



BSCI

An initiative of the Foreign
Trade Association (FTA)

Business Social Compliance Initiative

TOWARDS IMPROVED
WORKING CONDITIONS IN
FACTORIES AND FARMS
WORLDWIDE



ANNUAL REPORT 2011
BUSINESS SOCIAL COMPLIANCE INITIATIVE

About BSCI

The Business Social Compliance Initiative (BSCI) is a leading business-driven initiative for importing companies committed to improving working conditions in their international supply chain. From multinationals to SMEs, BSCI unites companies around one common Code of Conduct applicable to all sectors and sourcing countries. At the end of 2011, BSCI represented 778 retailers, importers and brand companies with over €593 billion turnover.

GOALS OF BSCI CODE OF CONDUCT

-  Freedom of association and the right to collective bargaining are respected
-  No discrimination is practised
-  Child labour is prohibited
-  Legal minimum and/or industry standards wages are paid
-  Working hours are compliant with national laws and do not exceed 48 hours regular + 12 hours overtime
-  There is no forced labour and disciplinary measures
-  The workplace is safe and healthy
-  The environment is respected
-  There is a policy for social accountability
-  There is an anti-bribery and anti-corruption policy

BSCI FOCUS: PRODUCERS IN RISK COUNTRIES

Companies participating in BSCI focus on implementing the BSCI Code of Conduct in 'risk countries' where workers' rights are most vulnerable. The criteria used to determine risk countries is based on the United Nation's Human Development Index and the Corruption Perceptions Index of Transparency International, as well as the field experience of sourcing companies. Based on audit results, BSCI Participants' main sourcing countries are: China, Bangladesh, India, Turkey and Vietnam (see www.bsci-intl.org/risk-countries).



The BSCI Video is now available on the website: www.bsci-intl.org

The BSCI Code of Conduct is a set of 10 principles built upon the most important international conventions protecting workers' rights, notably the International Labour Organization's (ILO) core labour Conventions and Recommendations.

All BSCI participating companies commit to implementing the BSCI Code of Conduct as part of their business relations with producers in risk countries. This underlines commerce's engagement to improve working conditions at supplying factories and farms.

BSCI provides two sets of management tools to implement the BSCI Code of Conduct: one for Industrial Production and one for Primary Production.



FOREIGN TRADE ASSOCIATION

BSCI is an initiative of the Foreign Trade Association (FTA). The FTA is an association of European and international commerce that defends the value of free and sustainable trade. It brings together retailers, importers, brand companies and national associations to improve the political and legal framework for trade. Furthermore, FTA seeks to improve sustainability in the international supply chain (see www.fta-intl.org).

INTRODUCTION

DEAR READER,

2011 has been a challenging year for BSCI due to economic insecurity across Europe and in many sourcing countries. In addition, BSCI was faced with the complex task of restructuring under the roof of the Foreign Trade Association (FTA). Despite this, we are glad to say that BSCI has continued to flourish, as shown by the ongoing commitment and growth of its network.

The new structure of our initiative considerably improves efficiency for all levels of the organisation and its operational activity. The restructuring resulted in a new BSCI Steering Committee, which in October 2011 appointed the members of the BSCI Stakeholder Council. Stakeholders now have a permanent seat on the BSCI Steering Committee and are more directly involved in decision-making processes.

Global economic insecurity has imposed many challenges around the world. China, the main sourcing country of BSCI Participants, has experienced an increase in labour and commodity prices, causing a shift in production, notably towards Bangladesh. This shift has led to increased awareness of the non-compliances in factories, especially regarding wages and working hours. The global economic and financial crisis throughout Europe has also resulted in challenging conditions for retailers, as many face reduced demand.

Despite these challenges, BSCI enjoyed another year of growth in membership, welcoming 134 new companies. BSCI's capacity building and stakeholder engagement activities increased significantly, supporting the efforts of our 778 participating companies. This continued growth, coupled with our new organisational structure, has strengthened BSCI's ability to enhance transparency and improve the working conditions in sourcing factories and farms worldwide.

Accomplishments in 2011 include: conducting over 6.000 audits, which are available to BSCI Participants; organising training sessions that reached out to more than 4.500 factory and farm managers; and working closer than ever with stakeholders at the local and international level in order to establish collaborative training activities and develop a common understanding of labour issues. BSCI also provided guidance to companies on supply chain issues such as sumangali and sandblasting.

We invite our members and other interested importing companies to join BSCI's efforts towards improving working conditions in factories and farms worldwide.



A handwritten signature in black ink, appearing to read 'S. Anwander'.

Dr. Sibyl Anwander
Chair of the BSCI
Steering Committee



A handwritten signature in black ink, appearing to read 'O. Orozco'.

Dr. Olga Orozco
BSCI Managing Director,
Operations



A handwritten signature in black ink, appearing to read 'Lorenz Berzau'.

Mr. Lorenz Berzau
BSCI Managing Director,
Strategy and
Stakeholder Relations

HOW WE WORK

WE MONITOR. WE EMPOWER. WE ENGAGE.

A key strength of BSCI is our holistic approach to improving social compliance. Our process offers a combination of audits, training and stakeholder engagement to detect and gradually correct non-compliances at factories and farms. Our process is summarised below.

STEP 1: Communicate and Raise Awareness

As a first step, BSCI participating companies are required to communicate the BSCI Code of Conduct to their producers.

Additionally, participating companies are encouraged to have their producers attend Awareness-Raising Workshops, to introduce producers to the principles and process of BSCI.

We also hold information seminars and tailor-made training sessions for social compliance managers and buyers to help companies integrate the BSCI system into daily business and decision-making processes.

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“The BSCI Code of Conduct is widely known by the Bangladesh garment industry and I continue to contribute in strengthening this system to support our participants and stakeholders.”

”

**Christian von Mitzlaff,
BSCI Representative Bangladesh**

A SHARED DATABASE OF AUDITS

Audit results are shared in a common database among BSCI's participating companies. This disclosure avoids multiple audits along with unnecessary costs and time spent for the companies and the producers. It is also an essential tool to track identified non-compliances.

STEP 2: Self-Assessment

Prior to the audit, BSCI participating companies ask their producers in risk countries to complete a Self-Assessment questionnaire. The objective of the Self-Assessment is threefold:

- Collect initial information on the producer for the BSCI participating company and the auditor;
- Introduce the producer to the practicalities of the BSCI Code; and
- Prepare the producer for the initial BSCI audit.

STEP 3: External Initial Audit

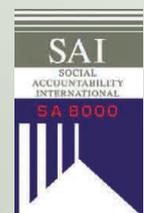
Companies start the audit process by selecting one of the BSCI-approved audit companies. The initial BSCI audit aims to assess the performance of a producer against the BSCI Code of Conduct. It is repeated every three years and includes an inspection of the site, a thorough examination of company records (e.g. employees' contracts and timesheets) and private interviews of a sample of employees to better understand the daily situation in the factory or farm. The initial BSCI audit also assesses whether the producer has complied with voluntary industry best practices.

STEP 4: Corrective Action Plans

If an initial audit reveals non-compliances or shows that certain improvements are required in order to comply with the BSCI Code, the auditor prepares Corrective Action Plans (CAPs), one for the "BSCI Social Requirements" and one for the "Best Practice".

SA8000

SA8000 is an international certification standard for improving working conditions. It was developed by Social Accountability International (SAI), a NGO that promotes human rights for workers through the implementation of their SA8000 standard. BSCI considers SA8000 as its best practice. When suppliers are in compliance with the BSCI Code of Conduct requirements, they are encouraged to apply for a SA8000 certificate (www.sa-intl.org).



The CAPs describe the needed improvements and set a deadline for each requirement to be completed. The implementation of corrective actions for the "Best Practice" remain voluntary.

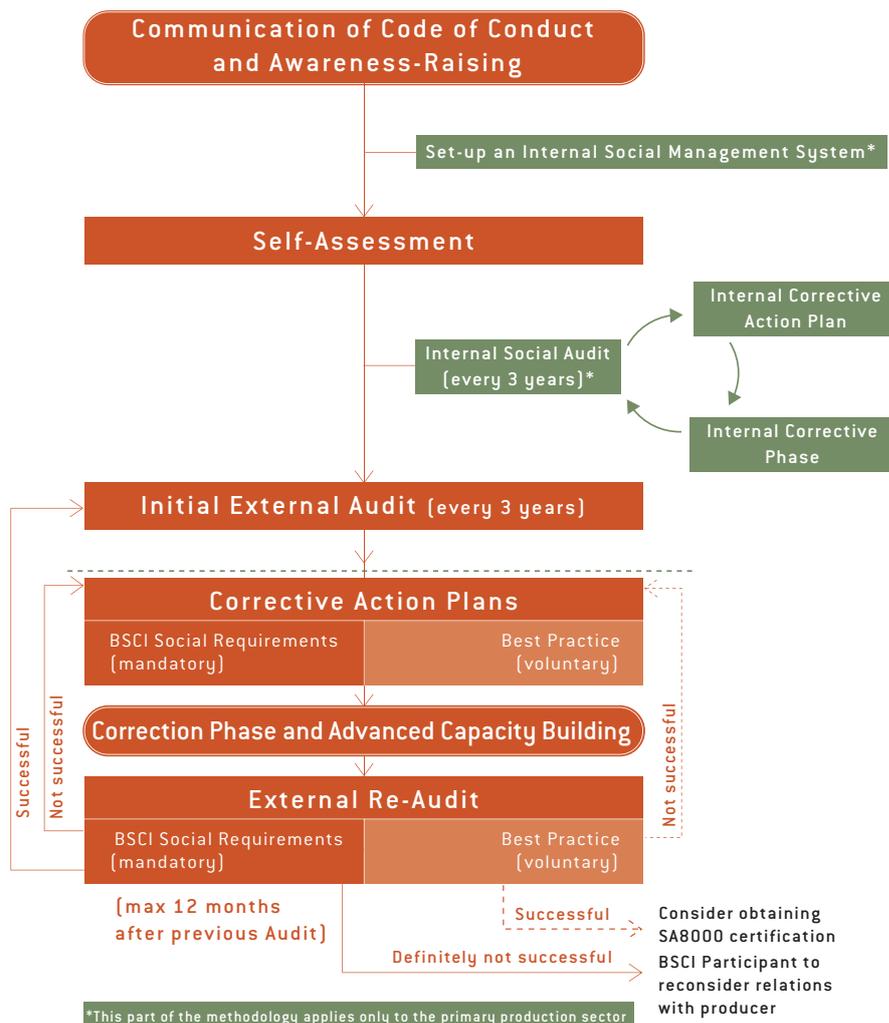
STEP 5: Correction Phase and Advanced Capacity Building

During the Correction Phase, producers focus on correcting identified non-compliances. Advanced Workshops are offered during this phase to help producers tackle specific challenges related to their industry and region, such as wages and working hours, labour contract law, management-worker relations and management systems.

STEP 6: External Re-Audit

Twelve months after the initial audit, a re-audit will take place to check that all corrective actions have been implemented. If a company is still non-compliant, a second re-audit can take place. If a company continues to be non-compliant after a second audit and no measurable improvement is visible, BSCI Participants are recommended to reconsider their relations with that supplier.

THE BSCI PROCESS



ACCESS TO A GLOBAL NETWORK

DIVERSE NETWORK OF PARTICIPATING COMPANIES

BSCI participating companies come from a wide scope of sectors from all over the world, ranging in size from multinational organisations to small businesses.

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It was important for Systembolaget, an alcohol monopoly in Sweden, to participate in an established international network that works in a very concrete way, together with stakeholders, to improve working conditions within companies' supply chains. We joined the BSCI in January 2011 and receive strong support to start engaging our wine, beer and liquor producers towards sustainable improvements of working conditions.

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Lena Rogeman and Nina Johansson,
CSR Managers - Systembolaget, Sweden

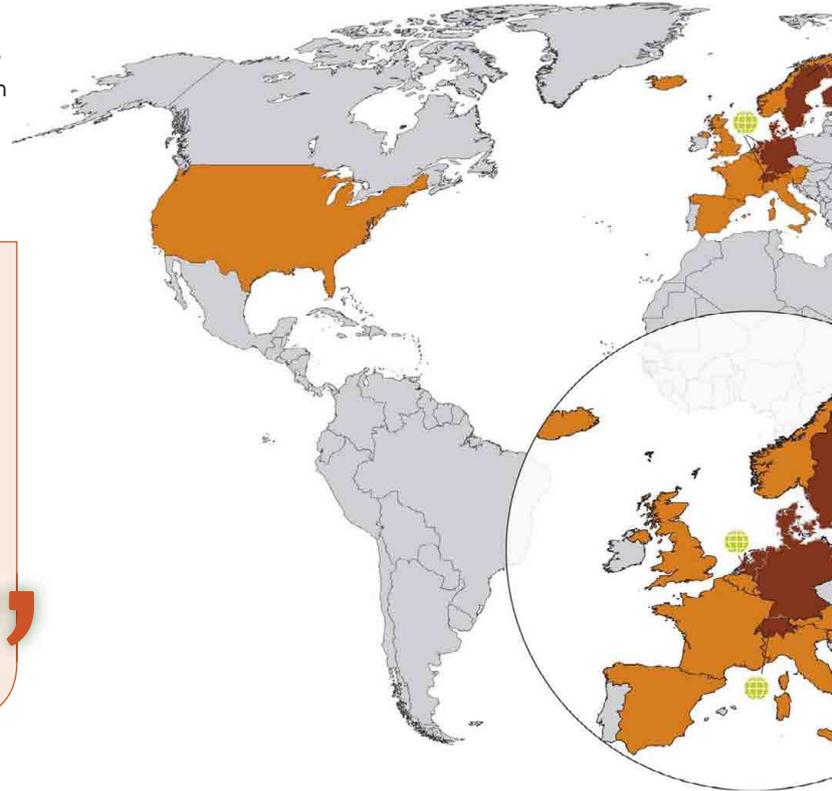
BSCI STEERING COMMITTEE: PARTICIPANTS HAVE A STRONG VOICE IN BSCI

The new BSCI Steering Committee is currently composed of eight company representatives, plus one representative from the BSCI Stakeholder Council; this provides stakeholders with an active voice within BSCI.

The BSCI Steering Committee is commissioned to deal with all BSCI issues as delegated by the FTA Board. Convening on average every other month for a full day, its main responsibilities include: running BSCI's activities; cooperating with other organisations and stakeholders; and deciding on issues related to the implementation of the BSCI Code of Conduct. The members of the BSCI Steering Committee are appointed by the FTA Board of Directors and serve voluntarily on a three year basis.

In order to provide a smooth flow of information between overall FTA activities and BSCI, Dr. Sibyl Anwander and Mr. Herman Poelmann are also members of the FTA Board.

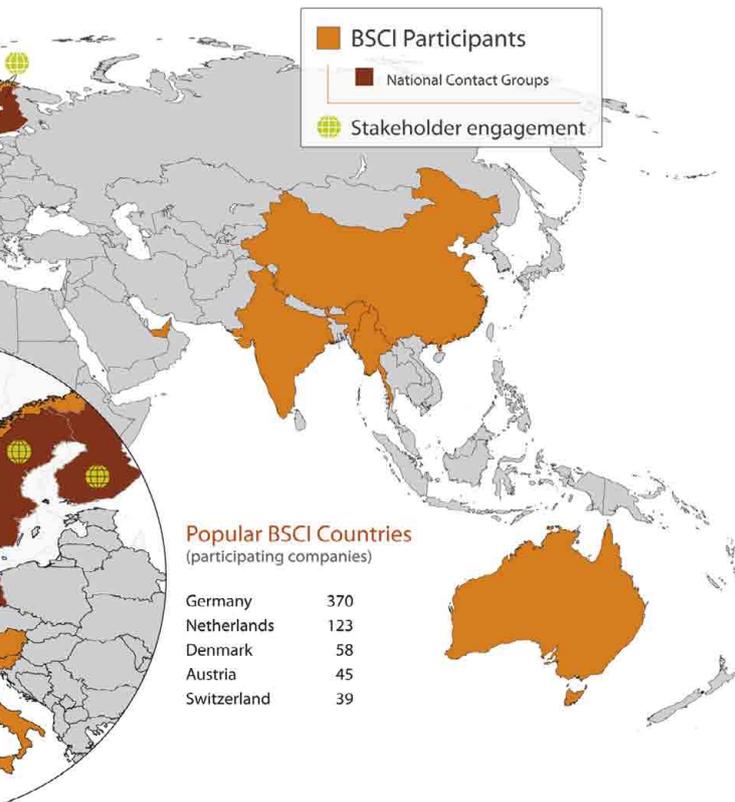
BSCI's Global Network



MEMBERS OF THE BSCI STEERING COMMITTEE

Chair: Dr. Sibyl Anwander (*COOP - Switzerland*)
 Mr. Bernardo Cruza Martos (*El Corte Inglés - Spain*)
 Ms. Anita Falkenek (*Axstores - Sweden*)
 Ms. Anja Grote Westrick (*ALDI Süd - Germany*)
 Ms. Pirjo Heiskanen (*Tuko Logistics - Finland*)
 Mr. Hans Jürgen Matern (*Metro Group - Germany*)
 Mr. Herman Poelmann (*Pole Group - The Netherlands*)
 Ms. Lea Rankinen (*SOK - Finland*)
 Ms. Marieke Weerdesteijn (*Solidaridad - the Netherlands*): Representative from the Stakeholder Council

ork of Companies



“
 Metro Group works with over 4.000 producers; it is important for our producers to receive effective training and gain a good understanding of the BSCI Code of Conduct. I therefore joined the Capacity Building Working Group in 2010 to shape these activities. I have been pleased with the 2011 achievements: expanded activities to new countries with new themes; initiated online training and developed the producer starter kit. I look forward to continuing this work in 2012!
 ”

Margaret Chan, CSR Manager
 Metro Group, Hong Kong

BSCI WORKING GROUPS: OPPORTUNITIES FOR COMPANY INVOLVEMENT

Participating companies can help to shape BSCI's activities by joining Working Groups; these groups aim to ensure BSCI's activities and tools reflect the needs of companies. Currently, there are five Working Groups involving over 60 active BSCI companies. Working Groups are voluntary; participants meet on average four times per year and aim to ensure BSCI activities and tools reflect the needs of all BSCI participating companies. Working Groups are also open to stakeholders and external experts.

THE WORKING GROUPS' TASKS INCLUDE:

- Systemic issues and database platform
- Auditing policy and quality
- Capacity building
- Food and primary production
- Communication

NATIONAL CONTACT GROUPS: CONNECTING COMPANIES AT THE NATIONAL LEVEL

BSCI Participants share best practices, build relationships with local stakeholders and the media, and develop country-specific activities through National Contact Groups (NCGs). BSCI actively supports these NCGs which currently exist in Denmark, Germany, the Netherlands, Switzerland and Sweden.

SUPPORTING COMPANIES AT THE NATIONAL LEVEL

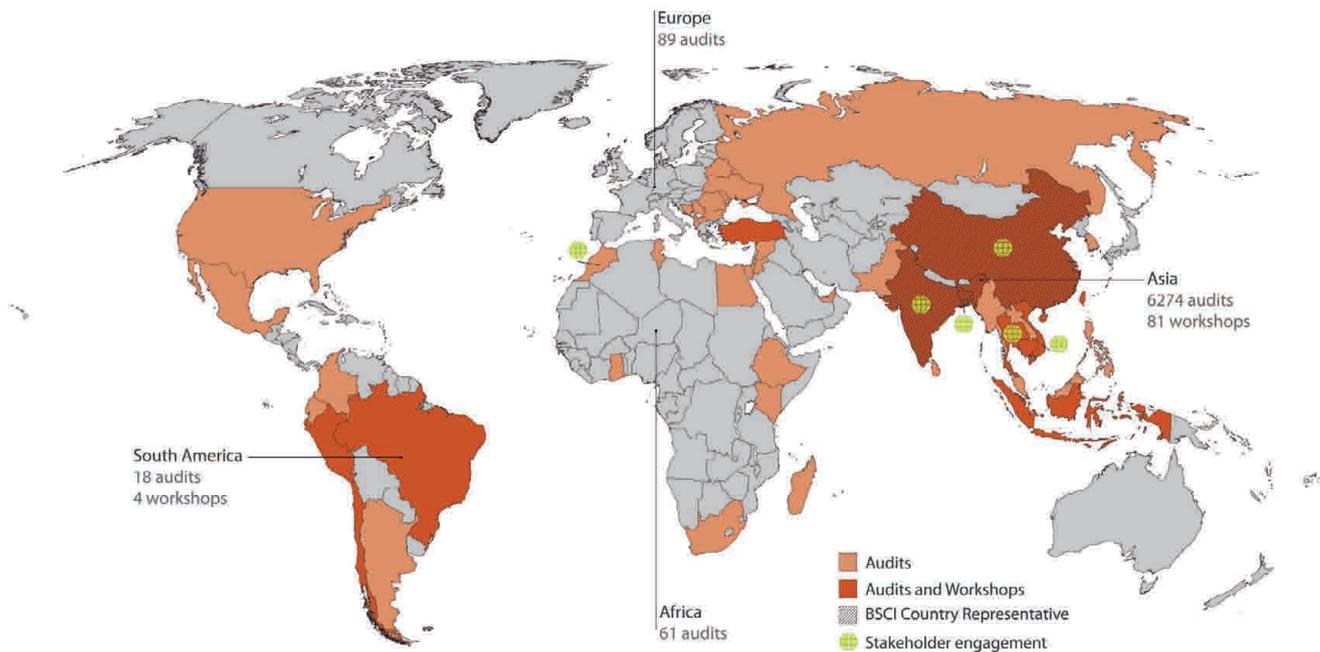
BSCI created tools to support participating companies at the national level such as:

- A Swiss website – www.bsci-ch.org – the first in a series of national websites in local languages;
- An overview of social compliance organisations to better understand standards and initiatives working alongside BSCI;
- An online forum for Dutch-speaking Participants; and
- Translations of brochures and FAQs into Dutch, German and Swedish for increased visibility of BSCI at the national level.

IMPROVING WORKING CONDITIONS IN SUPPLY CHAINS

The 2011 audit results show that the BSCI system delivers measurable progress in improving working conditions.

BSCI activities in supplier countries



DELIVERING MEASURABLE PROGRESS

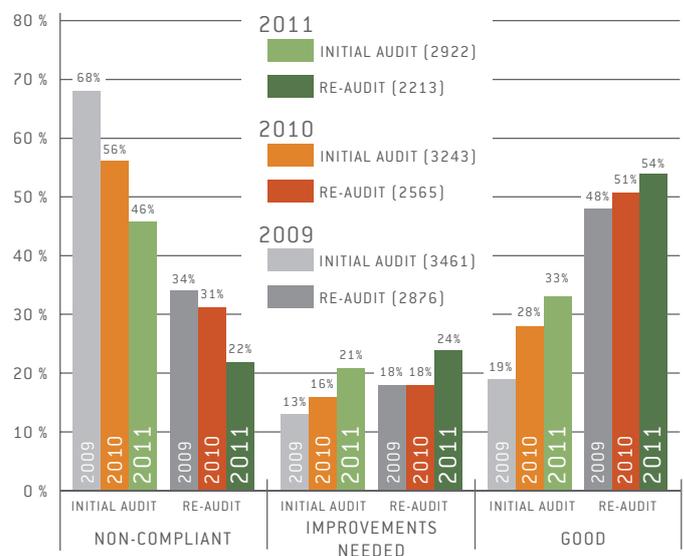
BSCI uses audits as a first step to provide transparency on the social compliance level of factories and farms. One way to assess the effectiveness of the BSCI process is to compare the audit results of producers that have completed one initial audit and a re-audit where applicable. The 2011 audit results demonstrate the positive impact of our work:

- The amount of compliant companies increased from 33% to 54%.
- The amount of non-compliant companies decreased from 46% to 22%.

Initial audits rated as “Good” have increased from 28% in 2010 to 33% in 2011.

BSCI 2011 data shows that 3.893 initial audits and 2.549 re-audits were conducted over the past year. The majority of audits were performed at non-food suppliers in China, however for the food supply chain, the number of audits increased from 121 in 2010 to 297 in 2011.

The 2011 audit results reveal that across all countries, Working Time (34%), Compensation (32%) and Health & Safety issues (11%) are the most prominent non-compliances found in factories and farms.



The issue most commonly raised by suppliers, Participants and auditors in China (the main sourcing country for BSCI), is the difficulty of complying with the legal maximum working hours. In China, the regular weekly hours are 40 and the maximum allowance of overtime hours is 36 per month, therefore, the total legally allowed per week is less than the 60 hours permitted by the BSCI Code. The challenge of overtime is particularly difficult to capture in audits, as revealing workers' true working hours is often difficult. In addition, migrant workers often prefer to work overtime so they earn additional money to send back home to their families.

Read about how BSCI is committed to maintaining the high quality of its auditing system on page 14.

EMPOWERING PRODUCERS THROUGH CAPACITY BUILDING

BSCI conveys its Code of Conduct and expected social requirements with concrete, issue-specific and country-specific workshops for the producers of its participating companies. In 2011, BSCI rolled out 85 producer workshops reaching over 4.500 factory and farm managers across the world. Workshops were conducted in five new countries including Indonesia, Cambodia, Taiwan, Peru and Chile. In response to increased production in Bangladesh, the number of individuals trained in Bangladesh increased from 364 to 1.058. Our 2011 workshops included:

- 22 Awareness-Raising Workshops, including two for food producers.
- 63 Advanced Workshops, including training focused on Health & Safety and Internal Management Systems.

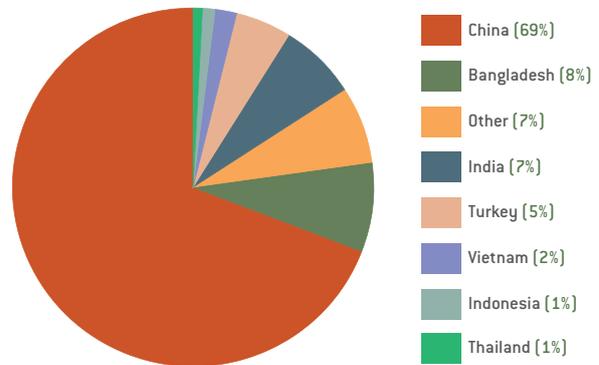
THE PRODUCER STARTER KIT

The Producer Starter Kit is a new tool that compiles all resources needed to effectively introduce producers to the BSCI process. It is available in English, Hindi, Bangla and Mandarin.

BSCI-REGISTERED CONSULTANTS

BSCI has contracts with 16 training companies that deliver up to 100 workshops per year, reaching out to more than 4.500 factory and farm managers. Prior to working with BSCI, all training consultancies must undergo a strict evaluation to ensure that they possess the required skills and expertise.

DISTRIBUTION OF INITIAL AND RE-AUDITS IN 2011 BY COUNTRY

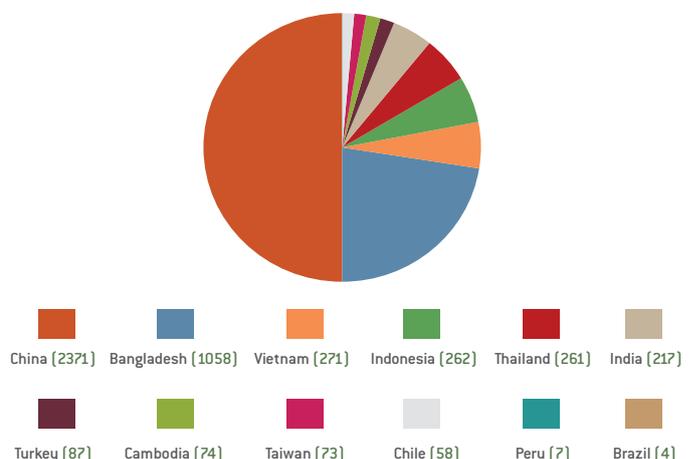


BSCI'S COMPLAINT MECHANISM

BSCI's complaint mechanism aims to maintain control and transparency by providing a mechanism for workers, NGOs and stakeholders to raise issues in their local language.

In countries with BSCI Representatives such as China, India and Bangladesh, the BSCI Code of Conduct includes a complaint hotline for workers to report poor working conditions via phone or email. In addition, complaint cards are distributed to workers during BSCI audits. Unfortunately, in many cases, it is difficult to extract enough detail from the complaints to launch an investigation. In 2011, 31 reports by workers were addressed in coordination with BSCI Participants.

BSCI PRODUCERS TRAINED PER COUNTRY IN 2011 (ATTENDEES)



BUILDING THE CAPACITY OF BSCI COMPANIES

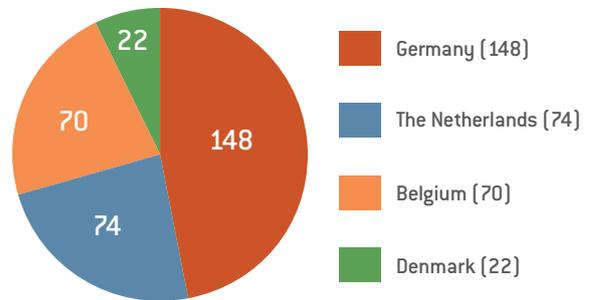
BSCI organises capacity building activities to help participating companies build the necessary knowledge, skills and leadership to achieve sustainable improvements in working conditions at their supplying factories and farms. BSCI's key activities are summarised below.

INFORMATION SEMINARS

Information Seminars introduce the BSCI Code of Conduct and its implementation methodology. These seminars are an essential training for all new BSCI Participants. In addition to offering five Information Seminars at the headquarters in Brussels, BSCI conducted eleven Information Seminars in Germany, the Netherlands and Denmark, training over 300 attendees.



INFORMATION SEMINARS 2011 (ATTENDEES)



RESOURCES FOR THE FOOD SECTOR

Companies implementing BSCI in the Food Sector aim to improve the working conditions of their suppliers both at industry and farms. In addition to the BSCI industrial audit methodology, BSCI provides companies with a specific approach that covers two tiers: packing houses and farms supplying to the packing house. In 2011, BSCI developed new resources to support BSCI Participants working in the Food Sector.

RISK ASSESSMENT MATRIX:

The Risk Matrix provides a sharing platform to exchange information on potential risks that may lead to human rights violations in certain producing countries.

FOOD IMPACT ASSESSMENT:

In 2011, BSCI released a new study conducted by an external party, which examines the impact of BSCI in the food sector during the period 2008-2010. Key findings confirmed that BSCI provides greater transparency in the supply chain, minimises risks, increases efficiency and improves credibility. In addition, BSCI Participants saw improvements in their food supply chain, especially related to human resource policies and greater productivity. [The study is publicly available on our website.](#)



Danper has been involved in BSCI since 2009. BSCI has reinforced the effectiveness of Danper's Social Responsibility Policy. Our employees have developed greater capacities; gaining a better understanding of their own labour rights. Furthermore, we have generated better productivity; reducing personnel turnover and labour absenteeism. Implementing BSCI requires a serious commitment, but it has also resulted in many benefits with regard to our business growth, value and success.



Rosario Bazán, General Manager,
Danper Trujillo, Peru

TRAINING FOR BUYERS

Time and cost pressures can make it challenging for buyers to ensure that producers properly implement the BSCI Code of Conduct. BSCI's Training for buyers helps staff who have a close relationship with producers to integrate the BSCI methodology into daily business and decision-making processes. In 2011, BSCI conducted five in-house workshops, reaching over 85 buyers.

HEMA sources from over 1200 suppliers across the world and is looking to expand to more countries in Eastern Europe. Our social compliance and buying team received an in-house training to explain national laws in Eastern Europe and prepare us to carry out our own internal audits, in addition to BSCI audits. We were very pleased with the training; our team gained practical knowledge of the process towards ensuring high quality monitoring at our suppliers.

Fleur Meerman, CSR Advisor
HEMA, The Netherlands

FOOD CONFERENCE

In June 2011, BSCI held its second annual Food Conference, which united BSCI participating companies and food sector experts in order to share best practices and explore the challenges of improving working conditions of producers at the farm level.

COMMUNICATION WORKSHOP

In December 2011, BSCI held its second Communication Workshop, which provided companies with practical advice on communicating their Corporate Social Responsibility efforts. The workshop addressed both internal and external communications, covering topics such as engaging employees, buyers and NGOs.



KEEPING COMPANIES INFORMED OF SUPPLY CHAIN ISSUES

It is important to keep our Participants informed of issues that could affect them in their supply chains. In 2011, BSCI worked with its companies to guide them on several issues:

SUMANGALI IN INDIA: BSCI IS ENGAGED

Sumangali is a practice mostly found in Southern India; employers of female workers retain a part of the workers' monthly wage which is then paid as a lump sum for marriage expenses (dowry) at the end of the contract. Sumangali can be associated with a number of labour abuses including issues of overtime, compensation and forced labour. BSCI has raised this issue with its participating companies and developed [a guidance paper](#) to help companies manage this practice in their supply chains. BSCI is also working closely with the [Ethical Trading Initiative \(ETI\)](#) to tackle issues related to Sumangali.

SANDBLASTING: BSCI RECOMMENDS A BAN

Sandblasting is a manufacturing technique used to create a faded look on jeans by spraying them with sand. Recently it has drawn attention from NGOs and the media because of the potential health dangers it can inflict on workers. While sandblasting can be performed safely with the appropriate use of personal protective equipment, BSCI recognises the serious risks associated with the practice. Therefore, BSCI recommended companies to ban sandblasting in their supply chains; [a guidance paper](#) also outlines actions companies can take to address this issue.



STAKEHOLDERS ARE IMPORTANT

STRENGTHENING THE ROLE OF STAKEHOLDERS

BSCI works closely with a wide range of stakeholders, including governments, trade unions, NGOs, business associations, buyers and suppliers, to identify sustainable solutions to labour rights challenges. BSCI uses dialogue, partnerships and joint capacity building efforts to maximise its impact and give local ownership in terms of political, economical or cultural issues back to stakeholders. This is essential as it is beyond the reach of any individual company.

In 2011, BSCI strengthened the role of stakeholders by appointing a new BSCI Stakeholder Council, which acts as a key advisor to the BSCI Steering Committee.

ENCOURAGING LOCAL OWNERSHIP

BSCI utilises a range of strategies to engage stakeholders and encourage local ownership of labour issues. This includes Round Tables as a platform to discuss labour issues with local key players and stakeholder meetings and as a channel for BSCI Participants to engage with their local stakeholders.

BSCI regularly organises stakeholder Round Tables; in 2011 the Round Tables were held in Bangladesh, China, India, Vietnam, Morocco and Thailand. Stakeholder meetings in Participants' countries took place in the Netherlands, Finland, Switzerland and Sweden.

Below are examples of the issues discussed and tackled in Round Tables and Stakeholder Meetings.

TOWARDS IMPROVED WORKER-MANAGEMENT RELATIONS IN BANGLADESH: DHAKA, 24 NOVEMBER 2011

Industrial relations particularly in the Bangladesh garment industry are poorly developed; dialogue between factory workers and management is often inefficient leading to poor worker representation. Furthermore, the trade union movement is highly fragmented; there are 29 union federations and very few workers are properly organised in factories. In 2011, BSCI organised a Round Table in Bangladesh which aimed to tackle this issue together with representatives from buyers, suppliers, trade unions and NGOs, diplomatic missions and Members of Parliament. Participants discussed ways of increasing trust between workers and management through structured communication channels. It was decided that a pilot project would be initiated aiming to address worker-management dialogue in factories and build workers' negotiation capacity. BSCI will support the development of this project in 2012.

MEMBERS OF THE STAKEHOLDER COUNCIL 2011

- Chair: Marieke Weerdesteijn (Solidaridad)
- Simon Pickard (EABIS)
- Christian Rousseau (Test-achats)
- Alice Tepper Marlin (Social Accountability International (SAI))
- Fabrice Warneck (UNI Europa Commerce)
- Luc van Liedekerke (European Business Ethics Network)
- Susan Bird / Thomas Dodd - observers (European Commission)



Solidaridad believes that stakeholder involvement is key in an initiative such as BSCI and we welcome the fact that in the new BSCI governance structure the role of stakeholders has been strengthened. We are enthusiastic to be part of the new Stakeholder Council, but we also realise that in the period to come it is important to further expand and strengthen the Council to ensure all key stakeholder groups are represented, so that well balanced input can be provided to the BSCI Steering Committee.

Marieke Weerdesteijn, Solidaridad
Chair of the BSCI Stakeholder Council

STAKEHOLDER ENGAGEMENT IN SWEDEN: STOCKHOLM, 30 NOVEMBER 2011

In 2011, the Swedish National Contact Group (NCG) held a stakeholder meeting in order to better inform local stakeholders about BSCI and to define areas for future cooperation. BSCI Participants and local organisations discussed many issues including the increased demand on traceability and how to approach local policy-makers in sourcing countries to encourage improvements in working conditions. Swedish BSCI Participants and stakeholders saw possibilities for continued dialogue and welcomed the invitation for further cooperation in 2012.

BUILDING PARTNERSHIPS WITH INITIATIVES

BSCI actively seeks partnerships with other initiatives to support joint capacity building activities. In 2011, we engaged with Made-By and Fair Wear Foundation (FWF) to jointly roll out sustainable fibre master classes which aimed to support the introduction of sustainable fabrics into fashion brand collections. BSCI also engaged with the Fair Labor Association (FLA) to implement its Awareness-Raising and Advanced Workshops in Turkey; three workshops took place over two days in October.

As part of the Public Private Partnership; "Scaling up Indian CSR initiatives" with the Deutsche Gesellschaft für Internationale Zusammenarbeit (German Agency for International Co-operation, GIZ) and Social Accountability International (SAI), BSCI organised 11 workshops from September until November 2011. The workshops aimed at building the capacity of factory managers in India in order to manage social performance and provide decent working conditions for their workers. BSCI also engaged in discussions with stakeholders to tackle issues linked to Sumangali in supply chains through the Tirupur Stakeholder Forum.

CREATING SYNERGIES WITH OTHER INITIATIVES

BSCI seeks opportunities to create synergies with other organisations that are working to tackle social compliance issues in the global supply chain. One focus has been to work towards the mutual recognition of social compliance schemes. For example, SA8000 certificates are BSCI's best practice and have been fully accepted in BSCI's methodology since its creation. In 2011, BSCI continued to work on cross-audit projects in order to evaluate commonalities with Rainforest Alliance and CSC9000T of the China National Textile and Apparel Council.

BSCI's relationship with the Global Social Compliance Initiative (GSCP) was further developed in 2011. GSCP provides a global cross-industry platform to promote the exchange of knowledge and best existing practices in order to build comparability and transparency among existing social compliance systems. BSCI is participating in GSCP's Equivalence Process, a benchmarking process that incorporates the GSCP Reference Code and other tools.

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BSCI's involvement in the GSCP Equivalence Process shows the importance it places on building synergies in social compliance systems and in turn reducing audit duplications. We look forward to further developing our relations in 2012 when BSCI will join the GSCP's new Partner Organisations Network.

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Claudine Musitelli, Director,
Global Social Compliance Programme (GSCP)



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2011 is the beginning of the 12th Five Year plan of the Chinese government that marks a tipping point of many new strategies including social development. The two Beijing Round Tables on social compliance supported by BSCI have focused on current issues tied in with the national progression such as the ongoing challenges of excessive working hours and the new social security law. These interactive dialogues have provided valuable food for thoughts to our stakeholders pursuing sustainable development.

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Joyce Chau, BSCI Representative China

ENSURING THE QUALITY OF BSCI SERVICES

BSCI implements a range of measures to ensure that its auditing system is accurate and reliable.

BSCI-REGISTERED AUDITORS

BSCI has contracts with 16 external and independent auditing companies that are accredited by Social Accountability Accreditation Services (SAAS).

TRAINING AUDITORS IN THE BSCI METHODOLOGY

A key priority is to work closely with the 950+ auditors conducting BSCI audits in order to ensure that they are fully trained and knowledgeable of the BSCI requirements and system. In 2011, BSCI carried out six training sessions with over 150 field auditors in India, China and Turkey and held two calibration meetings in Belgium and Italy for the coordinators at auditing companies.

BSCI AUDIT QUALITY PROGRAM

To ensure high-quality audits, BSCI implements an audit quality program based on two types of measures:

INTERNAL QUALITY REVIEWS: Internal quality reviews involve taking a sample of completed BSCI audit reports from the BSCI supplier database. Staff members review the audit samples to ensure that the data is complete and the questionnaires are filled out correctly. In 2011, 346 Internal Quality Reviews took place, compared to 159 in 2010.

EXTERNAL QUALITY REVIEWS: Three types of BSCI external quality reviews are conducted by Social Accountability Accreditation Services (SAAS):

- **SURVEILLANCE AUDITS:** In 2011, BSCI carried out 48 Surveillance Audits (compared to 36 in 2010), which assess auditors conducting an actual audit.
- **OFFICE AUDITS:** In 2011, BSCI conducted 18 Office Audits (compared to 13 in 2010), which audit a companies' headquarters to check management systems, auditor qualifications, quality of reports and data storage systems.
- **DUPLICATE AUDITS:** In 2011, BSCI conducted eight Duplicate Audits, which are conducted shortly after an initial audit takes place to ensure that the first audit has been conducted correctly.

PUBLIC INPUT ON BSCI AUDIT TOOLS

In 2011, BSCI initiated a public review process of BSCI's audit tools, receiving feedback from more than 115 internal and external stakeholders. BSCI's Self Assessments and Audit Questionnaires were reviewed; feedback will be integrated into the next version of the tools.

OTHER AUDIT DEVELOPMENTS

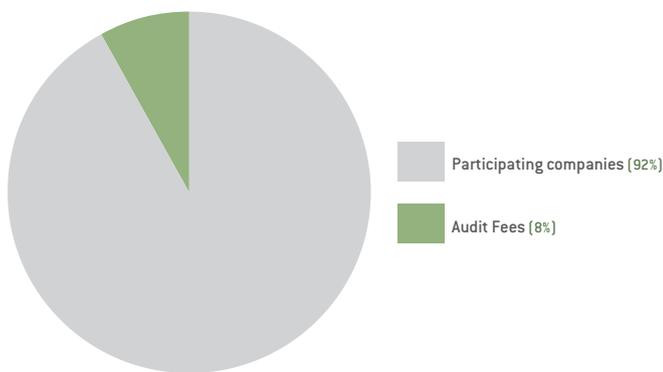
In 2011, BSCI recommended that participating companies conduct unannounced re-audits at their supplying factories and farms. In addition, the auditing procedure was adjusted to ensure that auditors do not evaluate compliance with BSCI's best practice SA8000 until the basic BSCI social requirements have been fulfilled. This adjustment allows the auditor and the producer to focus on basic corrective actions before complying with best practice standards.



FINANCES

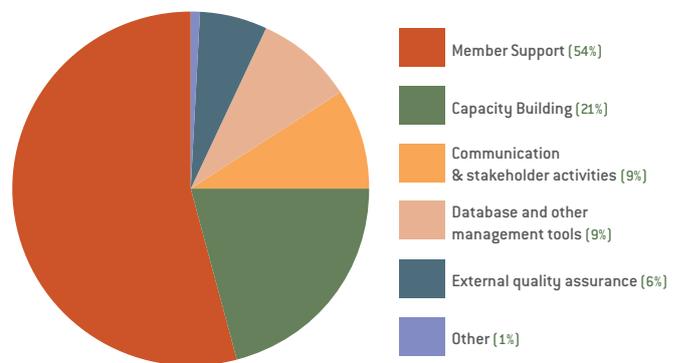
INCOME

The total income in 2011 was 4.454.000€ coming from two sources: participating companies and audit fees.



EXPENDITURE

In 2011, the majority of BSCI expenses went on company support, capacity building, communications and stakeholder relations. A key share of the expenditures were external audit quality assurance, the supplier database and other BSCI tools.



WE ARE 778 PARTICIPATING COMPANIES STRONG!

ADVANTAGES TO JOINING BSCI

By joining the BSCI, you will:

- Take steps towards improved working conditions in the risk countries of your global supply chain
- Reduce costs and save time by sharing audit information in the BSCI supplier database
- Boost your supplier productivity and competitiveness
- Increase your credibility and company's reputation for fairness
- Be part of an effective and well-established platform of companies devoted to the same goal

BSCI OBLIGATIONS

To participate in BSCI means you need to:

- Commit to the implementation of the BSCI Code of Conduct in the risk countries of your supply chain
- Share audit results in the BSCI supplier database
- Support the improvement process of producers by involving them in capacity building activities
- Be active in the "BSCI life"
- Actively co-operate with other BSCI companies in crisis situations
- Communicate about your involvement

Details on how to become a BSCI Participant can be found on the BSCI website: www.bsci-intl.org

BSCI MOVING FORWARD

INCREASE IMPACT

BSCI's long-term objectives to increase its impact include:

- Increase the level of compliance by reaching one-third of 'Good' or 'Improvement Needed' audited suppliers in risk countries by 2013.
- Continue to expand the BSCI supplier database.
- Strengthen the quality of audits and increase auditor training.
- Improve tools for BSCI companies and auditors.
- Develop partnerships with other systems.
- Increase external visibility through improved communications.
- Ensure a smooth communication flow with participating companies.
- Expand participating companies to capture increased synergies.

The BSCI Secretariat, together with support from participating companies, Country Representatives and involved stakeholders, can strive to meet these long-term objectives.

BROADEN STAKEHOLDER ENGAGEMENT

In the long term, we want to strengthen our working relationships with stakeholders and achieve:

- A strong and representative BSCI Stakeholder Council.
- An active network of solid Round Tables.
- Productive stakeholder dialogues leading to strategic collaborations.

BUILD CAPACITY

Building the capacity of BSCI participating companies, suppliers, auditors and trainers is a key pillar of the BSCI long-term strategy. Our goal is to:

- Create a strong network of service providers.
- Increase the number of awareness and advanced workshops in supplier countries.
- Increase training for participating companies.
- Enhance capacity-building programs in the food sector.
- Create more online tools.

PILOT INNOVATION

In 2012 and 2013, BSCI will continue to make progress on two pilot projects:

- **SMEs:** Continue to develop an innovative pilot project that meets the needs of SMEs and provides them with a tool to implement BSCI smoothly and effectively.
- **Public Entities:** BSCI will explore how public entities could apply the BSCI system in their procurement. Since public procurement programs must adhere to specific rules, different from those of a business, BSCI will continue to determine how such organisations can use BSCI as a tool for improving social compliance.

LIST OF ACTIVITIES IN 2011

Objectives 2011	Measures taken 2011	level
Create synergies with other initiatives	<ul style="list-style-type: none"> - Producers having completed the GRASP check list can move straight to the BSCI Internal Audit - Fully conducted cross audit projects with the Chinese system CSC9000T and Rainforest Alliance. - Participation in GSCP's Equivalence Process to benchmark process with the GSCP Reference Code and other tools 	Medium
Optimise the monitoring of suppliers' improvement	<ul style="list-style-type: none"> - The first Impact study of BSCI in the Food Sector was published - BSCI's new database is in progress and set to be launched in September 2012 	High
Expand infrastructure to support participating companies	<ul style="list-style-type: none"> - Welcomed new staff to the BSCI Secretariat - Supported six National Contact Groups - Added a BSCI representative in Bangladesh 	High
Improve audit tools	<ul style="list-style-type: none"> - Reviewed the BSCI Self Assessment and Audit Questionnaires 	High
Improve quality of audits	<ul style="list-style-type: none"> - Reviewed the BSCI auditing process in order to increase the quality of audits - Recommended companies to conduct unannounced audits - Performed an additional 287 Internal Quality Reviews compared to 2010 - Conducted 18 Office Audits at auditing companies - Conducted double the number of Duplicate Audits than planned - Increased the number of Surveillance Audits performed from 36 in 2010 to 46 in 2011 	High
Ensure a high quality of auditors	<ul style="list-style-type: none"> - 150 auditors were trained through workshops in India, China and Turkey - Organised two calibration meetings at auditing companies 	Medium

Objectives 2011	Measures taken 2011	level
Create solid partnership with other initiatives to increase training capacity	<ul style="list-style-type: none"> - BSCI conducted one combined training with Fair Labor Association (FLA) - Rolled out 11 workshops as part of the Public Private Partnership; 'Scaling up Indian CSR initiatives' 	Medium
Increase the quantity and quality of training provided to participating companies	<ul style="list-style-type: none"> Held Information Seminars in Belgium (5), Germany (5), the Netherlands (5) and in Denmark - Conducted five 'In-house' training for buyers - Organised an annual food conference - Organised a communications workshop to help companies communicate about BSCI 	High
Provide online capacity building tools	<ul style="list-style-type: none"> - A Risk Matrix Assessment was launched for participants in the food sector - A Producer Starter Kit was developed - An e-Learning tool for industrial production is in progress - Created a forum for Dutch speaking BSCI companies 	Medium
Build capacity of suppliers	<ul style="list-style-type: none"> - 85 supplier workshops trained over 4,500 factory and farm managers - Supplier workshops were on average rated 'good' 	High
Train the trainer	<ul style="list-style-type: none"> - Conducted training for Service Providers in China and India 	High
Pilot projects	<ul style="list-style-type: none"> - Foundations laid for SME Pilot Project - Pilot Project for Public Procurement not started 	Low
Strengthen the role of the BSCI Stakeholder Council	<ul style="list-style-type: none"> - The Stakeholder Council holds a seat in the BSCI Steering Committee - No new members joined the Stakeholder Council 	Medium
Increase dialogue with stakeholders in supplying countries	<ul style="list-style-type: none"> - Multi-stakeholder gatherings were held in China (2), India (2), Bangladesh (3), Morocco (1), Thailand (1) and Vietnam (1) 	Medium

Objectives 2011	Measures taken 2011	level
Increase involvement of stakeholders in BSCI	<ul style="list-style-type: none"> - Stakeholders played active part in BSCI Annual Conference - Stakeholders participated in online consultation on the new BSCI self-assessment and auditing tools - Stakeholder dialogue was enhanced in European countries at NCG level (CH, FI, NL, SE) 	High
Increase BSCI's visibility at international level	<ul style="list-style-type: none"> - Launched the BSCI video - Increased amount of external news - Generated increased press coverage at international and local levels 	High
Increase BSCI's visibility at national level	<ul style="list-style-type: none"> - Implemented a Swiss BSCI website as start of a series of BSCI national websites - Pro-active media and communication activities in CH, DE, NL - Developed a media partnership with two events 	High
Give additional support with communications to participating companies	<ul style="list-style-type: none"> - Provided regular assistance with media and crisis communication related to BSCI - Assisted companies in their communications about BSCI 	Medium

EVALUATION PROCESS

THE AUDIT EVALUATES THE SUPPLIERS AGAINST THE BSCI CODE OF CONDUCT

The suppliers of BSCI participating companies are evaluated in a three-part questionnaire:

- **Part A ('Master Data')** gathers information about the structure of the company, such as the location of production units and number of sites, sub-contractors and sub-suppliers. It also gathers data about business activities and revenue, production and employment structure.
- **Part B ('BSCI Social Requirements')** translates the requirements of the BSCI Code into concrete questions. The assessment and implementation of Part B is mandatory.
- **Part C ('Best Practice for Industry')** is based on the criteria of our best practice, SA8000. This part of the questionnaire is optional in order to allow auditors to focus on the non-compliances found in Part B. It concerns questions such as the implementation of a living wage, full responsibility for sub-suppliers, the existence of a CSR policy and CSR communication with the factory. During a BSCI audit, the auditor has to assess if the supplier has complied with the more ambitious criteria of Part C; however, the implementation of Part C is not mandatory.

All suppliers who are able to satisfy part B and part C of the audit questionnaire are encouraged to apply for SA8000 certification. Many suppliers face challenges complying with the more stringent requirements of SA8000. However, 291 suppliers of BSCI participating companies are SA8000 certified.

PART B: BSCI SOCIAL REQUIREMENTS

- B.1 Management Practice
- B.2 Documentation
- B.3 Working Time
- B.4 Compensation
- B.5 Child Labour
- B.6 Forced, Prison Labour/ Disciplinary Measures
- B.7 Freedom of Association/ Collective Bargaining
- B.8 Discrimination
- B.9 Working Conditions
- B.10 Health and Social Facilities
- B.11 Occupational Health and Safety
- B.12 Dormitories

B.13 Environment

The implementation of each social requirement is assessed through a set of questions. A subset of the questions is considered crucial - if suppliers do not pass a crucial question, they will be rated overall as "Non-Compliant".

For example, crucial questions include:

- B.1 Management Practices: Is there a procedure to recruit subcontractors based on their ability to meet social requirements?
- B.3 Working Time: Do employees receive one free day following six consecutive days of work?
- B.4: Compensation: Is overtime paid at the individual hourly rate?

THE EVALUATION GRADING SYSTEM

To assess the compliance of the supplier, we use an evaluation grading system based on four rates.

- **Good (G):** The factory audit shows no deviation or only minor deviations from the BSCI requirements. In addition, full protection of employees is given in regards to implementation of the ILO Core Conventions. An auditor can assess an audit as good, if there are not more than two deviations in non-crucial points per chapter. If a factory is rated as "Good", it does not require a re-audit. Even when a factory is graded as "Good" in many categories, it will be in non-compliance if it fails to pass a crucial requirement.
- **Improvements Needed (IN):** The factory audit shows that there is fulfilment of at least half of the requirements and no deviation on crucial points.
- **Non-Compliance (NC):** The supplier is in non-compliance with half of the requirements and/or in crucial points.
- **Non-Applicable (NA):** The requirements do not match the company structure. This is mainly the case related to dormitories.

OVERALL AUDIT RESULTS

WE SEE REAL PROGRESS, BUT STILL FACE SUBSTANTIAL CHALLENGES

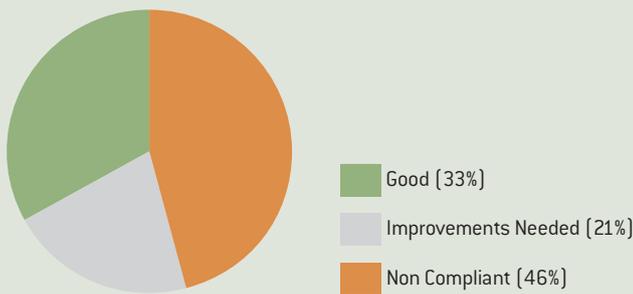
To assess the improvement that implementation of the BSCI process brings to factories and farms, we need to compare the results of those suppliers who completed an initial audit and a re-audit if necessary. In 2011 3893 initial audits were conducted at 2922 factories and farms, while 2549 re-audits were conducted at 2213 factories and farms. The charts included in this section summarise the results of the initial audits and re-audits by country.

While the social conditions at factories are improving, there is still work to do to improve results in working time (B.3), compensation (B.4), health and safety (B.11) and management practice (B.1). Tackling these issues will require shifting systemic, economic and politically sensitive issues. We work to address these issues through our on-going stakeholder dialogues and advanced training for suppliers.

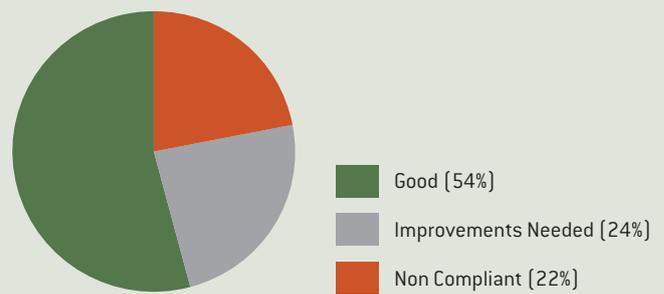
The re-audit figures are sometimes lower than the number of initial audits because if a factory is rated as “Good”, it does not require a re-audit. In other instances, the number of re-audits is higher than the initial audits because more than one re-audit was conducted at the same supplier. In addition, while the bar charts may show high rankings in many categories, a supplier's overall ranking will be “Non-Compliant” if it does not pass one of the crucial questions (see box above on Part B for details).

SUPPLIERS WITH AUDITS COMPLETED IN 2011

INITIAL AUDIT RESULTS (2922)



RE-AUDIT RESULTS (2213)



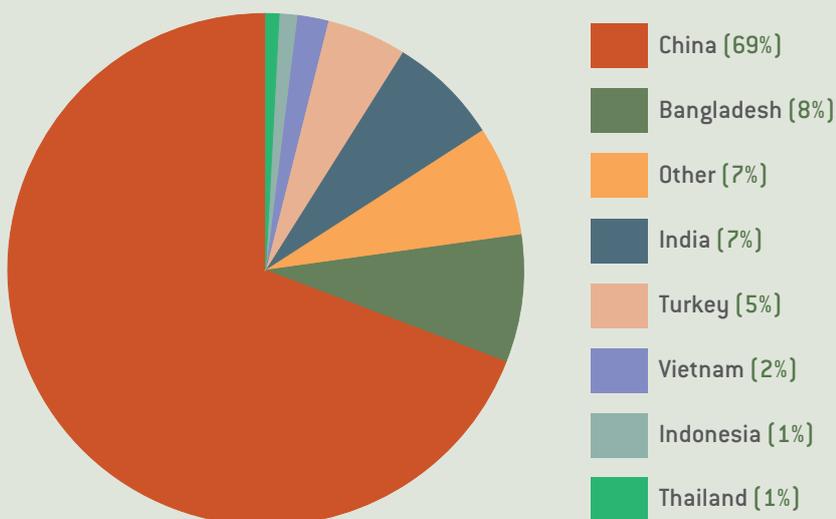
Audit Overview 2011: Overall Results for All Countries

	Audits	Re-Audits
Suppliers in the three year cycle	10590	5580
Suppliers having completed an initial audit and re-audit in 2011	2922	2213

OVERALL RE-AUDIT RESULTS FOR ALL COUNTRIES IN 2011



DISTRIBUTION OF INITIAL AND RE-AUDITS BY COUNTRY IN 2011



CHINA

China continues to be the most important supplying country of BSCI Participants in 2011 owning 69% of BSCI audits. While China has been affected by the global economic downturn, the country diversified its markets in order to improve the trade mix. In 2011, China's total volume of trade in goods represented US\$3.64 trillion for the year, an increase of 22.5% compared to 2010. Exports and imports grew by 20.3% and 24.9%, respectively. According to the World Trade Organisation (WTO), China ranked first as the global merchandise exporter and ranked second to USA as the world's largest importers in 2011. China's GDP reached €5.9 trillion, an increase of 9.2% in 2011.

At the social level, last year saw a significant increase in the minimum wage across the country. Basic pensions increased for the seventh consecutive year and a new social insurance law was introduced bringing positive benefits to workers but also challenges for manufacturers who now need to better manage their costs. The pressures on the supply chain costs have led to a shift in the production from the east to the mid- and western part of the country in order to stay competitive. In general, social compliance issues have been considered as one of the top priorities of the Chinese government for sustainable development.

The increased awareness of labour rights among workers has generated a series of strikes, proactive trade unions and a general call for collective wage negotiations. However, this has also resulted in a wave of improvements to working conditions steered by major manufacturers.

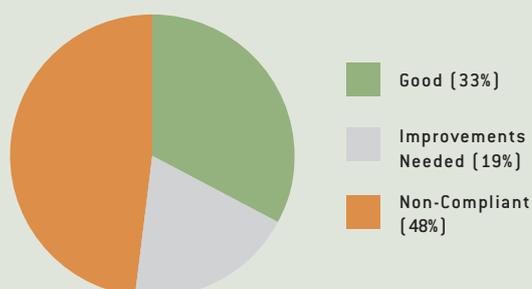
According to the 2011 BSCI audit results, a total of 2026 factories conducted initial audits in China, 33% of which were rated "Good" and 48% as "Non-Compliant". This shows significant improvements compared to the initial audit results from 2010 (27% rated "Good" and 58% rated as "Non-Compliant"). The reasons for this improvement could be in part due to increased importance and recognition of social compliance at legislative level along with the pressure to stay competitive. Following 1533 factories which performed re-audits, non-compliance was significantly reduced to 26% and the rating "Good" increased to 56%.

In 2011, BSCI increased its activities in China through 33 supplier workshops and two Stakeholder Round Tables. The BSCI audit results show that Compensation (B.4), Working Time (B.3), and Health and Safety (B10) are still the most challenging areas in China. To echo these needs, our workshops in 2011 focused primarily on labour contract, compensation & working hours.

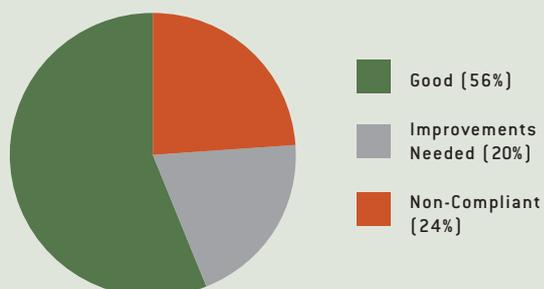
Audit Overview 2011

	Audits	Re-Audits
Suppliers in the three year process	7267	4111
Suppliers having completed an initial audit and re-audit in 2011	2026	1533

TOTAL RESULTS INITIAL AUDITS



TOTAL RESULTS RE-AUDITS



Capacity Building	Participants	Workshops	Dates	Location
Awareness Raising Workshops	700	9	11/13 April 2011	
			17/19 May 2011	Shenzhen
			19 May 2011	Shanghai
			6 July 2011	Hangzhou
			21 September 2011	Nanjing
			29 November 2011	Qingdao
Advanced Workshops	1671	24	5/8 December 2011	
			12/14 April 2011	Shenzhen
			18/20 May 2011	Shanghai
			5/7 July 2011	Hangzhou
			20/22 September 2011	Nanjing
			20/28 November 2011	Qingdao
			6/9 December 2011	

Round Tables 2011

29 June 2011, Beijing, China

1 December 2011, Beijing, China

BANGLADESH

The Bangladesh garment industry continues to be the country's first export sector. The efforts made by the industry have intensified over the year in order to diversify to other markets like Japan, South America and Russia. Despite this, the overall order volume has continued to rise in Bangladesh including an increase in the Export Processing Zone reported by over 41%. The importance of Bangladesh as garment exporter has been underlined by high level visits including EU Commissioners and the German President.

Bangladesh's garment industry has to face an increased shortage in energy, namely in gas and electric supply. With the raising awareness of the challenges that industrial pollution causes to the environment, the government Department of Environment punished many industries in the sector for polluting rivers over the past year.

The issue of health and safety at Bangladesh workplaces continued to be a challenge with a couple of fire incidents in garment factories and work-related accidents. The majority of non compliance issues

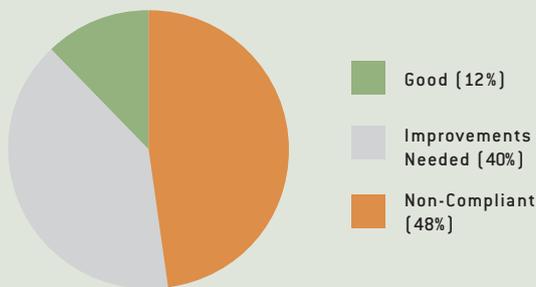
recorded by BSCI audits have concerned Compensation (B4), Working Time (B3) and Occupational Health and Safety (B11). Three supplier Awareness Workshops and twelve Advanced Workshops have also been organised by BSCI in 2011 addressing key compliance issues to over 1000 factory managers. The themes of these workshops specifically address major issues in Bangladesh, such as compensation, working time and health and safety.

The industry-wide improvement of good management – workers relations remains a challenging issue, particularly in the garment sector. The Bangladesh Round Table on Social Compliance continued with three sessions held in 2011. Among attendees from diverse stakeholders, were the Minister for Labour & Employment and as well as the Chairmen of Parliament Standing Committees. The issue of industry-wide safety measures were debated and the 2012 agenda has been agreed among professional groups. BSCI continued to provide support for this local established dialogue, addressing social and more recently, environment issues.

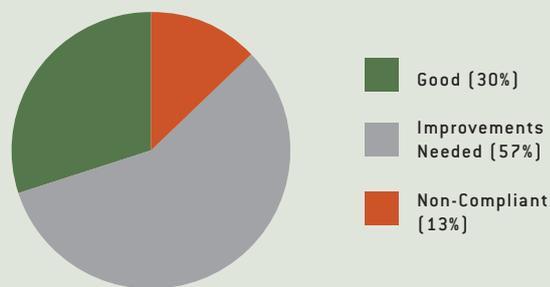
Audit Overview 2011

	Audits	Re-Audits
Suppliers in the three year process	664	374
Suppliers having completed an initial audit and re-audit in 2011	207	196

TOTAL RESULTS INITIAL AUDITS



TOTAL RESULTS RE-AUDITS



Capacity Building	Participants	Workshops	Dates	Location
Awareness Raising Workshops	190	3	18 April	Dhaka
			13 July	
			22 November	
Advanced Workshops	868	12	19 – 20 April	Dhaka
			12 July	
			14 July	
			23 – 24 November	

Round Tables 2011

27 April 2011, Dhaka, Bangladesh

10 August 2011 Dhaka, Bangladesh

24 November 2011, Dhaka, Bangladesh

INDIA

India's economy has grown impressively since opening up its markets in the early 1990s. Its GDP quadrupled to US\$1.84 trillion in 2011. Exports have grown from US \$18 billion in 1991 to US\$300 billion in 2011. The share of services and industry in India's GDP continues to grow despite the fact that agriculture continues to employ more than half of the work force. Services, although engaging only one third of the workforce, continue to play a prominent role accounting for nearly 60% of India's output.

In 2011, the Indian economy maintained the resilience from 2010 despite the global financial crisis. However, the growth rate dipped; this was mainly due to the crisis in Europe and the USA. Despite this, the diversification to new markets helped India maintain a strong export growth momentum. India's total merchandise exports crossed US\$300 billion mark. Exports now account for around 16% of India's GDP.

However, India continues to face a host of social challenges including a high level of poverty, deficit

infrastructure and an unemployment rate close to 10%. Despite having a very youthful population, a high percentage of them are untrained and they remain in agriculture or other low wage jobs. It remains a challenge to reinforce its existing social and economic legislation to improve the livelihood of its population.

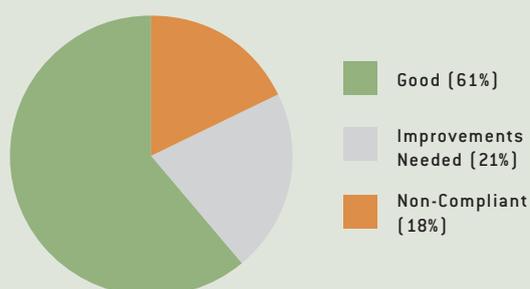
Regarding the BSCI audit results, by the end of 2011 a total of 228 factories had completed Initial Audits and 107 had completed Re-Audits; 61% were rated "Good" and 18% as "Non Compliant". This shows a significant improvement compared to the "Non Compliant" audit results of 2010 at 32%. Following the Re-Audits, "Non Compliant" increased slightly to 20%, while "Good" increased to 62%.

While there was an improvement in audit results, we still observe non-compliances in terms of Working Time (B.3), Compensation (B.4) and Occupational Health and Safety (B.10). In 2011 BSCI focussed its capacity building activities on its main non-compliances including compensation and working hours.

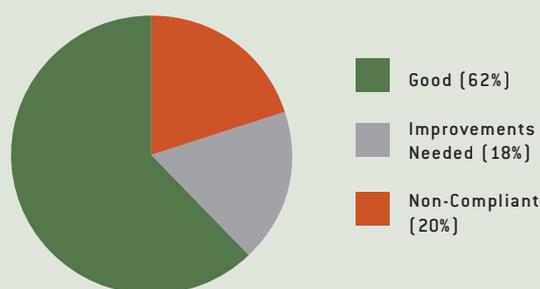
Audit Overview 2011

	Audits	Re-Audits
Suppliers in the three year process	783	230
Suppliers having completed an initial audit and re-audit in 2011	228	107

TOTAL RESULTS INITIAL AUDITS



TOTAL RESULTS RE-AUDITS



Capacity Building

	Participants	Workshops	Dates	Location
Awareness Raising Workshops	79	2	15 November	New Delhi
			17 November	Coimbatore
Advanced Workshops	138	4	16 November	New Delhi
			18 November	Coimbatore

Round Tables 2011

18 January 2011, New Delhi, India

22 December 2011, Chennai, India

TURKEY

Turkey's largely free-market economy is increasingly driven by its industry and service sectors, although its traditional agriculture sector still accounts for about 25% of employment. An aggressive privatisation program has reduced state involvement in basic industry, banking, transport and communication. An emerging cadre of middle-class entrepreneurs is adding dynamism to the economy and expanding production beyond the traditional textiles and clothing sectors. The automotive, construction, and electronics industries are rising in importance and have surpassed textiles within Turkey's export mix.

At the social level, unemployment continues to remain high at 25% in a country where people under the age of

28 represent half the country's population.

Most suppliers of BSCI Participants in Turkey come from the garment sector. A total of 147 factories had completed initial audits in 2011, 33% were rated as "Good" and 53% rated as "Non Compliant".

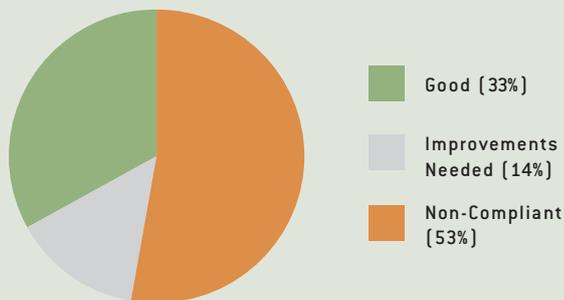
Re-Audits were conducted at 115 factories which led to a significant increase of "Good" ratings to 59%.

According to the 2011 BSCI audit results, most non compliances are related to Working Time (B.3), Compensation (B.4) and Management Practice (B.10). BSCI organised three workshops reaching out to 87 factory managers, the themes were focusing on compensation and health & safety.

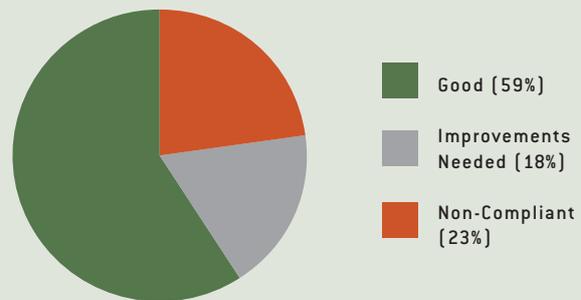
Audit Overview 2011

	Audits	Re-Audits
Suppliers in the three year process	539	220
Suppliers having completed an initial audit and re-audit in 2011	147	115

TOTAL RESULTS INITIAL AUDITS



TOTAL RESULTS RE-AUDITS



Capacity Building

	Participants	Workshops	Dates	Location
Awareness Raising Workshops	55	1	4 October	Istanbul
Advanced Workshops	58	2	5-6 October	Istanbul

VIETNAM

2011 was challenging for Vietnam’s economy and its corporate community. The country’s macro-economic growth has remained steady, however high inflation returned early 2011 which posed a challenge for both Vietnamese companies and investors. Vietnam’s GDP growth was 7.3% in the latter half of 2010, and 5.6% in the first half of 2011. Industrial output growth in 2011 was over 14%, led by the private sector and foreign-invested projects. But by summer 2011, consumer price inflation was running at almost 21%, and the Vietnamese Dong had declined by roughly 8% against the US dollar in just twelve months. This was in part due to credit growth which had been allowed to increase at unsustainable levels.

Vietnam adopted most of ILO Conventions on human rights and labour rights. Despite the labour law and trade union laws having been revised in 2010 and approved in 2011, another revision is set for May 2012.

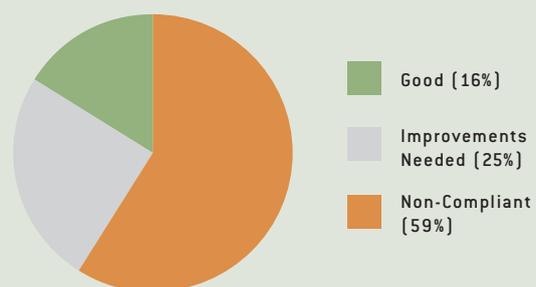
The majority of suppliers in Vietnam are from the garment sector, while the rest work in furniture, hardware, food and others. A total of 63 factories having completed initial audits; 16% were rated as “Good” and 59% as “Non Compliant”. After 57 factories having completed re-audits, the rate of non-compliance was significantly reduced to 21% and “Good” increased to 44%. The majority of non-compliances are linked to Working Time [B.3] Compensation [B.4] and Management Practice [B.1].

In 2011, BSCI initiated a stakeholder Round Table meeting notably focusing on working time. BSCI also delivered six workshops reaching out to 271 participants (including one Advanced Workshop for Primary Producers) with a particular focus on working hours, compensation and health & safety.

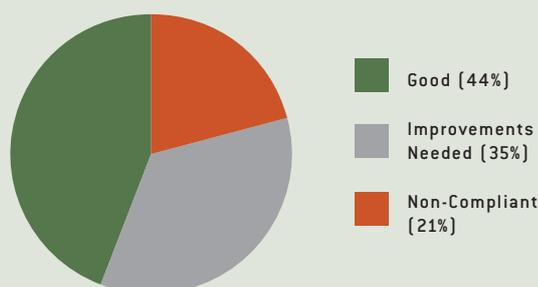
Audit Overview 2011

	Audits	Re-Audits
Suppliers in the three year process	258	133
Suppliers having completed an initial audit and re-audit in 2011	63	57

TOTAL RESULTS INITIAL AUDITS



TOTAL RESULTS RE-AUDITS



Capacity Building

	Participants	Workshops	Dates	Location
Awareness Raising Workshops	55	1	4 October	Ho Chi Minh
Advanced Workshops	216	5	5 – 6 October 7 November	Ho Chi Minh

Round Tables 2011

23 September 2011, Hanoi, Vietnam

134 new companies
joined in 2011

Over 6000 BSCI audits
performed in 2011

Monitor

Over 4500
suppliers trained

Over 950 auditors
carrying out
BSCI audits

BSCI IN 2011

85 capacity-
building workshops

in 12 sourcing
countries

2.3 million
workers reached through
BSCI companies' supply chains

Engage

14 Stakeholder
Round Tables
and meetings
worldwide

778

participating
companies with a
total turnover of
€593 billion

Empower



An initiative of the Foreign
Trade Association (FTA)

Business Social Compliance Initiative

c/o FTA - Foreign Trade Association
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