



# BSCI System: Rules and Functioning

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# BSCI System: Rules and Functioning

## 1. Introduction

Current human rights discussions increasingly focus on the conditions under which consumer goods are produced in developing and newly industrialised countries. Improving social standards in the producing countries supplying companies in industrialised nations has become a very important topic on many companies' agendas. Problems which arise in supplier factories world wide include child labour, forced labour, insufficient workplace safety, wages barely meeting even minimum levels, interference in labour union creation, hampering the work of employee representatives, excessive regular working and overtime hours and all possible forms of discrimination.

To combat these problems, companies and trade and industry associations from the retail and industrial sectors in Europe and elsewhere have created codes of conduct. These are often based on the International Labour Organisation (ILO) core labour conventions and are intended to improve working conditions in the supplier countries. Monitoring systems to implement these codes of conduct have been established in many countries including: Finland, France, Germany, the Netherlands, Sweden, the UK and Canada. The intentions of these various codes of conduct and their respective monitoring systems are often very similar to one another as is their contents. The flood of standards has made it burdensome for companies to do their share regarding corporate social responsibility issues. The situation is no better for their suppliers; they are confronted with an ever increasing number of requirements and auditing procedures to fulfil. There is therefore urgent need for concerted action in the trade and industrial sectors.

Increasing attention to these issues on an international level has made the need for common action all the more urgent. International bodies are actively contributing to the discussions with initiatives of their own, for example, the United Nations' *Global Compact*, the OECD's *Guidelines for Multinational Enterprises*. The European Commission also released a communiqué on social issues in 2002. Companies and associations like the *Foreign Trade Association* also participate in these discussions and initiatives. The European trade sector, however, has always placed emphasis on the principle of voluntary rather than compulsory action and compliance vis-à-vis all of the various international governmental and institutional initiatives.

The Brussels based *Foreign Trade Association* began efforts in 2002 to establish a common platform for the various different European codes of conduct and monitoring systems and to lay the groundwork for a common European monitoring system for social compliance. In 2002 and 2003, retail companies and associations held several workshops to determine the framework for such a system. In March 2003 the FTA formally founded the *Business Social Compliance Initiative (BSCI)*, for the purpose of developing the tools and procedures for the *European Business Social Compliance Programme*.

## 2. The Business Social Compliance Initiative

### a) Objectives

- To improve social standards in supplier countries as part of companies' social responsibilities as members of the global economy. This will be a long-term ongoing process for which the responsibility for action will most likely be shared between suppliers and the governments of the supplier countries.
- To serve as an interface between companies, employees' representatives, NGO's and other groups in civil society. A common monitoring system can help convince consumers that the import- and retail industry is acting in a socially responsible manner. The system's remarkable transparency gives it the greatest possible internal and public credibility.
- To provide a practicable monitoring system which is internationally applicable and which focuses on assisting suppliers to comply with it. Member companies and associations should treat their suppliers as partners in this process. The initiative covers all kinds of consumer goods, but focuses initially on textiles, clothing, shoes and toys. The BSCI does not aim to replace any established external multi-stakeholder verification system.
- To bring economic advantages to suppliers and retail companies. With a common social standards monitoring system in place in suppliers' facilities, multiple and redundant auditing can be avoided, saving time and costs. Compliance with social standards can also increase suppliers' productivity and product quality and higher quality products can also make retailers more competitive.
- To serve as a forum for the exchange of knowledge and opinions of the BSCI members. The BSCI aspires to integrate the broad experience and expertise of the participants of the initiative.
- The BSCI will endeavour to cooperate with any other equivalent system. This cooperation can take the form of common action or mutual recognition. The BSCI considers itself part of the international efforts to bring sustainable improvement in social conditions to the worldwide supply chain.

### b) Organisation

The BSCI is a non-profit organisation, based in Brussels. BSCI membership is open to all European and non-European companies and associations. The BSCI is intended since its beginning as a sector-solution for retail but is also open to importers and manufacturers of consumer goods.

### Membership

There are two forms of membership: regular and associate membership. Regular members are retail, trading and manufacturing companies actively participating in the auditing and integration of suppliers into the BSCI qualification and auditing programme. Associate members can be any company, association or institution with an interest in the BSCI process, without active involvement. They are not part of the retail supply chain.

All kind of membership is subject to approval by the BSCI Supervisory Council based on a proposal of the Working Group Members Acquisition. The Members' Assembly decides on issues of BSCI membership admission and expulsion. Any member can resign from the BSCI, giving written notice six months prior to the end of the calendar year.

By joining members make a commitment to generally support and promote the BSCI and its objectives. They specifically commit themselves to auditing their suppliers and integrating them into the compliance programme. At present, regular members have to commit themselves to auditing and integrating 2/3 of their suppliers or 2/3 of their buying volume of soft goods in risk countries into the compliance programme. This auditing and integration must be carried out by certified SA8000 SSA Auditors (Senior Systems Auditors) within a timeframe of 3 years.

All members commit themselves to pay a membership fee according to the BSCI contribution system.

All members commit themselves to enter their suppliers involved in the BSCI into the BSCI database.

The status of member of the BSCI implies a complete adhesion to the BSCI System: Rules and Functioning and to the resolutions regularly made by the executive bodies of the organisation.

Voting rights are reserved for regular members only.

The status of member is lost:

- a) Either by the delivery of a resignation letter, including a previous notice that must be given not later than the 1<sup>st</sup> of July of the current year;
- b) Or by the exclusion, on proposal of the Supervisory Council, decided by a majority of the members present or represented at the Members' Assembly - Reasons for an exclusion are: non-compliance or non-fulfilment of membership obligations and commitments as stipulated in the BSCI System: Rules and Functioning, non- payment of the membership contributions or any other serious breach of the material or moral interests of the BSCI.

The Members' Assembly can also decide to suspend the membership to give a member the possibility to fulfil its obligations in a certain period of time. When suspended a member does not have voting rights in the Members' Assembly.

- c) Or by the dissolution of the BSCI.

The BSCI has the following bodies:

**Members' Assembly:**

The Members' Assembly consists of all regular and associated members. The assembly convenes at least twice a year. It is responsible for long-term planning and strategic decision making concerning the initiative. Its areas of responsibility include budget, activities, procedures and structure and issues of BSCI membership admission and expulsion.

The BSCI executive office sends decision proposals to all members at least two weeks prior to the Meetings. If decision proposals are sent within a shorter time period, they can't be subject to voting, but only to discussion.

A valid vote in the Members Assembly can be taken if at least 50% of the BSCI member companies are present or represented. Members which can't participate in the assembly can give a proxy to vote to another member. At the beginning of each Members Assembly, the chairperson states if a valid voting is possible.

Each member present can represent a maximum of 2 other members. Votes are taken by hand sign.

For a valid decision, a simple majority is sufficient.

Existential decisions, for example, concerning the BSCI Code of Conduct, the BSCI System: Rules and Functioning and legal issues of the BSCI, are taken with a 2/3 majority.

The BSCI executive office takes the minutes of the meetings and circulates them among all members.

### **Working Groups:**

The Members' Assembly can establish working groups for specific issues. One permanent working group is the working group System Development. The working group System Development meets to prepare concrete proposals regarding the system and its elements which are then presented to the Members' Assembly. The working group System Development should contain a representative from each country taking part in the initiative. BSCI members' representatives can volunteer to join the working group System Development or other working groups. Other persons with relevant expertise can be invited to participate in working group System Development or other working group meetings.

### **Supervisory Council:**

The Supervisory Council consists of at least three regular members representing all regular Members and one representative of the Executive office (see below). The Members' representatives are nominated by the Members' Assembly itself and should reflect the national and geographical make-up of the Members' Assembly. The Supervisory Council is the initiative's official representative to governmental and other institutions, on public and official occasions. It will publish regular public reports. The Supervisory Council convenes as often as necessary, but at least twice a year. Decisions are taken by simple majority.

The Supervisory Council can elect one of its members to be its spokesperson. The spokesperson must be a company representative.

Members of the council are elected for a two year term. They can be re-elected to the council up to two times, for a total of six years.

### **Stakeholder Board:**

#### **A) European level**

##### **1. Objectives**

BSCI aims at taking the interests of stakeholders in the system into account, in the light of a continuous and constructive dialogue. The Stakeholders Board guides the project from the view of the respective organisation/institution with respect to drafting, operation, policy, development and implementation in a spirit of constructive cooperation. The Stakeholder Board initiates, approves and advises on policy and systemic questions of the BSCI except issues related to the budget and internal organisational questions.

##### **2. Members**

The Stakeholder Board may be made up of 12 members representing the following stakeholder groups:

representatives of trade unions (as designated by their respective trade union structures), NGO's, representatives of suppliers, import and export business associations, Government representatives, representatives of international organisations (e.g. UN) and BSCI members.

In order to ensure a fair representation, no stakeholder group should be represented in disproportion to the others.

BSCI should appoint the members, drawn two from each of the above mentioned groups (trade unions, NGOs, suppliers, import and export business associations, government,

international organisations and BSCI members), upon consultation with SAI. SAI will support the nomination process and encourage participation in the Stakeholder Board.

Members of the Stakeholder Board are appointed for 2 years. They can be reappointed. A member may be asked to resign upon failing to attend three consecutive meetings.

The Stakeholder Board may request supporting expertise from outside its membership.

### **3. Procedures**

The BSCI executive office informs the members of the Stakeholder Board on a regular basis about the development of the project. On request, the members of the Stakeholder Board have access to all available documents. They are obliged to treat all company and personnel related information which are being disclosed in the Stakeholder Board confidentially and shall sign a confidentiality document.

In the Stakeholder Board each member has one vote. Decisions are taken with simple majority.

The Stakeholder Board convenes twice a year. Upon request, travel expenses for representatives of NGOs and trade unions can be reimbursed according to the BSCI's internal guidelines.

## **B) Supplier country level**

### **1. Objectives**

BSCI aims at creating sustainability of its efforts in supplier countries. As it is the main responsibility of local stakeholders like government authorities, business organisations, trade unions and NGOs on the local level to implement existing national and international legislation and to improve social standards, BSCI's goal is to promote an environment where these organisations fulfil their tasks and responsibilities.

In order to enhance this process so called Round Tables have been established in ten countries. Also the BSCI has the opportunity to be active in these stakeholder forums. This is a very good possibility to strengthen local stakeholder involvement thus promoting the BSCI's goal to create more sustainability. With the support of the executive office, BSCI members contribute to the exchange between the BSCI and the Round Tables.

### **2. Setup of Round Tables**

Participants at the Round Tables are representatives of government authorities, business organisations, trade unions, NGOs, academia, auditors, other organisations with an interest and a link to the topic of CSR and social standards monitoring.

Round Tables have been established so far in the major import markets of BSCI members:

- Bangladesh
- Bulgaria
- China
- Hong Kong
- India
- Indonesia
- Morocco
- Pakistan
- Philippines
- Romania
- Turkey
- Vietnam.

Especially with a view to the BSCI's implementation in the primary production in agriculture, it is planned to set up additional Round Tables in Africa and Latin America.

### 3. Tasks of BSCI members getting involved

- Regular participation in the RT meetings (2 – 4 times per year): Represent and discuss the interests of BSCI in the RT
- Contribute to the discussion by presenting the state of play of BSCI implementation (audits, non-compliances, qualification needs) in the RT: information is provided by the BSCI executive office, but also the experience of the BSCI member itself is essential as input
- Give reports from the RT to the BSCI
- Give support to the RT executive office if necessary
- Participate in an annual meeting of BSCI-representatives at RTs in Brussels

In order to fulfil these tasks, these BSCI member representatives need:

- Knowledge about the BSCI system and its implementation
- Knowledge about the current situation and the challenges in the respective supplier country

The BSCI executive office will support the BSCI member representatives in all phases of its tasks regarding the RT. There should be a back-up BSCI-representative in each supplier country.

In principle, it is not planned to create a special BSCI fund for reimbursing the expenses of the BSCI representative at the RTs.

#### **BSCI Executive Office:**

The Executive Office is provided by the Foreign Trade Association. Its tasks revolve around the administration of the initiative and include:

- Organisation of the initiative's monitoring process
- Preparation of the Members' Assembly and Supervisory Council meetings
- Coordination of the Working Groups
- Coordination of the Stakeholder Engagement
- Development and implementation of the management tools recommended by the Members' Assembly
- Clarification of questions from the initiative's member companies and associations
- Managing the initiative's database
- Providing support for the Supervisory Council in its role as external representative of the BSCI
- Public relations

#### **c) Budget**

The initiative is financed by membership fees and 3rd party contributions. The Members' Assembly decides on the annual budget and the membership fees.

## 3. Principles

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## a) Basic principles of the BSCI

The BSCI members consider themselves responsible for all of the activities carried out in their name worldwide. They feel a particular responsibility to provide decent working conditions for the employees producing their products. BSCI members acknowledge that this responsibility extends to

all employees who make products for BSCI members, regardless of whether they are directly employed by BSCI members or by third party subcontractors and suppliers.

In order to make an impact and promote socially acceptable production conditions, the BSCI members have developed the BSCI Code of Conduct. All BSCI members' suppliers worldwide are obliged to comply with all requirements of this Code of Conduct. Compliance should be realized in a stepwise development approach focusing first on requirements as stipulated by the "BSCI Social Requirements" and then by the "Best Practice for Industry".

BSCI members approach the implementation of the Code of Conduct positively and in a spirit of cooperation. The implementation of socially acceptable production conditions is based on dialogue, consensus, cooperation, and on the principle of fairness. The interests of those parties most affected by changes are kept in the foreground of any considerations and changes.

BSCI members would like to maintain all existing business relationships while suppliers achieve full compliance. The implementation and enforcement of the Code of Conduct depends on the development status of each individual supplier and their countries of operation. The BSCI's ultimate goal is its complete realisation. Suppliers must ensure that the Code of Conduct is also observed by all subcontractors involved in production processes of final manufacturing stages.

In their sourcing operations, BSCI members shall consider as a significant factor the extent to which they show steady improvement in their social compliance and a strong commitment to steadily advance towards full implementation of the criteria stipulated in the "BSCI Social Requirements" and the "Best Practice for Industry" or whether or not suppliers are SA8000 certified.

The BSCI intends to increase awareness of the issues at hand and achieve continuous and sustainable improvement in the coming years. The improvement in social compliance will make suppliers well prepared to face existing and future market demands and legal requirements.

## b) BSCI criteria

The BSCI social requirements are based on relevant:

- ILO Core Labour Conventions
- United Nations Conventions on children's rights
- United Nations Conventions to eliminate all forms of discrimination
- The United Nations Universal Declaration of Human Rights
- The United Nations Global Compact
- The OECD Guidelines for Multinational Enterprises

In addition, some basic environmental requirements are also included in the BSCI requirements.

The criteria specified in the BSCI Code of Conduct should not be misinterpreted as maximum limits and are not to be used against employees in any way.

Upon the request of a member company ordering an audit, further ecological production aspects as well as other product-relevant requirements may be included in the monitoring and auditing process.

## 4. Conditions for Auditing Companies

Only auditing companies that have been accredited by *Social Accountability International (SAI)* and selected by the BSCI will be entrusted with carrying out BSCI social audits. This assures the best possible audit quality while avoiding costly and bureaucratic accreditation procedures.

Along with SAI certification, auditing companies selected to carry out BSCI social monitoring must fulfil certain prerequisites and comply with certain conditions.

- A selected auditing company must have a presence in the most important supplier regions and sufficient agencies to carry out monitoring and audit activities. This is necessary both with regard to region-specific experience as well as for the optimisation of the auditing process.
- The auditing company must sign written contracts with the BSCI laying down the terms and conditions of the cooperation between them and the BSCI.
- The following BSCI conditions must be adhered to:
  - BSCI audits will be carried out only when BSCI member firms or suppliers commission them
  - Each audit team consists of at least one auditor who is certified SA8000 SSA Auditor (Senior Social Systems Auditor), i.e. who has already successfully passed an Advanced Lead Auditor Training by SAI or a Lead Auditor who will participate in the next Advanced Lead Auditor Training
  - BSCI Audit questionnaire and guidelines must be used and applied for the audit procedure without any changes
  - Audit results must be comprehensively documented and verifiable
- Auditors and the auditing companies must cooperate with local non-governmental organisations and employee representatives.
- The auditors employed must be of the highest quality and should be prepared to undergo constant training, further education and accreditation by SAI. They must also:
  - be absolutely independent, impartial and incorruptible
  - be ready to undergo verifications at regular intervals
  - have professional experience in relevant fields such as social auditing, workplace safety, quality control, etc.
  - be fluent in the local business and national language(s)
  - have excellent psychological, communication and interpersonal skills
- Audit results are to be made available exclusively to the audited supplier and the related BSCI member firm(s).

## 5. Performance of the Audits

Prior to an audit, the supplier should submit existing audit reports and certificates to the auditing company. The submission of a valid SA 8000 Certificate (currently the only certificate recognized by the BSCI) negates the need for any further auditing measures.

### **Principles:**

The auditing is conducted as set out in the *BSCI Management Manual and the Audit Guidelines*. The audit is intended to assist in the improvement of suppliers' social standards. In order to ensure the consistent application of the BSCI goals and principles, the BSCI Audit Questionnaire must be used in all audits.

### **Procedure:**

- a) The procedure is based on the principles set out in the *BSCI Code of Conduct*. It contains all relevant social and environmental requirements. Recognition and application of the BSCI Code of conduct is a fundamental part of BSCI members-suppliers contracts. It must be accepted and implemented by suppliers and their subcontractors as a condition of these contracts.
- b) The procedure begins with a supplier self-assessment. It provides initial information regarding the supply chain and the supplier's performance and defines the priority and urgency of further audit measures.
- c) The request for an audit is made by BSCI member companies or by suppliers themselves. The SAI accredited auditing companies must use the BSCI Audit Questionnaire, the BSCI Audit Report and the BSCI Audit Guidelines. The audit is made up of three parts:
  - A - Master Data
  - B - BSCI Social Requirements
  - C - Best Practice for Industry such as SA8000
- d) If deficiencies are found during an audit, corrective actions must be agreed upon and noted by the auditing company and the auditee. Corrective actions arising from non-compliance with issues in part B of the Audit Questionnaire are compulsory. Implementation of corrective actions arising from issues in part C is voluntary for suppliers, but recommended for those that have the potential to reach the SA 8000 or equivalent certification standards.
- e) Corrections and improvements to supplier situations will be carried out by the suppliers, supported by BSCI members or their representatives. The timeframe and intensity of corrective actions lies within the BSCI member's discretion and depends in part on the specific nature of the actions required. However, the maximum timeframe of the corrective action phase is 12 months. The termination of business relations between a BSCI member and a supplier is to be considered a last resort, but is inevitable if the supplier does not comply with their obligations arising from non-compliance with part B of the audit within an agreed upon, reasonable period of time.
- f) Audit results are given to suppliers and BSCI member firms and may be discussed among them. Certain supplier data will be available in the BSCI database.
- g) Payment of costs incurred for audits, improvement activities and the implementation control of necessary corrective actions will be negotiated directly between the BSCI members and their suppliers.
- h) The audit procedure is repeated every three years, beginning with the start of the initial audit. For suppliers who are certified according to SA8000 or equivalent recognized standards, the frequency of monitoring and certification required depends on the requirements of the respective systems.
- i) A complaints mechanism will be set up within the BSCI monitoring system. Local round table discussions for interested parties will be established. These will serve as forums for discussion and the airing of any complaints arising from BSCI monitoring system activities. For complaints regarding certification to other standards (e.g. SA8000), the complaints mechanisms of the respective certification bodies are to be consulted.

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## 6. Initiating Sustainable Processes in Supplier Countries

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The ultimate goal of the BSCI is to initiate sustainable improvement in supplier countries. Governments, trade and business associations, trade unions, NGOs and other civic groups should take the responsibility for improving social standards in their own countries. These groups should make strong commitments to improvement and thereby make the process their own. Round table discussions or other forms of communication and cooperation can help achieve this. The BSCI will encourage and promote any serious attempt made in the supplier countries toward these ends.

The BSCI will also support

- Further training of supplier management and other employees
- Coaching and consulting with BSCI member company management
- Training of internal auditors, supply chain managers and buyers in supply and BSCI member companies
- Provision of learning materials regarding best practices and business case analysis
- Financial support for suppliers to implement improvements in social standards

Improvements can be achieved through

- Implementation monitoring, coaching and qualification of suppliers by BSCI member companies and/or service providers
- Training, coaching and consulting within the BSCI member companies
- Attracting the involvement of local business associations and other local interested parties
- Initiating and assisting in the development of local supporting structures
- Encouraging government action, bilateral development aid and the involvement of international organisations

## **7. System Partners of the BSCI**

The BSCI system partners can be the European Commission or any other government institution providing funding or any other substantial support for the BSCI.

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