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CORPORATE SOCIAL RESPONSIBILITY

A company may have several Corporate Social Responsibility (CSR) programs and/or departments focusing on the following topics:

» Legal and Ethics
» Philanthropy, Community Involvement and Giving Back
» Supply Chain Management
  • Social Responsibility and Fair Labor
  • Environmental Sustainability

This toolkit will focus on the Social Responsibility and Fair Labor aspects of a CSR Program, i.e. a “Social Responsibility Program.”

The Outdoor Industry Association’s Aspirations Regarding Social Responsibility & Fair Labor Standards

It is the standpoint of Outdoor Industry Association (OIA) that sustainable economic development and social progress can only be realized if basic living standards are preserved or improved.

Therefore, OIA and its members acknowledge that we:

» Have a shared responsibility for the social and ethical conditions involved in sourcing the products that we buy;
» Believe that activities in this area should be noncompetitive and apolitical;
» Respect the cultural and legislative differences in the countries within which we manufacture, but we aspire to international standards nonetheless; and,
» Seek to work in partnership with our suppliers.

OIA encourages its members to develop a robust Corporate Social Responsibility program. This toolkit has been created in order to assist OIA member companies in implementing a CSR program and to continuously improve upon their program, with the ultimate goal of improving working conditions and labor rights in Outdoor Industry supply chains.

THE TOOLKIT

The intention of this Toolkit is to provide companies, both brands and suppliers, with tools and resources to start and continuously improve your Social Responsibility Program. This is an open-source working document; if you have or know of additional tools and resources that can help improve this document, please contact OIA with this information.
BASIC AWARENESS / COMPLIANCE

1. Obtain Executive Buy-in, Obtain Accountability

OVERVIEW

Obtaining executive buy-in is necessary to get your Corporate Social Responsibility (CSR) program off the ground and to continue building it. If your executives don’t believe in social responsibility, or realize its importance in today’s business environment, it will be very difficult to get a program off the ground. Many brands have failed to keep their program going because they didn’t start with the buy-in step.

In addition to buy-in, you will also need to make sure that someone is responsibly and carefully managing your program. While you might be able to get a few audits going without top support and without someone in charge, you most likely will not be able to keep the program going. Without executive commitment and resources dedicated, your peer companies with whom you want to collaborate, as well as your suppliers will know you are not serious about the issue.

OBTAINING EXECUTIVE BUY-IN

Buy-in is key for success in building a robust CSR program. It is most effective to attempt to build executive buy-in from the start. Often there is a senior executive who may be sympathetic to the cause or possess a strong understanding of the business case. It can be very helpful to target these people first as change agents to help you build support. Also, there may be individuals in middle management who realize the need for increased oversight of their facilities. Gathering support from as many areas of the company as possible will only help build the case for executive buy-in.

Education and training can help communicate the value of a CSR program and make it easier to secure executive buy-in. The following points are useful in building the business case:

» Candid discussion of risks to your company/brand
» Expectations of outdoor customers
» Increased pressure from NGOs
» Increased mass media attention
» Company is lagging behind best practice

» Employees feel more morally connected to their company
» It’s the right thing to do
» Possible consequences of non-adoption
Building the business case for creating / building a CSR Program

Most executives will want to know the business case for allocating money and resources to a CSR program. The following chart illustrates the different stakeholder groups and reasons why the landscape is changing:

Why should your company, whether you are a brand or a supplier, have a Social Responsibility Program?

» Consumers, especially outdoor consumers are very aware of social and environmental responsibility, by nature they want to buy products that they feel good about.
» NGO’s and Activist Groups are increasingly targeting brands and suppliers. Increased access to internet and social media have enabled campaigns to gain instant traction, increasing the risk to brand reputation.
» Media – social networking has become a powerful form of disseminating information, and can immediately influence and rally the masses. A negative comment about your company can spread quickly.
» Government pressure – new social and environmental laws are being passed all the time. Examples include the CA Transparency in Supply Chains Act to address human trafficking, REACH in Europe, and California Green Chemistry. Is your company prepared? Do you have staff that can research and implement programs? It makes sense to have a program in place to address and anticipate new legislation and mitigate the risk to your brand.
» Internal Stakeholders – More and more, people want to work for companies that share their values, and have a good ethical reputation in the industry.

When building a buy-in presentation/argument, consider the following:

» Outline the risks for the business, including regulations and a key stakeholder analysis to present to executives.
» Build risk assessment through secondary research on country risks and connect it to your supplier locations and exposure.
» Assess expectations of expert NGO’s, customers, employees, and the community you do business in.
» Obtain previous examples of NGO/PR pressure that other companies have received from labor practices.
» Benchmark your program against other companies.
» Illustrate what your competitors are doing and where your company is positioned in the market.
» Include Benefits of Having a Social Responsibility Program, see below:
Benefits of Having a Social Responsibility Program

**Enhances your company**
- Competitive advantage
- Meet customer and consumer expectations
- Protect your brand and reputation
- Increased staff morale and retention
- Meeting regulatory and legislative requirements
- Understand the broader implications of your business operations
- Cost savings

**Increases quality and efficiency**
- Studies indicate that reduced overtime and open communications can lead to increased factory productivity, reduced turnover, decreased production errors and increased product quality.

**Good for workers**
- Workers are more productive and have better morale when their health, safety and well-being are protected.
- It’s the right thing to do to be a good corporate citizen

**ASSIGNING ACCOUNTABILITY**

Once you have buy-in, and hopefully a little funding, the next step is to assign someone to be in charge of the program. Accountability is a necessary part of a social responsibility program in order to be successful. You will need one person on the executive team to ultimately be responsible for the CSR program, as well as a minimum of one person in charge of data gathering, risk assessment and who is also able to summarize the current status to executives/PR/stakeholders at any time. Without a central person, your efforts will likely be token efforts that do not accomplish much substantive change.

Some best practices are:

- Include CSR responsibilities in job description
- Don’t place the position in the marketing department!
- If using existing resources/staff, usually your company’s sourcing or quality person or legal counsel is the first to be assigned this role. Make sure this person is given space to do the job right—meaning take something off their plate, don’t just heap more work
- Facilitate necessary training, or hire an expert
- Set goals and deadlines for putting the program in place
- Get involved in CSR community
  - OIA Social Responsibility Working Group is a great start!
## IMPLEMENTATION

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<thead>
<tr>
<th>Program Piece</th>
<th>Foundation</th>
<th>Intermediate</th>
<th>Advanced</th>
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<tbody>
<tr>
<td><strong>Research and create the business case</strong></td>
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<td>Understand how your company is graded or evaluated online by campaigns, customer comments, news articles, social networking, consumer guides, etc.</td>
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<tr>
<td>Perform stakeholder expectations analysis</td>
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<td>Perform supply chain risk assessment</td>
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<td>Show Return on Investment (ROI) for implementing a program.</td>
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<td>Show legal requirements</td>
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<td>Benchmark against competitors’ CSR programs</td>
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<td>Research Publications and Studies that support the business case</td>
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<td>Show relationship between CSR and improved product quality and factory productivity</td>
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<td>Attend CSR buy-in trainings</td>
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<td><strong>Develop buy-in presentation</strong></td>
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<td>Create a buy-in presentation for executives</td>
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<td>Hire a consultant to create buy-in presentation</td>
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<td><strong>Give buy-in presentation to executives</strong></td>
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<td>Hire a consultant to give buy-in presentation to executives</td>
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<tr>
<td>Create reader friendly points and FAQ document for their future reference</td>
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<td>Develop a plan for follow-up after the presentation</td>
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<td><strong>Assign accountability</strong></td>
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<td>Use existing resources: • Sourcing, quality or legal person</td>
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<td>Hire an assistant to help relieve pressure on existing resources</td>
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<td>Develop a CSR department: • Hire a CSR expert with the highest level CSR title • Hire support staff • Hire field personnel</td>
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<tr>
<td>Hire a consultant to determine best approach for your company</td>
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</table>
2. Creating a Code of Conduct

The code of conduct is the foundation of your program. It sets the principles for your program commitment. Your code should be in alignment with your company values. You should also ensure it is aligned with any special requirements your customers may have. Developing a Code is not a one-time exercise, but an ongoing process. Even the best designed Codes are still merely words on paper. To become effective, it should be ingrained in your company’s beliefs, practices and behaviors.

You should begin by creating a social responsibility vision and mission statement that will be your north star for your program. Your vision statement should communicate your program’s purpose and the values of your organization. It is the long-term view of where you see your program and/or organization in the future, where or what you want it to be. It should be aspirational and a source of inspiration for your team and organization. Your mission statement is the how or what you will do to reach your vision. It should state the purpose of your program, outline the primary objectives, and define the measurements of success.

Most brands’ and suppliers’ codes of conduct are fairly similar these days. Most incorporate standards around:

- Child Labor
- Forced Labor
- Harassment or Abuse
- Nondiscrimination
- Freedom of Association and Collective Bargaining
- Compensation and Benefits
- Hours of Work
- Health and Safety and the Environment
- Additional standards such as ethical behavior, women’s rights, etc. can be included as well.

We strongly suggest that if you do not have a code and are a member of Outdoor Industry Association that you adopt the OIA’s Fair Labor Code of Conduct (See appendix). This specifies minimum standards only. These standards should not be misinterpreted as maximum limits and are not to be used against employees in any way, for example, to limit their freedom of association or collective bargaining rights. OIA encourages its members to go beyond legal compliance and a strict interpretation of the OIA Fair Labor Code of Conduct, drawing upon internationally recognized standards, in order to advance social and environmental responsibility.

These standards are in place to ensure workers are employed on their own accord, are treated with respect and dignity, and that they receive what they are entitled to by law. Having a strong code of conduct establishes the standards for suppliers to be in compliance with applicable local and international labor laws, such as the ILO Core Conventions. They ensure suppliers enforce safe working conditions and that manufacturing processes are environmentally responsible. It is highly recommended to make it a requirement of suppliers to post your Code of Conduct on each production floor in the worker’s local language, and have suppliers provide Code of Conduct training to their workers to ensure they understand their rights.

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<th>Program Piece</th>
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<tr>
<td>Write a vision and mission statement</td>
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<tr>
<td>Create a Code of Conduct</td>
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**Implementation Options**

- Online research of how to write a vision and mission statement, and examples of other companies’ statements.
- Commission an expert to write your statements.
- Copy an open source code.
- Conduct Code comparisons for your industry, suppliers, and/or your customers.
- Commission an expert to write your Code.
3. Setting Expectations Internally, to Suppliers and/or Customers

**WHY IT’S IMPORTANT TO SET EXPECTATIONS**

» Ensures good communication and manages expectations  
  • Companies need to clearly inform suppliers of expectations on adopting social responsibility as a part of their business and operations.  
» Helps manage risk throughout your supply chain  
  • Corporate Social Responsibility (CSR) addresses the issues, risks and remediation options concerning the treatment, conditions and compensation for the people working in contract production facilities along a company’s supply chain.  
» Fosters cooperation, compliance, and collaboration  
» It is a social responsibility program best practice  
  • In line with the ongoing work being done on the HIGG index, the core issue is supplier ownership  
» Documents and provides proof to stakeholders of your genuine commitment  
» Your program will be more effective and successful when expectations are clear

**KEY POINTS TO REMEMBER AND BEST PRACTICES:**

» Put your expectations in writing and clearly post them for all of your stakeholders to access  
» Have a two way respectful conversation between brand and supplier, or supplier to next tier supplier; build trust.  
» Pragmatism and collaboration drives transparency  
» Continuous improvement is the best approach to help improve working conditions, rather than immediately exiting a factory when an issue arises.  
» Communicating what they are doing around social responsibility is smart business for factory owners  
» Brands and suppliers have different levels of social responsibility sophistication. Everyone is on a different journey.  
» In many cases, a program cannot be a “one-size fits all”:  
  • Example: Leading suppliers vs. small family supplier  
  • Example: Raw material mill vs. garment factory

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<tr>
<th>IMPLEMENTATION – SETTING EXPECTATIONS INTERNALLY</th>
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<td><strong>Program Piece</strong></td>
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| **Create a plan for implementing your CSR program** | + | | | 1) Outline elements you will incorporate into your program  
  2) Create timeline for implementation  
  Hire a consultant to help develop your program |
| **Establish CSR policies and procedures / SOP** | + | | | 1) Create an Outline of Policies and Procedures you want to create  
  2) Create timeline for completion  
  3) Start writing SOP  
  Hire a consultant to write your SOP |
| **Train internal staff on Code of Conduct and SOP** | + | | | 1) Create an orientation presentation  
  2) Give to all existing employees annually  
  3) Incorporate into New Employee Orientation as new people are hired  
  Hire a consultant to create and/or give trainings  
  Create reader friendly talking points and FAQ document that could be used by your VPs, Directors, Sourcing team in the event that suppliers ask about your CSR program  
  Share audit results internally to help relevant staff understand |
### IMPLEMENTATION – SETTING EXPECTATIONS WITH SUPPLIERS

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<th>Program Piece</th>
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<tr>
<td>Communicate Code of Conduct</td>
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<tr>
<td>Create and disseminate supplier manual</td>
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<tr>
<td>Train suppliers on CoC and program expectations</td>
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<tr>
<td>Establish expectations legally</td>
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**Implementation Options / Steps**

- **Communicate Code of Conduct**
  - Create and send Supplier letter introducing your Code of Conduct. Ask supplier to post CoC to production floor. If using intermediary/agent, ensure they understand expectation of passing all information down the line.

- **Create and disseminate supplier manual**
  - 1) Create Supplier Social Responsibility Manual, outlining expectations and possible sanctions for not meeting requirements.
  - 2) Ensure every existing supplier receives a copy when complete. Make available online if possible.
  - 3) Ensure all new suppliers receive a copy by adding it to new supplier SOP.
  - Hire a consultant to write your Supplier Manual.
  - Hire a consultant to develop supplier manual accessible online on secure website – customized for each tier of your supply chain.

- **Train suppliers on CoC and program expectations**
  - Create Supplier Orientations:
    - 1) For New Suppliers – Pre-audit
    - 2) For Existing Suppliers – Refresher, give annually or when have major updates.
  - Give training via webinar to suppliers.
  - Travel to individual suppliers to give trainings (might reserve this for key suppliers only)
  - Train others in your organization to give presentation/discuss expectations when they are visiting suppliers.
  - Hold supplier seminars in main regions where suppliers are located.
  - Hire consultant/3rd party to create training materials and/or to give trainings.

- **Establish expectations legally**
  - Incorporate Social Responsibility requirements and expectations into sourcing/production agreements, and/or add verbiage to Purchase Orders.

### IMPLEMENTATION – SETTING EXPECTATIONS WITH CUSTOMERS

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<tr>
<td>Communicate your CoC and CSR Program</td>
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**Implementation Options / Steps**

- **Communicate your CoC and CSR Program**
  - Share your own Code of Conduct & Program with your customers (ensure you are meeting their strictest standards) via letter, email, or post to the web.
  - Create a PowerPoint presentation of your Program and SR efforts to give to current or potential customers when they visit.
  - Hire a consultant to create presentation.
  - Train your sales team or other relevant groups to give your Program presentation when they are visiting customers.
  - Have your SR point person visit key customers to present program and commitment to their SR team.
4. Risk Mapping Your Supply Chain

Mapping your supply chain and assessing risk are two key steps in identifying the scope of implementing a Social Responsibility Program. Both are important for the following reasons:

» It’s Good Business:
  - Company/Brand Protection
  - Worker Satisfaction = Worker Retention = Higher Quality Product

» It’s the Right Thing to do:
  - US Companies have led the way in improving working conditions worldwide
  - Legal reforms due in large part to US Brands and NGO’s

**MAPPING YOUR SUPPLY CHAIN**

It is important to know as much as possible about all levels of your supply chain to be able to accurately identify places along the supply chain that have the greatest risks for labor abuses. It is most common for companies to be familiar with their first tier (finished goods) suppliers, but know little or nothing about second, third, fourth and so on down the line. Also, adding in vendors and/or agents can further remove you from knowing the conditions under which your product is being made. Some tier 1 supply chain relationship examples are:

» Company/Brand – Factory
  - Having a direct relationship with the factory making your product allows for greater visibility

» Company/Brand – Vendor – Factory

» Company/Brand – Vendor – Agent – Factory
  - More layers means more challenges in communication. You should require contractually that your vendors and agents keep you apprised of where they are placing your product for production.

Mapping further down the supply chain:

» 1st Tier: In addition to identifying finished goods factories, you should also work to identify sub-contractors that those factories may be sending overflow or pieces of the process to.

» 2nd Tier: Identify Raw Material Suppliers
  - This will most likely be a huge undertaking, as many finished goods suppliers will contract with many materials suppliers
  - Strategies / Approach could involve:
    » Prioritizing Suppliers (by volume, dollars, etc.)
    » Sending out Questionnaires to Suppliers
    » Focusing on High Risk first

» 3rd Tier and on down the line:
  - OIA Materials Traceability Working Group is working on tools to help trace certain materials in your supply chain
  - At this point it is highly recommended to utilize a database as well as a product tracing tool
**RISK ASSESSMENT**

Performing a risk assessment is fundamental to identifying the areas of your supply chain where labor rights abuses could be more prevalent. In this element, we explore assessing external risks; assessing internal impacts and risk factors will be explored further in Element 11: Responsible Sourcing and Purchasing Practices. The following is a guide to get started on assessing risk:

1. Utilize supply chain mapping as a critical step
   a. Start with a list of all of your finished good suppliers – this exercise can take a while as you start digging you will discover agents, sub-contractors and multiple factories, just map it out.

2. Learn the steps involved in risk and impact assessment and what resources are available (see Tools and Resources below)

3. Examine the various products you market and sell to identify those that are more likely to be produced by child or forced labor or other human rights violations.
   a. List types of products that are higher risk
   b. Dollar Value / % of business of factory
      i. Doesn’t necessarily reduce risk to be smaller player in factory
   c. What business relationship you have with supplier

4. Perform Country Risk Analysis before sourcing from a new country or to determine risks in countries you are already sourcing from.

5. Monitor current suppliers to determine current risk and perform pre-sourcing monitoring before forming new supplier relationships. See Element 5 for Monitoring and Remediation.

6. Engage relevant stakeholders to gather additional information about risks. Stakeholder Engagement will be explored further in Element 10.

<table>
<thead>
<tr>
<th>IMPLEMENTATION – MAPPING YOUR SUPPLY CHAIN</th>
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<td><strong>Program Piece</strong></td>
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<tr>
<td>Map Tier 1 Finished Goods Suppliers</td>
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<td>Map Tier 2 Raw Materials Suppliers</td>
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<td>Mapping further down the supply chain</td>
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<td>Tracking your Supply Chain</td>
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### IMPLEMENTATION – RISK ASSESSMENT

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<th>Implementation Options / Steps</th>
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<tbody>
<tr>
<td>Perform Supply Chain Risk Assessment</td>
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<td>Utilize internal personnel to perform risk assessment by researching:</td>
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<td>• Country risk analysis</td>
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<td>• Product type risk</td>
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<td>• Industry risks</td>
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<td>Subscribe to and/or purchase country risk analysis tools.</td>
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<td>• Prioritize by countries with highest production</td>
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<td>Hire a consultant to do perform supply chain risk assessment.</td>
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<td>Rank suppliers based upon risk</td>
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<td>Determine risk ranking by combination of:</td>
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<td>• Volume of Production</td>
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<td>• Country Risk</td>
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<td>• Product Type Risk</td>
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<td>Talk to other brands to determine how they rank risk.</td>
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<td>Monitor Risk</td>
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<td>Start Monitoring suppliers based upon risk map.</td>
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5. Monitoring and Remediation

MONITORING

Currently, most brands are monitoring Tier One finished goods suppliers, but the trend is moving towards monitoring other tiers in the supply chain based upon your supply chain risk map as outlined in Element 4. Audits are the most common tool used in the industry to verify that your code of conduct and local labor laws are being respected. Audits, however, do have limits as they tend focus on non-compliances rather than strengths. Audits are also a snapshot of the factory at a specific time. With social assessments this is difficult because humans are dynamic and therefore the audit will give you limited information. An audit should be one piece of your program, but it is recommended not to stop developing your program here.

Avenues to basic monitoring

- Internal team audit – Monitoring can be performed by your own internal team that you develop
- Third party audit – there are many third party service providers who have standard audit tools and reports for you to use or they will create a tailor-made audit for your specific needs but that will come at a higher cost. See resources below.
- Factory self-evaluation – many brands are also incorporating factory self-assessments into their monitoring cycles to help reduce factory audit fatigue.
- Collaboration auditing – working with the other customers sourcing from the same facility location to share audits, data and remediation. See Element 7 for guidance.

Baseline of Compliance

- When you first start auditing, you will develop a baseline of compliance against which you can start to measure suppliers’ progress year-over-year. Keep in mind an audit is a snapshot of what’s happening at the factory on a given day.

Information Gathering

- Monitoring allows you to ensure your Code of Conduct is being followed and to gather information to better prioritize your code implementation efforts.

Discover Problems

- Effective monitoring also helps to discover problems, and identify symptoms of what is driving the issues so you can start to work with suppliers to develop solutions. The following are some examples of what can be uncovered during an audit:
  - Law violations
  - Code of Conduct violations
  - Environmental issues
  - Human Resource Management issues

Measure Progress

- Once you have performed several re-audits, you can start to measure the progress the supplier is making over time
PREPARING TO AUDIT

• Create audit process:
  • Announced vs. Unannounced
    » Announced audits are when you work with the factory to schedule a best time for the visit, however it may not give you the most accurate results.
    » Unannounced audits are the best practice as the factory doesn’t know you’ll be visiting and you can see the real environment on a normal day of work. This is how the Department of Labor, Fair Labor Association and other NGO’s approach the audit process for a more transparent result. Usually if the factory is transparent they won’t have any issues welcoming the audit and will do their best to accommodate. If however the audit is denied this could be a red flag that the factory has something to hide.
  • Scope / length
    • How many days it will take to perform an audit – will usually depend on the size of the factory. Larger factories will need either more auditors or more days to perform. 3rd party audit firms can provide you with their man-day table.
  • Timeframe / Cadence
    • Pre-sourcing audit
      » It is a best practice to monitor suppliers to see if they meet your minimum requirements before developing a sourcing relationship with them
    • Determine how often you will audit. This usually depends upon the score they received on their last audit. A good guideline is:
      » Minor issues – revisit within 12 months
      » Moderate issues – revisit within 6 months
      » Major issues – revisit within 3 months
  • Audit procedures – a typical audit will include the following:
    • Opening Meeting
    • Document Review: The auditor will meet with management and ask for several documents that need to be reviewed. Some examples are:
      » Payroll journal (register)
      » Piece-rate records & Time cards
      » Proof of Age Documents (employee files)
      » Labor contracts
      » Facility rules and policies (policy handbook)
      » Production records
      » Business license (s)
      » Environmental Licenses (permits)
      » Waste discharge permits
      » Training documentation
    • Observation: The auditor will walk through the factory with management to look for
      » Health & Safety – such as fire safety, workers are wearing protective equipment, etc.
      » Watch for possible signs of underage workers, discrimination, abuse, etc.
      » Required wall postings
      » Legally required, and your code of conduct
      » Dormitories, canteen, etc. if provided
    • Interview: The auditor will interview a certain percentage of the employees to get their view of the conditions in the factory. Factory management will be interviewed and also any union representation, if present.
  • Develop internal tools and reports needed:
    • Create a pre-audit supplier profile:
      » Supplier overview with address (in local language), telephone number, and factory management, HR and social compliance contact information
      » Employment site details, including worker languages, number of office workers and number of line workers, shift times, overtime hours, required permits and licenses, trade union or worker committee information.
      » Employment site area and facilities, including dormitory, canteen, number of buildings and production floors.
      » Employment site production systems and processes, including peak and low seasons, monthly capacity, production processes and equipment, hazardous chemicals on site, and other major customers.
• Audit report template
  » If you will be using a third party audit firm, they may have a standard report already created that you can have them use.
• CAP (Corrective Action Plan) template
  » Best practice for a CAP is to include a responsible person, establish a due date you can hold them to, and include root cause analysis. See Remediation below for more information.
• Grading matrix for factory scoring
  » Use to classify levels of non-compliances
  » Examples are minor, major, critical, and zero-tolerance.
  » When using a third party who assigns a rating automatically, be sure to calibrate to your own internal scoring matrix, don’t automatically accept their score.

AUDIT EXECUTION

• Determine who will audit:
  • Create an internal field team – based in highest volume manufacturing regions
    » Recommend to consult with other brands who have a field team for the best way to get started
  • Choose a third party audit firm
    » Using one firm vs. many firms
      • Several of the large firms have international coverage.
      • There are also many local monitors in the countries where the factories are.
    » Will they use your audit tool, or will you accept their standard audit tool if available?
    » Obtain an Request for Proposal (RFP) from several firms
      • Do pilot audits with several firms before you decide
    » Most firms will let you shadow the audits
    » Ask for auditor experience and training program – this will help you understand their competency level and build trust in that firm
    » Do they have ethics policies and procedures?
    » Ask other brands for feedback
• Start monitoring your suppliers to understand the working conditions at each location.
  • Start your audit process as outlined above. If you don’t have the resources to audit all of your factories, prioritize doing your own audit by your risk map, then:
    » Obtain an audit report and corrective action plan (less than one year old maximum):
      • From the supplier
        » Ask the supplier to provide you with evidence of corrective actions (i.e. policies, procedures, training records, photos, etc.)
      • From another brand
        » Ask the partner brand what their experience has been with this facility
    • Assign a risk level to the supplier
      » Based upon the audit findings and their openness to improve and provide corrective actions
REMEDINATION

After the audit is performed you will need to know how to read the results. If you are new to this process it will take some time to figure this out, so allow yourself plenty of time and patience, and seek out other OIA companies for assistance.

Issues found during the audit can cover a wide spectrum of severity, with different levels of remediation required.

**Regular non-compliances:**
- These are usually one-off non-complex issues, somewhat easily corrected by factory management.
- You can usually accept a photo or updated documents as remediation verification.
- Does not require a lot of expertise, research or specialized knowledge or new management system

Some examples are:
- Simple EHS – providing protective equipment to workers, or workers not wearing it
- Required postings – maybe they didn’t have your code of conduct or legal documents posted.
- Simple wage issues
- Trainings
- Canteen
- Some dormitory

**Complex Non-Compliances:**
- These are more difficult to correct
- Needs long term continuous improvement engagement
- Usually severity of issue is systemic and complicated
- Requires expertise
- Often outside help is needed to fully and sustainably correct
- Usually requires both photos and documents to correct with help of a third party

Some examples are:
- Zero tolerance issues – underage workers, forced labor, harassment and abuse that many employees have reported
- Many employees reported the issue
- Transparency issues – double set of books
- Systemic breakdowns
- Expensive to correct

**Basic Remediation:**
- Corrective Action Plan (CAP)
  - List of issues/violations that were found during the audit
  - Remediation guide for supplier
    - Best Practice is to let the supplier complete the Action Plan for how they are going to address the issues.
  - Best Practice is to focus on continuous improvement & transparency
  - Verification needed to close the issues.

**Advanced Remediation:**
- Root Cause Analysis – can be an added element of your CAP
  - Deep dive on issues
  - Focused
  - Factory education
  - Identify solutions
  - Assign lead
  - Monitor
<table>
<thead>
<tr>
<th>Program Piece</th>
<th>Foundation</th>
<th>Intermediate</th>
<th>Advanced</th>
<th>Implementation Options / Steps</th>
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</thead>
<tbody>
<tr>
<td>Preparing to audit – creating the audit process</td>
<td>*</td>
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<td>Utilize Open Source Documents to determine type of audit, scope, cadence, and audit procedures (add procedures to Policies and Procedures Manual (SOP)).</td>
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<td></td>
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<td></td>
<td>Hire a consultant to help you establish your audit process and procedures.</td>
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</table>
| Create auditing and remediation tools    | *          |              |          | Create the following tools:  
• Pre-audit supplier profile (send to suppliers to complete)  
• Audit report template and CAP (Corrective Action Plan)  
• Grading matrix for Factory Scoring  |
|                                          |            |              |          | Join an industry group that provides tools and resources                                                                                                     |
|                                          |            |              |          | Utilize service provider already established tools                                                                                                           |
|                                          |            |              |          | Hire consultant or third party service provider to create tailor-made tools                                                                               |
| Audit Execution                          | *          |              |          | Obtain audit reports/CAPS from suppliers or other brands.                                                                                                     |
|                                          |            |              |          | Create an Internal Social Responsibility Team to perform audits. Start in the regions with highest production volumes and/or dollar value.                 |
|                                          |            |              |          | Utilize third party service providers to perform audits at all or selected locations.                                                                        |
| Remediation                              | *          |              |          | Have someone in-house (sourcing or quality department) be the remediation expert.                                                                              |
|                                          |            |              |          | Create an Internal Social Responsibility Team to work with suppliers on remediation.                                                                           |
|                                          |            |              |          | Hire a remediation expert to help with some or all of the issues identified.                                                                               |
6. Internal Social Responsibility
Staff Training and Education

Continuous training is important for internal staff (both brands and suppliers) in order to increase their knowledge of CSR, stay on top of industry trends and initiatives in this area, further develop skills, and encourage continuous learning. With a wide variety of conferences, trainings, webinars, seminars and workshops available, there are numerous opportunities for appropriate staff to gain additional expertise in CSR.

It is recommended to create a policy and procedure around internal staff training and education. If possible, also include it as part of yearly goal setting and performance review. To get started consider the following guidelines:

» Determine Social Responsibility staff who need continuous education:
  • Headquarters staff
  • Field staff (if applicable)

» Set a goal for minimum number of trainings to attend per year

» Select focus area for training for each individual

- Code of Conduct topics
- ESH specific
  » Fire Safety, etc.
- Local law
- Cultural understanding (for those who travel internationally)

Additional training responsibilities for other teams, including quality, sourcing, purchasing, etc. will be covered in Element 11.
### CHART OF TRAINING OPPORTUNITIES

<table>
<thead>
<tr>
<th>Tool</th>
<th>Organization &amp; Description</th>
<th>Link</th>
</tr>
</thead>
<tbody>
<tr>
<td>Websits and Newsletters</td>
<td>Business &amp; Human Rights: Can subscribe to their weekly newsletter which lists the top stories of the week.</td>
<td><a href="http://www.business-humanrights.org">www.business-humanrights.org</a></td>
</tr>
<tr>
<td></td>
<td>CSR Wire: source of corporate social responsibility and sustainability news, reports, events and information.</td>
<td><a href="http://www.csrwire.com/">www.csrwire.com/</a></td>
</tr>
<tr>
<td></td>
<td>WRAP - Weekly Newsletter</td>
<td><a href="http://www.wrapapparel.org/">www.wrapapparel.org/</a></td>
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<td></td>
<td>Verite</td>
<td><a href="https://www.verite.org/Training">https://www.verite.org/Training</a></td>
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<td>Sharing Rights</td>
<td><a href="http://www.sharingrights.com/">http://www.sharingrights.com/</a></td>
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<td></td>
<td>Compliance Practitioners Initiative (ITS)</td>
<td><a href="http://www.compliancepractitioners.com">www.compliancepractitioners.com</a></td>
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<tr>
<td>Webinars</td>
<td>Ongoing - put on by Industry Organizations, Multi-stakeholder initiatives, Service Providers, and NGOs.</td>
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<tr>
<td>Training and Education Courses</td>
<td>Many opportunities - put on by Industry Organizations, Multi-stakeholder initiatives, Local Governments, Service Providers, and NGOs.</td>
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<tr>
<td></td>
<td>Sign up for a Human Rights, International Development or Sustainable Supply Chain class at your local college</td>
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<tr>
<td>Field training</td>
<td>Shadow an audit with a third party service provider or with your internal field team.</td>
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<td></td>
<td>If you have a global team, hold annual team meetings to share best practices</td>
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<td></td>
<td>Language classes for those that travel</td>
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<tr>
<td></td>
<td>American Apparel and Footwear Association (AAFA)</td>
<td><a href="http://www.wewear.org/about/committees/social-responsibility-committee/">www.wewear.org/about/committees/social-responsibility-committee/</a></td>
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<tr>
<td></td>
<td>Sustainable Apparel Coalition (SAC)</td>
<td><a href="http://www.apparelcoalition.org/join-us/">www.apparelcoalition.org/join-us/</a></td>
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<tr>
<td></td>
<td>Electronic Industry Citizenship Coalition (EEIC)</td>
<td><a href="http://www.eicc.info/initiatives.shtml">www.eicc.info/initiatives.shtml</a></td>
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<td></td>
<td>Ethical Sourcing Forum</td>
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<td></td>
<td>Responsible Sourcing Summit</td>
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PROACTIVE MANAGEMENT AND PERFORMANCE IMPROVEMENTS

7. Brand Collaboration

OVERVIEW

“Brand collaboration” is an industry term that refers to the collective effort among multiple players in the supply chain — including brands as well as anyone who wishes to work in a cooperative manner — to address systemic issues more effectively than one entity could do on its own. Brand collaboration can be an invaluable tool to any brand, no matter where it is on its CSR journey. At the most basic level, brand collaboration might consist of new brands discussing the fundamentals of social responsibility with experienced CSR staff from other companies. For those with established CSR programs, brand collaboration can be an effective means of moving the needle and exerting meaningful influence on a specific vendor, supply chain, chemical or even legislation. Brands frequently collaborate with competitors, NGO’s, governments or all three to achieve sustainable and enduring results. For more details on engaging with NGO’s and governments, see Element 10 – Broader Stakeholder Engagement (to come).

THE BUSINESS CASE FOR COLLABORATION

Research from MIT Sloan Management Review:

Studies conducted at MIT suggest that the collaborative approach consistently outperforms others. Research on alliances and networks among companies in competitive commercial environments finds that each partner benefits when the other brings resources, capabilities or assets that it cannot easily attain on its own. These “combinative capabilities” allow companies to acquire and synthesize resources and build new applications from these resources, facilitating innovative responses to rapidly evolving environments. Each participant has the potential to contribute valuable material resources, services or individuals’ time, talents, energies and organizational knowledge. Social responsibility initiatives, in particular, involve ongoing exchange of information and operational knowledge among participants and are especially attractive because of the potential benefits for both corporate and not-for-profit partners.

From its research, MIT distilled five principles central to successful collaborative social initiatives:

1. Identify a stubborn challenge and tackle it long-term:
2. Identify an important, long-standing policy challenge and participate in its solution over the long-term.
3. Contribute “What we do:”
   Leveraging core capabilities and contribute products and services that are based on expertise used in, or generated by, your normal operations.
4. Contribute specialized services to a large-scale undertaking:
   Although it might be appealing to identify a specific achievement for which your company can take sole credit, it is often more impactful to make specialized contributions to large-scale cooperative efforts.
5. Obtain government support to minimize interference:
   Government support can help further collaborative social initiatives, or at least reduce barriers. Examples of this include tax incentives, liability protection and other forms or direct or indirect support that facilitate participation. Engaging with government as a collection of businesses can also influence policy.
6. Assemble and value the total benefit package:
   Companies most successful in launching collaborative social initiatives estimate the total benefit package. This can include the quantifiable results of an initiative as well as soft effects, such as improved reputation.
WHY IS BRAND COLLABORATION IMPORTANT?

The ultimate goal of brand collaboration is to improve working conditions in the industries where we do business.

Brand collaboration can be beneficial by:

» Creating Cost Efficiencies:
  · Audit sharing can be a pragmatic approach to reducing costs and audit fatigue for both suppliers and brands, while also laying the foundation for collaborative, meaningful audit remediation plans and/or collaboration with a partner or vendor.

» Improving Leverage:
  · Brands working together have more influence at factories
  · Create a market for “positive compliance” suppliers

» Enabling Resource Re-Distribution:
  · Factories and brands can focus on:
    » Root cause remediation
    » Progressive and sustainable improvement
    » Factory capacity building
      · See Element 8 – Capacity Building for more information
    » Special projects
      · Examples: the International Labour Organization’s Better Works/Better Factories, Business for Social Responsibilities’ HER Project, Sustainable Apparel Coalition’s Higg Index
  » Training and Education
  » Bringing together multiple brands/suppliers for trainings reduces costs and offers an opportunity to share best practices

WAYS TO COLLABORATE:

» Audit Sharing
  · Brands may have different standards and/or different approaches to auditing, and varying skill levels within their teams. Ways to build trust between your programs can include:
    · Perform joint audits to assess one another’s programs
    · Global Social Compliance Programme (GSCP) has an equivalence process for benchmarking company standards, tools and processes against agreed best existing practices as described in the GSCP Reference tools.

» Remediation Sharing
  · Using either your own audit or a shared audit, approaching a factory with a unified message about the need to remediate certain issues creates leverage and added incentive for the factory to improve.

» Training and Capacity Building
  · Share costs to host seminars or trainings by region, topic or at a shared supplier.

» Best Practice Sharing
  · Talking to colleagues who work in corporate responsibility at other companies is a great way to discuss approaches, challenges and resources to address social responsibility.
  · Join a multi-stakeholder initiative or industry working group that shares best practices.

IMPLEMENTING BRAND COLLABORATION:

Develop your collaboration strategy, policy and procedure:

» Identify potential brand collaboration partners:
  · Other brands sourcing at your factories
  · What are each brand’s strengths — staff in country, auditing or training experience?
  · Other brands implementing similar initiatives or training

» What can you accomplish together?
  · Perform a program benchmarking exercise with potential partners

» Establish policies, procedures and rules of engagement for collaboration
  · Anti-trust rules for sharing
  · Audit protocols and rotation

» Determine roles and responsibilities: who will audit, follow-up, train, verify, etc.

» Outline financial responsibilities

» Share costs or rotate costs
  · CAP sharing and remediation follow-up
  · Factory capacity building
  · Special projects

» Communicate your brand collaboration partnerships with suppliers
  · Advise your suppliers of all CAP sharing and other collaboration
Get involved with one or more of the following:

» Join a brand collaboration working group
» Join an industry working group
» Join a multi-stakeholder initiative, like Fair Wear Foundation (FWF), the Fair Labor Association (FLA), etc.
» Share audits via Fair Factories Clearinghouse (FFC), Business Social Compliance Initiative, or Sedex.

• FFC software identifies overlap in supply chains, and helps exchange non-competitive information concerning factory compliance with other FFC members.

» Encourage your factory(s) to get involved with International Labour Organization’s Better Work/Factories programs, etc.

This implementation chart outlines examples of brand collaboration at different stages of a CSR program.

<table>
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<tr>
<th>Program Piece</th>
<th>Foundation</th>
<th>Intermediate</th>
<th>Advanced</th>
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<tbody>
<tr>
<td>Establish Brand Collaboration Partnerships</td>
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<tr>
<td>* Determine collaboration strategy (i.e., the areas of your program where you want to implement collaboration)</td>
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<tr>
<td>* Establish anti-trust guidelines</td>
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<tr>
<td>* Perform a program benchmarking exercise with potential partners</td>
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<tr>
<td>* Perform joint audits with potential partners to establish trust and program level-set</td>
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<tr>
<td>* Network to establish relationships</td>
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<tr>
<td>Audit Sharing</td>
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<tr>
<td>* Establish audit-sharing protocols: who will audit and verify, financial responsibilities – shared or rotated costs, etc.</td>
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<tr>
<td>* Share audit results directly with your brand partners</td>
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<tr>
<td>* Share audits via audit sharing service</td>
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<tr>
<td>Remediation Sharing</td>
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<tr>
<td>* Establish remediation sharing protocols: define roles and responsibilities, who will follow-up on CAP items, etc.</td>
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<tr>
<td>Training, Capacity Building and Special Projects Sharing</td>
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<tr>
<td>* Host a training at a shared supplier on a topic where the supplier needs improvement</td>
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<tr>
<td>* Host a training with brands and/or suppliers on an agreed-upon topic</td>
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<tr>
<td>* Work on a special factory project organized by a third party</td>
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<tr>
<td>* Launch an industry initiative together</td>
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<tr>
<td>Best Practice Sharing</td>
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<tr>
<td>* Join a working group via an industry organization, multi-stakeholder initiative, or other best practice sharing platforms</td>
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<tr>
<td>* Determine an NGO group/movement addressing a particular social responsibility legislation to which you can contribute brand expertise</td>
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8. Capacity Building

OVERVIEW

In Corporate Social Responsibility (CSR), capacity building refers to an investment or increase in knowledge, output rate, management, skills or other capabilities of an organization through acquisition, incentives, technology and/or training. Capacity building in social responsibility typically occurs at the supplier level. Either the brand or the supplier can initiate or drive the investment.

Why do we use capacity building in CSR?

Auditing alone is not very effective at ensuring the kind of deep systemic changes that solve non-compliance in the long-term. As a result, capacity building evolves from needs finding — meaning after an audit and a root cause analysis, a brand and/or factory determines where to focus efforts.

A root cause analysis can identify a need for worker and management training, consulting, and/or improved factory management systems. This information can result in tangible steps for remediation, resulting in sustainable long-term practices.

What are common non-compliances addressed in supplier capacity building?

Any part of the employee lifecycle:

- Recruitment, hiring, personnel development
- Compensation
- Hours of work
- Industrial relations
- Workplace conduct
- Grievance system
- Environmental protection
- Health & safety
- Termination & retrenchment

Who uses it? And what types?

Who:

- Brands who want to permanently fix non-compliances can initiate capacity building programs on their own or with their suppliers.
- Suppliers who want to take the initiative to invest in capacity development (although it is more common for brands to instigate capacity building).

Why:

- Proactive: If there are known issues in a region or facility, a brand or supplier might invest in capacity building to address small issues or systemic issues before they escalate and pose larger threats.
- Reactive: Based on audit findings, a brand and/or factory may invest in capacity building to address the root cause of an issue.

Types:

- Out of the Box: Some third-party firms and brands have developed tools for capacity building that can be plugged into any factory.
- Customized: In other cases, issues are specific to one factory, requiring customized programs.
Identify Non-Compliance

There are various ways to identify and remediate non-compliances, depending on the complexity of the issue. Internal audits can highlight areas where a factory is unable to meet a specific code of conduct. Straightforward issues can be remediated with simple steps, (restocking a first aid kit). More complicated issues (eg. if there is no person or system to manage first aid in the factory) require more in-depth capacity building.

External sources might also highlight areas of non-compliance. For example, NGO’s might initiate campaigns to draw attention to an issue, like excessive work hours in a country or region. This could create a need to address non-compliance on a broader level.

Flow of Capacity Building

This chart represents the general flow of how to initiate capacity building and steps to reach sustainable compliance.

Identify Non-Compliance

There are various ways to identify and remediate non-compliances, depending on the complexity of the issue. Internal audits can highlight areas where a factory is unable to meet a specific code of conduct. Straightforward issues can be remediated with simple steps, (restocking a first aid kit). More complicated issues (eg. if there is no person or system to manage first aid in the factory) require more in-depth capacity building.

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Putting This into Action

1. Have a baseline of the issues that need to be resolved and the group of suppliers at risk. Identify issues via audit or NGO campaign.
2. Refine your selection by categories (e.g., production volume, key product line, non-compliance issues, country) to determine where your company wants to focus attention.
3. Your budget determines your focus:
   a. Small budget – top 5-10 suppliers (based on criteria in #2)
   b. Medium budget – top 10-25 suppliers (based on criteria in #2)
   c. Generous budget – top 25-100 suppliers (based on criteria in #2)
Root Cause Analysis

Identifying the root cause of a problem and fixing it at its origin is the best way to achieve a permanent solution. A root cause analysis involves asking how and why the problem occurred so you can get to the root of the issue.

For example, if the non-compliance is that workers are not aware of the non-discrimination policy, the quick fix might be to train workers. Getting to the root cause requires digging deeper in order to identify that there is no policy in place, or that human resources management has not been trained on the policy.

Common root causes of non-compliances:
» No one responsible
» No policy, procedure
» No training
» No enforcement
» Lack of knowledge or understanding

Execute Capacity Building Program

By identifying the root cause, you gain an understanding of the capacity building needed to fix the problem, and how to achieve it. Different types of capacity building require different skills.

Needs Assessment

After identifying the root cause, the next step is to identify the type of experts needed to help with remediation. Ask, “Who is an expert in these skills and can implement this?” The closer the expert is to the factory, the more systemic the change will remain. Figure out if there is an HR manager at the factory that already has the skills but has not been given the time or resources to implement change.

Sometimes the factory lacks a person with the necessary skills, so outside help is required. In these instances, hire an expert who can help fix the problem and also train factory staff to implement the solution in the long-term.

Implementing a Capacity Building Program

There are many possible players in capacity building:
» You might need to wear all the hats and handhold suppliers
» Internal staff (auditors, analysts, etc.)
» Third-party service providers (human resources, production efficiency, environmental health & safety)
» NGO’s (Better Work, Fair Labor Association, Fair Wear Foundation, Business for Social Responsibility)
» Divide and conquer by partnering with other brands

CAPACITY BUILDING FOR ALL BUDGETS

Small Budget:
» Focus efforts on top 5-10 suppliers
» Educate and handhold key suppliers, using emails and conference calls
» Take advantage of free webinars offered by OIA and other organizations

» Use existing training tools from industry associations, governments, NGO’s (e.g., OIA, International Labour Organization, U.S. Department of Labor, Global Social Compliance Programme)
» Partner with brands who share your suppliers and collaborate with them on trainings
Medium Budget:
» Use small budget ideas
» Focus efforts on the top 10-25 suppliers
» Visit key suppliers to gain an understanding of capacity building requirements
» Hire third-party experts to provide baseline audits and/or trainings

Generous Budget:
» Use small and medium budget ideas
» Hire one or more subject matter training experts to train suppliers
» Hire a capacity building manager to run your program
» Hold supplier summits in key geographic regions
» Audit to verify improvements

Supplier Incentives

In many cases you’ll need to outline the incentives that are available to suppliers that invest in capacity building. This is especially true with solutions that require more resources and time.

Always focus on education and positive reinforcements. There is a continuum of options:
» Brand fully pays for one or more engagements
» Brand partially pays for engagements
» Future orders or improvements are tied to improvements
» Supplier pays upfront, and after demonstrated improvement, the brand rebates some of the cost
» Successful suppliers are invited to present at brand supplier seminars

Incentive should be offered to suppliers that show transparency and full commitment to continuous improvements.

The Ultimate Goal is Sustainable Compliance

What does this look like?
» Non-compliance is eliminated
» Supplier has a robust program in place
» Workers benefit from improved conditions

Benefits for suppliers:
» Issues are sustainably addressed, improved efficiencies, cost savings, greater worker retention, ability to meet brand/own Code of Conduct

Benefits for brands:
» Minimized or eliminated risk, strengthened CSR program, leading practices, greater efficiencies

Systemic changes usually involve supporting initiatives through various mechanisms. The Fair Labor Association (FLA) SCI Assessment example below shows how a topic should be addressed throughout the factory’s system to be successful.

Elements of a Good Management System (from FLA SCI Assessment)
1. Responsibility & accountability
2. Policy & procedure
3. Training
4. Implementation
5. Communication and worker involvement (critical to sustainability)
6. Review / self-audit process

Supplier-Driven Capacity Building

There is a strong argument for suppliers to be proactive in addressing the root causes of issues in their businesses and seek the necessary capacities to have a successful social responsibility program.

Outline of supplier-driven programs:
» Supplier has full responsibility for financing its own gap analysis, training and improvements
» Escalates social responsibility issues up to owners and top management
» Encourages suppliers to look for subject matter experts to help them identify root causes and devise remediation plans
<table>
<thead>
<tr>
<th>Program Piece</th>
<th>Foundation</th>
<th>Intermediate</th>
<th>Advanced</th>
<th>Implementation Options / Steps</th>
</tr>
</thead>
<tbody>
<tr>
<td>Identifying Non-compliance</td>
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<td>Determine focus areas by performing supply chain risk assessment</td>
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<td>Obtain a social compliance audit</td>
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<td>Monitor social compliance news and media for campaigns related to social responsibility</td>
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<td>Root Cause Analysis</td>
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<td>Learn how to perform a root cause analysis</td>
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<td>Teach your supplier to perform root cause analysis</td>
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<td>Hire a consultant to perform root cause analysis and/or teach supplier to perform</td>
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<tr>
<td>Identify Capacity Building</td>
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<td>Training and education</td>
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<td>Opportunities</td>
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<td>Supplier systems development</td>
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<td>Incorporating Incentives</td>
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<td>Brand collaboration – work together with other brands on projects</td>
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<td>Multi-stakeholder initiatives</td>
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<tr>
<td>Execute Capacity Building</td>
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<td>Utilize internal staff to execute program</td>
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<tr>
<td>Program</td>
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<td>Hire a consulting firm to perform capacity building services</td>
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9. Transparency

OVERVIEW

Transparency is essential to upholding fair labor standards and protecting workers throughout product supply chains. Without insight into what goes on behind the scenes in factories and on farms around the world, we cannot address issues and make positive change. Transparency in business operations, especially around Corporate Social Responsibility (CSR), is becoming a higher priority among government regulators, financial analysts, employees, nonprofit advocacy organizations, labor unions, community organizations, the media and consumers. Transparency can range from meeting regulatory requirements — such as the California Transparency in Supply Chains Act — to publishing a full-blown CSR report, with many levels in between these extremes.

The process of improving transparency requires buy-in from top executives, which is easier to achieve when you can explain the benefits and make the business case for transparency.

BENEFITS OF TRANSPARENCY

» Fulfills legal requirements
» Demonstrates company commitment
  • Demonstrates to stakeholders that the company has a CSR program, is committed to change, and is open to discussing it.
» Builds trust with stakeholders
  • Stakeholder trust is built through transparent and balanced communication, which includes reporting the good while also acknowledging negative impacts of business operations and what the company is doing to address them.
» Creates a positive brand image
  • As you build trust with your stakeholders, you also build a positive brand image, which can reduce reputational risks in the event of a crisis.
» Public structure for tracking progress
  • Transparency helps make companies accountable. Publicly reporting progress creates an incentive to stay on track. Your company can show your progress year over year.
» Drives performance
  • Increasing transparency of non-financial performance can be a healthy process for your company, leading you to ask searching questions. It is a continuous process to articulate and reflect how your company creates, delivers and preserves value over the short-, medium- and long-terms. It can also stimulate more focused investments in mid- and long-term business development.
» Provides easy-to-access information for consumers
  • Many consumers research brands before they make purchases in order to support brands that share their values. Publicly displaying your CSR can help consumers remember your brand at point of purchase.
» Differentiates your brand
  • As more companies implement basic levels of transparency, your brand can differentiate itself by being even more transparent.
## TRANSPARENCY IMPLEMENTATION

<table>
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<tbody>
<tr>
<td>Obtain buy-in from company leadership</td>
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<td>Develop the business case for transparency</td>
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<td>Fulfill Legal Requirements</td>
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<td>SB657 in CA Human Trafficking</td>
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<td>Talk about your program with the industry and stakeholders</td>
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<td>CSR blogging</td>
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<td>Speak at conferences</td>
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<td>Publish information regarding your program</td>
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<td>Publish Code of Conduct</td>
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<td>Publish your factory list</td>
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<td>Publish program information, monitoring, remediation, collaboration, training, capacity building, etc.</td>
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<td>Publish full audit reports and factory scores</td>
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<td>Publish full CSR report</td>
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<td>Public Structure for Tracking Progress</td>
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<td>Join an organization that provides transparency of your program to stakeholders</td>
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<td>Obtain certifications</td>
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<td>Transparency Further down the Supply Chain</td>
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<td>See element 3s</td>
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FUTURE ELEMENTS TO BE ADDED:

ASPIRATIONAL PRACTICES

11. Broader Stakeholder Engagement
12. Responsible Sourcing and Purchasing Practices
13. Data Management, Measuring Performance, Reporting
14. Adding Environmental Responsibility to Your Program
GLOSSARY

**Capacity building:** Training that leads to continuous learning and permanent change within an organization or a single facility.

**Corrective Action Plan (CAP):** A factory-owned action plan that corrects non-compliances identified by a third party through the course of an audit.

**Service providers:** External monitors and consultants contracted to perform events (audits, assessments, capacity building) at a supplier.

**Vendor or Agent:** The Company of record who “Company” pays to produce “Company”-branded products. The vendor is a separate entity than the factory/facility actually producing the goods.

**Factory, supplier and facility:** These terms are used interchangeably and refer to the actual facility/location that is doing the assembly or manufacturing of goods and materials.
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