoring.

More and more people feel that monitoring, being a permanent process, can never be independent. They prefer to use the term "independent verification" to describe the whole process of overseeing implementation and checking on the monitoring process. As companies are increasingly seen as having a responsibility to monitor compliance to the standards themselves, the term independent is now used together with verification (especially in native -english speaking contexts). Where we used to speak of "independent monitoring" it would be in the current state of the debate more correct to speak of "monitoring and independent verification".

The confusion is increased by the different languages that the national level iniatives operate in. In the Dutch, French, and Swiss initiatives, the original meaning of "independent monitoring" of the CCC model code was translated in the terms "onafhankelijke controle" and "controle independant". We have kept these terms in their original language as far as possible, and when it was necessary to translate to English used "monitoring and independent verification."

Verification

Verification implies the re-examination of the evidence of labor practices in a particular work place in order to establish that previously reported results are accurate. It involves the activities carried out to ensure that both monitoring and implementation take place as intended.

In the context of the national initiatives, the term independent verification is now most often used. This implies that a person or organization (an independent body), independent from the work place being examined, as well as from the authority that carries out the implementation and original monitoring, carries out these activities. For example, independent verification may refer to the re-examination of the results of a certain factory audit by someone that enjoys the confidence of all stakeholders as an independent, qualified, and reliable authority. In the foundation model of the CCC, the independent verification would be the task of a foundation that operates as an independent body.

Inspection

An inspection is a visit made to a work place by an outside authority for the purpose of checking whether a code of labor practice is being applied. Sometimes, as mentioned above, the term inspection is used interchangeably with the term audit. In other cases (such as in the Swedish pilots), the inspection is only one part of a range of activities that make up an audit.

Pilot

In this context the term "pilot" refers to the activities undertaken to test the implementation, monitoring, or verification techniques. The term pilot refers to a pre-determined activity in which ideas and agreed methods are being tested on one or more factories supplying to one or more companies in a certain country. In some cases, one particular approach is tested, in others (for example the ETI China pilot), a number of different approaches to monitor and verify adherence to the code are tested. In the Netherlands, the first pilot contained an assessment of the management systems of the Dutch retailers.

Social label

In general, a social label refers to a label on a product or company that verifies to the consumer or buyer that there is added social and/or environmental value. In some cases, for example the UK, a social label is used on a product to communicate that certain standards are met, while companies as a whole receive certification.

Fair trade vs ethical trade

Often there is confusion about the difference between fair trade and ethical trade. Ethical trade seeks to ensure that companies meet decent minimum standards in the production of the entire range of their products. Fair trade usually focuses directly on trade with certain producers in the South, ensuring that they are paid enough to manage sustainable, despite often low world prices.

3. Essential Characteristics of the National-level Initiatives

Initiative	UK Ethical Trading Initiative	NL Fair Wear Foundation (EHH)	FR Ethique sur LÉtiquette	SW Swedish Project on Independent Verification	CH CCC Project on Independent Verification
Date of agreement	January 1998	March 1999	1997	1998	March 2000
Membership					
Industry	19 companies*	Industry associations: MITEX, MODINT	Auchan, via FCD (industry federation) Carrefour, Promodès	Hennes & Mauritz Indiska Magasinet KappAhl Lindex	Mabrouc SA/Switcher Migros Charles Veillon SA
Trade unions	Union federations: ICFTU, ITGLWF, IUF, TUC	Federation FNV and FNV Bondgenoten (member CCC/NL)	FCDT (member CCC/France)	LO Industrifacket (member CCC/Sweden)	No trade union
NGOs	18 NGOs**	CCC/NL, South-North Federation, Novib, Max Havelaar	CCFD and Artisan du Monde to represent NGOs of CCC/France	Fair Trade Center to represent the NGOs of CCC/Sweden	Swiss CCC (Bern Declaration, Bread for All, Catholic Lenten Fund)
Government	DFID				
Structure of the organisation	-Governing board: equal stakeholder representatives, independent chair, DFID observer; -Three-member staff; - separate multi-stakeholder pilot teams -tri-partite working groups	-Board: -Committee of experts; -Independent project/pilot coordinator	-Informal committees: Auchan + French CCC and FDC + French CCC	- Project group: companies and Swedish CCC -Pilot board: four unions, four NGOs, the four retailers; independent president; secretary. -independent pilot coordinator and project coordinator	-Project leader - Pilot partners; the Swiss CCC and the three companies. - Pilot board: a working group, with three representatives of the NGOs and three of the companies -Secretariat
Director/ Project leader	Dan Rees, manager	Frans Papma, director	Olivier Chabrol Social label project manager	Reneé Andersson, project coordinator	Isabelle Scherer, director
Code	ETI Base Code	CCC model code	Auchan code	Company codes Common adopted code for the pilot studies	CCC model code
Pilot countries	South Africa (wine) Zimbabwe (horticulture) China (garments) Sri Lanka (garments)	Netherlands (retailer pilot)	Madagascar	Bangladesh India China (pre-study)	India and China (proposed)
Pilot companies	*Garment sector:* China: Littlewoods, Tesco, Pentland Sri Lanka: possibly M&S, Littlewoods, Lambert Howth, Desmonds	Van Winkel Fashions, Vilenzo BV, and Cora Kemperman/Jurk BV	Auchan	All participating companies	All participating companies
Audit companies	BVQI, SGS, Verite	First phase: BVQI	SGS	ITS	
NGO/TU involvement	LARIC	Planned: SAVE (India)	IREDEC FFM	SAVE, Peace Trust and researchers, India BNWL/ researcher, Bangladesh HKCIC, China	
Project Financing	Govt. grants and membership fee	-Branch orga's and tu's. In future: % of Coll. Bar. Agreement	Companies and CCC	Companies	Companies

*Anchor Seafood Ltd, ASDA Stores Ltd, CWS Retail ('The Co-op), Fisher Foods Ltd, Lambert Howarth Global, Levi Strauss & Co.
Europe, Middle East and Africa, Littlewoods plc, Marks & Spencer plc, Monsoon Ltd, Pentland Group plc, Premier Brands UK Ltd,

Safeway Stores pl c, J Sainsbury plc, Somerfield Stores Ltd, Tea Sourcing Partnership, Tesco Stores Ltd, The Body Shop International plc.

**Action Aid, Amnesty Business Group, Anti-Slavery International, CAFOD, Central American Women's Network, Christian Aid, Council on Economic Priorities (Europe), Fairtrade Foundation, New Economics Foundation, Oxfam, Philippine Resource Centre, Religious Society of Friends, Save the Children, Traidcraft Exchange, TWIN, War on Want, Women Working Worldwide, World Development Movement

PROJECT OUTLINES

In this section the national-level initiatives will be outlined further, in terms of most of the following elements:

- Development of the initiative
- Agreement with the company
- Standards/ monitoring and verification principles
- Project plan/organizational structure
- Pilot projects and current state of affairs

Because of the multitude of interpretations and use of terms, the original terminology (or the best possible English translation) that is used in the projects will be used in this text. Terminology use was one of the issues taken up during the first project meeting. This discussion is reported on in section 5 of this paper.

Even though each of the five initiatives uses almost the same code of conduct (the ICFTU/CCC model code) there are some differences worth noting, especially with regard to the codes used by the companies involved in the projects. A small difference in terms of content may result in a considerable difference in the manner in which the standard is to be monitored and the solutions that must be sought to bring companies in compliance with the standards.

3.1   UK: Ethical Trading Initiative

The Ethical Trading Initiative (ETI) is an alliance of companies, non-governmental and trade union organisations committed to working together to "identify and promote good practice in the implementation of codes of conduct of labour practice, including the monitoring and independent verification of the observance of code provisions." Currently there are 19 corporate members of the ETI, four trade union organisations and 18 NGOs. The ETI receives financial support from the UK Government (Department for International Development) and from its own membership. ETI was launched in 1998.

ETI was launched in 1998 after a dialogue between UK retailers, international brands and non-government and trade union organisations that had been campaigning for companies to adopt codes of labour practice as a tool for promoting internationally recognised labour standards in their supply chains. Members of the ETI believe that this collaborative approach provides the opportunity for making significant progress in this area. However, while all organisations involved in the dialogue recognise the potential of voluntary labour codes to help improve labour conditions in global supply chains, they are also aware of the harm voluntary codes could cause workers. They therefore decided to establish ETI as an experimental, learning initiative, that would identify and share the circumstances in which labour codes were most likely to benefit workers in global supply chains and in which companies could practically implement them. This approach is seen as complimentary to the campaigning and media expose work that NGOs and trade unions have also engaged in. ETI will complete the first three years of work in April 2001 and members are discussing priorities for the period 2001-04.

ETI does not take responsibility for auditing its members or certificating member companies or their products. As a condition of membership, ETI member companies undertake to take this responsibility on themselves. ETI provides them with a forum to discuss with other members how best to do this and to test different approaches.

Project Plan and Organizational Structure

The ETI has a Governing Board, with equal stakeholder representatives, independent chair,
and an observer from the UK's Department for International Development (DFID).
A four-member staff, including project manager Dan Rees, works out of the London-based Secretariat.
The staff is expected to increase to eight in 2001.

The members of ETI are discussing a strategy for the period 2001-2004. They have reaffirmed their
commitment to remaining an experimental body. Key directions for this period will be to 1) steadily
increase the company membership in the sectors that ETI is prioritising, 2) increase the number of
experimental pilots to answer the most important questions for members and 3) share the learning from
this learning more widely. The strategy will be available to the public in May 2001.

ETI's main activities in the past three years have been:

(a) **Experimental Pilot Projects** that encourage members to work together in order to identify best
practice about implementing codes. The initial focus of the pilot programme has been to learn about
the competencies of auditors of labour standards and the role that trade union; development
organisations and academics can play in code implementation. The results of this learning are
shortly to be published in a "Workbook".
(b) **Seminars and conferences** ETI has organised two major international conferences and eight
seminars in order to share its learning and promote discussion on code implementation issues.
(c) **Provision of information and advice**. ETI provides its members with information in order to make
it easier for codes to be implemented. For example, Company members need analysis of the
differences between the national law and international labour standards in the countries from which
they source. ETI also provides guidance on how to implement international labour standards that are
included in the ETI Base Code. Much of this information is only available to members of ETI.

Agreement with Companies

All ETI activities are characterised by tri-partite participation and or governance. In addition, and as a
condition of ETI membership, companies agree to a number of principles of implementation. These
include:

• Adopt the internationally agreed labour standards that make up the ETI Base Code
• Communicate the code throughout the company and to their suppliers
• Monitor the compliance of their supply chain with the Base Code
• Support independent verification of compliance
• Establish improvement plans with their suppliers where breaches are found
• Report annually to ETI on their progress
• Participate in Pilot Projects to develop monitoring and verification techniques
• Inform workers about the Code and provide a means for confidential reporting of breaches

ETI Membership therefore demands that new corporate members adopt these principles and the labour
standards of the Base Code. (Full details on these principles and the labour standards included in the
Base Code are available from ETI.) Companies may either adopt the Base Code or include the principles
within it in their own code. In a study commissioned by ETI in 1999, a number of member company
codes were compared with the Base Code and some of them had not adopted all the provisions in full.
Living wage and freedom of association are the most problematic issues here. Some of the companies
had already developed a system for implementation and monitoring when they began to draw up their

own codes of conduct, making it difficult for them to immediately conform to ETI demands. Another problem is human resources: some companies do not have the knowledge to implement and monitor the code and need to develop the skills to implement the code. The ETI does insists that all new members must adopt the principles of the Base Code prior to joining and founding members are asked for a timetable for completing this task. A second survey on the current state of member company codes is planned for 2001.

Documentation
- Purpose, Principles, Programme, Membership Information. Including the Base Code and Principles of Implementation.
- Views from the South, Conference report on a consultation with NGO partners about Ethical Trade. 1999
- Seminar Reports: Working with Suppliers to effect change, Developing Internal Capacity, Independent Monitoring Using Local Resources, Governance In China, What are the Implications for ethical trading? UK China Relations.
- Pilot Interim Review. November 1999.
- ETI Workbook (Available from April 2001)

3.2   NL: Fair Wear Foundation

The Dutch CCC, along with the relevant trade unions and federations, started negotiations with industry federations as early as 1994. The NGOs and the unions involved were proposing the establishment of a foundation to oversee the implementation of a code called the "Fair Wear Charter" and to monitor/verify the signatory companies. Companies complying with the foundation's regulations would receive a trademark (company certification). The aim originally was to involve the federation of large enterprises, however by 1996 it became clear that no progress with them was forthcoming.

The federations of small and medium-sized enterprises (SMEs) (both producers and retailers) indicated interest, fueled partially by the increase in demands made on their members by retailers who themselves were adopting codes (for example, C&A). They had an interest in a more centralized system with only one code. In March 1999 the foundation, the Fair Wear Foundation (*Stichting Eerlijks Handels Handvest*, EHH), was formally set up, initially for a 15 month project.

Project Plan and Organizational Structure

The project plan is quite extensive and reiterates a lot of the ideas of the model code, and the principles the foundation should work on. Key elements:

• Implementation and monitoring of implementation has to be done to a large extent by the companies themselves, but third party verification is essential (where necessary on the spot at the supplier or subcontracting level)
• Proper complaints procedures, complaints will be dealt with by the foundation, preferably according to the regulations set under the EOTC guideline for certification bodies.
• Developmental approach
• Certification (social label) of companies (not of products)

The management of the project plan was given to a consultancy firm with experience in running secretariats for foundations with employer/employee participation. A four-partite (retailers, producers, unions, NGOs) board was set up, along with an expert committee (same parties) to advise the board

during the project period on: (1) regulations for company membership/admittance, (2) implementation standards, (3) monitoring/verification and structure for this, (4) how to conduct pilots with a minimum of two companies, and (5) the formation of a certification body.

Standards and Monitoring/Verification Principles

The original Fair Wear Charter (FWC) proposed by the CCC was slightly different from the CCC model code that formally came into existence in 1998.[1] The discussion was stuck for a long time on the standards that should be included (the five core labor standards or the five plus additional standards) but in the end the whole package was accepted. A footnote was added to explain the difference between the two sets of standards, their origins, and the possibility for a differentiation in implementation along these lines. By the end of 1998 the Fair Wear Charter was adapted to comply with the CCC model code, and the principles on implementation and independent monitoring[2] outlined in the model code were written up in the project plan, insofar as they were not included in the FWC, and were followed when structuring the Fair Wear Foundation.

In relation to the implementation of the code and standards to follow during this process, a document entitled "Fair Wear Management System Requirements" (*keurmerkschema*) was developed and accepted by the expert committee in late 1999 (a draft English translation is available). It deals largely with the internal framework that will be needed to ensure implementation and monitoring. It is based on standard management system procedures and will be accompanied by a guidebook (first draft recently completed). A key element here is the "traceability" of production, and how to ensure this and the collection of "acceptable evidence." This evidence can be in the form of documents (contracts, pay slips, collective bargaining agreements, union reports, labor inspections, hours registrations), but as a whole what is acceptable and what is not remains the subject of a great deal of discussion and is therefore quite generally described. The guidebook will be more practical.

There has been a lot of debate among the Foundation's board and expert committee members about the monitoring/verification system and the structure it should take. Some of the important discussion points:

• Industry believes that a good management system will ensure good implementation and monitoring practices. This would mean that auditing at the management level in the Netherlands would be a tool to verify if the company is complying with the code. This type of social audit could then be done by social audit firms (appointed by the Foundation).
• NGOs and trade unions believe that this would not be sufficient. But at what point is the "evidence" presented by companies on the basis of their internal monitoring insufficient? When should actual verification at the production level take place?
• What form should this verification take and who should be involved in it?
• What role does the "second track" of monitoring/verification (the complaints procedure) play in this?

Agreement with the company

Companies that join the Fair Wear Foundation must declare:

• that they only want to trade in clothes made under decent/human conditions;

---

[1] Process, code, signatories

[2] The model code uses the term independent monitoring when describing what would now be called monitoring and independent verification.

- that they will do "everything possible" to ensure that the standards are upheld, also by their contractors, subcontractors, suppliers, and licensees (the phrase "everything possible" was added largely because of the nature of the companies involved: small and middle-sized, who themselves have only limited influence on the suppliers concerned, or, for example, source from large brand name companies);
- that they will ensure that contractors, subcontractors, etc. will commit to compliance with the standards in the code and they (the contractors, etc.) will cooperate with the independent verification of these standards;
- that they will ensure that if it is proved that contractors, etc. do not comply with one or more of the standards, they will take adequate measures to remedy the situation, with final sanction of losing the right to produce or organize production for the company in question; and
- that they commit/agree to independent verification of the provisions of the code and agree that they will follow the advice of the foundation in this regard (another footnote is added here, stating that this independent verification will judge, among other things, the "content, quality, practice, and results of the management system that the company puts in place to comply with the standards of the code." This was included to make it clear that the foundation's main job is principally to verify implementation and monitoring, not to do the bulk of that work itself.).

Companies were able to sign on as members of the Fair Wear Foundation when the foundation was established (March 1999) but the provision relating to independent verification and following the advice of the foundation only goes into effect when the foundation has established clear procedures and cost-estimates for this.

Pilot projects and current state of affairs

To answer some of these questions the initiative's first pilot project was started in early 2000 at the management level with three companies in the Netherlands (van Winkel Fashions, Vilenzo BV, and Cora Kemperman/Jurk BV). The first pilot was finalized. A second pilot at the production level will start in 2001. Most likely pre-studies will be carried out, following the model of the Swedish pilot project (see section 2.4).

The project suffered from many delays and communication problems. To solve these problems it was agreed that the project coordination should be reorganized and a permanent manager should be hired. This should be realized within the first quarter of 2001. In the meantime an interim manager has been hired.

The Foundation has secured new funding through a percentage negotiated under the collective bargaining agreement for the Dutch garment sector (social funds). Original funding for the project was provided by each of the project participants.

Documentation

- Regulations for company membership/admittance
- Fair Wear Management System Requirements (*keurmerkschema*), 1999 (draft English translation is available).
- Fair Wear Charter (English translation available)
- Project plan (Dutch)

3.3   FR: Ethique sur L'Etiquette

The Ethique sur L'Etiquette (French CCC) has been in contact with several large retailers with regard to the issue of labor standards and their implementation and monitoring in the workplace. They have also been in contact with the Federation of Retail and Distribution Enterprises (FCD) on these issues. The FCD is the umbrella organization of large retailers, which includes all major French hypermarkets, with the exception of Intermarché and Leclerc. This including Auchan, Monoprix, and Carrefour (since 2000, the Carrefour Group includes Promodes, and is the world's number two retailer, after WalMart). The FCD includes 650 hypermarchés, 4,500 supermarkets, and 4,500 supérettes (smaller supermarkets). [3]

The French CCC has been in touch with Carrefour since 1996. In 1998 the company adopted a charter that focuses on child labor, forced labor, and working conditions (though the scope of the "working conditions" covered by this charter is not defined). Carrefour has a monitoring program with FIDH (Federation International des Droits de L'homme), an international NGO that has local partners in many countries but is not connected to the CCC. Promodès has been active within the SA 8000 system (advisory board member) since 1998, and has had some direct contact with the campaign since 1999. As mentioned above, Promodès was bought by Carrefour. Carrefour decided to join the board of CEP. This does not mean that they implement SA 8000.

In October 1998 the FDC decided to accept some basic standards (SA 8000, though they have expressed interest in ILO standards) and to recognize the necessity of independent monitoring. The enterprises expressed their willingness to put into place "a programme of experimental controls, intended to examine concretely the best methods for monitoring and verification" (*un programme de contrôles expérimentaux destinés à examiner concrètement, de manière concertée, les meilleurs méthodes d'investigation et de contrôle*).

To date, Auchan, Carrefour/Promodes and Monoprix have all involved social audit companies, such as SGS and ITS/Intertek (SA 8000 certified), in checks of their suppliers, a total of 100 over the last two years. During the next two years these companies, along with two others -- Casino and Cora -- will pay for 200 audits. A committee with members representing the CCC and the FCD was formed to discuss this work. Information is exchanged annually. A more structured framework for cooperation is being discussed. Meanwhile, other companies that were targeted by the French CCC for improvement have taken steps to adopt codes of conduct.

The CCC is pushing the FDC to make provisions for worker involvement before, during, and after the audits. The way in which this could be organized is being examined in the project with Auchan.

Most of the activity in France on the issue of implementation, monitoring and verification of labor standards has been with Auchan and, more recently, with the FDC as a whole. The initiative described in this overview is the project underway with Auchan.

Standards and Monitoring and Verification Principles

The French CCC began working with Auchan in 1997, when the company adopted a code of conduct that includes most of the standards found in the CCC model code and makes reference to ILO standards. The living wage provision is extensive and refers to ILO and UN standards.
The main differences are:

---

[3] Promodes and Carrefour recently merged, as Promodes is a subsidiary of the Belgian company GB, which was taken over by Carrefour. The Belgian CCCs are currently discussing a possible agreement including pilot projects with GB.

(1) in the retailers' responsibilities for the set up, application, and control of the code -- these are slightly weaker in the Auchan code than in the CCC code. Auchan plans to carry out the set up, application, and control of its code (internal monitoring). In addition to this, the company has agreed to participate in a verification body (which would include members from the unions and NGOs), to circulate and promote its code in the factories, and to select some sites for verification pilot projects and to train its buyers.

(2) in the freedom to organize unions -- Auchan recognizes the right to free association only in countries where the legislation does.

A six-point letter of intent between the CCC and Auchan was signed at the end of 1997, which included a commitment to independent monitoring and participation in pilot projects.

Project Plan and Organizational Structure

The three main elements of the project agreed upon are:

• CCC participation in training programs for buyers, as a part of advancing the internal monitoring system;
• testing out models for independent monitoring/verification; and
• testing out ideas on accompanying measures, for example in the event of the discovery of child labor.

Pilot projects and current state of affairs

Seven training sessions for Auchan buyers about labor standards, their implementation and monitoring were organized in 1998-99. About 20 people participated in each session. The aim was to make the staff sensitive to the various issues and motivate them to take action with their suppliers. The other two elements of the project were to be worked out via pilot projects

In 2000 19 audits were carried out by SGS in China, Bangladesh, India and Thailand (in factories producing clothes, shoes, and toys) using SA 8000. The French CCC has a copy of these audits and made recommendations (mostly on methodology), which were discussed with Auchan and transmitted to SGS.

In 2001 Auchan plans to ask SGS to carry out an additional 20 external audits. Auchan has created four buying offices (two in China, one in Bangladesh and one in India). Staff at the buying offices will be trained to carry out social audits (50 are planned in 2001). After these audits, a follow up will be done by the buying office.

For the French CCC, the priority now is to determine how to concretely involve workers (and trade unions and NGOs from the South) in monitoring and verification. The campaign is discussing this issue of worker participation with Auchan.

Documentation:
• Auchan Code of Conduct (French)
• Letter of Intent (French)

3.4   SW: The Swedish Project on Independent Verification

In 1997 the Clean Clothes Campaign in Sweden started a campaign targeting four Swedish clothing chains: Hennes & Mauritz, Kapp-Ahl, Lindex, and Indiska. The companies responded by adopting codes of conduct. Then in 1998, they entered into negotiations with the Swedish CCC about participating in a monitoring and verification project. The companies had started to work with their codes internally and in connection with their suppliers. By the summer of 1998, the Swedish CCC signed a declaration of intent with the companies, stating their intention to adopt a common code of conduct and collectively develop a system for independent verification.

Project Plan and Organizational Structure

The Swedish Project on Independent Verification started in January 1999, and a project coordinator, Renée Andersson, was hired. The coordinator analyzed the company's codes and interviewed company representatives to get a clear view of their codes and their internal monitoring systems. Pilot studies of independent verification based on the CCC model (professional social monitors in parallel with local networks) are a key part of the project plan. When countries (India, Bangladesh, and China) and cities were selected, a phase of information-gathering, including pre-studies, was to be carried out, then followed by the pilot projects. The timeframe of the project was set at 14 months but has since been extended to the end of December 2001. A group, called the project group, with representatives from the four companies and the Swedish CCC (which is represented in this group by two unions and the Fair Trade Center), was established and given overall responsibility for the pilot projects. It is the responsibility of the project group to set the standard of confidentiality and standard of content for any information that is released to the public about the pilot study. The project group meets monthly with the project coordinator for discussions and to make decisions concerning the project.

It is the project group which has the main responsibility for this project. The decisions taken by this group carry the project forward, while the pilot board has the main responsibility for making decisions regarding the actual pilot studies. The pilot board is one possibility for how a future board of independent verification could operate, though in the future companies will not have a seat on such a board (everyone involved in the project is fully aware of this fact).

Standards and Monitoring and Verification Principles

The four companies were already using their own codes of conduct, which are all different from each other. Two of the company's codes differ from the CCC model code regarding working hours, and all four company codes differ regarding the living wage. In order to make an audit possible within the framework of the pilot study, they all had to agree to a similar code of conduct but with the possibility to choose from two alternatives (a and b) when it comes to working hours and wages and three alternatives (a,b, and c) regarding health and safety.

One of the Swedish CCC's goals is to arrive at a common code, based on the CCC model code. The CCC accepted the difference in codes, because the retailers were already internally using the codes. For example, they had already sent the codes to their suppliers. Therefore, changing the codes again was considered to be too confusing. It was also decided that the wage issues (living wage versus minimum wage, as well as discussion on determining a living wage) would be examined during the pilots.

The codes of conduct used in the pilots can be different from each other on three standards:

(1) regarding health and safety: training may or may not be provided;

(2) regarding wages: a living wage or the minimum wage may be paid; and

(3) regarding working hours: they should not be excessive and overtime should be voluntary or specifically working hours should number 48 hours per week plus 12 hours of voluntary overtime. For more details on the choice of alternatives available to the four companies, please see Appendix A.

Agreement with Company

In relation to the purchasing company's implementation of its code of conduct, project participants must agree to the following:

• Regarding the code of conduct that is adopted: The code of conduct which has been adopted by the company leadership represents, at the least, the contents of the criteria in the codes, with some alternatives. During the pilot study, inspections can be conducted according to the alternatives 3.A, B or C, 5.A. or B or 6.A. or B.
• Regarding documentation on relations to the suppliers which are included in the pilot study: The company will supply the pilot board with the following information through the project leader:
  - A document which confirms that the suppliers have approved the code of conduct.
  - If the company currently has orders pending with the supplier.
  - If an agreement exists on measures that will be taken in order to comply with the code of conduct and, if such is the case, by which date they should be completed.

Pilot Projects and Current State of Affairs

In the first phase of the project, pre-studies were carried out, which included a knowledge inventory, making contacts with other organizations with similar projects, and finding NGOs and researchers in India, Bangladesh, and China. Four pre-studies were conducted by local contacts/ researchers in Dhaka (Bangladesh), Tirupur and Delhi (India), and Shan Tou (China), which were meant to identify workers concerns and to get basic information on the conditions in the region. The pre-studies included interviews with workers, to find out if workers knew about codes of conduct, their labor rights, and who they turned to if they faced problems in their workplaces.[4] When the pre-studies were concluded (Sept. 1999 - Oct. 2000), the project coordinator went to meet the interviewers, the unions that were mentioned by the workers, and many others such as: lawyers, a human rights commissioner, garment workers, researchers, NGO staff, textile institute staff, students, teachers, consumers organization staff, suppliers (not those involved in the pre-study or the pilots), and commercial auditors.

The four Swedish retailers briefly informed the selected suppliers ("medium good") about the pre-studies and asked for permission to carry out the pilot studies in their factories. The initiative was described as part of a a learning project and confidentiality was offered regarding the name of the factory and the owner, though this information would be provided to the Swedish retailer involved, the auditor, the

---

[4] See Questionnaire for the pre-study in Tirupur; Tamil Nadu; India.

interviewer and the project coordinator. The Swedish retailers did not reveal exactly when the pre-studies and the pilots would take place.

During the first phase of the project, different commercial auditing companies were also contacted and preparations and analysis were made for the criteria of the pilot study. Four pilots have been carried out: in Tirupur and Delhi, India; Dhaka, Bangladesh; and Guangdong, China. Professional auditors, male and female, from Intertek Testing Services carried out the audits. The project coordinator acted as audit leader. In China, one person from an NGO was present as an observer.

New criteria have been adopted by the project group and the pilot board for the auditing of the Swedish companies in order to check the implementation of the code of conduct within their own companies. Have they allocated financial resources, personnel, and technical resources to be able to work with their internal monitoring in an efficient way? Two of the four Swedish companies were audited during January and February 2001. The auditing company KPMG have full responsibility for these audits. The project coordinator served as an observer and resource person during these audits. The result of these audits will be presented to the top management of the Swedish companies and the pilot board.

Concrete proposals (including cost estimates) to eventually set up the verification body were developed. However, the focus in the first phase of the project has been to conduct the pre-studies and set up the pilots, with the aim of obtaining practical experience on what constitutes a credible independent verification system for the compliance with codes of conduct. Currently, ideas on a foundation model for independent verification are being discussed. A draft of management system requirements for the participating companies was made.

Documentation

• Construction of a system for independent monitoring, Kampanjen Rena Klader, CCC Sweden, 31-08-1998
• Codes of Conduct for Hennes & Mauritz, Kapp-Ahl, Lindex, and Indiska
• Questionnaire for the pre-study in Tirupur; Tamil Nadu; India
• Pilot Study: Implementation and Criteria: The Swedish project on independent verification of compliance of codes of conduct in the garment industry; October, 1999

3.5   CH: The Swiss Project on Independent Monitoring

The Swiss CCC officially started its work in January 1999. However, the organizations involved in the campaign had been campaigning since 1995 on working conditions in the sport shoe industry. This probably explains to some extent the very quick acceptance by several Swiss companies of the standards and ideas outlined in the CCC model code.

In May 1999 the Swiss retailer Migros adopted the entire CCC model code and proposed, in a "declaration of intent" to start a monitoring project with the Swiss CCC. This declaration, the first step in the process, was signed in September 1999. Following Migros' decision to adopt a complete code of conduct, Mabrouc and Veillon did the same (at the end of 1999). They also decided to pursue similar work with the Swiss campaign on a project of independent monitoring.

In February 2000 a workshop was organized with representatives from the three companies and the CCC. The coordinator of the Swedish project, described above, was also present. A project was agreed

upon (*Projet Pilote de Controle Independant*)[5] and an agreement was signed by the CCC and the three companies on March 31, 2000.

Project Plan and Organizational Structure

There is agreement that the final aim of the project is to improve workers rights and create transparency regarding working conditions for consumers. Meanwhile, the project is meant to allow for experimentation. At the end of the project, each of the participants will decide on how to continue,

The project aims to:

- test the feasibility of the model for independent monitoring as outlined by the CCC for a num ber of suppliers of Migros, Mabrouc, and Charles Veillon;
- give support and assist in the creation of a network of partners in production countries who are willing and have the capacity to participate in the type of independent monitoring outlined in the project;
- participate in developing educational materials on workers rights, materials destined for suppliers, partners and workers;
- encourage synergy with similar initiatives; and
- launch a process in which all parties can take part, for which reason during the project no cancellation of contracts between Mabrouc, Migros, Veillon and their suppliers who are involved in the project are allowed .

In the end, the project should contribute to the development of an independent monitoring system as outlined in the project agreement. This should be accomplished in the interest of the workers and must never put them in danger.

Based on the agreement, the project will last for 18 months. Other companies can join the project if the present members all agree. The project plan can be changed at any time if all project participants agree. The budget for the project will be covered by the companies. The Swiss CCC is not paid for its participation in the project, and in this way, it remains totally independent from the involved companies.

Agreement with the company

Participation in the project is predicated upon:

- independence: CCC in its campaign and public information work remains completely independent from the companies;
- communication: confidentiality, all parties agree to absolutely respect the confidentiality of business information (for companies and suppliers) as well as the identity of workers and others implicated who should never be put in danger. The secretariat (see 5) alone will have certai n information and documents; transparency: the companies will give the necessary information to the secretariat, if not the working group can denounce this publicly;
- public relations: the working group is the competent authority that is responsible for public information on the project. They have to respect the principle of transparency and of equity (interest of all parties). They have to avoid all identification of the CCC and the project with a label or certification initiative. The secretariat will prepare documents relative to the progress and results made by the

---

[5] Here the word pilot is attached to the project as a whole, in other contexts the term pilot is reserved for testing out the monitoring of codes on the grou nd. The French phrase *controle independant* has usually been translated to independent monitoring. However, independent verification may better cover the actions that this phrase is intended to cover, see terminology chapter.

project. The companies agree not to mention the CCC in their public relations unless the CCC gives its approval. (Though companies can communicate their codes and their membership in this initiative to the public).

The decision-making body of the project is a working group, composed of an equal number of representatives of the companies and the CCC, which makes its decisions by consensus. The tasks of the working group are:

1. to engage the coordinator(s) who will form the secretariat;

2. to follow and direct the work of the secretariat;

3. to choose the partners (notably in production countries) that take part in the independent monitoring (following proposals from the secretariat);

4. to receive, discuss and asses the independent monitoring reports (without mention of names of suppliers and persons implicated);

5. to decide on corrective action and accompanying measures proposed by the company in case of non compliance with the code and keep track of the evolution of the situation (again without mentioning names);

6. to evaluate the progress of the project, problems encountered, the independent monitoring results and the implications for the model it is based upon; and

7. to communicate on the above activities.

The secretariat is in charge of concretely organizing independent monitoring for the project. Staff consists of a coordinator(s) in Switzerland hired for the duration of the project though the size of the secretariat depends on the number of companies and production locations that ultimately participate in the project.

The secretariat is responsible for: (1) checking if the company takes the necessary implementation measures, (2) carrying out pre-studies necessary to organize the independent monitoring, (3) coordinating the realization of the independent monitoring, (4) editing the independent monitoring reports (in collaboration with the control team), (5) keeping track of the corrective actions and accompanying measures, checking that these conform to the spirit of the CCC model code, (6) researching possibilities for a complaints system, (7) receiving complaints; and (8) forwarding relevant information to the working group.

<u>Labor Standards and Principles on Monitoring and Verification</u>

With the project agreement, signed on March 31, 2000, the companies accepted the standards in the CCC code for all production of garments and shoes, noting that these standards are minimum standards. They also agreed to the principles concerning implementation and independent monitoring, and that they will engage "in the spirit of social improvements and sustainable partnerships with their suppliers."

The definition of independent monitoring in the Swiss agreement includes the following elements:

• social responsibility of the enterprises concerning the entire production chain and with the scope of application as described in the CCC model code;

- transparency, that is access to relevant information for those in charge of "controles" and communication to the general public on the progress and results;
- participation of the individuals and organizations concerned (workers at the production sites and/or their representatives in trade unions and/or NGOs and social auditors) in the decision making for and the carrying out of the *controles*,
- that it is the presence of organizations independent of the companies, CCC as well as trade unions and NGOs in production countries, who have the confidence of the workers that allows for the independence of the process; quality of the *controles*, in particular the necessity of unannounced visits;
- complaints procedure, as the second track of "independent monitoring," since this also allows for a *controle permanent* of the code that can be carried out by the workers themselves (or any other person).

Model of independent monitoring

Independent monitoring of the code of conduct implies that:

- the companies take the necessary measures to ensure that the code is implemented and respected by the suppliers. They are themselves also responsible for the implementation of the code; and
- the companies monitor if the code is respected by the suppliers and their subcontractors, they are themselves responsible for the internal monitoring of the code of conduct.

Pilot Projects and Current State of Affairs

A legal association was created in September 2000. A coordinator, whose title is director of the Clean Clothes pilot project, was hired and the project got started on October 15, 2000, in Lausanne. The current plan is to do pilots in two countries, India and China, at two suppliers of each of the participating companies (for a total of six). Preferably, one relatively good and one relatively bad (i.e. that needs to be improved). India was selected as a site for the project because this would allow for follow-up on earlier work, notably by the Swedish project, and other initiatives, and allow for possible cooperation. China was selected because from the perspective of the companies it is unavoidable, as the country has become a top sourcing location.

The pilot project is intended to check if the companies have implemented the code of conduct and if the suppliers chosen by the companies for the pilot project respect the code.

The 15 page annex to the project agreement includes a detailed description of the aims, tasks, responsibilities, and expected outcome for each part of the pilot. There are three separate stages defined as (1) implementation, under responsibility of the company, (2) internal monitoring, under responsibility of the company, and (3) independent monitoring, under responsibility of the working group. The third stage also includes (1) *controle* of the implementation of the code by the company and (2) *controle* of the adherence to the code by the supplier, which will involve announced and unannounced inspections of the production sites, as well as interviews with workers (or others).

Documentation

- Code of Conduct of Migros (German), Mabrouc (English), and Charles Veillon (French).
- Project Agreement March 2000 (available in French and English)

- Annex to the project Agreement: A Model for Independent Monitoring, March 2000 (available in French and English)
- Le monitoring indépendant ou vérification indépendante, Julien Reinhard, décembre 1999

4   PILOT PROJECTS

4.1   UK: Ethical Trading Initiative

<u>ETI's Pilot Projects.</u>

ETI uses the word "pilot" to apply to any experiment that enables members to work together in order to identify and promote good practice in the implementation of labour codes. Pilot groups consist of member representatives of companies, trade unions, and NGOs. In addition to ETI's experience in the garment and footwear industries, this section also presents information on pilot projects conducted in other sectors. The experience gained in all these pilots is valuable in this context. ETI's first three pilot projects focussed on testing different ways of monitoring labour standards in the supply of wine from South Africa (six farms), horticultural products from Zimbabwe (five farms) and clothing from China (three factories). The learning from these pilots has been captured in a "Workbook" that will be available from 2001.

Two new pilots are being developed in Costa Rica (bananas) and Sri Lanka (ready-made garments).

The first three pilots aimed to:
• test different models of inspection and verification of labour standards in different situations;
• investigate different ways in which local partners (including NGOs and trade unions) can participate in the inspection and verification process, and in defining the way codes are implemented in the local situation; and
• identify the capacity and other needs of partners to enable the development of a trusted monitoring and verification system.

For the purposes of these pilot experiments, ETI developed a "multi-stakeholder approach" to implementing each pilot. In the cases of Zimbabwe, South Africa and Costa Rica, a multi-stakeholder group has also been established in the supplier country in order to advise and assist. Local coordinators have been appointed. Methods used for workplaces inspections have been discussed and negotiated between ETI members and the group in the supplier country. Agreement on key issues such as the type of auditors, researchers, or local organizations involved can take some time to achieve but ETI has stressed the importance of this in order to avoid misunderstandings among the different parties.

In each pilot, as far as has been possible, the following groups have been involved:
• internationally recognised trade unions representing the workers involved
• Suppliers to be inspected as part of the pilot
• Commercial organizations representing the suppliers as a group (suppliers associations and trade associations)
• Internationally recognised non-commercial non-governmental organizations (NGOs) working with or defending the interests of the affected communities and/or unorganised workers
• Relevant government ment departments (for example, labour inspectorates), where they wish to participate
•   Academics have also been involved.

The following steps are typical of those activities conducted in the Zimbabwe, South Africa and Costa Rica pilots projects,
• identify potential partners (commercial, union, NGO and other) who could be involved with the pilot and ensuring they understand the purpose and work of the Ethical Trading Initiative;

- carry out a stakeholder analysis - identify the main issues, current experiences and perceptions of codes of practice, relationships between the stakeholders
- hold initial meetings with the partners to identify potential roles, and to review concerns and questions and define the types of inspection and verification appropriate to the local situation, which can be tested in the pilot
- Conduct inspection visits of suppliers participating in the pilot, undertaken according to a model agreed between the members of ETI on the basis of discussions and the baseline survey.
- Companies and suppliers agree on corrective action plans, with input from local partners as required by the model;
- Conduct a follow-up inspections, some time after the visits (and probably repeated later) to identify changes in employment conditions as a result, but also to explore the changes in perceptions and experiences of the stakeholders.
- Agree conclusions and learning from the pilot including a protocol for inspecting against the ETI Base Code.

Horticulture in Zimbabwe

In early 1999 a local stakeholders in Zimbabwe formed a group to relate to ETI's Pilot Group. These included producers and NGOs in the first instance and later the trade union GAPWUZ. Together with the ETI Pilot Group in London, this group organised two rounds of farm inspections, in June and September 1999. Five farms and 6066 workers participated in this pilot project and drew up improvement plans as a result of the inspections.

The inspections were conducted by researchers from the University of Harare, a representative from the Horticultural Promotion Council of Zimbabwe, and the National Employment Council. The five suppliers were interested in using SGS to conduct the audits, as they had experience working with them before on technical and safety issues. The NGOs and academics planned to use a rapid rural appraisal (RRA) methodology for their audits. These audit techniques were tested, ETI taking the best of each approach. The rigour of professionally trained auditor's approach and their experience on some aspects such Health & Safety was a clear benefit. On the other hand, the social survey techniques that NGOs and academics had developed in years of research were much more powerful at accessing worker's opinions on a range of issues. For example, the predominantly women workers were only willing to share their experiences of sexual harassment in the workplace if they were talked to in confidence, in their own language and with someone they could relate to and trust.

ETI corporate member's expressed interest in international labour standards stimulated a reaction from the producers in Zimbabwe. During 1999 the Horticultural Promotion Council (HPC) of Zimbabwe launched its own code and labelling system. This is separate from ETI's pilot initiative but involved some of the same organisations. The HPC planned to use the inspection method they had developed with others as a result of their interaction with ETI. However, the initiative was hard for ETI members to accept because it did not include all the international labour standards in the ETI Base Code and trade unions had not been sufficiently involved. Despite the political unrest in the country in 2000, a more inclusive dialogue did develop and as a result a tri-partite organisation was formed. This is the Agricultural Ethics Assurance Association of Zimbabwe (AEAAZ) – a tri-partite organisation of business, trade union and development organisations that plans to implement a system of monitoring and verification of its own code. The AEAAZ Code is currently in draft form and it is expected that this code will conform to internationally recognised labour standards. The AEAAZ is also discussing how they will relate to ETI member supermarkets with regard to implementing their code.

Wines in South Africa

The South Africa wine pilot set out to test three approaches to monitoring - a university researcher, a company technologist co-interviewing with a union representative, and a company technologist interviewing with an interpreter. The first round of inspections took place in March-May 1999. Six farms, with 400 permanent and 250 temporary workers, have been involved in this pilot who is still ongoing.

An Ethical Trade Forum was established in South Africa in November 1999, involving employers, unions, NGOs, and academics associated with the wine industry. An ETI programme officer was appointed in Cape Town in 1999 and a task group set up by the Ethical Trade Forum to relate to ETI. This group reviewed the reports from the first round of inspections and modified the methods substantially. As a result, a much improved inspection method was developed for the second round of inspections that was carried out on four of the farms during the 2000 grape harvest. This included teams of NGO, trade union and academics with members of staff from the ETI member supermarkets. The result was a much more detailed picture of on-farm labour conditions. Producers were then asked to write up and agree improvement plans for implementation before the wine harvest 2001 and a third

Although this method was more accurate and made use of the considerable expertise of local labour rights and trade union organisations, it has also been slow and cumbersome. Inspection reports and improvement plans have been slow to materialise because of the large numbers of people involved. It has taught ETI members much about the competencies needed to inspect labour standards in this sector and this will be agreed with local stakeholders and written up. Unlike in Zimbabwe, South African stakeholders have not proposed a local system for monitoring. By the end of 2000, a consultation process was underway about an industry-wide code of conduct and inspection process.

Clothes and Footwear in China

This pilot aimed to test different methods for monitoring and verifying adherence to the ETI base code. The different approaches were:

1. an internal company approach (Pentland):
The Pentland audit was completed in 1999 and an improvement plan drawn up. Pentland reviewed this after six months and found that most of the priority list had been addressed to some extent.
2. a third party audit (Tesco, using the commercial company BVQI)
At the end of 1999 BVQI made an evaluation for Tesco.
3. Littlewoods working with Verite
Littlewoods has approached the monitoring NGO Verité to conduct a training audit in conjunction with ETI.
4. Littlewoods working with Labour Rights in China (LARIC)

ETI is currently reviewing its work. It is very clear that the "multi-stakeholder approach" that ETI tried elsewhere has not worked in China, where free trade unions are banned. However, it is interesting to note ETI's experience of attempting to work with trade unions and NGOs on Honk Kong.

In this last approach, ETI asked LARIC, a coalition of Hong Kong based NGOs and unions, to participate in the pilot. LARIC initially agreed to participate in the pilot because they felt the scheme took "into genuine account the freedom of association issue and also involved trade union federations as members."[6] LARIC stressed the importance of a trade union training component in the pilot scheme, because of the particular problematic situation regarding freedom of association in China.

---

[6] *China Labour Bulletin*, Issue No. 55 July/August 2000, 'LARIC and the Ethical Trading Initiative'

The main points of LARIC's initial proposal to the ETI were to train worker organisers, conduct trade union education, and if appropriate, to develop a local union network. Their proposal envisaged that all workers at the chosen supplier attend the first half of a training course and between 30 and 60 workers are selected to attend the second half. Out of this smaller group a workers monitoring committee could emerge. All parties would be involved in training, including a representative from the TNC and the local plant management. The ideas on training and workers' committees from LARIC were based on their interpretation of point 2.4 of the ETI Base Code, which states that *"the development of parallel means for independent and free association and bargaining"* should be sought if free trade unions are not existing in a particular country.

Littlewoods, the company involved in the pilot, disagreed with LARIC over the question of which element of the ETI base code should be emphasised. As LARIC emphasised the development of parallel means for independent and free association, Littlewoods wanted to focus on evaluating the current working conditions and formation of a corrective action plan, and felt LARIC's proposal should be conducted at a later stage. But the major hurdle in this pilot was the decision by the supplier in South China not to participate in the initiative. The supplier rejected the idea of any training to be undertaken, either by LARIC or anyone else other than the local labour bureau. Because of this disagreement on training and trade unions involvement, the pilot has not proceeded any further.

ETI is currently reviewing all the different approaches used in the pilot for discussion with ETI member companies. This review will address the effectiveness of each method used.

Garments in Sri Lanka

In 1999 the ETI members involved in the retailing of clothing agreed to explore the possibility of a pilot project in Sri Lanka. A preliminary visit to Sri Lanka took place in December 1999 to discuss the concept of an ETI pilot with suppliers, trade unions, NGOs, and the government. This project is still in the proposal stage and a plan of action has not yet been agreed with stakeholders in suppliers, NGOs and trade unions in Sri Lanka.

Documentati on
• "Getting to work on ethical trading: ETI annual report 99/00," ETI, London.
• *Learning from Doing Review*, Incomes Data Services/Price Waterhouse Coopers, April 1999.
• *Pilot Interim Review*, Pete Burgess and Maggie Burns, November 1999, ETI, London.
• "LARIC and the Ethical Trading Initiative," *China Labour Bulletin*, no. 55, July/August 2000.

4.2   NL: Fair Wear Foundation

Management System Pilot

In May 2000 the companies were presented with the Fair Wear Management System Requirements and asked for their comments. After this a "trial audit" was done in June 2000 by Veritas (BVQI) at Vilenzo and Van Winkel.

The aim of this audit was to test:

• to what extent companies understand and feel they can work with the management system;
• to find out to what extent social auditors can test the implementation of the management system; and
• to what extent the management system will bring the intended results.

The design of the first phase of this pilot project included gathering information (using local "correspondents") on the conditions in the area where selected suppliers (one for each company) are based. The idea was that these findings would enable a better assessment of the validity of the management system. The second phase of the pilot would focus on these selected suppliers. In this phase research would be done on the actual working conditions, and the ways in which monitoring and verification could be organized would be tested. However, during the first briefing on the project with the companies the distinction between the first phase and the work reserved for later stages could not be made clear, so this part of the work was postponed to be included in the second phase. The problem was that by excluding the information on the working conditions, it was hard reach the second and especially the third aim described above. What was left was the first aim, and to a certain extent the second aim. This is reflected in the results.

Companies and auditors found the Fair Wear Management System to be too complex. To a large extent the system follows the ISO 9000 standard and therefore is recognizable for companies who already have a quality or environmental management system, but this is not always the case for the small and medium-sized enterprises involved in this project. The companies feel they need a lot of additional information and support to enable them to implement and monitor the code. The planned handbook was not finalized at the time and the kind of documentation on the situation in the production locations required under the management system is generally not available at present. Some information on the situation is available for the first tier of suppliers but not for the subcontractors or sub-subcontractors. The audit firm mentioned that in their view most of the evidence would have to be backed up by information gathered during worker interviews.

The second phase of the pilot is currently (March 2001) under negotiation. The same companies, plus two retailers (one small and one larger) will be asked to participate.

This second phase is split up into two parts, A and B.

Part A includes:

- implementation by the companies: this means they will have to communicate the code to all their suppliers, and start making it a part of their contracts;
- a description by the companies to the Foundation of their suppliers (number of workers, type of relation, relative order size, etc.);
- selection of one supplier per company to focus on in the next phases of A;
- a pre-study by local "correspondents" (trusted by workers), along the lines of the Swedish pre-study;
- an audit of the selected supplier both "inside" and "outside," by local "correspondents." This can be an NGO, union, individual, company, or a combination, depending on the local context, this can also differ for the "inside" and the "outside";
- reporting of the auditing results to the foundation's expert committee; and
- correction plan to be made by management and approved by worker representation (if needed via local correspondent).

Part B: (to be developed) aims to test:

- monitoring/verification of the improvement plan;
- set-up of complaints procedure (including worker education); and
- possibilities for expansion to the other suppliers of the participating companies.

4.3   French pilot in Madagascar

The project's first visit to Madagascar was organized in March 1999. The team consisted of two representatives from Auchan and one from the French CCC. The objectives were to assess the feasibility of independent monitoring, and to evaluate the need for "side-measures" (i.e. things to be done outside the factories to make the conditions better for workers).

The team met with factory managers, unions members, NGOs, and an SGS representative.
One of the main conclusions was that there are no organizations (commercial or otherwise) with the capacity to do the verification in such a way that all parties would be satisfied. The regional office of SGS that covers Madagascar also does not have this capacity, but claimed that if desired they could get someone from the South African office. However, this was not seen as a solution, due to the difficulties presented by working in the different cultural contexts. From the CCC's perspective, the main conclusion was that the short-term priority should be to build and expand the network of organizations interested in this work in Madagascar. Currently, the unions and labor-related organizations lack knowledge and capacity to provide input and be involved in the project in a way that leads to results. A suggestion made by the CCFD (who wrote the report) is to involve a Madagascar private organisation or NGO, to do the audit, who could also receive SA 8000 training. IREDEC, one of the NGOs visited, was mentioned as a possibility. The trade union feder ation FMM (ICFTU affiliated) was the other local organisation the CCC is interested in working with more in the future.

Meanwhile, work was done on developing the standards of the code into a questionnaire/checklist (*referentiel*) that could be used for during audits. For each standard an overview was made, including the relevant documents the standard is based on, a section where the requirements are specified, the criteria and indicators that can be used, and the methods that can be used and the sources of information for an audit. For example on health and safety, the first requirement is that the local management have a policy on the subject; a criteria related to this is that roles and responsibilities of persons in the organisation in relation to health and safety are clearly defined. An indicator related to this criteria, for example, concerns clearly defining which responsibilities are given to whom in the event of an industrial accident.

In May 2000 IREDEC and FFM came to France to further discuss their ideas for and role in pilot project. An agreement was reached, A representative of the CFDT (the French trade union involved in the project) visited Madagascar again in November 2000 to further work out the details.

In the agreement between CCC France and IREDEC/FFM, it was decided that:

- Audits will be organized for three Auchan factories (all the factories also produce for other companies, one for Carrefour) in the spring of 2001. The audit team will consist of representatives of a commercial audit firm and the NGO IREDEC. At this time it is not certain what the division of labour will be. An educational training program in Madagascar for the workers, the union, and for the employees of IREDEC is planned.

- The trade union FFM will play a large role in the follow-up of the audit. Ideally, the French CCC would like the improvements suggested to become part of an agreement between the local union and the local management, so that the union can monitor the progress (this is still to be discussed with Auchan). If no union is active in the factory, the CFDT and the FFM will be active in supporting efforts to organize one.

- The pilot audits will be paid for by Auchan. The educational training sessions will be paid for by the French CCC. These training sessions, planned to take place before the audits, will be organized by local NGOs and trade unions with the support of the French CCC.

At the outset of this project Auchan was very committed to fulfilling additional side measures in the event that audits revealed the presence of child workers. During the first trip to Madagascar and later information was gathered on what the needs are of child labourers and what can be done in such a situation (for example, regarding education and financial support). Additional side measures on this issue, such as training for local union members, were considered. (One supplier appeared to be in favor of this).

In February 2001 the French CCC was evaluating the work they had done in this area during the past two years to determine what concrete steps will be taken in Madagascar in the next year. They will be considering the evolution of the campaign's strategies, Auchan's position, and the capacities of their local contacts (FMM and IREDEC) to participate in the audits and follow up work.

4.4 Swedish pilots

A pilot board was established in October 1999 with representatives from trade unions, non-governmental organizations, and companies. The task of the pilot board is to take responsibility for the pilot studies and suggest solutions/actions to be taken to improve conditions in the factories that are audited. They are also responsible for the follow up audits and for making recommendations for continuous improvements. The pilot board also acts as an independent third party for the audits.

The composition of the pilot board is 1/3 representatives from importing countries, 1/3 trade unions, and 1/3 NGOs. The representatives are: Hennes & Mauritz, Lindex, KappAhl, Indiska, Save the Children/Sweden, Swedish Red Cross Youth Society, Church of Sweden Aid, Fair Trade Center, LO/The Swedish Confederation of Trade Unions, The Swedish Union of Industrial Workers, The Swedish Union of Commercial Employees and ABF/Workers Education Association. Tomas Brytting, associated professor at the Centre for Ethics and Economics at the Stockholm School of Economics, was appointed independent president of the board. Ola Andersson, of Save the Children/Sweden, was appointed secretary. The project coordinator was responsible for seeing that the decisions of the board were put into effect.

Criteria on how the pilot board would function and on the implementation and criteria for the pilot study were decided on by the pilot board in October 1999 (See "Pilot Study: Implementation and Criteria, The Swedish project on independent verification." This document contains very detailed description of the methods, set-up and terms of reference for the pilot, and the different roles and tasks of the different actors.).

The pre-studies, carried out during September 1999 - October 2000, proved to be a very important foundation for the work to be done during the actual pilot projects. Conducting the pre-studies was a way for the interviewer to "break the ice" with the workers, and gain their trust and confidence. The aim of the pre-studies was to get an overall impression of the situation in a certain region, to find out what workers know about codes of conduct and their labor rights, to meet the trade unionists, and to find the right people with whom to do the pilot studies. To date, four pre-studies have been carried out.

Between October 1999 and March 2001 audits were carried out in Dhaka, Bangladesh, in Tirupur and Delhi, India and in Guangdong, China. The board decided to interview garment workers and carry out

factory inspections. The audits were split into two parts: a commercial auditor, Intertek Testing Services (ITS), was chosen to do the auditing in the factories, and NGOs and researchers were selected to do the interviews with the workers outside the factory. The project coordinator was responsible for the correct performance of the interviews and the audits. (For more on the structure of the audits, please see "Pilot Study: Implementation and Criteria")

Before the auditors inspected the factories, int erviews were done with randomly selected workers from those factories. Researchers known to the project via NGOs operating in the selected areas carried out the interviews. These interviews took place outside the factory premises to reduce the workers' ris k of eventual harassment. Through the interviews the project coordinator and the auditors got a picture of what kind of problems could be prevalent in the workplaces.

Next, ITS auditors, accompanied by the project coordinator, carried out unannounced audits of the factories. They checked wages, salary sheets, routines, and information provided to the employees. They checked the entire factory -- the working environment, fire exits, electrical installations -- in order to check compliance with the codes of conduct of the Swedish companies, national and local laws. The audit reports were presented to the pilot board and were discussed during monthly meetings during November 1999 to March 2001.

During the four audits the gravest non-compliance with the codes of conduct were in regard to: working hours, wages, and freedom of association. All three are areas which will take many years to correct due to complex circumstances which have to be dealt with, according to the project coordinator. These issues requir e close cooperation with resource people and organizations in the production countries.

In February 2000 an evaluation of the first two pilot studies was carried out. On the basis of that evaluation new pilot projects were planned to take place in India and China. It also became obvious that new criteria for the auditing of the Swedish companies had to be written to see how they are working with their internal monitoring systems. The pre-study for the pilot in India (Delhi) was carried out in October 2000 and the pilot and audit in November -December 2000. In China, the HKCIC (Hong Kong Christian Industrial Committee) agreed to carry out a pilot in Guangdong in January 2001. Living wage studies have been carried out in December 2000-January 2001 in Dhaka, Bangladesh and in Tirupur and Chennai, India.[7]

Documentation

• New criteria for Swedish retailers for the implementation of the system for codes of conduct

---

[7] As part of a larger living wage project of the CCC.

5.   Development of Systems for Monitoring, Labels, and Organization

This section summarizes some of the ideas participants in the five initiatives have had on what the pilot projects should lead to, in terms of developing systems for monitoring and verification and the possible structure of organizations to oversee compliance, or certify companies (depending on what kind system is aimed for).

Sweden

The Swedish project has developed plans for the structure of a future foundation to oversee a monitoring and verification system. The foundation will be a non-profit organization. A name for the foundati on has been agreed upon and is protection for that name is currently being sought. The third phase of the project, which starts March 1, 2001 will concentrate on the preconditions to start such a foundation in Sweden and/or in cooperation with other European countries.

The Netherlands

The initial aim of the Fair Wear Foundation is to develop a system certificate (not a product label). However, it is becoming clear that it will be difficult to "certify" Dutch retailers in the near future, in others words, to be able to guarantee that the working conditions conform to CCC standards. Participants in the initiative believe that there is a need to gain more practical experience (via more pilot projects) as to how to structure a system for independent verification. The idea, to be further developed, is to find more companies willing to accept the principles of the Fair Wear Charter, and to start working more actively on developing pilot projects. Thus, instead of waiting to involve more companies in the initiative when the system is completely worked out (which was the initial idea -- that only a few "pilot companies" would be involved until the foundation was a functioning certification agency), more companies will be approached to sign a declaration of intent (or something similar) and participate in pilot projects.

UK/Ethical Trading Initiative

The focus of the ETI is very much on learning and gaining practical experience with regards to (independent) monitoring. Each company that wants to join the initiative has to participate in a pilot, and adopt the ETI base code, but there is a certain amount of freedom with regards to implementation and monitoring. ETI is working on developing a set of implementation principles that would then be presented to the companies along with the base code. As long as they follow these principles, companies can organize the implementation and monitoring themselves. At this stage, ETI is focusing on monitoring. Testing models for independent verification might come at a later stage.

ETI will be publishing a monitoring handbook with the experiences that have been gathered up to now. The short term goal is therefore to share these experiences (including data and results) in a more productive way. In the medium term the aim will be to harmonize the different codes of conduct, and to develop criteria for social auditing.

France

In France ideas are also being developed about the way monitoring and verification systems should operate so that they are dependable, so that consumers can have confidence, and, of course, so that working conditions improve. The French refer to this as the creation of a "socio-label." The foundation

model as originally developed by the CCC is considered too "private" by many in France, lacking governmental involvement and the possibility of legal measures in case of non-compliance. Another model that is being studied by the French CCC is to tie the monitoring and verification system to the EC system of observing quality standards. In this scenario the code would be "translated" to a norm recognized by the French national normalization association (AFNOR) and the European Normalization Committee. The French CCC is moving towards tighter cooperation with the public bodies involved in setting up standards. Others (including industry) see both models as impractical and not concrete enough, and want to follow SA8000 (being the only system currently operational).

6. Critical Issues and Points for Discussion

The testing of different approaches for implementation, monitoring, and verification of codes of conduct in these five national initiatives has generated a large body of experience on the critical issues in the development of such systems and models. Some of the experiences have revealed problems and questions that require further attention in order to establish effective systems that guarantee workers rights. Some experiences have led to a better understanding of the key elements necessary for an effective monitoring and verification system. The lessons learned on these critical issues, key elements, and problems that need to be resolved, will be outlined here. This section does not attempt to be complete, nor definitive, because as the national projects proceed, more issues necessitating discussion are expected to emerge, while others may be resolved.

The critical issues that have been identified by the national initiatives can be seen at various levels -- the retailer level, the supplier level, and the system level.

Retailer level

• *Cost and fair pricing:* A crucial question is who pays for the costs associated with the implementation of codes, the so-called *true cost*, which includes fair pricing. The cost of independent verification, though often debated, is generally presumed to be much lower than the cost associated with implementation. Apart from that there needs to be more discussion on the cost associated with the monitoring, systems for independent verification, and cost for the establishment and maintenance of foundations.

• *Relative power of the buyer:* In order to be able to implement the standard, an implementation scheme should address the relative power of the buyer vis-à-vis the supplier. Buyers are often much more powerful than the suppliers, and that particular relationship must be addressed.

• *Understanding the business case:* From a strategic point of view, it is important to address the possible financial benefits for the retailers involved. There is a firm belief among many that the systems that are being developed in the initiatives will in the long term lead to productivity gains. There is also a case to be made that there are commercial benefits for retailers and suppliers.

• *Disclosure of information and reporting:* Companies are asked to disclose information of all sorts, either to the auditor or to the foundation. What needs to be further discussed is what kind of information companies are required to disclose and to whom. This requirement has shown that the 'trace ability' of the companies is sometimes limited. In order to be able to monitor, companies have to know where their products are being made. In some cases, when retailers source from many suppliers, making an inventory of the suppliers and the orders is an important first step. Another critical issue is confidentiality of the information. Companies are sometimes reluctant to cooperate with monitoring and verification initiatives because they fear they will have to reveal sensitive business information. A solution for this could be that the company only discloses this informati on to the independent body (the foundation).

Supplier level

Code content:

- *Code content harmonization:* This is an important issue, as there are still some slight differences between the codes used in the different initiatives. As mentioned before, standardization of code content is important to developed common auditable standards, and to developed a common framework for monitoring and verification.

- *Freedom of association:* In many production countries, freedom of association is one of the key problem areas. It can be difficult to determine to what extent freedom of association is respected. For example, the question arises when workers are not organized in a particular country, region or factory. Does that mean that there is no freedom of association, or is there another reason that the workers are not organized? Extremely long working hours can be a reason that workers are simply unable to organize. The issue of freedom of association is particularly important in the case of production in China. The question then is: What are acceptable 'parallel means' of organization?

- *Living wage:* This element of the codes used in the initiatives has led to the question of how to determine a living wage and when the existing wage level in insufficient, what steps to take to ensure that workers earn a living wage. There are more and more studies on how to determine a living wage, but it is still difficult to translate this standard into auditable criteria.

Monitoring and verification:

- *The need for international standards in auditing:* As described in the terminology section of this overview, auditing is now used in many different ways by many different actors. It is important to develop international standards in auditing, based on the problems that have been encountered in the different initiatives.

- *Cooperation and relationships:* How to deal with difficulties that might arise in the context of the different relationships that effect monitoring and verification, such as:
  - the relationship between NGOs and trade unions in production countries;
  - the relationship between retailers and suppliers;
  - suppliers that unwilling to cooperate and
  - NGO/trade union skepticism towards voluntary initiatives (especially in production countries).

- *Stakeholder participation:* One of the most important challenges for a system for monitoring and verification is to determine where the different stakeholders need to be involved:
  - In the design of the code?
  - In addressing gaps between the standards and reality in the workplace?
  - In the independent verification of monitoring?
  For example, the actual implementation of the code in the supply chain may be done by the companies themselves, and stakeholders do not necessarily have to play a role. Monitoring could primarily be considered the responsibility of companies, but to have effective monitoring a multi-stakeholder approach seems essential. However, this will also depend on the way independent verification is organized.

- *Local-level participation:* Who should be checking, monitoring, or verifying which elements? Labor-related NGOs and trade unions have to be involved at the local level in order to have good quality monitoring and credible independent verification. Dependable worker interviews, for example, can only be done by a local organization trusted by the workers. However, sometimes, local NGOs do not want to go inside the factory and talk to management, feeling it would compromise their independence and their position. In fact, they do not wish to become auditors and part of the auditing process. How to deal with this dilemma? Also, finding the right mix of organizations and people to

take part in the monitoring and verification process and the right way to include their knowledge and information, requires a lot of capacity that at present is generally not available. There is also a need to give further attention to the role of local stakeholders in relation to corrective action.

• *Ownership:* Organizations at the local level, whether unions, NGOs or indeed industry need to have much more capacity, knowledge, and a sense of "ownership" of the codes used in the initiatives and its provisions before they can really participate in the monitoring and verification of the codes, whether in a pilot project or in any other form. This will take a lot of time and effort.

System level

• *Tools for impact assessment:* There is a need to develop tools for impact assessment, which would measure the effectiveness of codes on the position of workers, but also to measure the impact for suppliers and retailers. To date, there has been little attention focused on this, but as developments proceed, there will be more calls for tools to asses the impact of these initiatives. The central question here is, how to measure progress?

• *Sustainability of the system:* The different pilots that are currently being conducted and the different auditing approaches eventually have to lead to a system that can guarantee observance of worker's rights throughout the supply chain of retailers. That means that procedures and methods for monitoring and verification must be developed that can be used on many factories and in many different countries. The pilots are testing methods in a few factories, what happens when monitoring and verification of *all* suppliers of the retailers must be conducted. With large numbers of -and frequently changing- suppliers such large scale and comprehensive monitoring and verification may take years, and the system may never be completely flawless.

• *Complaints systems:* A complaints system should ensure that workers are able to express their dissatisfaction regarding specific workplace issues, to the authority in charge of overlooking the compliance of the code (certification body or foundation). There are still a lot of questions as to how workers can be guaranteed safe access to a complaints system, where and to whom complaints should be filed, and how to respond to them. As it may proof very difficult to audit *all* workplaces frequently in large and complex supply chains, the complaints system will be an important part of a sustainable monitoring and verification system. An accessible and trusted complaints system may actually be the only solution to guarantee some protection to violations of labor standards, for all workers concerned. Such a system should be able to accommodate complaints coming directly from workers and complaint lodged by trade unions or NGOs. Currently, another question is how to deal with complaints outside the pilot context. Do cases outside the pilot context become pilots of their own? In the ETI, the pilot with bananas in Costa Rica was the result of reported violations of labor standards.

Other critical issues

• *Relation to other multi-stakeholder initiatives:* A growing number of multi-stakeholder initiatives can be seen, based on many different standards and principles. It is not always clear what the position is of the national initiatives examined here on these initiatives. It is becoming more and more confusing for consumers, companies and campaigns to see the differences between them and to determine their standpoint. Still there are fundamental differences of opinion on code content, auditing methods, and supply chain responsibility between the various initiatives that cannot be ignored.

• *Independency of campaigns/CCCs protocols:* The increasing number of partnerships between national CCC platforms and companies has given rise to the question as how to separate the campaigning

activities of the CCC from the partnership work. What to do for example, when a violations of worker's rights are reported that concerns a company involved in one of the partnerships. Is there an agreement that these companies will not be targeted by the campaigns? In order to avoid such a problem, the Dutch Fair Wear Foundation is a separate and independent body from the campaign. This is not the case in France, where the CCC works directly with Auchan on a pilot project.

• *Limitations of codes as a strategy:* In the current political climate of diminishing governmental influenc e and increasing scope for TNCs, the existence of non-governmental codes of conduct is sometimes considered yet another mechanism to further the dominance of TNCs in areas of society that used to be primarily controlled by the state. A point for discussion is whether it is desirable that business and civil society solve these labor problems amongst themselves, or whether we should try to pursue legislative solutions. The relationship between codes and national labor legislation is a very important one that should be addressed at all levels (retailer and supplier). There are some cases where codes have been used to undermine national legislation, so in the communication about the code, whether to supplier management or to workers, it must be stressed that codes of conduct should never be used to undermine national legislation.

Appendix A

The Swedish Project on Independent Verification--Code Alternatives (Alternatives A and B)

The codes of conduct used in the Swedish pilot projects can be different from each other on three standards:

On health and safety:
3. Alt. A and B: Working conditions are safe and hygienic and training is provided/
Alt. 3.C Working conditions are safe and hygienic

3.1 A safe and hygienic working environment shall be provided, bearing in mind the prevailing knowledge of the industry and of any specific hazards. Adequate steps shall be taken to prevent accidents and injury to health arising out of, associated with, or occurring in the course of work, by minimizing, so far as is reasonably practicable, the causes of hazards inherent in the working environment.

3.2 Workers shall have access to clean toilet facilities. Accommodation, where provided, shall be clean, safe, and meet the basic needs of the workers.

3.3 Factories must have maintained fire extinguishers, as well as clearly marked fire exits. The exit doors shall be opened outwards, shall not be blocked and available to all staff at all time.
(Included in alt. 3.A and 3.B)**:**

3.4 Workers shall receive regular and recorded occupational health and safety training, and such training shall be repeated for new or reassigned workers.
3.5 Workers shall have access to potable water, and, if appropriate, sanitary facilities for food storage shall be provided.)
(Included in alt. 3A)**:**
3.6 The company observing the code shall assign responsibility for health and safety to a senior management representative.

On wages:
5. Alt A. Living wages are paid/Alt B. Minimum wages are paid:
5.1 Wages and benefits paid for a standard working week meet, at a minimum, national legal standards or industry benchmark standards, whichever is higher. (Included in alt. 5A): In any event wages should always be enough to meet basic needs and to provide some discretionary income.)

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

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

On working hours
6. Alt. A. Working hours are not excessive, 48 h/week plus 12 voluntary overtime
Alt. B Working hours are not excessive, overtime voluntary

6.1 Working hours shall comply with national laws and benchmark industry standards, whichever affords greater protection.

6.2 In any event, workers (included in alt. 6A: shall not on a regular basis be required to work in excess of 48 hours per week and) shall be provided with at least one day off for every 7-day period on average. Overtime shall be voluntary, (included in alt. 6A: shall not exceed 12 hours per week) shall not be demanded on a regular basis and shall always be compensated at a premium rate.