

# Monitoring and Verification Terminology Guide

*For the garment and sportswear industries*

## Developed by SOMO (Centre for Research on Multinational Corporations)

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## Introduction

The following is a glossary of commonly used terms in the current field of monitoring and verification of codes of labor practice in the garment and sportswear industries. The aim of this terminology guide is to clearly define key concepts in order to harmonize terminology and thereby better facilitate debate and improve the quality of work being done in relation to monitoring and verification. Both newcomers to this field and those who have been involved in these debates for years recognize the need to eliminate confusion over the words we use.

Because the field of monitoring and verification is evolving it is clear that terms themselves will evolve and will come in and out of usage. The appendix, which includes some insights into current debates regarding the usage of terms (audit, stakeholder, and verification), reflects this. Therefore this terminology guide is seen as a dynamic document that needs to be regularly updated.

This guide was written by Nina Ascoly and Ineke Zeldenrust in 2002-2003 in the context of a joint monitoring and verification project involving the Center for Research on Multinational Corporations (SOMO), the Clean Clothes Campaign (CCC), the Ethical Trading Initiative (ETI) and the Fair Wear Foundation (FWF). Many other organizations and individuals have provided valuable feedback. Spanish, French, and German translations of this guide will be available in October 2003. Funding for this terminology guide was made possible through a grant from the European Commission (DG Employment and Social Affairs).

We hope this is a useful tool and feedback is encouraged. Please send your comments to [terminologyguide@somo.nl](mailto:terminologyguide@somo.nl).

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**Agent:** A person or company authorized to transact business for another and/or in the name of another. In the context of the garment industry, brand name companies often work through agents who do the actual placing of orders with various suppliers to have garments produced. See related term **buying agent**.

**Accreditation:** Official authorization or approval by a body considered legitimate for this purpose. In this context, this term usually refers to authorizing or approving organizations or individuals to conduct the verification or certification process.

**Apparel:** Garments (or clothing) including accessories (such as belts, buttons, snaps) hats, gloves, furs, etc.: anything that one can wear.

**Assess:** To determine the value, significance or extent of; appraise. In the context of labor practices the related terms of risk assessment and needs assessment are sometimes used. For example the

ETI uses the term assessment to refer to a quick effort to determine whether or not there are labor rights violations at a specific facility. The Fair Labor Association uses the term risk assessment to describe the process they use to determine which suppliers should be subject to independent external monitoring.

**Audit:** This term is most commonly used to refer to a formal, often periodic examination and checking of accounts or financial records to verify their correctness. But more generally, an audit refers to 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 this sense an audit differs from an inspection that does not necessarily involve the crosschecking of information. In the context of monitoring and verification activities, an audit refers to the thorough formal examination of the labor practices of a particular workplace or company, based on corroborated evidence. The audit aims to check these labor practices against a certain set of labor standards, following a certain agreed protocol (established rules and procedures) concerning the gathering and evaluation of the various kinds of evidence. The result of an audit can be report based on such an examination. In the context of the multi-stakeholder initiatives that the CCC is participating in, the term auditing is used to refer to auditing of labor conditions throughout the garment production supply chain (sometimes referred to as an assessment). See related terms **garment production, inspection**.

**Brand name** (or brand): A word, name, etc. used by a company to identify its products or services distinctively, usually registered as a trademark.

**Brand name companies:** Companies that own one or more brands. In the context of the garment industry, brand name companies carry out marketing and sometimes design functions for their products. Usually they contract (or **source**) with **manufacturers** (referred to as **suppliers** or **vendors** and **subcontractors**) to carry out the actual production of the garments. Brand name companies may own a few manufacturing units for key products (ex. Levi Strauss). Brand name companies may also be major **retailers** (ex. department store chains or own a few stores in key areas for market development (ex. Nike).

**Buyer:** The person who purchases (purchasing agent) goods for a company, such as a **brand name company**. The term is used to refer to the employee of a company who carries out the buying task, but is sometimes used to refer to the actual company, also referred to as **sourcing company**, that seeks to purchase the goods (As in “Nike is one of the buyers at Factory X”).

**Buying agents:** Business that locates and inspects foreign suppliers/manufacturers, negotiates with suppliers/manufacturers, and often monitors production for quality control and compliance with other requirements. Sometimes they also locate and arrange for the purchase of raw materials (in this context this function is sometimes referred to as sourcing). Buying agents may be used by foreign companies that do not have a large presence abroad (for example, those companies that do not have buying offices outside their home countries) or in addition to a foreign company's buying staff. A **buying house** performs similar functions as a buying agent but is usually a larger operation.

**Certification:** To certify, that something (in this context usually a product, workplace or company) meets a specified standard. In this context, certification usually is with respect to the conditions or procedures under which a product is made or to the compliance with certain labor standards.

**Code of Conduct:** A set of standards, rules or guidelines for ethical behavior. In the context of working conditions in the garment industry, codes of conduct (sometimes referred to as codes of labor practices, charters, and guidelines) have been drafted that indicate for example the **labor standards** or language about their application that companies claim to uphold in the workplaces where their garments are produced. See also related terms **model code** and **multi-stakeholder code**.

**Complaint:** In this context refers to charges (allegations) that the labor standards in a code are not being respected. The Clean Clothes Campaign (CCC) believes that **complaint mechanisms** (also referred to as **complaint procedures** or **complaint systems**) that facilitate the processing of complaints from workers, trade union or NGOs are an integral part of a complete system to monitor and verify code compliance. These mechanisms can be different depending on where the complaint is coming from (workers or organizations) and where it is going to (employer, international company, or

initiative). Originally, the CCC referred to a complaints system as “second track monitoring” (where the first track consisted of unannounced factory audits and off-site worker interviews, and other aspects of monitoring).

**Compliance:** To be in accordance or conformity with something. In this context, this term is used in relation to upholding the labor standards outlined in a code -- to be in compliance or non-compliance with a code). *Also referred to as conformance/non-conformance.*

**Contract:** An agreement (usually written) between two or more parties (ex. buyers and sellers or between firms and workers) that specifies the way something will be done over a certain period.

**Corporate social responsibility (CSR):** A concept of business ethics where corporations have a responsibility not only for the financial, but also the social and environmental impacts of their business practices. CSR is widely regarded to be a voluntary concept of what companies should do above the law. Because of this it should not be confused with the social responsibilities of business as defined in both binding and non-binding instruments and practice at the national and international levels.

**Corrective action:** Action to be taken to correct **non-compliance** (also referred to as **nonconformance**) with a labor standard. Such an action would involve a systemic change to ensure that compliance (also sometimes referred to as conformance) with the standard is achieved and ongoing. A **corrective action plan** is the program of action drawn up to resolve the code violation. Of importance is who designs, gives input for, and finalizes the corrective action plan. Other important factors are the schedule for the corrective action plan, as well as who has responsibility for the plan, including implementing and following up on it (i.e. monitoring and verifying compliance with the prescribed actions). *Also referred to as **remediation, remediation plan.***

**Ethical trade:** Trade in which the retailer, merchandiser, brand name company or large manufacturer (i.e. the sourcing or buying company) assume some measure of responsibility for labor and human rights practices at all levels of the product supply chain. This includes taking responsibility for the impact of their business policies and practices (ex. delivery schedules, pricing, type of contracts, and relationship) on labor conditions throughout the supply chain. *Also referred to as **ethical sourcing or ethical buying.***

**External monitoring:** Some people use this term to refer to what CCC now refers to as verification, others to refer to monitoring done by those hired directly by the company, activities that we refer to as internal or company monitoring. *See related terms **monitoring, internal monitoring, independent monitoring and verification.***

**Fair trade:** Trade that specifically aims at advancing small, disadvantaged producers or workers in disadvantaged positions in developing countries by providing support and assistance, building sustainable relations with foreign buyers, and if necessary paying prices above world market level. Where an employer-employee relationship is present, the fair trade movement increasingly aims to uphold the same labor standards as are common in ethical trade.

Often there is confusion about the difference between fair trade and ethical trade. Ethical trade seeks to ensure that companies meet minimum labor, human rights and environmental 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 have trading conditions that allow them to operate sustainably.

**Garment (or clothing, apparel) production:** Production of garments, which is distinct from textile or yarn production and refers to the processes that take place after a piece of cloth has been produced. Traditionally, the textile-garment industry has been horizontally structured with the manufacture of cloth and the manufacture of clothing being separate and distinct. The flow sequence begins with fiber (textile) producers and farmers supplying raw material to yarn manufacturing plants, which in turn sell yarn to weaving and knitting facilities. Manufactured fabric (either woven or knitted) is then sold to a **fabric finisher**, and then sold to the garment **manufacturer**. The phrase “from sheep to shop” is used to refer to garment production when the textile or yarn phase of production is included.

In the textile and garment industries, operations can be wholly integrated – meaning that one company is in charge of all phases of production. In practice garment production units (whether manufacturers, suppliers, or subcontractors) can be more or less integrated into the textile industry, depending on the type of garment they are producing, the region, or historical processes. For example, part of the finishing or the knitting may be done in-house at the garment factory. Even though most **codes** refer to the garment industry only, in practice it would be strange to **audit a manufacturer** and exclude for example the dyeing section if it is on the same premises.

**Fabric finisher:** A person or a company that buys so-called gray or greige goods (unfinished fabric, just removed from a knitting machine or a loom) and sells them as finished fabrics. A finisher organizes and manages the process of finishing the fabric to a buyers' specifications, particularly the bleaching, dyeing, printing, etc. *Also referred to as a **converter**.*

**Footwear:** Covering, such as shoes, boots, slippers or socks, for the feet.

**Implementation:** In the context of labor standards, implementation refers to the range of concrete measures that a company carries out, or the instruments they provide, to give practical effect to a code of labor standards.

**Independent monitoring:** This term independent monitoring has been used to mean a variety of things. It was originally used in the Clean Clothes Campaign 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 participation of workers and worker organizations. In the Central American context the term "independent monitoring" has been used organizations that claim to be independent from all other parties (companies, **trade unions**), for example specialized **NGOs**, to describe the workplace monitoring functions that they carry out. In the United States meanwhile, the Fair Labor Association (FLA) currently uses the term independent **external monitoring** to refer to the processes of verifying code compliance and evaluating working conditions. This FLA monitoring of systems, procedures, and performance also results in corrective action plans.

It is widely accepted by the CCC and others that monitoring, being a permanent, ongoing process, can never be independent and as companies are increasingly seen as having a responsibility to monitor compliance to the labor standards themselves, nowadays the term "**verification**" is preferred to describe the process (which is not ongoing) of overseeing implementation and checking on the monitoring process. See related terms: **monitoring; internal monitoring/company monitoring; external monitoring.**

**Independent verification:** Some within the CCC use this term to refer to a verification process that meets certain quality standards relating to auditing, the involvement of workers, complaint mechanisms, and transparency, and follows a multi-stakeholder approach. However, others oppose using this term because they believe independence is implied in the term verification. Prefacing verification with the word independent, which they see as repetitive, in their view raises the possibility that there is such a thing as "non-independent verification." See related term: **verification**, and also appendix (c).

**Industry association:** An organization representing several companies or an entire branch (type of) industry (for example, the World Federation of Sporting Goods Industries or the European Association of Textile Industries). Usually such an organization cannot place its members under any obligation (to follow rules, codes of conduct, laws, etc.).

**Inspection:** An inspection is a visit made to a work place for the purpose of observing labor conditions or practices for the purpose of checking whether a **code** of labor practice is being applied. The main attributes of an inspection are that it is a one-time (as opposed to continuous) critical examination. Sometimes, the term inspection is used interchangeably with the term **audit**. However an inspection does not necessarily involve the cross-checking of information whereas an audit does. In other cases (such as in the Swiss and Dutch CCC **pilot projects**, mentioned above), the inspection is only one part of a range of activities that make up an audit.

**Internal monitoring or company monitoring:** Terms often used to refer to the procedures and practices a company itself (or those the company hires) carries out to check that **labor standards** have been implemented and are continuously observed in the workplace. Such efforts will include training employees, instructing buyers, and establishing appropriate measures in cases of violation of the code. See also related terms: **monitoring; external monitoring; independent monitoring.**

**Labeling:** In the context of ethical trade discussions, the term **social label** is used to refer to a label placed on a product or awarded to a company to inform the consumer or buyer that the product or company has performed according to some agreed upon criteria.

**Labor inspectorate:** (Governmental) office staffed by inspectors who are employed (sometimes appointed) to examine labor conditions and enforce the law.

**Labor standards:** Rules or principles relating to working conditions, in this context, in the garment industry. The standards advocated by the Clean Clothes Campaigns, and used as the basis for the monitoring and verification initiatives which the CCC is involved in are the International Labor Organization's (ILO) conventions covering: freedom of association, the right to collective bargaining, no forced labor (including no bonded or prison labor), no child labor, no discrimination; and additional standards relating to the maximum hours of work, health and safety, payment of a living wage, and security of employment.

**Licensee:** In this context refers to a manufacturer/supplier who is licensed through a private agreement to produce garments or sportswear under a certain brand name. The contract typically stipulates certain quality standards to be met. Sometimes a merchandiser or brand name company itself can also be licensed to produce other brands. Such a system allows for brand owners to place orders for products from their licensed factories, or for buyers from other companies (usually retailers) to directly place orders for those brand products with those licensed suppliers.

**Living Wage:** A wage that provides for basic needs (housing, energy, nutrition, clothing, health care, education, potable water, child care, transportation, and savings), includes additional discretionary income, and takes into consideration dependents. There are two main approaches to quantifying a living wage: the simpler "formula approach" (which uses a formula that is usually calculated on the basis of average household size, cost of basic needs per person and savings, or on a fixed proportion of the national median wage) or a "negotiated approach" based on consultations with workers, which allows definitions to be tailored to local circumstances but is problematic when unions are weak or suppressed.

**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. In relation to monitoring and verification activities, management systems have a double aim: to ensure that the labor standards included in a code are 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 (for example pricing and scheduling activities).

**Manufacturers:** In the context of the garment industry, these are companies primarily engaged in the design, cutting, sewing, and trimming of fabric to make and also package garments. Their clients can be retailers, merchandisers, brand name companies or their intermediaries (agents, buying houses, or importers). Generally, manufacturers are responsible for the buying of raw materials (textiles, yarn, accessories) but it is also possible that this is done by the (intermediary of the) buyer. Under several (regional) trade agreements it is more lucrative for the company contracting for manufacture to deliver the materials, for example in Eastern Europe via the outward processing trade (OPT) production system. In North America the NAFTA gives preferential treatment to countries that assemble garments of imported textiles. Manufacturers are similar to **suppliers**. Larger manufacturers often contract production out to many subcontractors, locally and abroad. Some manufacturers are vertically integrated, meaning that they produce the textiles from which they make garments, or even operate retail outlets.

**Merchandising:** A function of marketing that covers the selection and buying of merchandise for resale, its pricing, marketing, advertising, display, and the actual selling effort. When this term refers to a company, it is a company that usually does not own shops (merchandisers who own shops are

referred to as **retailers**). This makes them similar to **brand name companies** (or **brands**). The difference is that a merchandiser does not by definition own a brand or brands: the retailer or the brand name company may insert that later.

**Model code of conduct:** Codes meant to set certain standards to which codes should adhere (for example meeting ILO standards) and to prevent the multiplicity of codes of conduct. Model codes have usually been developed by NGOs and trade unions, such as the CCC and ICFTU model codes. Others, such as industry associations have also created their own model codes.

**Multi-stakeholder code of conduct:** An agreed code of conduct that is accompanied by or part of a larger arrangement between companies and NGOs and/or trade union organizations. These arrangements involve follow-up activities meant to put the code into effect.

**Monitoring:** Generally speaking monitoring means to watch or check on. In the context of the workplace, monitoring refers to the surveillance of labor practices against a given set of labor standards by a person (or persons) with a regular or frequent presence in the workplace and unobstructed access to management and staff. "Frequent", in this context, means being present in the workplace sufficiently often as to be able to detect variations from standard behavior. In the context of a code of labor practice monitoring means observing workplaces covered by a code to determine whether the provisions of the code have been implemented and are being observed. This can be contrasted with the terms "inspection" or "audit" which can describe activities that are not continuous or necessarily repeated.

Examples of workplace monitoring include monitoring carried out by (1) a manager with a designated monitoring function, who is continuously or frequently in the workplace in question; (2) an employee in that workplace with a designated monitoring function (for example a union delegate); (3) a government or local authority official who is assigned to a particular workplace for monitoring purposes and is continuously or frequently present in the workplace; (4) representative of the brand name company/retailer, not necessarily a direct employee of the company; but including someone hired (possibly locally or via a commercial auditing company) to carry out monitoring functions on the company's behalf; or (5) a civil society organization, for example the Central American monitoring NGOs.

The terms first, second, and third party monitoring have also been used, but generally have led to confusion. Usually businesses see themselves as the first party, the supplier as the second party, and the monitor as a third party. See also related terms: **certification, external monitoring, internal monitoring/company monitoring; independent monitoring.**

**Multi-stakeholder Initiative:** A project that brings together various stakeholders to address specific issues, in this context these initiatives are taking up the issues of monitoring and verifying compliance with a code of conduct. See also related terms: **code of conduct, independent verification, monitoring; stakeholder; verification.**

**NGO:** Non-governmental organization. Their aims, composition and activities vary greatly. In the context of these multi-stakeholder initiatives, NGOs have a role to play at different levels, both in the countries where multinational garment companies or the multi-stakeholder initiatives are based, and in the countries where they produce.

**Pilot project:** A preliminary or experimental trial or test. Pilot projects have been carried out by several of the CCCs and the Ethical Trading Initiative (ETI), in conjunction with various garment companies, to gain more knowledge of what constitutes a good system for/ best practice in monitoring and verifying **compliance** with a **code** of labor standards.

**Remediation:** The process of correcting (remedying). See related term: **corrective action.**

**Retailers:** Companies primarily engaged in the sale of products (in this context, of garments) to consumers; they are also involved in distribution and merchandising of the goods. Apparel retailers include department stores, mass merchandisers, specialty stores, national chains, discount and off-price stores, outlets, and mail-order companies. Some retailers who sell their own private labels go beyond their traditional role as distributors and act as **sourcing companies** and become directly involved in the design and sourcing of garments from manufacturers and suppliers.

**Social audit:** In recent years, the terms "social audit" and "social auditing" are increasingly used, to distinguish the auditing of labor practices or of social reports from other auditing, such as financial auditing. Social auditing sometimes refers to the entire environmental and social "footprint" of the activities of a company and sometimes only to social issues.

**Social report:** Report of a company's activities and performance in relation to social standards, including labor and environmental standards.

**Sourcing:** To locate a manufacturer or supplier to produce or supply, in this context, garments of certain specifications or the raw materials needed for garment production.

**Sourcing company:** Company that places an order with an agent or a supplier/vendor.

**Sports shoe (or athletic shoe or sneaker) production:** The production process that refers to the assembly (gluing, stitching) and packaging of sports shoes. It is organized similarly to garment production, but manufacturers/suppliers of sports shoes are usually larger and there is less subcontracting (primarily because the assembly process of sports shoes is more capital intensive than garment manufacturing). The sourcing of the components (45 to 55 different ones in a typical sports shoe) is usually done by the manufacturer/supplier, based on the specification of the buyer.

**Sportswear:** Clothing and shoes (also referred to as **sports shoes, athletic shoes, or sneakers**) that are originally designed for use by athletes.

**Stakeholder:** Any party that is affected by the activity or operations of an enterprise. All stakeholders are not equal and should not be treated equally. The workers whose working conditions are the subject of codes of labour practice are recognised as having the greatest stake in ethical trading.

It has been unclear precisely what roles workers, NGOs and trade unions, factory management and local authorities (ex. labor inspectorates) based in production countries (often referred to as "local stakeholders") should play in monitoring and verification processes. Stakeholders are not just limited to those in production countries, but in the context of such initiatives are drawn from interested and affected groups in countries other than those where the actual production takes place. These include trade unions, NGOs, employers, investors, consumers and public authorities.

The CCC considers input and involvement of workers, NGOs and trade unions in decision-making where production is based to be a crucial element of good monitoring and verification processes.

**Subcontractors:** Company hired by the manufacturer or the supplier to carry out part of the processes of cutting, making, or trimming. Subcontractors usually get the necessary materials from the company that gives them the order.

**Suppliers:** Companies primarily engaged in the cutting, making, trimming, and packaging of the garments, they do not design, sometimes also referred to as **vendors**. Otherwise, their function is the same as that of manufacturers. While these tasks can be the same as those assigned to a **subcontractor**, usually the term supplier is reserved for companies in the first tier of the subcontracting chain; lower down it becomes a subcontractor (or sub-sub contractor). The term **contractor**, which refers basically to the same function as supplier, is used less often.

**Supply chain:** The network of facilities that procure raw materials, transform them into intermediate goods and then final products, and deliver the products to customers through a distribution system. For the purpose of code monitoring and verification the garment supply chain ends where garment production ends and therefore though it includes the procurement of materials (organized by garment

manufacturers/suppliers) it does not include the manufacture of textiles, yarn, fibers or accessories such as zippers or buttons. Equally, the sports shoe supply chain does not include the production of components. Some people argue that the use of the term “chain” suggests a linear relationship that does not, in fact, exist and therefore prefer to use the term “supply network.”

**Textile:** Any cloth or goods produced by weaving, knitting, or felting. This term can also refer to materials, such as a fiber or yarn, used in or suitable for weaving.

**Trade union:** There are two kinds of trade union organizations -- those that have workers as members and those that have trade unions as members. The term trade union organization is used to refer to both kinds of organizations. The first kind of organization usually has as its main purpose representation of employees including collective bargaining with employers and is most often organized on a national basis by industry or sector. Sometimes these organizations are organized by occupation or by enterprise instead of by industry or sector. The other kind of trade union organization is a group of trade unions. Such groupings at the national level are referred to as national trade union centers (the Trade Union Congress is the national trade union center for the UK). The Global Unions Federations are international organizations that have as members the first kind of trade union organization (these organizations were formerly called the International Trade Secretariats). Examples of international organizations having the second kind of trade union organization as members include the International Confederation of Free Trade Unions (ICFTU), the European Trade Union Confederation (ETUC) and the Trade Union Advisory Committee to the OECD (TUAC). These organizations have national trade union centers as affiliates.

**Vendor:** An individual or company that sells or supplies another company with goods.

**Verification:** In this context, verification is about establishing the credibility of claims concerning either actual labor practices, the observance of code provisions, or of code implementation. Because the essence of verification is credibility, it must be performed by organizations or individuals that are independent of the company or organizations whose claims are being verified (for instance the claims of sourcing companies, suppliers, trade or industry associations).

Verification can involve the same or similar activities that may have been used to implement (give effect to) a code - inspections, interviews, complaints, social audits, factory audits etc. or it may involve the re-examination of evidence acquired from these activities. Verification can concern the actual situation at a workplace or it could concern an examination of management systems and other evidence that will indicate whether a company (a sourcing company for instance) or organization has assumed the responsibilities that it claims. Claims to be verified could include those made with respect to the obligations of companies participating in a multi-stakeholder organization.

Verification cannot be credible unless it is carried out by qualified people and organizations according to previously defined rules and processes, which cannot be changed by the company whose claims concerning workplaces or suppliers are being verified. Verifiers should enjoy the confidence of the relevant stakeholders. Based on their experiences to date with verification, the CCC has concluded that in order for the verification process to be credible it must meet certain quality standards relating to audits, worker involvement, complaint mechanisms and transparency, and be part of a multi-stakeholder approach. See related term: **independent verification**, and also appendix (c).

## **Appendix: Current debates on the usage of selected terms**

### **A: audit**

An audit involves the cross-checking of information such as an examination of the entire company or its books, depending on the audit protocol. It can include an inspection. 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 Clean Clothes Campaign initiatives, the term audit is used in different ways.

There is currently a lot of discussion regarding when exactly the term audit should be used, and in particular what constitutes an audit. For example, companies that carry out quality control or accounting tasks refer to factory visits as audits. In general, these companies are referred to as commercial auditing firms. As more and more garment retailers hire such 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 Swiss CCC pilot projects 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), as well as an "inspection" at the factory, both carried out by members of a verification team (which did not include commercial auditors). The Dutch Fair Wear Foundation uses the term audit to include factory inspection, consultation with local organizations, and worker interviews.

Of great importance (and widely debated) is who carries out the audit, in terms of their skills, qualification, credibility, and relationship to the supplier (factory being audited) and the retailer whose goods are being produced at this facility. Auditors have ranged from senior managers or auditing companies to specialized NGOs or trade union organizations, or a combination of these.

Some have used first party, second party, and third party to distinguish who carries out the auditing. Social Accountability International (SAI) for example uses first party for internal audits (the factory employs the auditor), second party for audits by the buyer or a consulting group and third party for audits by an accredited auditor.

### **B: stakeholder**

During the October 2001 conference "From Code to Compliance" a workshop, bringing together participants from the various CCC monitoring and verification initiatives, was convened to discuss the possible roles of local stakeholders.

Participants considered who stakeholders are, what their roles are, and how to facilitate the fulfillment of those roles. Participants said that local suppliers were stakeholders, though they have not been involved in key information sharing and decision making, and local trade unions. But beyond that there was not total agreement among those who participated in the workshop. Some thought that NGOs, local government (ex. labor inspectorates) and academics (who conduct research) are all stakeholders. Not all local people were seen as stakeholders. Suggested roles for local stakeholders were research and information gathering, though this in itself was not seen as enough. Local stakeholders should be able to give input. Other roles mentioned were trust building and involvement in corrective action (ex. defining what action should be taken and how to implement a corrective action plan). Some felt that as stakeholders, workers should be involved in developing the code. Stakeholders should have a role in any institutional framework that deals with these issues. Participants concluded that the main obstacle to the local involvement of stakeholders is knowledge (ex. knowledge of the code and its relevance) and capacity (limited resources means getting involved with codes can quickly overwhelm an organization and prevent other important work from being done).

### **C: verification**

Some current discussions regarding the usage of the term verification relate to the boundaries of the verification process (what is verification and what is monitoring? are they overlapping processes?). Also being debated is the need to be more specific about the content and positioning of the verification

process in relation to the interests of specific stakeholder groups (is another term needed -- independent verification, for example -- to refer to a verification process that is independent of control by any one stakeholder group?).

It is difficult to distinguish where monitoring ends and verification begins. Both currently utilize similar tools (factory inspections, worker interviews, complaints procedures) blurring the distinction between the two processes. As a result these two terms are often discussed together because, for example, any discussion of methodology for worker interviews as a tool for gathering information to monitor code compliance would also be relevant for discussions of the use of this tool for verification of code compliance. Interviews with workers can be used to gather information by auditors hired by a company, but can also be carried out by an organization involved in verification to determine if the monitoring process -- including the worker interviews carried out by the auditors -- was a sound one.

This relationship between the two processes was highlighted by the Swedish initiative on monitoring and verification in which the Swedish CCC participated. Companies participating in the project found that their internal monitoring systems (at that time based on factory visits and talks to management) had not uncovered what was really going on in the workplace. This came to light during an unannounced audit conducted by a team composed of representatives from an audit firm and from the project, using information collected in advance during worker interviews by local researchers, recommended by NGOs. During the audit many violations reported during the worker interviews were confirmed. The Swedish initiative tested out this type of social audit in Bangladesh, India, and China, but more in the context of verification than as part of the monitoring process. Nevertheless, the lessons learned were applicable to both processes. In this way, the findings of the verification process can be used to improve the monitoring process.

There has been much discussion about the need to preface the term verification with the term "independent." Some within the CCC see this as necessary to stress the independence of the verification process from control or dominance by any one stakeholder group. Therefore, they have used the term "independent verification" to refer to a verification process that is part of a multi-stakeholder process and that meets certain quality criteria that reflect such a multi-stakeholder approach. To date these criteria relate to the quality of auditing, worker involvement in verification processes, the inclusion of a system to handle complaints, and obligations regarding transparency. However, others believe that it is not necessary to preface the term verification with the word independent. In their view, coining the phrase "independent verification" only gives rise to the idea that there could be such a thing as verification that is not independent. Others suggest that independence is not the correct term to use to convey the type of verification that the CCC supports, because no one is truly independent. Instead, they have proposed, the term "multi-stakeholder verification" could be used to highlight the importance of using a multi-stakeholder approach to verification.