

# Management System Tools with Step-by-Step Guide

# 7



# Introduction

Now it's time to get to work. In the following pages, we provide you with a step-by-step guide for starting to create a labor standards management system. We include sample documents to get you started. Our goal is to help you put your new knowledge into action.

We've divided the tools into two sections:

- Labor Standards Performance in Your Company
- Labor Standards Performance in Your Supply Chain

In both cases, there is a step-by-step map that guides you through the process and shows you what tools to use. The tools are sample documents and forms that will help you toward meeting the requirements of PS2. We also provide easy-to-use instructions on how to use each tool to build your own labor standards performance management system.

## TIP ↓

**In the following sections, we refer to the human resources, the sourcing and other departments. We realize that in many cases these will not be large “departments” in your company. In a small company, it may even be one person filling two roles. The point is to look at the various functions and how they need to interact. Regardless of the size of the departments, you need to make sure that the people responsible for these functions are trained, committed and have the support of others in your company.**

You will probably need to modify the sample documents based on the operations of your company and the labor laws in your country. The following guides are not all inclusive – they are designed to get you started.

The most important thing to remember is that having a piece of paper with a policy and a procedure

is not the end. It is the beginning. You need to embrace the idea of continually improving your labor standards performance. If you simply create a book of policies and procedures and put the book on the shelf, nothing will change. Continual improvement requires people that are committed to the effort. It requires trained people that have the right attitude, skills and knowledge. It requires leadership.

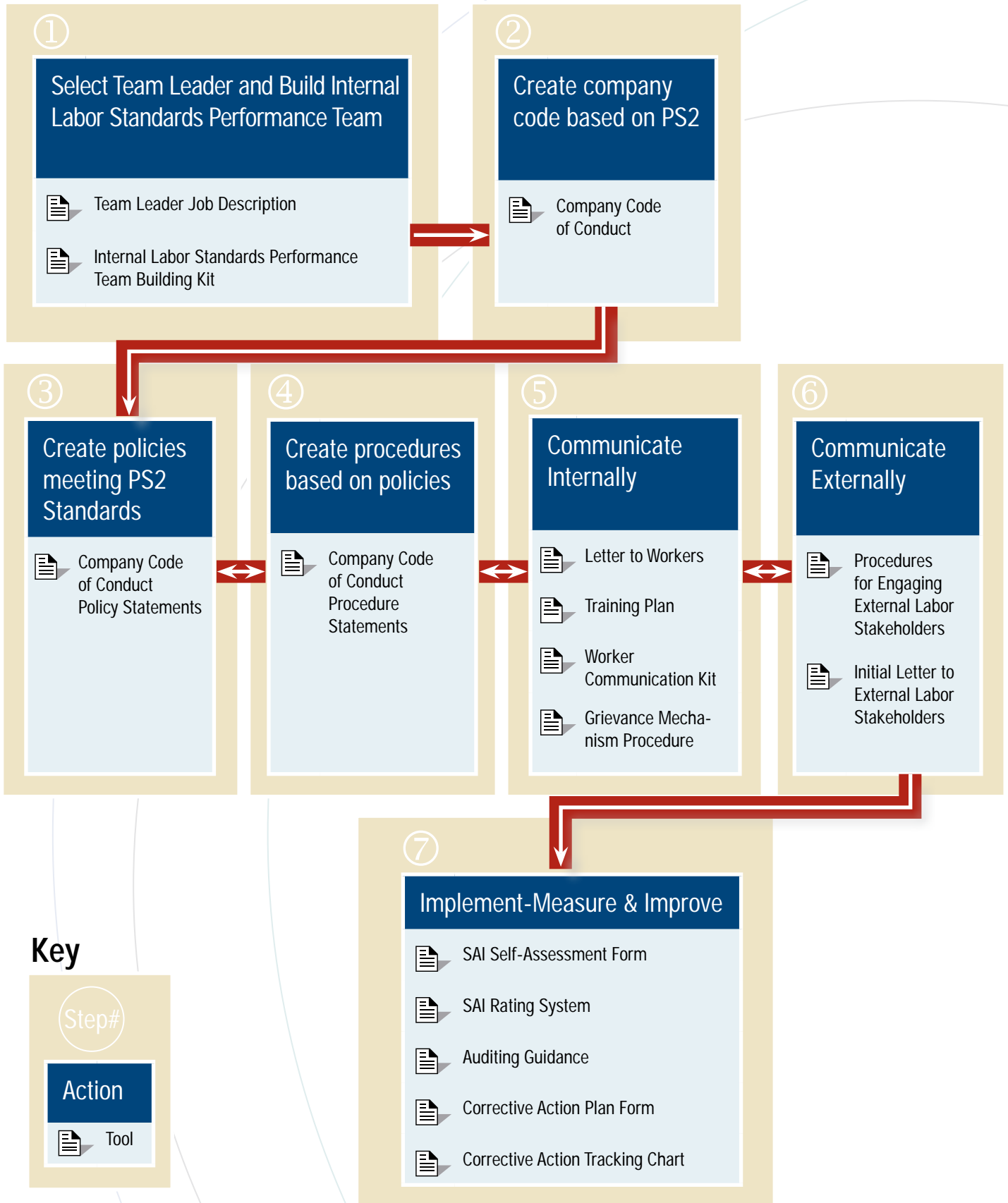
For interactive, online versions of the following tools, plus additional training and tools, you can visit SAI's website [www.sai-intl.org/Training](http://www.sai-intl.org/Training).

Take a look at the map to Labor Standards Performance in your Company.

There are seven steps. In each step there is an instruction page that includes:

- **1. Objective of this Step**  
This is an overview of the step and why it is important
- **2. Color-coded Map**  
This shows you where you are in the process
- **3. Instructions for Use of Tools**  
This has instructions for using each sample document or form

# Labor Standards Performance in your Company





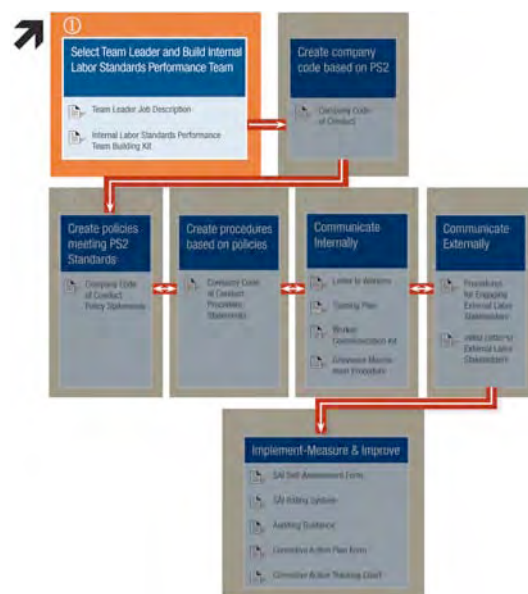
# Select Team Leader and Build Internal Labor Standards Performance Team

Team Leader Job Description

Internal Labor Standards Performance Team Building Kit

## Objective of this Step

Creating a company code based on PS2 is no simple undertaking. It will not only require clear vision, but also a dedicated team, whether a couple of people or a large department. Your initial step towards adopting a code and rolling it out to your company will be to build your Internal Labor Standards Performance Team.



## Instructions for Use of Tools

### *Team Leader Job Description*



Use the following toolkit item to manage your thoughts on your team leader's role and responsibilities: **[Team Leader Job Description](#)**

Using the tool as an aid, create a job description for your Team Leader. This does not need to be a full-time position, but it must be assigned to one person who is solely responsible.

We recommend that this person be a senior human resource manager or director, and suggest that this individual reports to a high level within the organization, such as a member of the executive management team.

Once you have finished the job description, think about eligible candidates for the position. You should think about people you already have working in your company. Does one of your workers already have the skills to be in this leadership position? What additional training is needed? The person you select to be the Team Leader must have a passion for improving labor and working conditions and the ability to communicate at all levels of the organization.

### *Internal Labor Standards Performance Team Building Kit*





Once you have clarified some of the job responsibilities of your Team Leader, you will want to strategize on how to build the team and select the leader.

Use the following toolkit items to get started on building your performance team: **[Instructions for Building Internal Labor Standards Performance Team](#)**, **[Instructions for Worker Representative Selection for Internal Labor Standards Performance Team](#)**, and **[Briefing on Purpose and Formation of Internal Labor Standards Performance Team](#)**.



# Select Team Leader and Build Internal Labor Standards Performance Team

 Team Leader Job Description

 Internal Labor Standards Performance Team Building Kit

Use the toolkit item ***Instructions for Building Internal Labor Standards Performance Team*** to learn about the overall process for the selection of management members of the team from the various departments and worker representatives.

Use the toolkit item ***Instructions for Worker Representative Selection for Internal Labor Standards Performance Team*** to learn about the important worker representative selection process and the role of an independent third party to facilitate the selection.

Use the ***Briefing on Purpose and Formation of Internal Labor Standards Performance Team*** to inform all workers about the team, its role and the selection process. This does not replace the more detailed Letter to Workers that will be sent at a later stage.

## 📄 Job Description

The following is an example job description for an Internal Labor Standards Performance Team Leader.

### Team Leader

The Team Leader is responsible for designing and implementing the labor standards performance program. They must possess the attitudes, skills and knowledge needed to lead the effort. They must be able to effectively communicate with workers at all levels of the company. They must demonstrate a willingness to learn and to adopt a pragmatic approach to solving problems. The Team Leader is responsible for managing the Internal Labor Standards Performance Team and working with executive management to achieve measurable improvements in the labor standards performance of the company.

### Roles and Responsibilities

Internally:	<ul style="list-style-type: none"> <li>- Lead the development and implementation of policies and procedures based on our Company Code of Conduct and related labor standards and practices</li> <li>- Lead Internal Labor Standards Performance Team meetings</li> <li>- Lead internal labor standards performance audits</li> <li>- Develop an annual labor standards performance plan and budget</li> <li>- Develop and implement effective worker communication channels, including a grievance mechanism</li> <li>- Coordinate and oversee all labor standards performance training</li> <li>- Seek to integrate labor standards performance into other operational and compliance initiatives</li> <li>- Report to Senior Management on program progress</li> </ul>
Externally:	<ul style="list-style-type: none"> <li>- Develop external reports on labor standards performance appropriate to various stakeholder groups, including investors, customers, suppliers and community groups</li> <li>- Act as primary contact for external audits by customers and independent auditors</li> <li>- Represent the company on external committees, and at relevant meetings as appropriate</li> <li>- Develop and implement annual plan for engaging relevant local NGOs, unions and government agencies</li> </ul>
Company Contractors and Suppliers:	<ul style="list-style-type: none"> <li>- Develop and implement company’s labor performance standards program for its contractors and supply chain</li> <li>- Lead risk assessment and use of supplier rating system</li> <li>- Coordinate with all relevant teams to communicate program and expectations to contractors and suppliers</li> <li>- Coordinate training and technical assistance for contractors and suppliers</li> <li>- Conduct or coordinate any monitoring of contractors and suppliers</li> <li>- Extend grievance mechanisms to contractors and suppliers</li> </ul>

The individual should possess or be willing and able to develop in the following areas.

Attitudes:	<ul style="list-style-type: none"> <li>- Non-discriminatory</li> <li>- Treat all workers with equal dignity</li> <li>- Neutral to unions</li> <li>- Investigative</li> <li>- Problem-solver</li> <li>- Pragmatic</li> </ul>
Skills:	<ul style="list-style-type: none"> <li>- Developing procedures to meet labor standards policy requirements</li> <li>- Interview methods and techniques (worker interviews, management interviews)</li> <li>- Developing training curriculum</li> <li>- Training workers and managers, contractors and suppliers</li> <li>- Soliciting and incorporating local NGO and trade union feedback</li> <li>- Assimilating operational processes quickly and clearly communicating complex information to other senior level workers.</li> <li>- Writing, presentation and interpersonal skills to enable effective communication with workers and stakeholders across all levels and functions of the company as well as in external organizations.</li> </ul>
Knowledge:	<ul style="list-style-type: none"> <li>- International labor standard elements</li> <li>- Local labor laws</li> <li>- Internal auditing procedures based on ISO 19011</li> <li>- Basic elements of human resource management systems</li> <li>- Relevant corporate and industry codes</li> <li>- Management systems development and use internal and in supply chain</li> <li>- Common labor problems in the region and industry</li> <li>- Potential solutions based on international best practices</li> </ul>



## Instructions for Building Internal Labor Standards Performance Team

The following steps will take you through the process of building your Team.

There is no one correct composition for an Internal Labor Standards Performance Team – it depends on the size, organizational structure and other specifics of your company. The Team will evolve as your program evolves and as your workers gain more experience with the program. You can rotate the members of the Team and stagger their terms of service. The key at this stage is to inform all workers about the program and the Team's roles and responsibilities, and to ensure that both management and non-management workers are represented.

### Step 1

Send out the Briefing on Purpose & Formation of the Internal Labor Standards Performance Team to all workers.

### Step 2

Each department will have an open vote to nominate persons within their department. The nominated persons from each department will meet and choose the final representatives for the Team from among themselves.

### Step 3

Arrange for a neutral body to facilitate the worker representative selection process. This could be someone from a local NGO, community group, academic institution, etc. – someone who would be trusted by both management and non-management and would not be biased towards influencing the outcome of the election. Refer to the Instructions for Worker Selection for Internal Labor Standards Performance Team.

### Step 4

Select the Team leader.

### Step 5

Define to whom the Team will report.

## Step 6

Work together to develop a work-plan. The work-plan should include the frequency of meetings, internal audits and management review. It should also set a timeline for completing tasks and identify the responsible persons.

## Instructions for Worker Selection for Internal Labor Standards Performance Team

The following will take you step by step through the important process of having workers choose their representatives for the Internal Labor Standards Performance Team.

### Process for successfully involving workers:

1. Confirm workers' choice to participate in the Internal Labor Standards Performance Team:
  - a. Provide all workers with a briefing on the role of the Internal Labor Standards Performance Team, the pros and cons of participating on the Team, and the roles and responsibilities of the worker representatives on the Team.
  - b. The briefing consists of a short written document which should be distributed to all workers in all relevant languages. The distribution of this document should be done by a neutral body, such as someone from a local NGO, community group, academic institution, etc. – someone who would be trusted by both management and non-management and would not be biased towards influencing the outcome of the election. He or she should be capable of verbally explaining the program and the contents of the document.
  - c. The briefing leads to a vote to determine workers' interest in having representatives on the Team. The vote should be coordinated by the neutral body that briefed the workforce. This first vote among workers is to determine whether or not they want to elect workers to the Team. This can be a fairly informal poll at work stations or done by secret ballot.
2. If the workers choose to have representatives on the Team, the neutral body will coordinate another vote to elect the worker representatives. Again, this can be a poll at workstations or done by secret ballot.
3. Ensure that Management is not involved in, nor influences in any way, the election process. The election of worker representatives to the Team can be fairly simple, but it must be set up by the representative workers union or a neutral body trusted by workers.
4. Ensure that existing worker representation mechanisms are not circumvented.
  - a. If your company has had worker training before that involved a peer selection process and the selection was done as outlined above, those trained workers can serve as the neutral body to set up the worker elections for the Team.
  - b. Where there is a representative union (with Collective Bargaining Agreement rights), they will serve as the worker representatives on the Team and no election is required. However they should be given time during the work-day to keep the workforce informed as part of their normal representative function. The union may choose to have an open election for the worker positions on the Team. However, this is solely workers' decision and management should remain outside of the decision-making process. If management were to seek such an election, it might be seen as communicating to workers their desire to seek substitutes for the union. This would be a violation of the principle of non-interference (see Article 2 of Convention 98).
  - c. Where there are union members present, but they have not secured Collective Bargaining Agreement rights, they should be invited to participate in the preparation and delivery of the briefing and the organization of the vote. They should be proportionally represented (minimum of one member) on the Team, and they themselves should designate who among them will participate in the Team.

- 5.** Ensure that all parties understand the role of the worker representatives on the Internal Labor Standards Performance Team:
  - a.** The worker representatives are NOT there to conduct negotiations with management or collective representation of workers, as this is not the official mandate of the Team. Such a mandate is only given to worker organizations under specific conditions defined by national labor laws.
  - b.** The worker representatives on the Team are only there to facilitate communications, monitor and provide feedback to management on the program's progress and challenges. If they begin to discuss or negotiate (even informally) contract terms (e.g. wages, hours, and benefits), then management will be seen as setting up a substitute for and potential block to trade union organizing.
  
- 6.** Establish a mechanism to effectively communicate to all workers and structure regular elections:
  - a.** Workers need to be informed about who are the worker representatives, the length of their terms and corresponding responsibilities.
  - b.** It is important that too much time does not elapse after the first election before subsequent elections take place (1-2 years maximum). As workers better understand the function of the worker representative and the role of the Internal Labor Standards Performance Team, they may also form different ideas about who they want to nominate and elect as worker representatives in the future.

## Briefing on Purpose & Formation of Internal Labor Standards Performance Team

The following is a sample briefing you can use to inform all workers about the Internal Labor Standards Team, its role and the selection process.

### **TO ALL WORKERS**

We are starting on a new program to improve working conditions in our company. A key part of this effort is to form a Team to manage the project. The Team will have representatives from all workers, both management and non-management. We will need people from many different departments to participate.

This briefing will help you understand the Team's purpose, role and responsibilities and the process for member selection. It outlines the considerations involved for serving on the Team yourself or for selecting some of your colleagues. You will receive continual communications on the project as it progresses.

### Purpose of the Team

The Team will lead the effort to improve labor and working conditions.

### Roles and Responsibilities of the Team

- The Team will meet regularly to discuss issues related to labor and working conditions.
- The Team will write and implement plans for improvement.
- The Team will coordinate communications between departments and between management and workers.
- The Team will evaluate progress and make improvements based on suggestions from all workers.
- The Team will never be involved in any contract negotiations or collective representation of workers, as this is not the mandate or function of the Team.
- These roles and responsibilities are additional to the normal job responsibilities of the member. This is not a separate full-time job.

### Process for Selection of Team Members

#### **Management Representatives**

Each department will have an open vote to nominate persons within their department. The nominated persons from each department will meet and choose among themselves the final representatives for the Team.

#### **Worker Representatives**

Workers will vote on whether or not they want to have representatives on the Team. If they choose to have representatives, they will vote to select from amongst themselves. This process should not be influenced by management. It will be facilitated by a neutral third party (such as someone from a local NGO, community group, academic institution, etc.) or a representative union, if one is present. Detailed written guidelines for worker selection are available and will be explained by a neutral third party or the union representative.

## Criteria and Considerations for Team Members

Things to consider as you think about whether you want to elect representatives for the Team, and whether you yourself want to serve:

### ■ **Benefits of Team Participation:**

- Helps management understand workers' genuine concerns and needs
- Improves communications between workers and managers
- For Team members, builds leadership, organizational and communication skills
- For the company, builds additional system for addressing labor and working conditions problems, and potentially reducing risk and enhancing overall business performance

### ■ **Potential Drawbacks of Team Participation:**

- For Team members, requires extra investment of time and responsibility in addition to daily work
- Early stages will require additional effort to change the way things are done and to document the new process
- The Team cannot be expected to quickly solve all problems nor to replace other necessary channels

The Team will receive training to improve their Attitude, Skills and Knowledge. However, think about these areas as you elect representatives for the Team. Below are some examples of what you might want to consider.

### ■ **Attitude**

- The "Will" to improve
- Respect for all workers and managers
- Non-discriminatory
- Investigative
- Pragmatic

### ■ **Skills**

- Verbal communication
- Written communication
- Problem solving
- Teaching others

### ■ **Knowledge**

- Basic elements of international labor standards
- Local labor laws
- Basic elements of labor standards performance



# Create Company Code Based on PS2

## Company Code of Conduct

### Objective of this Step

Your Company Code of Conduct is the policy statement that defines principles and expected conduct for all aspects of your business.

This can address management philosophy, governance, environment, corruption, transparency and treatment of workers and other stakeholders. In this step you will create the labor and working conditions portion of your Company Code of Conduct based on PS2.



## Instructions for Use of Tools

### *Company Code of Conduct*



This is the most fundamental document in your system. This is how you communicate your Company's beliefs to workers, your Board, your suppliers, your contractors, your customers and all external stakeholders. It is very important that you think through the creation of your Code and tailor it to your company. Although your Company Code should address all of the elements of PS2, you do not need to simply copy the PS2 structure and language. Use the following toolkit item [Company Code of Conduct](#) to get started.

 Code of Conduct

This is the most fundamental document in your system.

 Company Code of Conduct

We suggest that you review Corporate Codes of Conduct published by those companies considered to be leaders in corporate social responsibility. These are easily available on companies' websites. To get a current list of leading companies, go to <http://business-ethics.com> or <http://www.thecro.com>. We suggest looking at leading companies in your country and global companies from your industry. As you look at these, focus on the labor and working conditions sections that apply to their workers, contractors and suppliers.


You cannot simply copy a template for such a wide-ranging strategic document. However a good start is to use the elements of PS2 as the outline for labor and working conditions in writing your Code. Make sure that each policy statement in your Code is in alignment with the respective element and guiding principles of PS2. Here is the outline of PS2 for your reference, but do not feel limited by it.

1. Working Conditions and Management of Worker Relationship
  - a. Human Resources Policy
  - b. Working Relationship
  - c. Working Conditions & Terms of Employment
  - d. Workers' Organizations
  - e. Non-Discrimination & Equal Opportunity
  - f. Retrenchment
  - g. Grievance Mechanism
2. Protecting the Workforce
  - a. Child Labor
  - b. Forced Labor
3. Occupational Health & Safety
4. Non-Employee Workers
5. Supply Chain



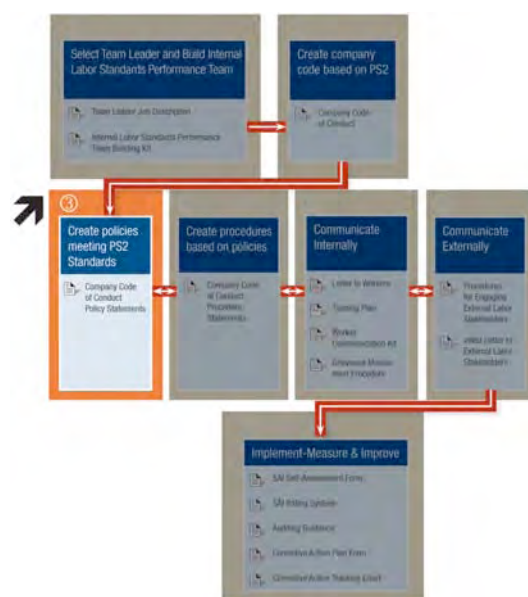


# Create Policies Meeting PS2 Standards

 Company Code of Conduct Policy Statements

## Objective of this Step

So far you've built your Code of Conduct based on PS2 and formed a Team to help put it in practice. How will the Team get started? The first step is to set the Company policies. Policies are the rules. They tell everyone what is allowed and what is not allowed. You need to write them down and make them understood.



## Instructions for Use of Tools

### *Company Code of Conduct Policy Statements*



Basically, your labor standards performance policies are going to flow directly from PS2. You'll need to clearly and simply state your policy with respect to each element of PS2. It does not have to be long and technical like a legal document. You can simply paraphrase the guiding principles of PS2 and customize the language for your Company.

Use the following toolkit item to get you started: [Company Code of Conduct Policy Statements](#)

## Company Code of Conduct Policy Statements

The following are the guiding principles which should be reflected in your Company's written policies with respect to PS2. You should modify the statement according to your Company's organizational structure.

### Human Resources Policy & Working Relationship

- Our Company will have documented policies and procedures related to our performance related to PS2 and our Code of Conduct.
- We will inform workers of their rights under PS2, national labor and employment law.
- We will make all policies clear and understandable to all workers.

### Working Conditions and Terms of Employment

- If there is a collective bargaining agreement, our Company will respect its terms.
- We will provide reasonable working conditions and terms of employment, at a minimum complying with the national labor law.

### Workers' Organizations

- Our company will comply with national law that recognizes workers' rights to form and to join workers' organizations.
- If national law restricts the right to organize, we will enable the means for workers to bargain collectively and to organize.
- If national law restricts workers' organizations, we will establish an alternative way for workers to file grievances.
- We will not interfere with or discriminate against workers who choose to organize.
- Worker representatives will be given access to management.
- Worker organizations are expected to fairly represent the workforce.

### Non-Discrimination and Equal Opportunity

- Our Company will hire, promote and compensate workers solely based on their ability to do the job.
- All workers will be given equal access to training, tools and opportunities for advancement.
- We will ensure that all workers will be free from harassment by management or other workers.
- Positive discrimination may be allowable in cases where it protects disadvantaged or excluded groups and provides them special opportunities.

## Company Code of Conduct Policy Statements

The following are the guiding principles which should be reflected in your Company's written policies with respect to PS2. You should modify the statement according to your Company's organizational structure.

### Retrenchment

- Our Company will develop and implement a plan to mitigate the adverse impact of retrenchment if we anticipate a large number of layoffs.
- The plan will incorporate non-discrimination principles and include the input of workers, their organizations, where appropriate, the government.

### Grievance Mechanism:

- Our Company will establish a transparent process for workers to express concerns and file grievances, including anonymous complaints.
- We will ensure that there will be no retaliation or discrimination against those that express grievances.
- Management will treat the grievances seriously and take prompt, appropriate action.
- Any grievance mechanism will not replace other channels as defined by law or collective bargaining agreements.

### Child Labor

- Our Company will not employ workers under the minimum age for employment as defined by national law.
- Workers between the minimum age and 18 will not be employed in dangerous work or work that interferes with their education or development.

### Forced Labor

- Our company will not employ forced labor.
- We will respect workers' rights to retain their personal documents and money.
- We will respect workers' rights to leave the workplace after work.
- We will respect workers' rights to resign.

### Occupational Health and Safety

- Our Company will ensure that workers are not unreasonably endangered at work or in dormitories.

## Company Code of Conduct Policy Statements

The following are the guiding principles which should be reflected in your Company's written policies with respect to PS2. You should modify the statement according to your Company's organizational structure.

- We will take all necessary precautions to mitigate work-related risks and develop an emergency prevention and response system.
- Workers will be provided personal protective equipment and will be trained in its use at our Company's expense.
- We will document and report accidents, diseases and incidents.

### Non-Employee Workers

- Our Company will extend our labor standards performance policies and procedures to our contractors hired directly or through employment agencies.
- We will not use contracting as a means of circumventing labor rights and laws.
- We will monitor contractors, employment and recruitment agencies to verify their adherence to labor rights and laws.

### Supply Chain

- Our Company will extend the principles of PS2 as feasible to our suppliers.
- We will notify our suppliers of the PS2 requirements concerning child labor and forced labor and minimize its presence.
- We will monitor our suppliers' performance related to the PS2 requirements concerning child labor and forced labor.

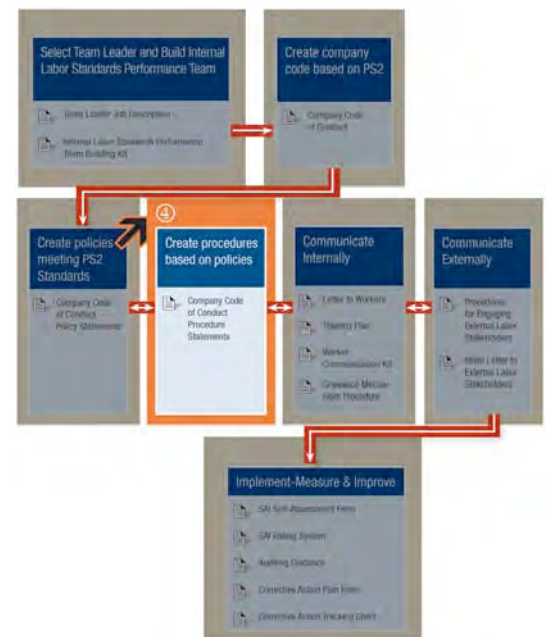


# Create Procedures Based on Policies

## Company Code of Conduct Procedure Statements

### Objective of this Step

You've created your Code of Conduct Policy Statements – the rules you want your Company to follow. Now you need to say what you are going to do to ensure the rules are followed. And what you will do when the rules are broken. You need a “how-to” guide to following the rules – you need to create your Code of Conduct Procedure Statements.



### Instructions for Use of Tools

#### *Company Code of Conduct Procedure Statements*



Procedures need to be clearly written. They need to explain step-by-step how everyone will implement the principles of PS2 and your Code of Conduct. They need to be clearly communicated to workers at all levels of your company - in all of the languages spoken in your company.

Your Code of Conduct Procedures should not be an isolated set of activities layered on to your existing business procedures. They should be integrated in your day-to-day operations.

The toolkit item ***Company Code of Conduct Procedure Statements*** outlines the labor standards performance procedures you'll want to incorporate into your operating procedures – you should integrate them with your existing HR and other procedures and customize as appropriate.

## PS2 Procedure - Human Resources Policy and Working Relationship

The following are guidelines for what to include as you construct your Company's procedures for following the PS2 principles for Human Resources Policy and Working Relationship. You should modify it according to your Company's organizational structure.

### Guiding Principles

- Our Company will have documented policies and procedures related to our performance related to PS2 and our Code of Conduct.
- We will inform workers of their rights under PS2, national labor and employment law.
- We will make all policies clear and understandable to all workers.

### **Guidelines for Operation:**

1. Our Company will adopt and implement a written policy and procedure to address each element of PS2.
2. Our Internal Labor Standards Performance Team will provide workers with printed materials and regular training, both orientation and follow-up, that clearly explains their rights under PS2 and national labor and employment law. The materials will clearly explain all related policies and procedures in all relevant languages at a reading level that is understandable. The Human Resources department will keep a log of all trainings and copies of all materials.
3. Our Human Resources Department will provide all workers, including contracted workers with detailed written explanations of their working conditions and employment terms, including wages and benefits. Our Internal Labor Standards Performance Team will further communicate the conditions and terms to all workers through regular training, both orientation and follow-up.
4. The General Manager will send a written communication to each worker informing them of our labor policies and procedures, and instructing full cooperation with the Internal Labor Standards Performance Team.
5. Our Company's Internal Labor Standards Performance Team Leader is responsible for organizing and communicating all policies and procedures related to PS2. He or she will also supervise the management review and any updates to all policies and procedures.
6. All policies and procedures will identify the responsible party and record the last date reviewed and modified.
7. Our Company will inform workers that they may elect Worker Representative(s) to facilitate communication with senior management in matters relating to PS2 and participate in related management reviews.

## PS2 Procedure - Human Resources Policy and Working Relationship

The following are guidelines for what to include as you construct your Company's procedures for following the PS2 principles for Human Resources Policy and Working Relationship. You should modify it according to your Company's organizational structure.

- 8.** Our Internal Labor Standards Performance Team will conduct an annual review of all policies and procedures related to PS2. The Internal Labor Standards Performance Team Leader is responsible for monitoring changes in national labor law and PS2 and reviewing relevant policies and procedures in a timely manner in light of these changes.
- 9.** Our Internal Labor Standards Performance Team will conduct a management review every six months. If the workers have elected Worker Representative(s), the Representative(s) will also participate in the review. Detailed minutes from the review will be recorded, including any decisions made. The minutes will be made available for review by request of any party.
- 10.** The Internal Labor Standards Performance Team Leader will conduct an internal audit at least once every six months, immediately prior to the management review. The audit will be conducted in accordance with our Company's Internal Labor Standards Performance Audit Guidance. The findings from the internal audit will form the basis for the agenda for the management review. At the management review the Team will discuss the audit findings, corrective actions, remediation plans, and plans for continual improvement. It will also assign the responsible party and deadline for each planned action.
- 11.** Upon request, we will provide a complete set of all policies to the requesting party. At management's discretion, it may also provide copies of its procedures.
- 12.** We will address all complaints through a documented process in accordance with our Grievance Mechanism. These procedures will be posted prominently for workers and for the public.
- 13.** The Internal Labor Standards Performance Team Leader's job description and performance evaluation will include criteria related to the implementation of management systems for continual improvement with respect to PS2 and our Company's labor policies and procedures.

## PS2 Procedure - Working Conditions and Terms of Employment

The following are guidelines for what to include as you construct your Company's procedure for following the PS2 principles for Working Conditions and Terms of Employment. You should modify it according to your Company's organizational structure.

### Guiding Principles

- If there is a collective bargaining agreement, our Company will respect its terms.
- We will provide reasonable working conditions and terms of employment, at a minimum complying with the national labor law.

### Guidelines for Operation

1. Our Company will ensure that wages paid for a standard working week shall always meet national law or industry minimum standards, or defined by a collective bargaining agreement if applicable.
2. Our Internal Labor Standards Performance Team and Human Resources Department will conduct research to collect data on wages and market conditions from national government, local and international non-governmental organizations, and through worker interviews. The Human Resources Department will calculate reasonable wages for workers based on the law and available data. It will re-calculate the wage annually, based on updated research and benchmarked with companies in the same sector.
3. The formula for calculating our Company's minimum wage and the supporting data will be documented and communicated to all workers.
4. The payroll department will provide payslips that clearly explain the number of hours worked, the wage calculation and any deductions. All information on the payslips will be in the workers' native language(s).
5. Our Company will provide all benefits in accordance with national law or defined by a collective bargaining agreement if applicable. These legal benefits and those additional benefits provided by our Company will be clearly communicated to the workers in the worker orientation and through ongoing training.
6. All applicants will be informed of the general shift system and working conditions during the application process to determine their interest and availability.
7. Workers will be provided written details of the shift system, working conditions and payment terms during their initial job training. Additional information will be provided as needed through posters, handouts, wallet cards, etc.
8. Workers will not be required to work hours beyond the national legal limit or set by a collective bargaining agreement if applicable.



## PS2 Procedure - Working Conditions and Terms of Employment

The following are guidelines for what to include as you construct your Company's procedure for following the PS2 principles for Working Conditions and Terms of Employment. You should modify it according to your Company's organizational structure.

9. Overtime will be voluntary and fairly distributed. Each department will post a sign-up sheet for workers who wish to volunteer to work hours beyond their regular shift hours. Supervisors will contact the workers on the sign-up sheet using a rotation which will ensure that there is equal opportunity for each worker that has volunteered.
10. Supervisors will restrict the amount of overtime assigned to any worker so that the total number of hours worked does not exceed that allowed by national law in a seven day period or as defined by a collective bargaining agreement if applicable.
11. Overtime will be paid at a premium in accordance with national labor law or as defined by a collective bargaining agreement if applicable.
12. Our HR Department will communicate these overtime procedures to workers and detail the payment calculations on the employee wage slips.
13. Each worker will sign in and sign out using the automated time clock system. If the worker is absent for a reason allowable by national law or our Company policy and should receive payment for the missed time, the supervisor will review the supporting document provided by the worker and authorize payment.
14. Each worker will be allowed to view his or her record of attendance with the supervisor. The supervisor will not be authorized to amend the attendance records without recording the reason in the system. Any amendments will be noted and tracked in the system by the payroll department.
15. The payroll department will receive the timesheet for processing payroll. All timesheets will be kept on file by the Accounting Manager, for a minimum of X years in accordance with national law.
16. Payroll deductions will be limited to those allowable by national law or authorized by the worker. In the case of worker-authorized deductions, the worker must sign and submit written authorization to the Human Resources department. In the case of worker-authorized third-party deductions, our Company will require a contract between our Company and the third party. The contract will specify procedures and documentation for worker authorization, processing, and handling of complaints.
17. Workers will be paid on a weekly basis through direct deposit to the worker's bank account, cash or check.

## PS2 Procedure - Workers' Organizations

The following are guidelines for what to include as you construct your Company's procedure for following the PS2 principles for Workers' Organizations. You should modify it according to your Company's organizational structure.

### Guiding Principles

- Our company will comply with national law that recognizes workers' rights to form and to join workers' organizations.
- If national law restricts the right to organize, we will enable the means for workers to bargain collectively and organize.
- If national law restricts workers' organizations, we will establish an alternative way for workers to file grievances.
- We will not interfere with or discriminate against workers who choose to organize.
- Worker representatives will be given access to management.
- Worker organizations are expected to fairly represent the workforce.

### **Guidelines for Operation:**

Our Company will follow all national laws recognizing workers' rights to form and to join workers organizations of their choosing without interference and to bargain collectively.

What We Will Not Do:

Our Company will not interfere with non-violent legal efforts towards worker organizing, trade union membership and collective bargaining. We will not permit such actions as:

- any acts of prejudice or retaliation against workers who engage in union and/or organizing activities; for example dismissal, transfer, relocation, demotion and denial of remuneration, social benefits and/or vocational training
- discrimination in hiring workers with a history of union and/or organizing activities
- making employment of a worker subject to the condition that she or he will not join a trade union or relinquish trade union membership
- blacklisting workers

Our Company will not influence or interfere in workers' exercise of their rights. We will not permit such actions as:

- influencing or interfering in the election of workers' representatives
- supporting workers' organizations by financial or other means in order to influence
- favoring or supporting one workers' organization over another
- favoring or letting the existence of elected representatives undermine the position of any trade unions at the Company

## PS2 Procedure - Workers' Organizations

The following are guidelines for what to include as you construct your Company's procedure for following the PS2 principles for Workers' Organizations. You should modify it according to your Company's organizational structure.

### What We Will Do:

We will enable an atmosphere of constructive social dialog. The ILO defines "social dialog" as including all types of negotiation, consultation and exchange of information between, or among, representatives of governments, employers and workers on issues of common interest. We will:

- Engage constructively with worker representatives and organizations
- Demonstrate a neutral approach to trade unions and engage in open and constructive social dialog
- Ensure there are no references or questions about past union activity in job applications and interviews
- Provide each individual worker, and henceforth each newly-recruited worker, with a letter guaranteeing workers' rights to form and join workers' organizations of their choosing
- Include accurate information about the right to form and join workers' organizations of their choosing, to workers in training upon job commencement, training on PS2, and ongoing and subsequent training regarding workers' rights and obligations
- Provide training to middle-level management and supervisors about workers' rights to form and join workers' organizations of their choosing, and how to respect these rights
- Where a representative union in our Company's sector requests it, sign an agreement between company and union on access to unorganized workers for the purpose of communication
- (If our Company has a union) sign a Procedural Agreement for the operation of relations between our Company and the union.
- (If our Company has a union) consult with the union as we develop our disciplinary procedure.
- (If our Company has a union) consult with the union as we develop our grievance mechanism.

## PS2 Procedure - Non-Discrimination and Equal Opportunity

The following are guidelines for what to include as you construct your Company's procedure for following the PS2 principles for Non-Discrimination and Equal Opportunity. You should modify it according to your Company's organizational structure.

### Guiding Principles

- Our Company will hire, promote and compensate workers solely based on their ability to do the job.
- All workers will be given equal access to training, tools and opportunities for advancement.
- We will ensure that all workers will be free from harassment by management or other workers.
- Positive discrimination may be allowable in cases where it protects disadvantaged or excluded groups and provides them special opportunities.

### Guidelines for Operation:

1. When hiring any worker, our Human Resources Department will keep the original application and a photocopy of the original identification documents in the applicant's file. If the applicant is hired, this will be transferred to his or her personnel file. Whether or not the applicant is hired, the application will be kept on file for a minimum of 2 years.
2. At each quarterly management review, our Internal Labor Standards Performance Team will conduct a spot check of all application files processed during the previous quarter, to check for evidence of discrimination.
3. All application documents will have a cover sheet explaining our Company's Non-Discrimination and Equal Opportunity policy. The Human Resources Department staff person accepting an application will verbally explain the policy and go over the points on the cover sheet with the applicant.
4. Management will promote a culture respect for women and minorities. There will be zero-tolerance for mistreatment and degrading attitudes or behavior. Incidents of harassment will be dealt with immediately, through the application of the proper documented disciplinary action as outlined in our Company's Disciplinary Policy & Procedure. Management will create and use specific written documentation to warn workers of disciplinary problems detailing the infraction involved and stating that similar violations in the future could result in further discipline, up to and including termination. For example, if a worker violates the policies related to harassment, they will receive a written warning on the first offense and subsequent discipline follows procedures outlined in the policy.
5. Individuals who believe they have experienced discrimination at the workplace should file their complaints through our Company's Grievance Mechanism.

## PS2 Procedure - Non-Discrimination and Equal Opportunity

The following are guidelines for what to include as you construct your Company's procedure for following the PS2 principles for Non-Discrimination and Equal Opportunity. You should modify it according to your Company's organizational structure.

6. At each quarterly management review, our Internal Labor Standards Performance Team will review the workplace demographics by department in comparison with the application and personnel promotion files, review any complaints records, and interview workers, in order to check for evidence of discrimination.
7. We will include accurate information about our Non-Discrimination and Equal Opportunity policy, to workers in training upon job commencement, training on PS2, and ongoing and subsequent training regarding workers' rights and obligations.
8. We will provide training to middle-level management and supervisors, about our Non-Discrimination and Equal Opportunity policy and about how to enable a respectful and constructive workplace atmosphere.

## PS2 Procedure - Retrenchment

The following are guidelines for what to include as you construct your Company's procedures for following the PS2 principles for Retrenchment. You should modify it according to your Company's organizational structure.

### Guiding Principles

- Our company will analyze all alternatives to avoid or minimize retrenchment.
- Our Company will develop and implement a plan to mitigate the adverse impact of retrenchment if we anticipate a large number of layoffs.
- The plan will incorporate non-discrimination principles and include the input of workers, their organizations and, where appropriate, the government.

### Guidelines for Operation

Our Company will take all necessary precautions to avoid retrenchments where possible. If retrenchment is inevitable, we will conduct them in a manner consistent with international labor standards (including PS2, ILO Convention 158), national labor law and recommendations of multi-stakeholder consultations such as the MFA Forum's Guidelines for Managing Responsible Transition. Accordingly we will take care to adhere to the following:

In general retrenchment situations:

1. Department managers will give advanced notice of specific job redundancies and the rationale or criteria for redundancies to individual workers, to worker representatives where they exist, and to the relevant governmental authorities. Where possible this information will be provided prior to the termination decision, to allow for meaningful consultations.
2. Where no alternative employment can be secured for the displaced workers, we will ensure that workers are paid their entitlements in retrenchment according to the law.
3. We will ensure that all severance pay or other legal benefits will be paid fairly and promptly, without undue conditions such as requiring workers to sign any declaration of good health, waivers or releases of other rights.
4. We will ensure that pregnant workers and workers with significant medical conditions receive adequate compensation commensurate with their situation.
5. We will resolve any outstanding disputes with workers involving monetary entitlements.

In significant retrenchment situations:

6. Our Internal Labor Standards Performance Team and senior management will develop and clearly communicate a retrenchment plan, in consultation with worker representatives and workers' organizations if present. The plan will include workers' legal rights and payments owed, and if possible address the adverse impacts on workers and their community. The plan should be clearly communicated and posted for easy reference, with avenues for workers to ask questions and seek clarifications.
7. We will consider all possible ways to avoid retrenchment/closure, with the full involvement of, and negotiation with, worker representatives and workers' organizations.

## PS2 Procedure - Retrenchment

The following are guidelines for what to include as you construct your Company's procedures for following the PS2 principles for Retrenchment. You should modify it according to your Company's organizational structure.

- 8.** To ensure the closure is being carried out in accordance with our policy and plan, the Internal Labor Standards Performance Team and senior management will establish specific channels for employees to confidentially express any concerns or problems they may be experiencing, especially around legally-owed payments.
- 9.** Our Health and Safety Management Representative will ensure that all workers have access to prompt and professional assessment of their health at the end of their employment through appropriate national medical facilities to determine whether there are work related health problems, injuries or disabilities.
- 10.** As part of our efforts to analyze alternatives to avoid or minimize retrenchment, our Human Resources Department will coordinate with our Company's other facilities to give retrenched workers the opportunity to transfer to these facilities, at a comparable wage to their prior employment, if possible. As feasible we will extend eligibility for skills training and entrepreneurship development opportunities to family members.
- 11.** Where alternative employment can not be secured, our Internal Labor Standards Performance Team and Human Resources Department will provide active assistance for workers in searching for new employment and training – for example promote workers' access to job banks and retraining programs.
- 12.** The retrenchment plan will include a timeframe for keeping workers on the payroll, even after they have become redundant, for a transitional period of training and job search assistance.
- 13.** When overseas migrant workers are retrenched, we will ensure that these workers enjoy equality of treatment with other workers and that every effort is made to secure alternative employment within the country. If this is not possible, then we will ensure the workers are repatriated with all costs covered, including recruitment fees.
- 14.** Our Internal Labor Standards Performance Team and Human Resources Department will arrange for free financial counseling for workers to prepare them for loss of income and livelihood, and assist them in planning how to use their severance payment.

## PS2 Procedure - Child Labor

The following are guidelines for what to include as you construct your Company's procedure for following the PS2 principles for Child Labor. You should modify it according to your Company's organizational structure.

### Guiding Principles

- Our Company will not employ workers under the minimum age for employment as defined by national law and ILO, whichever is stricter.
- Workers between the minimum age and 18 will not be employed in dangerous work or work that interferes with their education or development.

### **Guidelines for Operation:**

1. When hiring any worker, our Human Resources Department will verify the age of the applicant in the following ways:
  - a. The application will ask the applicant's age and require the signatures of both the applicant and the Human Resources Department staff person verifying the information.
  - b. The applicant will be required to submit an original of one of the following documents to verify the age: (1) national identification card, (2) birth certificate. If there is any doubt of the validity of the above, the applicant will be required to submit additional records to verify age, such as medical or school records.
  - c. A photocopy of the original identification document will be kept in the applicant's file. If the applicant is hired, this will be transferred to his or her personnel file. Whether or not the applicant is hired, the application will be kept on file for a minimum of 2 years.
2. In the event that our Company inadvertently hires a child under national age minimum, it will adhere to the following remediation procedure:
  - a. The child will be immediately removed from employment.
  - b. Our Company will pay the child an equivalent salary to attend school until they reach the national minimum age for employment.
  - c. In addition, we will specifically seek to offer the child's parents employment at our Company.
3. We will provide training to middle-level management and supervisors, about our Child Labor policy, how to avoid hiring underage workers and how to enable a healthy and safe working environment for legally employed young workers.



## PS2 Procedure - Forced Labor

The following are guidelines for what to include as you construct your Company's procedure for following the PS2 principles for Forced Labor. You should modify it according to your Company's organizational structure.

### Guiding Principles

- Our company will not employ forced labor.
- We will respect workers' rights to retain their personal documents and money.
- We will respect workers' rights to leave the workplace after work.
- We will respect workers' rights to resign.

### Guidelines for Operation:

1. Our Company will not retain any worker's original identification documents upon commencing employment, including but not limited to: national IDs, passports, birth certificates, work permits, residence permits, travel documents, or any other that might limit the worker's legal status, freedom to travel, or ability to leave the job. If such documents are required for the workers' file, our Human Resources Department shall ask for copies, never originals. Originals will only be used to compare with copies for authenticity purposes.
2. Our Company will provide each worker with an employment contract between our Company and the worker which clearly defines the worker's right to resign, and the terms and conditions of their payment.
3. Our Company will pay each worker directly and will not withhold wages for broker fees. Our Company will verify with each worker that he or she did not have to pay a broker fee upon hiring.
4. If Our Company uses a broker to recruit workers, our Company will pay the recruitment fee directly to the broker.
5. Workers seeking to terminate their employment must submit written notice to our Human Resources Department giving X days notice in accordance with national labor law requirements. Our Human Resources Department must provide written confirmation of receipt of the termination notice to the worker within X days, in accordance with national labor law requirements. Our Company will conduct and record an exit interview with the worker to determine the reason for resignation.
6. If our Company uses employment agencies, it will provide the agencies with copies of the our Company's Code of Conduct and PS2 and request evidence of compliance with the policy.
7. On the first day of orientation, and before commencement of the job, the worker will be provided with personal protective equipment and necessary tools at no cost to the worker.
8. Workers that lose or damage their personal protective equipment or necessary tools shall report the incident to their line supervisor. The supervisor will document the loss and replace the item within X days. The Department Manager will document the loss in the worker's personnel file and replace the items within X days. If the issue is recurrent, the worker may be charged for the replacement items at cost.

## PS2 Procedure - Forced Labor

The following are guidelines for what to include as you construct your Company's procedure for following the PS2 principles for Forced Labor. You should modify it according to your Company's organizational structure.

9. We will include information about our Company's policy against forced labor, to workers in training upon job commencement, training on PS2, and ongoing and subsequent training regarding workers' rights and obligations
10. We will provide training to middle-level management and supervisors, about our Company's policy against forced labor and how they to ensure a workplace free of involuntary labor under threat of force or penalty.

## PS2 Procedure - Occupational Health and Safety

The following are guidelines for what to include as you construct your Company's procedure for following the PS2 principles for Occupational Health and Safety. You should modify it according to your Company's organizational structure.

### Guiding Principles

- Our company will take all reasonable precaution actions to protect the health and safety of workers
- We will ensure that workers are not exposed to unnecessary or unreasonable risks at the workplace, dormitories and transport systems
- We will implement an OHS management system consistent with international standards such as OHSAS 18001 and ILO-OSH 2001
- We will systematically assess all of the OHS risks, conducting a comprehensive job safety or job hazard analyses.
- We will implement preventive and protective measures according to the order of priority: Eliminating the hazard, Controlling the hazard at its source, Minimizing the hazard, Providing appropriate personal protective equipment
- We will document, investigate and report all accidents and occupational diseases.
- We will investigate and identify the root causes of all accidents with working time loss, and implement appropriate corrective actions

### Guidelines for Operation:

1. Our Company will appoint a senior management representative who will be accountable for implementation of our OHS policy and communicating to all employees our Company's commitment with OHS goals.
2. Our Company will structure the OHS department consistent with the size and risks of the operations and designate an OHS Team of specialists assigned exclusively for this job. Our OHS Team will be responsible for: the OHS risk assessment and risk management; risk monitoring; worker's exposure monitoring; workers health monitoring; developing management programs and corrective action plans; auditing; workplace observation and inspection; accidents investigation and accidents monitoring; OHS performance indicators reporting and OHS objective and goals.
3. Our OHS team will regularly and systematically assess all of the OHS risks, conducting a comprehensive job safety or job hazard analysis. The results of these analyses will be prioritized as part of an action plan based on the likelihood and severity of the consequence of exposure to the identified hazards.
4. Our Company will also form a Health and Safety Committee with workers participation at all different operational sites.
5. Each department and work area will be accountable for the implementation of the OHS policy, safety procedures, management programs and corrective plans, monitoring, reporting and results.


## PS2 Procedure - Occupational Health and Safety

The following are guidelines for what to include as you construct your Company's procedure for following the PS2 principles for Occupational Health and Safety. You should modify it according to your Company's organizational structure.


- 6.** Each department and work area where the workers are exposed to hazardous agents (noise, heat, cold, vibration, chemicals, ionizing agents, biological agents etc.) will monitor the workers' exposure and health conditions related to these specific agents. Proper protection will be provided by our Company expenses.
- 7.** All operational procedures will include some guidance on the safety ways to do the job and procedures for emergency situations. We will also develop special procedures for hazardous activities such as: working in confined spaces; working in high; transport, handling and storage of hazardous materials; working at electrical facilities; and hazardous work permitting, tagging, blocking and locking systems.
- 8.** Our Internal Labor Standards Performance Team and OHS Team will coordinate to communicate to the workers all the risks to which they are exposed, post signage in all the hazardous areas and label hazardous equipments.
- 9.** Our Internal Labor Standards Performance Team and OHS Team will provide a basic occupational training program and specialty courses, as needed, to ensure that workers are oriented to the specific hazards of individual work assignments. Training will be provided to management, supervisors, workers, and occasional visitors to areas of risks and hazards.
- 10.** Our Internal Labor Standards Performance Team and OHS Team will conduct regular facility walk-throughs to ensure that all risk are identified and the proper prevention measures are in place including, but not limited to the following :
  - a.** Our Company will provide clean, healthy and good sanitary conditions at workplace, accommodations, transport system, eating area, lavatories and showers. We will provide potable and fresh water to all workers.
  - b.** Qualified first-aid will be available at all times. Appropriately equipped first-aid stations will be easily accessible throughout the place of work. Where the scale of work or the type of activity being carried out so requires, dedicated and appropriately equipped first aid room(s) will be provided.
  - c.** All workstations will have eye-wash stations and/or emergency showers where immediate flushing with water is the recommended first-aid response.
  - d.** Each department and work area will have an updated emergency response plan and a trained emergency response brigade. Emergency response simulations will be conducted every year.
  - e.** All sites will have the necessary fire detectors, alarm systems, fire-fighting equipment, means of egress emergency signs and illumination. The equipment will be maintained in good working order and be readily accessible. It should be adequate for the dimensions and use of the premises, equipment installed, physical and chemical properties of substances present, and the maximum number of people present.



# Communicate Internally

 Letter to Workers

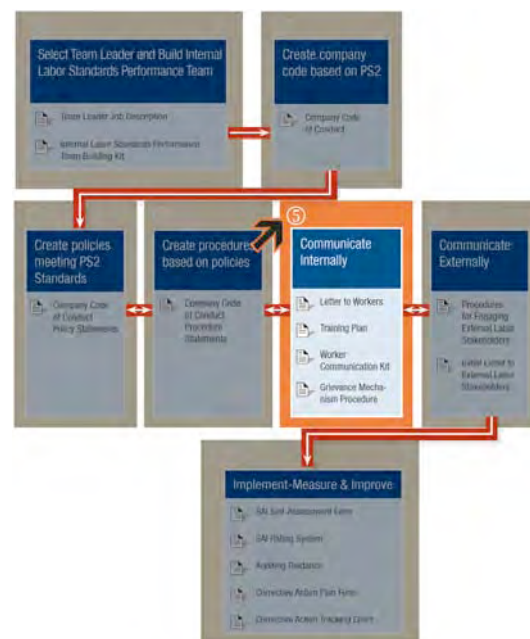
 Worker Communication Kit

 Training Plan

 Grievance Mechanism Procedure

## Objective of this Step

At this point, you've made the effort to think through your policies and procedures. You've gotten input from all areas of your company through your internal compliance team. You are through with the planning. Now is the time to take action. Remember it is people that make the system work and come to life. People that are trained. People that are passionate. People that are committed to improving. Effective communications is the key to mobilizing people to take action.



## Instructions for Use of Tools

### *Letter to Workers*



Improving labor performance will probably require some change in the behavior of your company and your workers. There are different strategies and different techniques for changing behavior, but it seems that the experts agree that to create lasting change, senior management must lead the effort. You need to send a clear message to all employees at, all levels, that this is a long-term commitment by your company. The Letter to Workers is the official announcement that your company is launching this program. Ideally it should come from the CEO. Use the toolkit item [Letter to Workers](#) as a sample to get started.


### *Training Plan*




Training is the heart of capacity building. The overall goal of internal training is to create a common understanding and a common language about labor and working conditions performance. The specifics of the training and the level of detail vary from department to department. But the message must be clear and consistent. Labor standards training should be part of the training provided to all new workers. It also needs to be part of the ongoing training program. The Training Plan divides the training by department. Refer back to the Training Requirements section for more explanation. Use the toolkit item [Training Plan](#) as a template to get started.



# Communicate Internally

 Letter to Workers

 Worker Communication Kit

 Training Plan

 Grievance Mechanism Procedure

## *Worker Communication Kit*



Establishing an effective worker-manager dialogue is a critical step in involving workers in your company and in starting to reap the benefits of their involvement. Communications should be clear, simple, and easily translated into multiple languages. It is important for workers to understand both their rights and their responsibilities. Take a look at the Worker Involvement & Communications section for ideas and tips on this important topic.

We have provided you with sample documents to get you started. Included are the [Worker Briefing](#) and [Worker Survey](#).

The purpose of the [Worker Briefing](#) is to introduce the program to the workers. It builds on the introduction provided during the worker selection of the Internal Labor Standards Performance team. It should be easy to read and understand by all workers. It is helpful to include pictures or diagrams. We suggest starting with a simple format like the one included here, and working with your worker representatives to customize it for your company.

The [Worker Survey](#) is a critical part of the overall communication strategy. It is useful to provide you with a perspective on how workers feel about the labor conditions. You should have the worker representatives help you customize the language and questions so that they are understandable and relevant to your company. Have the worker representatives help you distribute the survey and explain to the workers that the answers are confidential. Best practices include allowing the workers to take the Survey home to complete overnight and providing them with a locked box for inserting their responses. Consider offering workers that complete the survey a small token of appreciation (example, a free soda at the canteen). It is important that you give feedback to the workers on the results of the survey and the actions the company will take in response.

## *Grievance Mechanism Procedure*



It is critical for workers to have a structured and confidential mechanism to report their compliance concerns or grievances without fear of retaliation. You need a system in place that workers trust and that allows you to respond appropriately and effectively. This should be addressed in a written procedure that is clearly communicated to all management and workers. Use the following toolkit item to get you started: [Grievance Mechanism Procedure](#)

 Letter to Workers

This is a letter to all workers in the company.

 Your Company Letterhead

### To All Employees of Company:

Our vision for Company is to become one of the most respected and admired companies in our industry. We aspire to conduct ourselves in an ethical, legal and socially responsible manner befitting a world-class company.

Environmental, social and labor issues, are a growing concern to investors, consumers and to all of us as people. Our Company Code of Conduct is the document that conveys our most deeply held principles. One of the most important aspects of our Code addresses our labor and working conditions.

We are initiating a program to measure and improve our performance related to labor and working conditions. We will make every effort to embed the principles of our Corporate Code in all of our day-to-day business activities. I ask for your full cooperation and participation in this important initiative.

Not only is it an integral part of our overall business strategy, but it is also the right thing to do. It is the right thing for our customers, our suppliers, our shareholders, our host governments, our communities and for you, our most valuable asset.

We are launching this program to benefit all of us. When all of us work well together, we all prosper. Our goal is to engage all of you in our work towards what we hope will be a common goal of continually improving our labor and working conditions.

Our Corporate Code of Conduct is the most fundamental document of our program. It addresses the rights and responsibilities we have as employees. Each of us needs to read this and take it to heart. Our Corporate Code of Conduct is a public document. We will make it as widely available as possible, in multiple languages and with continual updates.

[person's name and title] is in charge of this effort. Each of you have a direct line of communication with [person] for any suggestions or concerns. Of course, you are always free to contact me with critical issues.

I thank you for your efforts in making this Code of Conduct a reality and for your continued dedication to our success.

Signature

Name

Title



# Worker Training Plan for Labor Standards Performance

Below is a training plan for workers by department. These are the topics that should be covered and continually refreshed over the course of the year. You can shift the sequence and expand upon the topics as needed. This is the suggested minimum training for all workers by department. The Internal Labor Standards Performance Team should receive additional training.

BY DEPARTMENT	MODULE 1			MODULE 2			MODULE 3			MODULE 4		
<b>Human Resources and Labor/Environmental Performance</b>	Introduction to Labor Standards Performance and Management Systems			Basic Auditing Techniques and Tools			Linking Human Resource Managements Systems to Labor Performance			Complaint Management & Resolution; Worker Communications		
	DURATION	TRAINER	STATUS	DURATION	TRAINER	STATUS	DURATION	TRAINER	STATUS	DURATION	TRAINER	STATUS
<b>Senior Management</b>	Introduction to Labor Standards Performance and Management Systems			Reputational Risk and Strategic Communications			Worker Involvement and its Benefit			Integrating Key Performance Indicators for Labor and Business		
	DURATION	TRAINER	STATUS	DURATION	TRAINER	STATUS	DURATION	TRAINER	STATUS	DURATION	TRAINER	STATUS
<b>Research &amp; Development / Merchandizing</b>	Introduction to Labor Standards Performance and Management Systems			Product Cycle and its Impact on Labor Standards Performance			Marketing and Communication Benefits					
	DURATION	TRAINER	STATUS	DURATION	TRAINER	STATUS	DURATION	TRAINER	STATUS	DURATION	TRAINER	STATUS
<b>Sourcing</b>	Introduction to Labor Standards Performance and Management Systems			Integrating Purchasing Practices and Labor Performance			Using the Supplier Rating System			Supplier Development Outreach Program		
	DURATION	TRAINER	STATUS	DURATION	TRAINER	STATUS	DURATION	TRAINER	STATUS	DURATION	TRAINER	STATUS
<b>Production &amp; Maintenance</b>	Introduction to Labor Standards Performance and Management Systems			Production Benefits from Improving Labor Standards Performance			Linking Human Resource Managements Systems to Labor Performance			Complaint Management & Resolution; Worker Communications		
	DURATION	TRAINER	STATUS	DURATION	TRAINER	STATUS	DURATION	TRAINER	STATUS	DURATION	TRAINER	STATUS
<b>Workers (Non-management)</b>	Introduction to Labor Standards Performance and Management Systems			Grievance Mechanisms			Worker-Manager Communications			Production Benefits from Improving Labor Standards Performance		
	DURATION	TRAINER	STATUS	DURATION	TRAINER	STATUS	DURATION	TRAINER	STATUS	DURATION	TRAINER	STATUS



## Worker Communication Kit: Worker Briefing

Instruction: The briefing introduces the labor standards performance program to the workers. Have your worker representatives help you modify the briefing for your company.

### To All Workers

We want you to know about a very important program at our company – our Labor Standards Performance Improvement Program. Its aim is to improve labor and working conditions at our company and those with whom we do business. Just as we work to continually improve our company's business, we also want to continually improve our workers' well-being and satisfaction.

#### What is the Program based on?

The Program is based on an international labor standard called PS2 that was created by the World Bank Group. PS2 requires companies to meet guidelines related to labor and working conditions. Attached is a handout that explains PS2 in detail. We will also put up posters around the facility.

#### Who's responsible for this program?

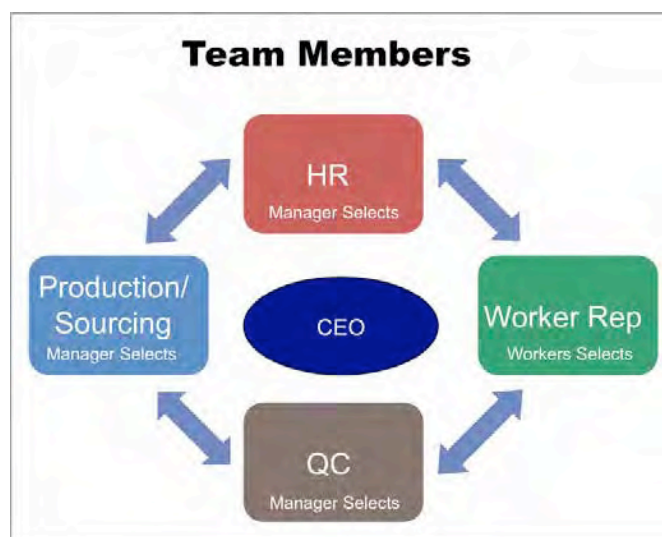
The Internal Labor Standards Performance Team manages this program. The Team has both management and worker representatives.

#### What does the Team do?

- The Team meets regularly to discuss issues related to labor and working conditions.
- The Team writes and implements plans for improvement.
- The Team coordinates communications between departments and between management and workers.
- The Team evaluates progress and makes improvements based on suggestions from all workers.

#### How does the Team interact with other worker organizations here?

- The Team does not take the place of other groups like your union or other worker associations.
- The Team will never be involved in any contract negotiations or collective representation of workers, as this is not the function of the Team.
- Your union representative may be a member on the Team, though he or she will have a different role here.
- Talk to your union or worker representatives if you have any questions about the formation and role of the Team.



## Worker Communication Kit: Worker Briefing

Instruction: The briefing introduces the labor standards performance program to the workers. Have your worker representatives help you modify the briefing for your company.

It is important for you to understand your rights and your responsibilities in this program. Together we can make this a better place for all of us to work.

### **What can you expect from the Program?**

- Better ways for you to communicate with management
- Better communications from management to you
- Ongoing improvement in labor and working conditions
- Constructive ways for you and managers to identify workplace problems and jointly develop solutions
- A confidential grievance mechanism for you to raise reasonable workplace concerns

### **What can you do to help?**

- Be informed – look over the attached materials and talk to your worker representatives
- Share your ideas on ways to improve
- Voice your concerns through constructive channels

## Worker Communication Kit: Worker Survey

The following is a sample Worker Survey to get feedback from workers. You should modify it for your organization and make it easy for workers to understand in their native language.

**Worker Shift #:** \_\_\_\_\_

### Why do we want your ideas?

To become a better place to work, we need to know what can be improved. We want your opinion about what can be improved in the company. You can put down what you really think because your name will not be on this form. Your opinions will help us create a better workplace for you.

First, which one of these issues do you think the company can improve on:

Noise	<input type="checkbox"/> Can improve a lot	<input type="checkbox"/> Can improve a little	<input type="checkbox"/> Already very good
Dust	<input type="checkbox"/> Can improve a lot	<input type="checkbox"/> Can improve a little	<input type="checkbox"/> Already very good
Light	<input type="checkbox"/> Can improve a lot	<input type="checkbox"/> Can improve a little	<input type="checkbox"/> Already very good
Temperature	<input type="checkbox"/> Can improve a lot	<input type="checkbox"/> Can improve a little	<input type="checkbox"/> Already very good
Cleanliness	<input type="checkbox"/> Can improve a lot	<input type="checkbox"/> Can improve a little	<input type="checkbox"/> Already very good
Fire safety	<input type="checkbox"/> Can improve a lot	<input type="checkbox"/> Can improve a little	<input type="checkbox"/> Already very good
Machine safety	<input type="checkbox"/> Can improve a lot	<input type="checkbox"/> Can improve a little	<input type="checkbox"/> Already very good
Chemicals safety	<input type="checkbox"/> Can improve a lot	<input type="checkbox"/> Can improve a little	<input type="checkbox"/> Already very good
Training	<input type="checkbox"/> Can improve a lot	<input type="checkbox"/> Can improve a little	<input type="checkbox"/> Already very good
Food	<input type="checkbox"/> Can improve a lot	<input type="checkbox"/> Can improve a little	<input type="checkbox"/> Already very good
Potable Water	<input type="checkbox"/> Can improve a lot	<input type="checkbox"/> Can improve a little	<input type="checkbox"/> Already very good
Transport	<input type="checkbox"/> Can improve a lot	<input type="checkbox"/> Can improve a little	<input type="checkbox"/> Already very good
Restrooms	<input type="checkbox"/> Can improve a lot	<input type="checkbox"/> Can improve a little	<input type="checkbox"/> Already very good
Salary Calculation	<input type="checkbox"/> Can improve a lot	<input type="checkbox"/> Can improve a little	<input type="checkbox"/> Already very good
Grievance Mechanism	<input type="checkbox"/> Can improve a lot	<input type="checkbox"/> Can improve a little	<input type="checkbox"/> Already very good
Other areas	please specify:		

**Where do you think the most important improvement can be made? Do you have any ideas on how to improve those areas?**

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## Worker Communication Kit: Worker Survey

The following is a sample Worker Survey to get feedback from workers. You should modify it for your organization and make it easy for workers to understand in their native language.

These are some questions that will help your company understand how things are working for you, and perhaps where they can be improved. Please answer honestly. This will help the company understand your perspective.

- Do you know people who left the company? What do you think the main reasons for leaving are (wages? too many hours? Other reasons?)

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- If you have concerns about work, whom do you speak to? Do you feel that the company could have a better way of listening to workers' concerns and addressing them? How?

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- Do you think all workers are treated the same? Are men and women treated differently? Can the company look after pregnant women better? How?

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- What do you think are the three main things that the company can change to make you happier to go to work?

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- What do you think are the best ways for workers to help the company become a better place to work for (regular meetings to talk about issues? Suggestion box? Other ideas?)

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## Grievance Mechanism Procedure

The following is an example procedure for your Company grievance mechanism. You should modify it according to your Company's organizational structure.

### Guiding Principles based on our Code of Conduct:

- Our Company will establish a transparent process for workers to express concerns and file grievances, including anonymous complaints.
- We will ensure that there will be no retaliation or discrimination against those that express grievances.
- Management will treat the grievances seriously and take prompt, appropriate action.
- Any grievance mechanism will not replace other channels as defined by law or collective bargaining agreements.
- Communications, communications, communications:
  - Good worker-manager communications can enable workers to raise concerns before they become a serious complaint.
  - Explanations of responses to complaints, even if only to alert workers to a delay in the process, are key to ensuring workers understand their complaints are respected and taken seriously.

### **General Information**

Any grievance or dispute which may arise from a worker or worker organization shall be subject to the following Procedure.

All individual complaints and grievances shall be initiated at Step 1 and shall, if necessary, proceed Step-by-Step to Step 6 where the resolution proposed shall be final and binding.

However, every effort will be made by both management and workers to resolve complaints, grievances and disputes at the earliest possible opportunity and with the minimum opportunity for tension or conflict.

Both management and workers should seek to maintain a positive working environment involving regular, two-way communication, consultation, dialog and bargaining. The Procedure should be used responsibly and that the full set of procedural steps should be needed very rarely.

Issues will inevitably arise from time to time, but since disputes are potentially harmful to the company, its workers, supervisors and managers at every level, all parties will be expected to resolve all but the most complex difficulties without recourse to Steps 5 and 6 of this Procedure.

The worker organization filing the grievance or representing the worker filing the grievance shall have the right to be notified and be present at all steps of the Procedure.

Collective grievances and disputes will be handled in the same Step-by-Step approach as that for individual complaints and grievances but shall begin at Step 2.

## Grievance Mechanism Procedure

The following is an example procedure for your Company grievance mechanism. You should modify it according to your Company's organizational structure.

Every effort should be made to settle the issue at each Stage and until this procedure has been completed there shall be no threats of 'go-slows', partial or general stoppages of work or other illegal action or lock-out.

### **Procedure**

#### Step 1:

The worker should present the complaint or grievance verbally to the most immediate supervisor who has the authority to make adjustments in the matter, within 14 days of the alleged grievance or knowledge. The company will provide each supervisor with a bank log for recording all complaints presented and the action taken. The company will also provide clear procedures and channels for workers to file grievances anonymously and file grievances against their direct supervisor if he/she is the problem. See below for further clarification.

Workers also need a confidential avenue for filing complaints and for requesting that a case be handled confidentially. Although it is important for workers to understand there are transparent procedures for management to review and respond to complaints, the process should not be overly bureaucratic.

#### Step 2:

If a satisfactory settlement is not reached in Step 1 within three days, or if the worker fears making the complaint or grievance directly to the most immediate supervisor, then the worker representative, the trade union or other worker organization, or any individual member(s) of such organization, may present the complaint or grievance verbally to the supervisor concerned. The worker may choose to remain anonymous.

#### Step 3:

If a satisfactory settlement is not reached in Step 2 within three days following its completion, the worker or his or her chosen representative for the case may present the complaint or grievance to the Department Head.

Upon the request of said Department Head, the complaint or grievance shall be in writing and shall state the complainant(s) or grievant(s) names(s).

#### Step 4:

If a satisfactory settlement is not reached in Step 3 within five days of the date of submission of the written complaint or grievance to the Department Head, the worker or his or her chosen representative for the case may present the complaint or grievance to the Head of the Human Resources Department.

The Head of the Human Resources Department or his/her designee shall schedule a meeting to be held within fourteen days of the receipt of the complaint or grievance with the worker or his or her chosen representative, for the purpose of attempting to resolve the complaint or grievance. The worker can bring one or two peers for support during this meeting; those workers will also be covered under the non-reprisal clause.

The Head of the Human Resources Department or his/her designee shall respond in writing within seven days of the date of the meeting.

## Grievance Mechanism Procedure

The following is an example procedure for your Company grievance mechanism. You should modify it according to your Company's organizational structure.

### Step 5:

If the complaint or grievance is not resolved at Step 4, the employee or his or her chosen representative may, within 14 days after the written response from the Head of the Human Resources Department, serve written notice to the Company that he or she desires to have the complaint or grievance on the agenda of the next meeting of the Internal Labor Standards Performance Team.

At the meeting, the worker or his or her chosen representative shall present the details of the complaint or grievance and the company shall respond.

Every effort shall be made to secure a resolution in the best interests of the worker(s) and the company.

### Step 6:

If the complaint or grievance is not resolved at Step 5 and it is clear that resolution within the company is impossible, the worker or his or her chosen representative may refer the complaint or grievance to the Labor Ministry for resolution.

### Step 7:

The Internal Labor Standards Performance Team will conduct a quarterly review of all complaints and actions taken. The Team will review the complaint logs of each supervisor and Department Head to evaluate the effectiveness of the grievance procedure and resolutions.

As part of the quarterly review, the Team will follow up directly with the worker or his or her chosen representative to make sure there has been no retribution.

The Team will maintain a central record of all complaints and resolutions. The logs from each quarterly review will be added to this central record.



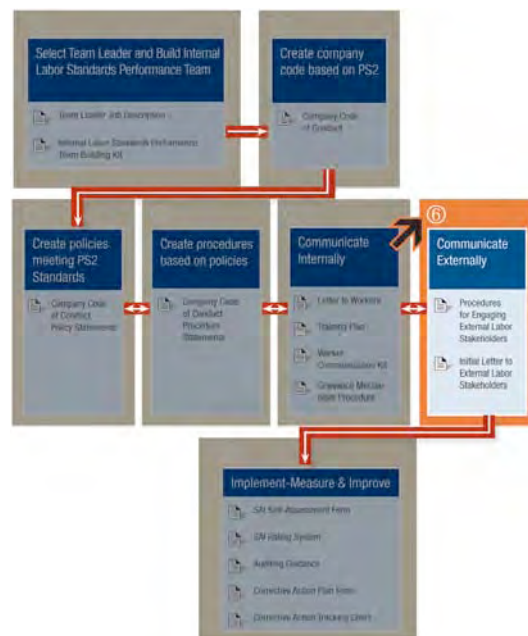
# Communicate Externally

Procedures for Engaging External Labor Stakeholders

Initial Letter to External Labor Stakeholders

## Objective of this Step

One of the keys to building and sustaining change is to involve all stakeholders in the process – employees, investors, customers, suppliers, contractors, governments, trade unions and NGOs. This does not mean that you have to engage with every single person or party that reaches out to you or that is located in your area. You need to strategically select and maintain relationships with those organizations that are most credible and can serve as constructive contributors in your program.



## Instructions for Use of Tools

### *Procedures for Engaging External Labor Stakeholders*



It may seem like a lot of work to sort through all the stakeholders in your community. Relationships also take time to develop. You can do this step-by-step and expand as you go. It can be a key function of the Internal Labor Standards Performance Team leader. First, set up a structured procedure. Use the following toolkit item to get you started: [Procedures for Engaging External Labor Stakeholders](#)

### *Initial Letter to External Labor Stakeholders*



Once you have identified a shortlist of targeted organizations, the next step is to send a letter to them introducing your company and your program. Use the following toolkit item to get you started: [Initial Letter to External Labor Stakeholders](#)



## Procedure for Engaging External Stakeholders

The following is an example procedure for engaging external stakeholders. Your Internal Labor Standards Performance Team leader should have the primary responsibility for managing the procedure.

### 1. Select the Organizations

- Create a stakeholder map to identify the key NGOs, trade unions and other organization for your industry and region that deal with labor and working conditions.
- Interview workers about local NGOs, trade unions and other community organizations.
- Interview community leaders such as government officials and leaders of religious institutions and schools about the reputation of local NGOs, trade unions and other community organizations.
- Survey local chambers of commerce and industry associations, as well as other companies in the area.
- Contact the international union and NGO offices or regional offices of international groups.
- Ask international groups for help in identifying the appropriate local groups.
- Contact relevant government agencies to seek information on programs and funding that may be available to assist your and/or suppliers with training and improvements to promote exports.
- Keep a centralized record of NGO, trade union, government and other contacts.
- Develop a brief profile on each group. It doesn't have to be long, but should include each group's mission, history, possible political links, methods of engagement, etc.

### 2. Cultivate Relationships

- Send a letter to selected organizations, introducing your company and program.
- Meet with the organizations that respond to your letter to discuss common issues and concerns specific to the region and industry and seek solutions that work for all parties.
- Consult with the selected organization as an integral part of your internal audit process.
- Allocate staff time to working with multi-stakeholder organizations, local consultative groups, advisory committees and/or participating in projects. This serves to establish trust and to better understand their perspective.
- Consult with national and international trade union organizations on a regular basis concerning global labor issues and developments.

## Procedure for Engaging External Stakeholders

The following is an example procedure for engaging external stakeholders. Your Internal Labor Standards Performance Team leader should have the primary responsibility for managing the procedure.

### 3. Maintain Communications

- Publicly communicate the procedure for selecting and working with organizations.
- Regularly update all stakeholders with company news, CSR reports, relevant business plans, program updates and ongoing reviews of your labor standards performance and monitoring programs. Frequent communication is crucial and should be systematized.
- Respond promptly on the issues and questions raised by all stakeholders. This should include descriptions of the steps taken to address the issues and the results of such measures.
- Seek the input of external stakeholders as you develop corrective action plans and other improvement initiatives.
- Periodically update your stakeholder map and reach out to new organizations, following the steps in Part 1 above.



## Initial Letter to External Labor Stakeholders

Copy and paste the text below to use as a starting point. Modify the text and print it on your letterhead. Attach a copy of your Code of Conduct.

### Your Company Letterhead

Dear \_\_\_\_\_

We are writing to introduce ourselves and our program to improve labor and working conditions in our company, contractors and in our supply chain. We appreciate your organization's efforts in the community, and we are contacting you to start a dialog. We consider your input valuable to our efforts to be a responsible part of the community.

We take our responsibility for the protection of workers' rights seriously, both in our company and throughout our supply chain. We recognize that our company policies, procedures and practices have a considerable impact on our workers and the communities in which they live.

We have made a conscious decision to follow the requirements of the World Bank's Performance Standard 2, which covers labor and working conditions. We have outlined these requirements in our Company Code of Conduct. This Code specifically addresses the labor standards that must be met and the management systems that must be in place in order to implement sustainable change. We are asking our contractors and suppliers to also meet the relevant PS2 requirements. Our Code of Conduct can be accessed directly from our website (Company.com) and is also attached to this correspondence.

We have identified your organization as a credible and well-regarded part of the community. We hope that you can contribute to our process of continual improvement through a sustained dialogue.

Please contact us to discuss our improvement program and your interest in speaking further with us.

Signature

Name

Title

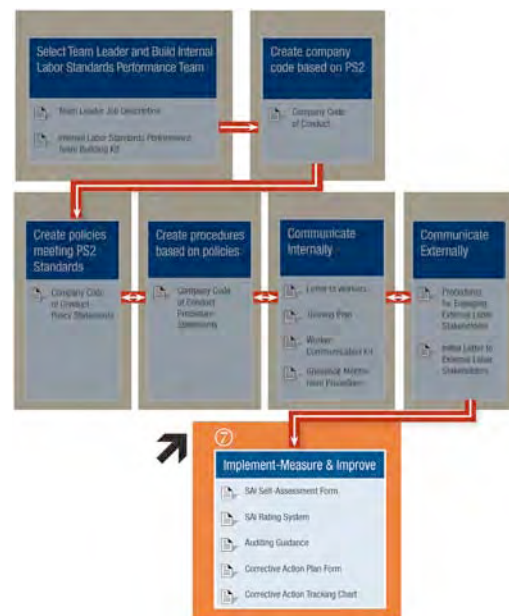


# Implement – Measure and Improve

SAI Self-Assessment Form	SAI Rating System	Auditing Guidance	Corrective Action Plan Form	Corrective Action Tracking Chart
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## Objective of this Step

With the idea of continual improvement, we are looking to create change for the better. So how are we going to do that in a simple and effective way? We are going to “Measure and Improve.” As a company, you need to measure where you are now, and set specific targets for your improvement.



## Instructions for Use of Tools

### *SAI Self-Assessment Form and Rating System*



The SAI Self-Assessment and Rating System provides you with a comprehensive way to self-analyze your Company against the requirement of PS2. You can use this to assess your internal systems and processes to monitor and drive continual improvement in your Company. It allows you to systematically measure and improve.

Use the following toolkit items: [SAI Self-Assessment Form](#), [SAI Rating System](#)

### *Auditing Guidance for Internal Labor Standards Performance Team*



In order to systematically measure your Company’s labor performance, you will need to conduct regular internal audits. This includes document review, facility tours, interviews with workers, supervisors, and meetings with management. You may decide to do an annual full audit of your Company, which could take 1-3 days depending on the size of your Company. Or, you may decide to do more frequent partial audits, looking at specific departments or functions.

Use the following toolkit item: [Auditing Guidance for Internal Labor Standards Performance Team](#)



# Implement – Measure and Improve



SAI Self-Assessment Form



SAI Rating System



Auditing Guidance



Corrective Action Plan Form



Corrective Action Tracking Chart

## *Corrective Action Plan Form*



Your journey of continual improvement will not always be smooth - you will encounter problems and you will need to find ways to address them. Think of non-conformities and corrective action requests as constructive criticism. You need to develop a corrective action plan to address each problem. The plan should seek to identify the root cause of the problem and address it at a system level rather than just as an event or symptom. You should do this in a systematic manner and record your findings and next steps with time frames for improvement.

The toolkit item [Corrective Action Plan Form](#) will help you get started.

## *Corrective Action Tracking Chart*



The most perfectly laid plans fall short without follow-through and follow-up. Once you've made your corrective action plans, you'll need to systematically track the progress – make sure non-conformities have been addressed in a timely manner, investigate unresolved issues and recurrences and follow up on opportunities for further improvement.

Here's a simple toolkit item which will help you get started; you can elaborate and develop a more comprehensive system as your program evolves: [Corrective Action Tracking Chart](#)

## SAI Rating System Self-Assessment

This document will take you through a series of questions to help you measure your Company's performance related to PS2.

**Company:** \_\_\_\_\_

**Completed by:** \_\_\_\_\_

**Date:** \_\_\_\_\_

### Instructions:

The SAI Rating System provides you with a comprehensive way to self-analyze your Company against the requirement of PS2. You can use this Self-Assessment to assess your internal systems and processes to monitor and drive continual improvement in your Company. It allows you to systematically measure and improve.

### Completing the Self-Assessment

The Self-Assessment follows the same structure as the 9 categories of the Rating System:

- Management Systems
- Internal Labor Standards Performance Team
- Worker Involvement and Communications
- Complaint Management and Resolution
- Level and Type of Non-conformances
- Progress on Corrective Actions
- External Verification and Stakeholder Engagement
- Training & Capacity Building
- Management of Suppliers and Contractors

There are a series of questions in each section – no more than 10 in any section. You should be able to complete all of the questions in under one hour.

The questions are meant to guide you through the positive indicators in each category. Answer “Yes”, “Some/Partly” or “No” for each question. For each question there is a score associated with your answer. Add your scores for each category and circle the corresponding box on the SAI Rating System. The scores are on a scale of 1 through 5. We intentionally made the maximum possible score in each category higher than 5, so that you do not need to be perfect to achieve level 5. Our hope is that even companies that achieve a level 5 will continue their journey of continual improvement.

Many of the questions refer to specific documents that you need as part of your system. Use this as a guide to gather the documents you may have and to identify any gaps. These documents are what internal and external auditors will look for to verify the validity of your Self-Assessment. The usefulness to you and the credibility of your entire labor standards performance program are based on providing honest answers that can be verified by outside parties.

## SAI Rating System Self-Assessment

This document will take you through a series of questions to help you measure your Company's performance related to PS2.

The goal is to gain an honest measurement of where you are now and then target areas for improvement.

### Management Systems

	Yes	Some/ partly	No	Notes
<b>1.</b> Has your Company adopted a code or generally accepted standard that conforms to PS2?				If no = 0 If partly = 0 If yes = .5
<b>2.</b> Does your Company have a written policy addressing each element of PS2?				If no = 0 If partly = .5 If yes = 1
<b>3.</b> Does your Company have written procedures for implementing each element of PS2?				If no = 0 If partly = .5 If yes = 1
<b>4.</b> Are the written policies and procedures centrally located, updated and communicated to all people in your Company?				If no = 0 If partly = .5 If yes = 1
<b>5.</b> Does senior management regularly review the policies and how effectively they are being implemented?				If no = 0 If partly = 0 If yes = .5
<b>6.</b> Does your Company have procedures in place to identify issues from all departments that could raise labor standards performance challenges and reputation risks for your Company?				If no = 0 If partly = .25 If yes = .5
<b>7.</b> Does your Company develop and implement annual improvement plans related to labor standards performance?				If no = 0 If partly = .5 If yes = 1

## SAI Rating System Self-Assessment

This document will take you through a series of questions to help you measure your Company's performance related to PS2.

### Internal Labor Standards Performance Team

	Yes	Some/ partly	No	Notes
1. Does your Company have any staff members with time and responsibilities designated for the labor standards performance program?				If no = 0 If partly = .5 If yes = 1.5
2. Does your Company have staff members trained in the elements of labor standards performance program and PS2?				If no = 0 If partly = .25 If yes = .5
3. Does your Company have a multi-department team responsible for labor standards performance?				If no = 0 If partly = 0 If yes = .5
4. Do one or more worker representatives have a formal role in your Company's labor standards performance program?				If no = 0 If partly = 0 If yes = .5
5. Does your labor standards performance program have a designated leader who receives regular training and has a direct reporting link to senior management?				If no = 0 If partly = .25 If yes = .5
6. Are there written procedures for your staff to regularly conduct internal and external audits and meet for management reviews?				If no = 0 If partly = .25 If yes = .5
7. Do the job descriptions for assigned staff include their specific labor standards performance responsibilities?				If no = 0 If partly = 0 If yes = .5
8. Does your Company have established and utilized procedures for assigned staff to regularly discuss labor standards performance issues with heads of key business units, contractors or supplier companies?				If no = 0 If partly = .5 If yes = 1



## SAI Rating System Self-Assessment

This document will take you through a series of questions to help you measure your Company's performance related to PS2.

### Worker Involvement & Communication

	Yes	Some/ partly	No	Notes
1. Does your Company have written communication about its labor standards performance and PS2 from senior management to all workers, in all relevant languages?				If no = 0 If partly = .5 If yes = 1
2. Are the Company's labor policies clearly posted in public areas where workers can see them?				If no = 0 If partly = 0 If yes = .5
3. Does your Company have written procedures for clearly communicating your labor policies and procedures to all workers?				If no = 0 If partly = .25 If yes = .5
4. Do you survey or interview workers to verify that the key policies and procedures are understood by workers?				If no = 0 If partly = 0 If yes = .5
5. Are there established channels for workers to communicate their concerns and ideas to management other than through their direct supervisor?				If no = 0 If partly = 0 If yes = 1
6. Does your Company have a mechanism for getting worker input while designing corrective action plans and assessing outcomes?				If no = 0 If partly = .25 If yes = .5
7. Do workers participate in worker committees to address specific workplace issues?				If no = 0 If partly = 0 If yes = .5
8. Are there any freely elected (not appointed) workers' representatives?				If no = 0 If partly = 0 If yes = .5
9. Does management routinely meet with worker committees and/or worker representatives to discuss workers' ideas and concerns?				If no = 0 If partly = .25 If yes = .5
10. Does management report back to the workers on actions taken in response to worker input?				If no = 0 If partly = 0 If yes = .5

## SAI Rating System Self-Assessment

This document will take you through a series of questions to help you measure your Company's performance related to PS2.

### Complaint Management & Resolution

	Yes	Some/ partly	No	Notes
1. Are there documented mechanisms for workers to report issues and concerns to management?				If no = 0 If partly = .5 If yes = 1
2. Are there mechanisms for workers to file anonymous complaints through internal parties or external parties such as NGOs, trade unions, etc.?				If no = 0 If partly = .5 If yes = 1
3. Does your Company keep records of complaints made against it, and of the response?				If no = 0 If partly = 0 If yes = .5
4. Does your Company have staff with specific assigned responsibilities for following up on the complaints?				If no = 0 If partly = 0 If yes = .5
5. Does your Company have policies and procedures for recording and investigating complaints by your workers, including timelines and reporting back to claimants?				If no = 0 If partly = .25 If yes = .5
6. Does your Company have a whistle blower protection policy covering anyone who files a complaint, and is the policy clearly communicated to all workers, suppliers and contractors?				If no = 0 If partly = 0 If yes = 1
7. Does your Company routinely survey its workers on their level of trust and satisfaction with the system?				If no = 0 If partly = .25 If yes = .5
8. Does your Company's system for recording and investigating complaints extend to suppliers and contractors, as well as other external stakeholders?				If no = 0 If partly = .5 If yes = 1

### Level and Type of Non-Conformances

Based on your knowledge of your Company, including any existing audit reports, assess the overall performance for each PS2 element below. Use the criteria in the "Level and Type of Non-

## SAI Rating System Self-Assessment

This document will take you through a series of questions to help you measure your Company's performance related to PS2.

Conformances” category of the SAI Rating System to determine your rating. If your Company does not have enough documented information, put a “1” in the corresponding box.

After completing the table below, determine your overall score on the SAI Rating System.

1. If you have a 1 or 2 in a High Priority element – your overall score is equal to the 1 or 2.
2. If your lowest score in a High Priority element is 3 or higher – your overall score is an average score of all 8 elements.

Level & Type of Non-Conformances	Rating 1-5 (5 highest rating)
Isolated minor labor violations. No major violations. No system failures.	<b>5</b>
Isolated labor violations; primarily minor. Isolated system failures.	<b>4</b>
Few major violations, none with immediate threats to worker well-being. Some system failures.	<b>3</b>
Recurring major violations, including some with immediate threats to worker well-being. Serious recurring system failures.	<b>2</b>
Frequent known violations of core labor standards and elements of PS2 with immediate threats to worker well-being. Complete lack of credible information.	<b>1</b>

## SAI Rating System Self-Assessment

This document will take you through a series of questions to help you measure your Company’s performance related to PS2.

PS 2 Element	Rating 1-5 (5 highest rating)
Human Resources Policy	
Working Relationship	
*Working Conditions and Terms of Employment	
*Workers’ Organizations	
*Non-Discrimination and Equal Opportunity	
Retrenchment	
*Grievance Mechanism	
*Child Labor	
*Forced Labor	
*Occupational Health and Safety	
*Non-Employee Workers	
Supply Chain	
Total score:	
Average score:	

## SAI Rating System Self-Assessment

This document will take you through a series of questions to help you measure your Company's performance related to PS2.

\* These are elements considered “High Priority” in order to help identify immediate potential threats to worker well-being (to be determined by IFC).

### Progress on Corrective Actions

	Yes	Some/ partly	No	Notes
1. Does your Company keep records of corrective action requests made by external auditors or internal staff?				If no = 0 If partly = 0 If yes = 1
2. Does your Company have staff with assigned responsibilities for tracking progress on corrective actions?				If no = 0 If partly = 0 If yes = .5
3. Does your Company have policies and procedures to follow in addressing corrective action requests?				If no = 0 If partly = .5 If yes = 1
4. Does your Company have a system for tracking and verifying progress on corrective actions?				If no = 0 If partly = .5 If yes = 1
5. Does your Company set specific timeframes and deadlines for improvement?				If no = 0 If partly = .25 If yes = .5
6. Does your Company's corrective action system include root cause analysis and address problems at a systems level?				If no = 0 If partly = .5 If yes = 1
7. Does your Company regularly review progress on corrective actions and develop comprehensive improvement plans?				If no = 0 If partly = .25 If yes = 1

## SAI Rating System Self-Assessment

This document will take you through a series of questions to help you measure your Company's performance related to PS2.

### External Verification & Stakeholder Engagement

	Yes	Some/ partly	No	Notes
1. Does the Company have a documented procedure of providing external auditors with access to the facility, documents and workers?				If no = 0 If partly = 0 If yes = 1
2. Does the Company have a documented procedure for receiving and responding to unsolicited input from external stakeholders?				If no = 0 If partly = 0 If yes = 1
3. Does the Company have documented procedures for proactively selecting and communicating with external stakeholders?				If no = 0 If partly = .25 If yes = .5
4. Does Company staff routinely meet with local NGOs, trade unions and other external stakeholders to discuss labor compliance issues and improvement plans?				If no = 0 If partly = .5 If yes = 1
5. Does the Company routinely report back to stakeholders on issues and questions raised by them?				If no = 0 If partly = .25 If yes = .5
6. Do workers' organizations or trade unions have a structured role in the Company's review and revision of its compliance program?				If no = 0 If partly = .5 If yes = 1
7. Does Company staff routinely work with external stakeholders to implement community initiatives?				If no = 0 If partly = .5 If yes = 1

## SAI Rating System Self-Assessment

This document will take you through a series of questions to help you measure your Company's performance related to PS2.

### Training & Capacity Building

	Yes	Some/ partly	No	Notes
1. Do your Company's orientation materials for new workers mention your labor standards performance requirements and PS2?				If no = 0 If partly = 0 If yes = 1
2. Does your Company provide specific training for workers clearly explaining your labor standards performance requirements and PS2?				If no = 0 If partly = .5 If yes = 1
3. Does your Company have a documented training plan for regular ongoing training on labor compliance policies and management systems for all workers?				If no = 0 If partly = .5 If yes = 1
4. Does your Company provide additional training on auditing and management systems for its staff responsible for implementing the labor standards performance program?				If no = 0 If partly = .5 If yes = 1
5. Does your Company provide joint training targeted to improving communication between workers and supervisors and managers?				If no = 0 If partly = 0 If yes = 1
6. Does your Company routinely measure the effectiveness of your training and curricula through tests, surveys and interviews of employees?				If no = 0 If partly = .25 If yes = .5
7. Does your Company provide any training or technical assistance to your suppliers and contractors on labor standards performance and PS2?				If no = 0 If partly = .25 If yes = .5

## SAI Rating System Self-Assessment

This document will take you through a series of questions to help you measure your Company's performance related to PS2.

### Managing Suppliers & Contractors

	Yes	Some/ partly	No	Notes
1. Does your Company provide its direct suppliers and contractors with written communication asking them to comply with your code or PS2?				If no = 0 If partly = .5 If yes = 1
2. Does your Company have a map of its direct suppliers and contractors with a risk assessment?				If no = 0 If partly = .5 If yes = 1
3. Does your Company use a formal labor standards performance rating or measurement system for its direct suppliers and contractors?				If no = 0 If partly = .5 If yes = 1
4. Does your company regularly monitor direct suppliers or contractors using trained staff or independent auditors?				If no = 0 If partly = .5 If yes = 1
5. Do supplier agreements and purchase orders clearly define labor compliance expectations, including procedures for authorization of sub-contractors?				If no = 0 If partly = 0 If yes = .5
6. Are there procedures in place requiring sourcing and/or contracting to routinely inform compliance about new and existing suppliers and contracts?				If no = 0 If partly = 0 If yes = .5
7. Are there written procedures for the consideration of labor standards performance before placing orders with new or existing suppliers; and/or placing contracts with new contractors?				If no = 0 If partly = 0 If yes = .5
8. Does your Company's map and a formal risk assessment extend beyond its direct suppliers to sub-contractors and sub-suppliers?				If no = 0 If partly = 0 If yes = .5



<b>SAI Rating System</b>		Instructions: Use this form after completing the SAI Self-Assessment. The purpose of this form is to summarize the strength of your processes, and to target areas for improvement. These ratings focus on the underlying processes that drive sustainable and continual improvements in social performance.		<b>Overall Rating Score:</b>
COMPANY NAME:		(1) Circle or mark the box in each column that corresponds to your Self-Assessment score. (2) Add the total points and divide by 9 to get an overall rating score.		
PERSON(S) COMPLETING EVALUATION:		TELEPHONE:	EMAIL ADDRESS:	
CONTACT PERSON:		TELEPHONE:	EMAIL ADDRESS:	

Rating 5 is highest	Management Systems	Internal Labor Standards Performance Team	Worker Involvement & Communication	Complaint Management & Resolution	Level and Type of Non-Conformances	Progress on Corrective Actions	External Verification & Stakeholder Engagement	Training & Capacity Building	Management of Suppliers & Contractors
5	Mature management system implemented. Demonstrated commitment to continual improvement using annual improvement plans.	Team has implementation authority. Formal coordination with business units and suppliers. Team role part of performance review.	Routine two-way dialogue between workers and managers, fully utilizing formal and informal communication channels. Active participation by workers in workplace initiatives.	Fully functional system extended to supply chain and external stakeholders. Commitment to continual improvement of system through worker input.	Isolated minor violations. No major violations. No system failures.	Systematic implementation of improvement plan targeting root causes. Measurable targets for continual improvement.	Continual engagement with external stakeholders to implement programs to improve workers' lives in the workplace and community.	Team provides regular and effective training on full range of labor standards performance issues for workers and suppliers. Focus on use of management systems to help suppliers measure and improve.	Labor standards performance integrated into sourcing decisions. Supply chain map and risk assessment extended to key sub-contractors and sub-suppliers.
4	Policies, procedures and records centrally maintained and routinely reviewed. Wide awareness in company.	Multi-departmental team including worker rep. Team fully trained, meets and reports regularly. Clear team leadership. Top management support.	Key company policies understood by workers. Formal channels established for worker participation, including worker committees and worker representatives.	System well communicated and utilized by workers. Complaint resolution well documented and effective.	Occasional minor violations. Isolated system failures causing major violations.	Corrective action system fully operational. Consistent, effective follow-up with specific timeframe for improvement.	Routine proactive communication with stakeholders, including workers' organizations.	Ongoing training for key departments on management systems. Joint worker, supervisor and manager training. Introductory briefings to suppliers.	Fully operational monitoring and evaluation program of direct suppliers.
3	Complete set of policies and procedures in place meeting PS2. Sporadic communication, implementation and review.	Team in place, including worker rep. Team lacks training, experience, and/or authority.	Policies and procedures in place for worker-manager communication. Sporadic utilization of communication channels by both managers and workers.	Documented system in place to receive and respond to complaints. Utilization and resolution not systematic.	Few major violations, none with immediate threats to worker well-being. Some system failures, with recurring minor violations.	Corrective action system developed and documented. Sporadic implementation and verification. No specific timeframe for improvement.	Established procedures for engaging stakeholders, including workers' organizations. Some proactive communication.	Full introductory training on PS2 for all workers. Sporadic follow-up training in some departments.	Complete supply chain map and risk assessment. Supplier rating and evaluation system partially implemented.
2	Policies in place meeting PS2. Sporadic, conflicting or confusing procedures.	Clearly a secondary responsibility in HR department, with limited awareness. No awareness in other departments.	Sporadic and ineffective communication with workers. Some effort by management to inform workers, but all top-down communication.	Documented system for receiving complaints. No systematic way to respond to complaints. Sporadic resolution.	Some major violations with immediate threats to worker well-being. Serious recurring system failures.	Sporadic progress on corrective actions. No system for tracking corrective actions.	Documented procedures for cooperating with external auditors. Sporadic and selective responses when approached by external stakeholders.	Brief mention of labor standards performance issues and workplace rights in new worker training.	Limited communication with suppliers and contractors. Partial map and risk assessment. Sporadic monitoring or evaluation.
1	No Code or Standard adopted. No related policies and procedures.	Little or no internal awareness. No formally assigned responsibility.	Little or no communication between management and workers. Little or no awareness among workers about company policies.	No documented system to receive, address or report on complaints. Signs of possible retribution for complaints.	Frequent major violations of core labor performance standards with immediate threats to worker well-being. Lack of credible information.	No plan or evidence of effort to improve labor standards performance	Little or no transparency with external stakeholders or auditors. Signs of resistance when approached. Possible retribution when workers engage.	No mention of labor standards performance issues or workplace rights in worker training.	Little or no awareness of issues related to suppliers or contractors.

## Auditing Guidance for Internal Labor Standards Performance Auditors

This document is intended for use by your Internal Labor Standards Performance Team as it conducts internal audits. If you need to create a more formal procedure, use this as the basis.

✓	<b>A. Audit Preparation</b>
<input type="checkbox"/>	Collect previous labor standards performance reports for the factory. • Your audits for the previous two years.
<input type="checkbox"/>	Review any government inspection reports, third party audit reports, etc.
<input type="checkbox"/>	Pay special attention in observation/document review/interviews to issues identified in previous labor standards performance reports.
<input type="checkbox"/>	Research and refer to current local labor laws and regulations.
<input type="checkbox"/>	Basic labor code issues: <ul style="list-style-type: none"> <li><input type="checkbox"/> Regular weekly work hours</li> <li><input type="checkbox"/> Rest periods, lunch, etc.</li> <li><input type="checkbox"/> Overtime limits and exceptions</li> <li><input type="checkbox"/> Hour averaging and banking hours</li> <li><input type="checkbox"/> Minimum wage</li> <li><input type="checkbox"/> Overtime requirements and conditions</li> <li><input type="checkbox"/> Labor contract provisions</li> <li><input type="checkbox"/> Social system payment liability</li> <li><input type="checkbox"/> Annual leave</li> <li><input type="checkbox"/> Laws to protect disadvantaged workers</li> <li><input type="checkbox"/> Severance pay</li> </ul>
<input type="checkbox"/>	Meet with local NGOs, trade unions, government ministries. If possible, target NGOs that are industry-specific.
<input type="checkbox"/>	Research and understand the national and local context of labor union rights and activity.
<input type="checkbox"/>	Schedule sufficient time to conduct the scope of the audit.
✓	<b>B. Introductory Meeting with Management</b>
<input type="checkbox"/>	Meet with the senior management and department managers before conducting audit activities to review PS2 and the purpose of the audit.
<input type="checkbox"/>	Share an agenda for the meeting and itinerary with senior management and department managers.
<input type="checkbox"/>	With department managers, review the prior audit report and performance to date in meeting Corrective Actions.
<input type="checkbox"/>	Discuss non-retaliation against cooperating workers; inform management that future audits will include reviews of the continued employment of workers interviewed.
✓	<b>C. Operational Walk-Through</b>
<input type="checkbox"/>	Conduct operation walk-through following the flow of production from receipt of raw materials to shipment of finished goods.
<input type="checkbox"/>	Minimize the number of managers that accompany you on the walk-through. One or two escorts based on knowledge/responsibilities is usually sufficient.
<input type="checkbox"/>	During the walk-through, be aware of your body language and the message this sends to workers.

## Auditing Guidance for Internal Labor Standards Performance Auditors

This document is intended for use by your Internal Labor Standards Performance Team as it conducts internal audits. If you need to create a more formal procedure, use this as the basis.

<input type="checkbox"/>	Take notes of all things observed which require attention.
<input type="checkbox"/>	Following the facility walk-through, conduct a walk through of the dormitory facilities, canteens, washrooms, etc. (if applicable)
<input type="checkbox"/>	Identify non-conformance issues for supervisors and department managers during the walk-through.
<input type="checkbox"/>	Suggest best practice to supervisors and department managers during the walk-through.
<input type="checkbox"/>	Give sufficient attention to all PS2 elements during the operation/dormitory walk-through.
<input type="checkbox"/>	Ambient conditions should be verified for adequacy if potential risk such as air quality, noise, etc. Use measuring devices to determine noise level, temperature and adequate lighting.
<input type="checkbox"/>	If potentially underage workers are identified during the walk-through, follow-up to investigate through interviews and document review.
<input type="checkbox"/>	Identify all incidences of non-conformance with PS2; both major and minor.
<input type="checkbox"/>	Pay special attention to areas identified in previous corrective action requests.

<input checked="" type="checkbox"/>	<b>D. Interviewing Workers</b>
<input type="checkbox"/>	Select at least 5% of workers. Cap at 100 workers. Conduct individual and group interviews for balanced response.
<input type="checkbox"/>	Select workers who are representative of the workforce population (gender, race, age, religion, functional departments, etc.).
<input type="checkbox"/>	If the factory has contracted or migrant workers, make sure to select from all groups.
<input type="checkbox"/>	Do not allow supervisors or managers to influence selection of workers for interviews.
<input type="checkbox"/>	Conduct on-site interviews in areas that protect worker confidentiality and where the worker would feel comfortable. Make sure supervisors or managers are not in or near the space where the interviews are conducted.
<input type="checkbox"/>	Conduct interviews early in the audit to allow for follow-up.
<input type="checkbox"/>	Make sure to tell the workers that everything they say is confidential and that management has been warned against retaliation.
<input type="checkbox"/>	Be sensitive to cultural and gender issues.
<input type="checkbox"/>	Plan for an average of fifteen minutes per interview; however, use common sense in terminating interviews that are becoming nonproductive and extending interviews with people who are candid or openly addressing critical issues.
<input type="checkbox"/>	Formulate questions prior to the interviews to make sure you cover all specific areas of PS2 through the aggregated interviews.
<input type="checkbox"/>	If you plan to take notes, ask the workers if it is OK and clearly explain reason for taking notes. Try to minimize note taking as much as possible during the interview. Finish writing your notes immediately after the interview, so you have accurate documentation.

## Auditing Guidance for Internal Labor Standards Performance Auditors

This document is intended for use by your Internal Labor Standards Performance Team as it conducts internal audits. If you need to create a more formal procedure, use this as the basis.

<input type="checkbox"/>	Have your worker representatives advise on the best approach to building rapport with workers.
<input type="checkbox"/>	Ask workers specifically about follow up on previous corrective action plans.
<input type="checkbox"/>	Make sure your questions address the following: <ul style="list-style-type: none"> <li><input type="checkbox"/> Do workers know about and understand your policies related to labor and working conditions and PS2?</li> <li><input type="checkbox"/> Do workers understand their rights under the law and PS2 related to freedom of association and collective bargaining?</li> <li><input type="checkbox"/> Do workers understand how their wages are calculated, for base time, performance and overtime?</li> <li><input type="checkbox"/> Are workers aware of any dismissal, transfer, demotion or other punitive action against workers due to their exercising their rights under PS2.</li> <li><input type="checkbox"/> Ask workers about the status of trade unions, worker committees, or other worker groups in the factory and whether there is management interference.</li> <li><input type="checkbox"/> Ask question to determine conformance to discrimination and sexual harassment policies.</li> <li><input type="checkbox"/> Do workers understand the company's grievance mechanism, and do they feel it is operational and free from retaliation?</li> </ul>
<input type="checkbox"/>	If you employ contract workers, make sure to ask questions that address possible violations and areas of abuse.
<input type="checkbox"/>	Conduct some worker interviews off-site if possible.

<input checked="" type="checkbox"/>	<b>E. On-site Document Review</b>
<input type="checkbox"/>	Select personnel files, time cards and payroll records without management interference.
<input type="checkbox"/>	Select files and/or records at random to generate a representative sample of the workforce population and functional distribution in the factory. Seek some files to corroborate interviews conducted earlier.
<input type="checkbox"/>	Balance your time and effort investigating all areas of PS2. Document review is particularly critical for wages, working hours, health and safety, use of sub-contractors, hiring and termination.
<input type="checkbox"/>	Review training material or written communications to workers that address all PS2 issues and training records as well as instructor qualifications.
<input type="checkbox"/>	If the operation employs contract workers, address potential areas of abuse in the document review. Specifically review the contract with the workers.
<input type="checkbox"/>	Identify all significant incidences of non-conformances in preparation of your management meeting.

## Auditing Guidance for Internal Labor Standards Performance Auditors

This document is intended for use by your Internal Labor Standards Performance Team as it conducts internal audits. If you need to create a more formal procedure, use this as the basis.

✓	<b>F. Closing Meeting with Management</b>
<input type="checkbox"/>	Conduct a closing meeting with senior management and department managers.
<input type="checkbox"/>	Present your preliminary findings with particular emphasis on the positives as well as areas for improvement. All non-conformances must be addressed. Seek clarification on any findings or issues raised during the audit.
<input type="checkbox"/>	Work with the department managers and supervisors on a corrective action plan that details specific actions to be taken and timelines for their completion.
<input type="checkbox"/>	Go over any outstanding corrective action requests from previous audit reports.
<input type="checkbox"/>	Make sure senior management signs off on the corrective action plan.

# Corrective Action Plan

Here is an example of how you may fill the corrective action form. The form is suggestive only. You may have your own format to plan corrective action.

Corrective Action Plan		The form is suggestive only. You may have your own format to plan corrective action.	
<b>Factory Name:</b>	Sample Factory	<b>Corrective Action # 200:</b>	001
<b>Code of Conduct Element</b>	<b>Current Situation /problem</b>	<b>Proposed Corrective Action</b>	<b>Starting date:</b>
Health and Safety	Risk of injury from drills and saws	- Purchase protecting gloves - Train workers on using gloves - Maintain appropriate guards	Sep 07
			<b>Planned Completion date</b>
			Dec 07
<b>Issue</b>	<b>Potential Challenges</b>	<b>Likely costs</b>	
Machine Safety	- Finding right gloves - Convincing workers to use gloves - Will gloves slow down work? - Will workers steal gloves?	20 Gloves x \$25	\$500.00
		Training sessions	\$250.00
		Signs for each machine where gloves must be used 12 x \$5	\$60.00
		<b>Total Cost:</b>	\$810.00
<b>COMMENTS:</b>		<b>DATED PROGRESS REPORTS:</b>	
Some of the workers stated that gloves slowed them down. We believe this is partially due to poor fitting, ill-designed gloves. This problem can be solved in part by letting the worker representative select the glove type and sizing the glove.		Feb 08 Assessment visit to factory: Protective gloves purchased; worker training conducted. Reviewed documentation of purchases and trainings; observed proper use of gloves in two factory walk-throughs. Machine guards still not in place.	
PERSON DIRECTLY RESPONSIBLE FOR CORRECTIVE ACTION PLAN:		August 08 Assessment visit to factory: Machine guards installed and workers trained in proper use. Verified via purchase receipts and training records and worker interviews.	
SIGNATURE	DATE		

# Corrective Action Plan

Here is an example of how you may fill the corrective action form. The form is suggestive only. You may have your own format to plan corrective action.

Corrective Action Plan		The form is suggestive only. You may have your own format to plan corrective action.	
<b>Factory Name:</b>		<b>Corrective Action # 200:</b>	
<b>Code of Conduct Element</b>	<b>Current Situation /problem</b>	<b>Proposed Corrective Action</b>	<b>Starting date:</b>
			<b>Ending date</b>
<b>Issue</b>	<b>Potential Challenges</b>	<b>Likely costs</b>	
		<b>Total Cost:</b>	
<b>COMMENTS:</b>		<b>DATED PROGRESS REPORTS:</b>	
PERSON DIRECTLY RESPONSIBLE FOR CORRECTIVE ACTION PLAN:			
SIGNATURE	DATE		



## Corrective Action Tracking

Use this form as a cover sheet to compile the individual Correction Action Plan forms. This is a handy reference to give you a quick overview of the outstanding issues, the progress being made and where to focus your attention. During internal audits and management reviews, you should review this so you are aware of outstanding issues.

SUPPLIER NAME:

We recommend that you provide the supplier with a copy of this form too. Sample data has been entered in the first row.

Corrective Action File #	Initial Plan Date	Code of Conduct Element	Problem Summary	Corrective Action Summary	Supplier Mgr. Responsible	Due Date	Progress Update (include date)	Date Closed
2007-001	9/1/2007	Health & Safety	Risk of injury from drills and saws	1. purchase protective gloves 2. train workers 3. install machine guards	William Smith	12/1/2007	10/15/2007 – gloves purchased, guards installed, training scheduled	12/15/2007

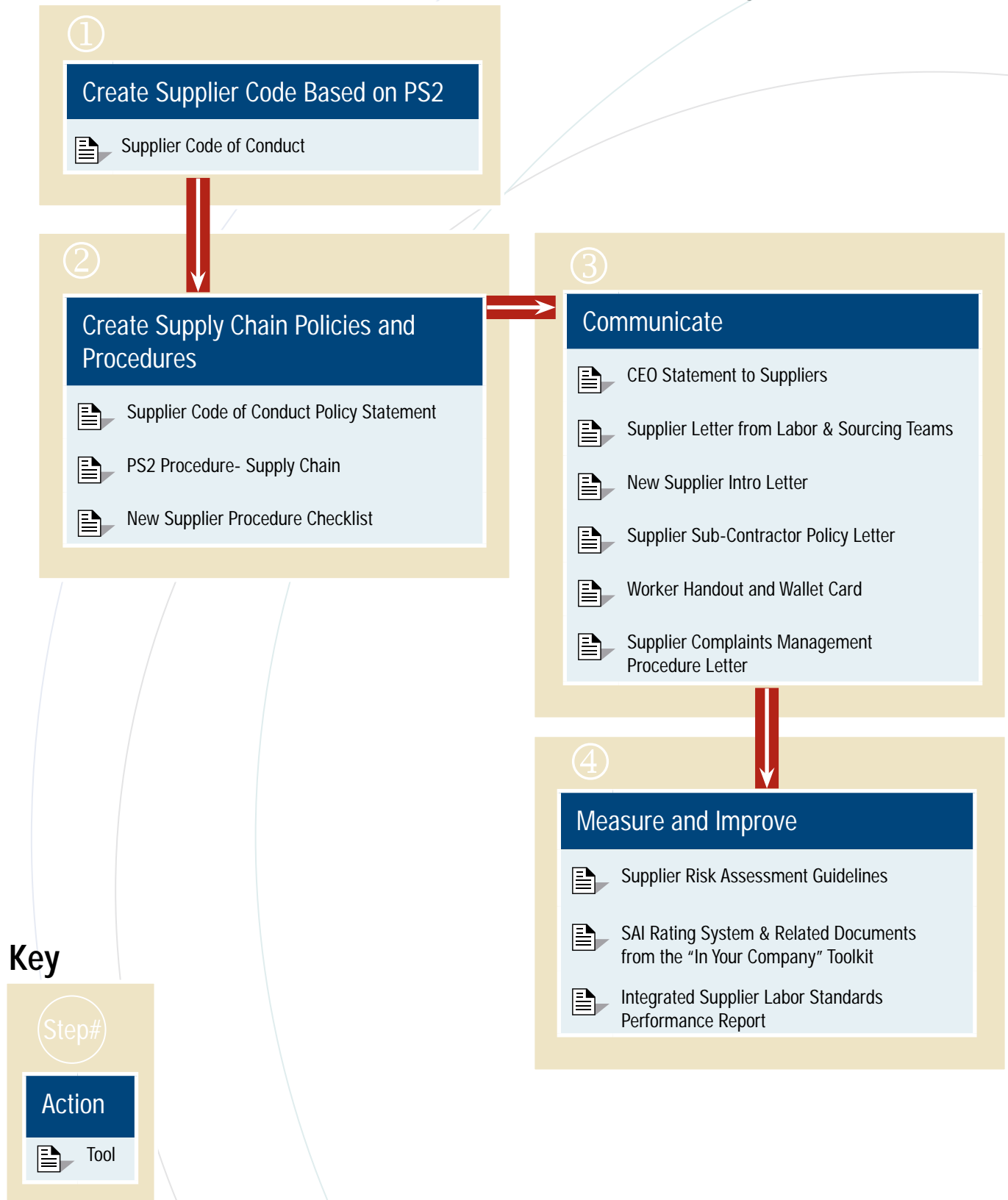


Take a look at the map to Labor Standards Performance in your Supply Chain.

There are four steps. In each step there is an instruction page that includes:


- **1. Objective of this Step**  
This is an overview of the step and why it is important
- **2. Color-coded Map**  
This shows you where you are in the process
- **3. Instructions for Use of Tools**  
This has instructions for using each sample document or form

# Labor Standards Performance in your Supply Chain



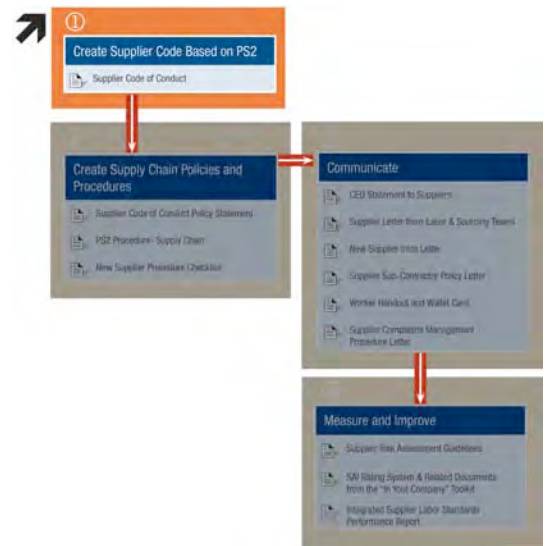


# Create Supplier Code Based on PS2

 Supplier Code of Conduct

## Objective of this Step

Just as you have a Company Code of Conduct that defines principles and expected conduct within your company, you should also have a Supplier Code of Conduct for your supply chain. The Supplier Code of Conduct is the policy statement that defines principles and conduct that you expect each of your suppliers to follow. This can address the suppliers' management philosophy, governance, environment, corruption, transparency and treatment of employees and other stakeholders. In this step you will create the labor and working conditions portion of your Supplier Code of Conduct based on PS2.



## Instructions for Use of Tools

### *Supplier Code of Conduct*



This is how you communicate your Company's beliefs and expectations to your suppliers. It is very important that you think through the creation of your Code and tailor it to your company. Although your Supplier Code will be based on your Company Code of Conduct, you may or may not choose to simply copy the structure and language. Use the toolkit item [Supplier Code of Conduct](#) to get started.

## Supplier Code of Conduct

Your Supplier Code of Conduct is the fundamental document in communicating your Company's beliefs and expectations to your suppliers. Below are tips on how to create this key document.

### Supplier Code of Conduct

Using the toolkit for the previous section, Labor Standards Performance in Your Company, you should have created a Company Code of Conduct which addresses labor and working conditions in your company.


Now use your Company Code of Conduct as the basis for writing your Supplier Code of Conduct.


PS2 does not require that you include all elements of your Company Code in your Supplier Code. It only requires that you address Child Labor and Forced Labor. So first make sure that your Supplier Code includes these elements. You may also choose to include more expansive requirements for your suppliers, though it is not required by PS2.


Writing your Supplier Code is a great activity for your Labor Standards Performance Team because the team includes people from many different departments. By getting input from several departments, you can align your Supplier Code with the overall goals your company has for managing performance and risk in your supply chain.



# Create Supply Chain Policies and Procedures

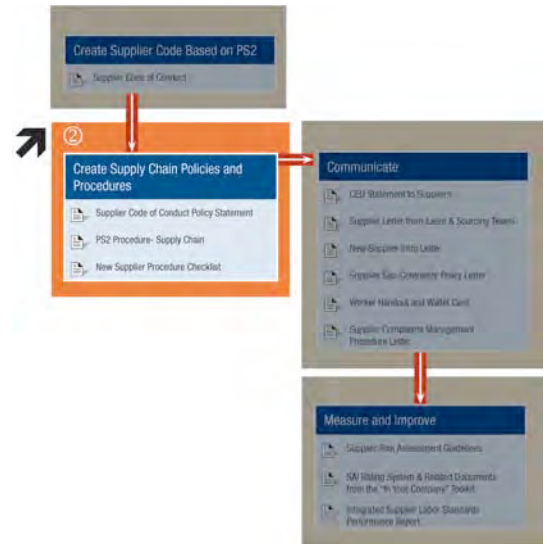
 Supplier Code of Conduct Policy Statement

 PS2 Procedure - Supply Chain

 New Supplier Procedure Checklist

## Objective of this Step

You've created your Supplier Code of Conduct. Now you need to get your internal staff and your suppliers to put it in practice. How will they know what to do? How will you make sure they do it? You need documented policies and procedures for everyone to follow. For example, your Supplier Code says you will not allow child labor in your supply chain. How will you track this? How will your suppliers know this and give you assurance that they are not employing children? How will your Labor Standards Performance Team track any potential violations? How will they work with the sourcing team to make sure no purchase orders are issued to potential violators? Just as you have policies and procedures for your Company Code of Conduct, you need policies and procedures to implement your Supplier Code of Conduct.



## Instructions for Use of Tools


### *Supplier Code of Conduct Policy Statement*





Your policies do not have to be long and technical like legal documents. They should be clear and simple statements of the principles in your Supplier Code of Conduct. Use the toolkit item [Supplier Code of Conduct Policy Statement](#) to get started.



# Create Supply Chain Policies and Procedures

 Supplier Code of Conduct Policy Statement

 PS2 Procedure - Supply Chain

 New Supplier Procedure Checklist

## *Supply Chain Procedures*



Your procedures for managing your supply chain should not be an isolated set of activities layered on to your existing business procedures. They should be integrated in the day-to-day operations of your company. Your sourcing, production and other departments need to be aware of the labor standards performance of the suppliers they work with and integrate this into their business decisions. Otherwise your suppliers may receive conflicting messages about the importance of their labor standards performance and it will become an isolated (or non-existent) set of activities at your suppliers.

Use the following toolkit items to get started on integrating the principles of your Supplier Code of Conduct into your operating procedures. You can customize and add to them as appropriate for your organization and the scope of your PS2 policy with respect to your supply chain.

***[PS2 Procedure – Supply Chain](#)***

***[New Supplier Procedures Checklist](#)***

## Supplier Code of Conduct Policy Statement

The following are the guiding principles which should be reflected in your Company's written policies with respect to PS2 and your supply chain. You should modify the statement according to your Company's organizational structure and any relevant labor laws in your country.

- Our Company will extend the principles of PS2 as feasible to our suppliers.
- We will notify our suppliers of the PS2 requirements concerning child labor and forced labor and minimize its presence:
  - We expect our suppliers not to employ workers under the minimum age for employment as defined by national law.
  - We expect our suppliers not to employ workers between the minimum age and 18 in dangerous work or work that interferes with their education or development.
  - We expect our suppliers not to employ forced labor.
  - We expect our suppliers to respect workers' rights to retain their personal documents and money.
  - We expect our suppliers to respect workers' rights to leave the workplace after work.
  - We expect our suppliers to respect workers' rights to resign.
- We will monitor our suppliers' performance related to PS2 requirements concerning child labor and forced labor.

## PS2 Procedures - Supply Chain

The following are guidelines for what to include as you construct your Company's procedures for following the PS2 principles for Supply Chain. You should modify it according to your Company's organizational structure and operations.

### Guiding Principles

- Our Company will extend the principles of PS2 as feasible to our suppliers.
- We will notify our suppliers of the PS2 requirements concerning child labor and forced labor and trying to minimize its presence.
- We will monitor our suppliers for compliance concerning child labor and forced labor.

### **Guidelines for Operation**

1. Our Company's purchasing department will maintain a supply chain map of all suppliers that is updated on a quarterly basis. This map will be distributed to our Internal Labor Standards Performance Team as soon as it is updated.
2. Our Company will notify all suppliers of our PS2 and labor compliance policy and ask them to adopt these principles in their companies. Notification will include at least one letter from the General Manager and one joint letter from the Internal Labor Standards Performance Team and purchasing departments, as well as regular follow-up communications.
3. Each existing and new supplier will be rated by the Internal Labor Standards Performance Team using the SAI Rating System or another credible rating method.
4. New suppliers must meet a minimum score of \_\_\_\_\_ in order to become a supplier.
5. When evaluating a new supplier, the purchasing department will follow our Company's New Supplier Procedures Checklist.
6. Existing suppliers scoring 1 or 2 will be required to commit to a corrective action plan designed to move them up to one tier over a twelve-month period. Those failing to improve will be suspended until the corrective actions have been implemented. Those who continue to fail to improve within six months after the initial suspension will be terminated.
7. Our Company will give preference to suppliers scoring a higher labor standards performance rating.
8. We will implement a zero tolerance policy for all suppliers with respect to the PS2 principles of Child Labor and Forced Labor. Our Internal Labor Standards Performance Team will evaluate and help improve suppliers' performance in these principles through evaluations/audits, self-assessments and questionnaires, document reviews, trainings and toolkits.



## PS2 Procedures - Supply Chain

The following are guidelines for what to include as you construct your Company's procedures for following the PS2 principles for Supply Chain. You should modify it according to your Company's organizational structure and operations.

- 9.** Our Internal Labor Standards Performance Team will complete a risk assessment for each supplier and sub-contractor in the supply chain map, using the Supplier Risk Assessment Guidelines. Based on the risk assessment, the Team will work together with purchasing departments to select those suppliers who pose the highest risk and where our Company has the highest leverage. The Team will develop an annual supplier improvement plan for these “strategic suppliers” to guide them toward meeting PS2, including monitoring, training and technical assistance.
- 10.** Every six months, the Internal Labor Standards Performance Team will collect and review information from each strategic supplier that demonstrates evidence of meeting the requirements for PS2 and also for managing their suppliers. This may include: evaluations/audits, self-assessments and questionnaires, document reviews and interviews.
- 11.** Purchase orders will specifically make reference to PS2 and our labor policies.
- 12.** Where feasible, our Internal Labor Standards Performance Team will provide training and toolkits to help strategic suppliers make continual improvement toward meeting the requirements of PS2.

## New Supplier Procedures Checklist

This document can be used internally by the labor standards performance and sourcing staff as a checklist for evaluating new suppliers and their labor standards performance.

The purpose of this checklist is to ensure that labor standards performance and sourcing evaluations of new suppliers are done jointly. In addition, it ensures that from the first point of contact with potential new suppliers, they are receiving consistent information from the labor standards performance and sourcing people in your company.

### Key Elements:

- Determine whether the supplier meets a threshold level of labor standards performance to recommend initiation of business. We recommend a higher labor standards performance threshold for new suppliers, whereas with existing suppliers we recommend working with them to improve their labor standards performance if they are receptive.
- Once a supplier has been determined to meet the threshold level of labor standards performance, introduce the supplier to your company's labor standards performance policies and get their commitment

✓	Steps and Checklist	Date Completed
<input type="checkbox"/>	While exploring potential a new Supplier, the sourcing team will copy the Internal Labor Standards Performance Team on all correspondence with the Supplier. The sourcing team will also identify the person(s) at the Supplier to serve as the main contact for social performance issues and introduce them to the Internal Labor Standards Performance team.	
<input type="checkbox"/>	The Internal Labor Standards Performance Team will the New Supplier Kit, which consists of a cover letter, PS2 requirements, copy of SA8000 as best practice, SAI Rating Self-Assessment, etc.	
<input type="checkbox"/>	Review SAI Rating Self-Assessment and supporting materials from Supplier	
<input type="checkbox"/>	If the Supplier is SA8000 certified, skip to Step 11	
<input type="checkbox"/>	Based on the above, determine the likely labor standards performance ranking based on the self-assessment.	
<input type="checkbox"/>	Communicate with Sourcing department to determine level of interest from business standpoint.	
<input type="checkbox"/>	If there is high business interest and it appears that the Supplier will be at the lowest labor standards performance level, notify Supplier of potential problem.	
<input type="checkbox"/>	If there is a high likelihood that Sourcing will place orders with the Supplier, the Internal Labor Standards Performance team or trained representative from the Sourcing department or an external party will conduct an on-site review of the SAI Rating. This can be done as part of the normal sourcing visit to the supplier.	
<input type="checkbox"/>	Based on the results of the SAI Rating, the Internal Labor Standards Performance Team will issue approval or veto of the Supplier to the sourcing department.	
<input type="checkbox"/>	If the labor standards performance rating does not meet the threshold level and receives a veto, do not issue buying recommendation. If sourcing staff desires to initiate business despite the low rating, they must present a written appeal to the Internal Labor Standards Performance team, outlining the compelling reasons. If the labor standards performance and sourcing teams still disagree after the appeal, the case shall be forwarded to _____ [insert the appropriate deciding party in your Company].	

## New Supplier Procedures Checklist

This document can be used internally by the labor standards performance and sourcing staff as a checklist for evaluating new suppliers and their labor standards performance.

✓	Steps and Checklist	Date Completed
<input type="checkbox"/>	If buying recommendation is issued, all the supplier data on labor standards performance and business performance is maintained centrally. [Depending on the sophistication of the information technology in your company, this can be done manually or entered into the supplier management system. The key is to maintain the labor standards and business performance information in one place.]	
<input type="checkbox"/>	Company provides Supplier with Supplier Toolkit, which includes CEO letter, PS2, Supplier Sub-contractor Policy Letter, Supplier Complaints Management Procedure, worker communication tools, etc.	
<input type="checkbox"/>	Company and Supplier sign Supplier Social Responsibility Agreement	
<input type="checkbox"/>	Supplier forms its own Internal labor standards performance team responsible for monitoring and improving performance in its company in relation to PS2.	
<input type="checkbox"/>	Company schedules Code of Conduct audits going forward.	
<input type="checkbox"/>	Company and Supplier identify main areas of concern based on analysis of SAI Rating System.	
<input type="checkbox"/>	Company and Supplier work together on schedule and plan for improvement.	



# Communicate

CEO Statement to Suppliers

Supplier Letter from Labor and Sourcing Teams

New Supplier Intro Letter

Supplier Sub-Contractor Policy Letter

Worker Handout and Wallet Card

Supplier Complaints Management Procedure Letter

## Objective of this Step

Communication is a key part of an effective management system. So is senior management support. This is what takes you from just documenting policies and procedures to engaging people and motivating action. You need to make sure that your supply chain policies and procedures are understood at all levels of your company, as well as by your suppliers, their workers and external stakeholders. This is especially true for your suppliers – make sure they receive clear, consistent messages from all of your departments and your senior management. Make sure your suppliers understand that you consider them partners in improving labor standards performance – be clear about the roles and responsibilities of each partner, and find ways to work together to meet expectations.



## Instructions for Use of Tools


### *CEO Statement to Suppliers*





Your suppliers will be more likely to take your labor standards performance program seriously if they see that it has the support of senior management and the business departments in your company. This is a good opportunity for your Internal Labor Standards Performance Team to discuss the overall approach and strategy with your senior management and craft a coherent message. Use the toolkit item as a sample to get you started: ***CEO Statement to Suppliers***





# Communicate


 CEO Statement to Suppliers

 Supplier Letter from Labor and Sourcing Teams

 New Supplier Intro Letter

 Supplier Sub-Contractor Policy Letter

 Worker Handout and Wallet Card

 Supplier Complaints Management Procedure Letter

## Letters to Suppliers



Once your suppliers have received the CEO Statement, they will need further communications on your Company's policies and procedures. These need to detail your Company's requirements and your suppliers' responsibilities. Your suppliers need a clear picture of how you will evaluate them and track their progress related to labor standards performance. Ideally these communications should come from both your Internal Labor Standards Performance Team and your business departments. Use the following toolkit items to get started: [Supplier Letter from Labor and Sourcing Teams](#), [New Supplier Intro Letter](#), [Supplier Sub-Contractor Policy Letter](#)

## Communications to Workers and Other Stakeholders



As with your efforts to improve your Company's own labor standards performance, the input of workers and other stakeholders can be useful to your efforts to drive continual improvement in your suppliers. You should encourage your suppliers to establish their own communications with their workers and external stakeholders. Encourage them to establish their own grievance mechanisms. **Refer back to the toolkit items in the previous section, In Your Company: Procedures for Engaging External Labor Stakeholders and Worker Communications Toolkit.** Share these tools with your suppliers, as these can be easily modified for their own use.

Also, create a direct line of communication between your Company and your suppliers' workers and external stakeholders. You don't want to micro-manage or to undermine your suppliers' own efforts, so encourage their workers to go to their own management first. But you want to make sure that there is a way for you to learn about issues from suppliers' workers and external stakeholders if they are not effectively handled by the suppliers. Use the following toolkit items to get started: [Worker Handout and Wallet Card](#), [Supplier Complaints Management Procedure](#)



## CEO Statement to Suppliers

Below is a sample letter from your senior management to your suppliers, stating the principles of your labor standards performance program. You can modify the text below and print the letter on your company letterhead.



### Your Company Letterhead

Dear Supplier:

Our vision for [Company] is to become one of the most respected and admired companies in our industry. We aspire to conduct ourselves in an ethical, legal and socially responsible manner befitting a world-class company.

Corporate Social Responsibility, which spans both environmental and social issues, is a growing concern to investors, consumers and to all of us as people. Our [Company] Code of Conduct includes guidelines for labor standards performance which are based on the International Finance Corporation's Performance Standard 2. A key component of our overall Code of Conduct is the Supplier Code of Conduct that we expect you to follow. We are initiating the integration of our labor standards performance into all of our day-to-day business activities – inside our company and with our suppliers. We believe that improving labor standards performance must be a foundation of our long-term growth and profitability together.

While [Company] recognizes that there are different legal and cultural environments in which our suppliers operate, our Code of Conduct sets forth the basic requirements that all suppliers must meet in order to do business with [Company]. We hope that you will recognize the value of the Code of Conduct to bettering working conditions at your company and bettering your business overall. We will provide technical assistance, training and other development initiatives to help you implement the management systems to make continual improvements at your facility. We welcome your input and feedback every step of the way.

We are making a long-term commitment to continually improving labor standards performance in our supply chain. Internally, we are striving to make labor standards performance a routine part of our purchasing process and supplier evaluation. We are initiating programs to make sure you get a consistent message from our buyers and our labor standards performance team.

I thank you for your efforts in partnering with us as we strive for continual improvement, and for your continued dedication to our mutual success.

**[Signature of CEO]**

## Supplier Letter From Labor Standards Performance & Sourcing Teams

Below is a sample letter to suppliers, following up on the CEO statement and providing more information on your labor standards performance program. It is best to send jointly from your labor standards performance team leader and a representative from your sourcing department. You can modify the text and print the letter on your company letterhead.

### Your Company Letterhead

Dear Supplier, Importer, Trading Company or Agent:

We are writing as a follow-up to our CEO's letter to you dated \_\_\_\_\_. The purpose of this letter is to provide you with some more background and to initiate a plan of action.

Attached are the CEO letter, our [Company Name] Code of Conduct, and our Supplier Code of Conduct.

Our Company Code of Conduct covers how we deal with our own workers and all stakeholders. A key part of our Company Code is our Supplier Code of Conduct, that specifically addresses the labor standards performance of our suppliers.

We expect you, as a supplier, to establish your own company code of conduct and create a supplier code of conduct for your suppliers, based on ours.

Our Code of Conduct is based on the International Finance Corporation's Performance Standard 2: Labor and Working Conditions. PS2 is based on the international workplace norms of International Labour Organisation (ILO) conventions, the Universal Declaration of Human Rights and the UN Convention on the Rights of the Child.

Our Code is rooted in a management systems approach which helps to embed policies and procedures into daily business and ensures systematic improvement in workplace conditions. We can work with you to implement these systems in your company in the most efficient way possible.

While [Company] recognizes that there are different legal and cultural environments in which our suppliers operate, our Code of Conduct sets forth the basic requirements that all suppliers must meet in order to do business with [Company]. In all our sourcing, we will use suppliers who meet minimum criteria for audits to our Code of Conduct, and give preference to those performing at the highest levels.

At [Company], implementing our Code of Conduct has led to substantive improvements and we believe you will experience the same. We believe there are benefits in production and in marketing, including improved worker morale and retention, improved quality and productivity, market differentiation in reaching new customers, and more stable, long-term growth among existing customers.

We hope that you will recognize the value of the Code of Conduct to bettering working conditions at your company and bettering your business overall. We can provide technical assistance, training and other development initiatives to help you implement the management systems to make continual improvements at your facility. We welcome your input and feedback every step of the way.

We will be in touch soon to schedule a meeting or phone conference with you to get started on this important initiative.

**[Signature of both Sourcing and Labor Standards Performance Teams]**





## New Supplier Introduction Letter

Below is a sample letter to potential new suppliers, introducing your labor standards performance program. You can modify the following text and print the letter on your company letterhead.

### Your Company Letterhead

Thank you for your interest in becoming a supplier to **[Company]**. In evaluating potential suppliers, we consider a balance of quality, price, performance and labor standards performance.

As part of this New Supplier package, we are sending you:

- Our Supplier Code of Conduct – which is based on IFC Performance Standard 2: Labor & Working Conditions
- SAI Rating Self-Assessment

These are the steps that we will follow:

1. We ask you to complete and return the Self-Assessment. We will treat this as confidential.
2. If you are SA8000 certified, please notify us and provide us with a copy of the certificate, as this will qualify you for our highest labor standards performance rating and eliminate many steps in the following process. If you have another social certification or have recently completed an industry or corporate code audit, please provide us with documentation, as this may also speed the process.
3. If we are interested in placing orders based on our initial business and labor standards performance review, we will arrange to conduct an on-site review of the SAI Rating.
4. The purpose of our review is to verify your self-assessment and to determine your labor standards performance rating in our system.
5. Based on the business discussions and your labor standards performance rating, we will determine whether to place initial orders with you.
6. At this point you will receive our Supplier Toolkit, which includes our Supplier Social Responsibility Agreement for you to sign and return.
7. We will work with you to form an internal labor standards performance team and assist you in implementing management systems for labor standards performance.
8. We will work with you to develop a plan and schedule for on-going audits, training and implementing systems for continual improvement.

We are serious about our commitment to labor standards performance in our supply chain. We consider our suppliers to be essential partners in this effort. We look forward to receiving your Supplier Self-Assessment. Please feel free to contact us with any questions you may have.

**[Signature of both Sourcing and Labor Standards Performance Teams]**





## Supplier Sub-Contracting Policy Letter

This letter states your sub-contracting policy and should be sent to your new suppliers along with the Supplier Social Responsibility Agreement before any purchase orders are placed. It should also be sent to your existing suppliers along with the Supplier Social Responsibility Agreement. We recommend that this letter be sent from the head of sourcing or co-signed by the sourcing and labor performance standards team leaders.



### Your Company Letterhead

Dear Supplier,

Thank you very much for your commitment to producing for us in accordance with our Company Code of Conduct. We appreciate the investment you are making in your workplace and look forward to continual improvement and benefits for your business and its workers.

We take this opportunity to remind you that our Code of Conduct requires the effective management of sub-contractors related to PS2. We understand it may be necessary for you to use sub-contractors from time to time. However, we must know of their use and be assured that you are responsible for the labor standards performance in the sub-contractor facilities.

If you are using sub-contractors, they become an integral part of our supply chain. Therefore, they need to be included in a regular monitoring and auditing program. We ask that you report to us each sub-contractor that you hire to fulfill any production work on our behalf, as well as provide a contact person at the sub-contractor through whom we can communicate and implement our Code of Conduct.

You are expected to communicate our commitment, as well as your own commitment, to decent working conditions to each sub-contractor. You are also expected to effectively monitor and regularly report to us on your sub-contractor's compliance with our Company Code of Conduct. This will be factored into our regular performance review of your facility. Please make sure each sub-contractor receives a copy of our Company Code of Conduct, your Supplier Statement of Commitment, a copy of your Supplier Code of Conduct and a copy of your monitoring procedures.

For our part, we will work with you to actively engage your sub-contractors. We will help you communicate policies and implement an effective monitoring and remediation program. We will also include them in our monitoring schedule by conducting spot checks. We will also work with you to develop and implement a training program to help them towards continual improvement.

We hope that you will not view this as a burden on the production process, but rather an opportunity to help you build strategic relationships with your sub-contractors and draw upon our Company's labor standards performance resources. We hope that you will select sub-contractors that follow the best workplace standards and work with us to guide them toward continual improvement.

We understand your concern about potential circumvention. Per our Supplier Social Responsibility Agreement, we will not circumvent you to directly place orders with your sub-contractors.

Just as we expect you to meet our performance standards, we expect you to select sub-contractors who meet our minimum social performance criteria. If we find that your sub-contractor has significant non-compliances, we will reserve the right to suspend or discontinue production until the con-compliances are resolved.

We look forward to actively supporting you in your efforts to implement better working conditions throughout your supply chain. A representative from our company will schedule a visit with you shortly to discuss this sub-contracting policy, to develop a work-plan and to provide you with management systems tools to implement it effectively. In the meantime please feel free to contact me directly with any questions or concerns. Thank you again for your continued partnership with our [Company].

**[Signature of both Sourcing and Labor Standards Performance Teams]**

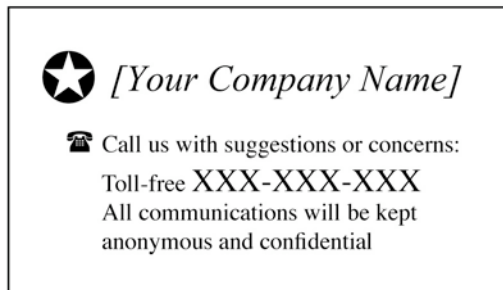
## Worker Handout and Wallet Card

This is a sample of a handout and card that can be distributed to the workers at your supplier facilities. It establishes a direct communication channel between you and the workers. It is important that the management at your suppliers is aware that you are distributing this card, but that they are not directly involved in any of the specific communications you receive from workers. You will need to modify the text and translate it into all of the languages spoken by the workers.

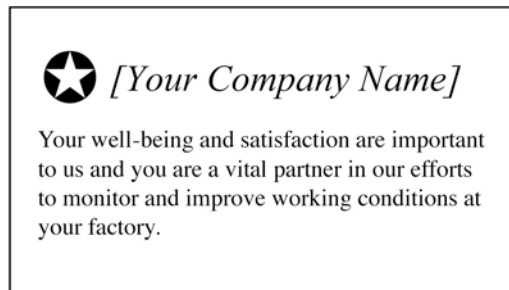
The example we are using here is that the workers would call a toll-free number in their country. However, you may need to modify the method of communication country-by-country. We suggest you distribute the PS2 Poster included in this Handbook with this handout and ask the suppliers to prominently display the PS2 poster.

**Suggested text for wallet-sized card:**

Front



Back



### Suggested text for the handout to your supplier's workers:

**[Company Name]** is a major customer of [Supplier Company Name]. We follow a Code of Conduct that is intended to provide you with safe and ethical labor standards and working conditions at your company. Your factory management has also committed to following this Code. Your well-being is very important to us. You are a vital partner in our efforts to monitor and improve working conditions at your factory.

We are happy to listen to your suggestions on how to improve the factory as well as any concerns or complaints you have about fellow workers, supervisors, managers, or factory conditions. We have set up a toll-free phone line XXX-XXX-XXX. We are available 24 hours a day, 7 days a week. Everything you tell us will be kept completely confidential. We look forward to hearing from you. Thank you for your part in making [Company] and [Supplier company name] both better businesses and better employers.

### **[Company Name] Code of Conduct**

Our Code of Conduct protects your rights in the workplace. The PS2 Poster that we have supplied states the main points of our labor standards and working conditions requirements. You may get the complete copy of our Code from your worker representative or factory management. If you prefer you can call us or get it online at [www.\\_\\_\\_\\_\\_](http://www._____).

## Supplier Complaints Management Procedure

Having a complaints management procedure for your suppliers is an important part of your management system. As we mention in the Handbook, complaints against your suppliers are likely at some point. How you handle these complaints is really important to your credibility and to the ultimate resolution of the problem. Below is suggested text for you to use as a public statement of your complaints procedures.

This statement of your complaints procedures should be sent to external stakeholders and posted for public viewing. You should notify your suppliers of this procedure. You may need to modify it to make sure it matches the details of your procedure.

### What to do if you have a concern or formal complaint about one of our suppliers:

We are committed to continually improving labor standards performance in our supply chain. We consider you a valuable partner in helping us monitor our suppliers and any companies they may be using as sub-contractors. If you have any concerns about one of our suppliers, this document outlines the procedures to file a formal complaint.

Concerns or formal complaints may be done through written documents, or through verbal channels such as our Company Code of Conduct Hotline. They may be forwarded directly toward relevant departments of our Company or toward external stakeholders such as NGOs or worker representative groups. We will accept written complaints in any language.

A formal complaint may be lodged by any interested stakeholder or stakeholder group, including a Company worker, a contract worker, an auditing body, a supplier or sub-contractor, a customer, or external party such as trade union or nongovernmental organization (NGO). It may be filed on a confidential basis to protect the anonymity of the interested party, but must include contact information in order to enable follow-up and reporting. If you are concerned about releasing your identity to us, we encourage you to file the complaint through a local NGO or trade union.

A formal complaint must be fully detailed and must include objective evidence that substantiates the alleged violation and contact information of the party filing the complaint, whether it is being filed directly or through a third party. We are also interested in concerns you may have so that we can address them before they become formal complaints.

Written complaints to Company may be mailed or emailed to:  
Company CSR Department  
Address / Fax / Email

### How we address your concern or formal complaint

Once received, your complaint will be fully investigated by our Company, and you will be advised of the outcome of your complaint in writing once this investigation has taken place.

The prime purpose of our complaint investigation is to determine whether or not the allegation is accurate, and if accurate, to find the root of the problem, to take corrective action and to prevent it from happening again.

## Supplier Complaints Management Procedure

Having a complaints management procedure for your suppliers is an important part of your management system. As we mention in the Handbook, complaints against your suppliers are likely at some point. How you handle these complaints is really important to your credibility and to the ultimate resolution of the problem. Below is suggested text for you to use as a public statement of your complaints procedures.

### ■ Step 1

Every formal complaint and concern is documented by the receiving person at our Company. It is classified as either a concern or a formal complaint.

### ■ Step 2

The complaint or concern is forwarded to the Company Labor Standards Performance Team and other relevant departments for evaluation. The supplier is notified of the complaint. The Labor Standards Performance Team then conducts an investigation, which may include analysis of audit reports, interviews with workers and local NGOs, supplier management and relevant Company departments, on-site visit, etc.

### ■ Step 3

If the Labor Standards Performance Team and other relevant Company departments cannot resolve a formal complaint, the case is forwarded to the Company Executive Committee, composed of members of the Board of Directors.

### ■ Step 4

Each step of the process is documented. We share the results for concerns and formal complaints with suppliers and encourage them to communicate them to all workers. For formal complaints, the documentation is provided to the originator of the complaint and interested parties. If the complaint was made through a third party, we ask the third party to forward the reports to the originator of the complaint.

### ■ Step 5

Brief descriptions of the formal complaints and resolutions will be posted publicly on our website with directions on where to obtain the full report.

## What we require of our suppliers

Each of our suppliers is required to implement a complaints management procedure for dealing with complaints they receive directly as well as those brought to our attention and forwarded to them. As part of this procedure, suppliers must post a “whistle-blower” policy that protects complainants from retribution. We will check during our audits and on-site visits to ensure that no one who files a complaint to us is punished in any way.

Every supplier must fully cooperate with us, or our representatives, as we investigate concerns or complaints.

Every supplier must keep records of complaints and responses and make them accessible to us, and stakeholders.

Every supplier must appoint a management representative responsible for ensuring that there is a confidential, accessible system for workers to voice grievances. Grievances may be lodged anonymously or workers may identify themselves and any co-complainant who wishes to be identified in a formal complaint.

## Supplier Complaints Management Procedure

Having a complaints management procedure for your suppliers is an important part of your management system. As we mention in the Handbook, complaints against your suppliers are likely at some point. How you handle these complaints is really important to your credibility and to the ultimate resolution of the problem. Below is suggested text for you to use as a public statement of your complaints procedures.

A worker may lodge a complaint through the elected worker representative or trade union representative, where one exists. Our whistle-blower policy provides that lodging complaints will not expose the worker to any risk of reprisal. Nevertheless, the worker representative shall take precautions to assure anonymity if the worker chooses not to identify himself/herself.

The worker representative, the worker, or any designated representative of the worker takes the complaint to the management representative who must respond within a reasonable, set period of time.

We encourage complaints to be resolved directly inside the supplier, according to the supplier complaints management procedures. However, as per the above, we have a system in place to handle complaints lodged directly with our Company.



# Measure and Improve

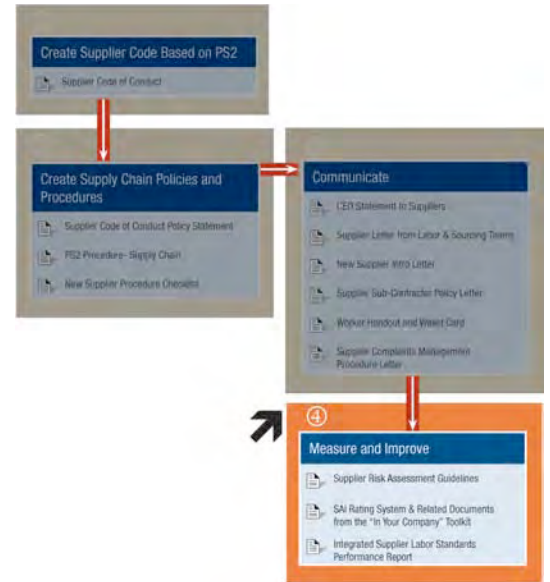
Supplier Risk Assessment Guidelines

SAI Rating System

Integrated Supplier Labor Standards Performance Report

## Objective of this Step

You've set your requirements for your suppliers, communicated them throughout your supply chain. Some will meet your requirements, some will not. Now what? How will you determine which of your suppliers is making efforts and actual progress? What do you do with those that are performing under expectations, or refuse to care? In your Company, you are working to "Measure and Improve" your own labor standards performance. You also need to do this with your suppliers – help them "Measure and Improve" their performance.



But realistically you will need to prioritize and focus your efforts. You can't do everything at once. So where do you start? You need some way to strategically allocate your resources. You need to understand where the risk is greatest for labor standards performance problems and where you can have the greatest impact.

## Instructions for Use of Tools


### *Supplier Risk Assessment Guidelines*




Before you can measure and improve the labor standards performance of your suppliers, you need to know who they are. Create a thorough supply chain map. Conduct a risk assessment – find out what your supply chain looks like, where you have the greatest risks of poor labor standards performance, where you should focus your resources to drive improvement. Use the following toolkit item to get you started: [Supplier Risk Assessment Guidelines](#)



# Measure and Improve

 Supplier Risk Assessment Guidelines

 SAI Rating System

 Integrated Supplier Labor Standards Performance Report

## *SAI Rating System*



Once you've mapped your supply chain and conducted your risk assessment, you can create a targeted work-plan for helping your suppliers improve. You may want to start by monitoring a select scope of your supply chain – perhaps those that pose the highest risk. **Refer back to the In Your Company toolkit item Auditing Guidance** – you can adapt this to auditing your suppliers.

But don't think of your PS2 supply chain management as just developing a monitoring or auditing program. You don't want to get caught in a cat-and-mouse game of trying to find code violations at your suppliers. You want to help them build capacity for continual improvement. Guide them toward the same Measure and Improve approach you are using at your own Company. Use the **SAI Rating System** to rate your suppliers in a process-based approach. Give them the **Self-Assessment** so that they can identify gaps in their systems.

Identify the areas for improvement and provide training, technical assistance and tools. Refer back to the tools you used for measuring and improving In Your Company – for example, the Worker Communications Kit, the Corrective Action Tracking forms and charts and the Training Plan. You can adapt a lot of these so that your suppliers can use them to measure and improve their own systems and processes.

## *Integrated Supplier Labor Standards Performance Report*



As you work to help your suppliers measure and improve, you'll want to track and report the progress to senior management and other colleagues. Use the opportunity to highlight not only the most important labor standards performance indicators, but also show their relation to other business measurements. This will increase the relevance of the report for your other colleagues. It can potentially demonstrate to them that measuring and improving labor standards in your supply chain can have a significant return on investment and a positive impact on business. A clear report which highlights the most relative data and shows the larger picture will have a much greater chance of being read and used by others outside the labor standards performance team. Use the following toolkit item to get you started:

[\*\*\*Integrated Supplier Labor Standards Performance Report\*\*\*](#)



## Supplier Risk Assessment Guidelines

The following table is a framework for analyzing the labor standards performance risk of individual suppliers.

Developing a map and overall risk assessment for your supply chain requires that you collect information supplier by supplier. You should try to complete this form for all of your direct suppliers, starting with those that are most important.

The information contained in this form can be useful in planning resource allocation based on the level of risk. This risk assessment also links to the SAI Rating System.

Depending on your industry and the nature of your supply chain, you may need to add or delete criteria, but this will get you started.

Criteria	Data	Notes
<b>Supplier Name</b>		
<b>Location Country</b> (group by country, alphabetical order)		
<b>Location City/Region</b>		
<b>Location Free Trade Zone or Special Economic Zone (yes/no)</b>		
<b>Type of company</b> (manufacturers, trading company, buying agent, importer)		
<b>Industry</b>		
<b>Product</b>		
<b>Manufacturing process or business activity</b>		
<b>Number of Employees</b>		
<b>SA8000 Certified (Yes/No)</b>		
<b>Certified by other organization or industry standard</b>		
<b>Fully compliant with rigorous Corp Code (yes/no: if yes, which company)</b>		
<b>Current Labor Standards Performance level in your system (SAI Rating System or other)</b>		
<b>Labor Standards Performance level status in previous cycle</b>		
<b>Percent of Their Production Capacity you Purchase</b>		
<b>Percent of Your Product that they Supply</b>		
<b>Presence of management systems for labor standards performance</b>		
<b>Presence of management systems for sub-contractors and suppliers</b>		
<b>Main nationality of workers</b>		
<b>Nationality of Factory Manager(s)</b>		
<b>Presence of Contract Labor</b> (foreign or domestic)		



 **Supplier Risk Assessment Guidelines**

The following table is a framework for analyzing the labor standards performance risk of individual suppliers.

<b>Criteria</b>	<b>Data</b>	<b>Notes</b>
<b>Dormitory</b>		
<b>Hazardous Materials Processes</b>		
<b>Date of Last Audit</b>		
<b>Auditing Organization</b> (internal/external)		

# Supply Chain CSR Report

This is an example of a report that would be provided to the CEO, the Executive Committee and/or the Board. It consolidates information on the labor standards performance of all your suppliers as well as their related business performance. We suggest that it be sent jointly from the Labor Standards Performance Team and Sourcing department.

## Your Company Letterhead

Memorandum

Date:

To: CEO, Executive Committee & Board of Directors

From: Labor Standards Performance Team and Sourcing Department

Re: Annual Report on Labor Standards Performance in our Supply Chain

Attached is the summary report of labor standards performance in our supply chain. The information is consolidated from our internal and external auditing over the last year.

We are looking at our supply chain from two angles: suppliers as a percent of total number and as a percent of production volume.

This Year [date]	Previous Year [date]
Total number of audits performed	Total number of audits performed
% of total number of suppliers	% of total number of suppliers
% of total production volume	% of total production volume

The following tables provide more detail on specific aspects of labor standards performance. Table 1 looks at the current and previous year ranking of suppliers by product category.

**Table 1 – PERCENT OF SUPPLIERS IN EACH LABOR STANDARDS PERFORMANCE RATING**  
*[Note on report-writing: Include brief analysis of numbers, possible explanations for trends, notable cases, possible explanations for differing performance by product group.]*

Rating (1-5)	% of Suppliers in Product Group 1		% of Suppliers in Product Group 2		% of Suppliers in Product Group 3		% of Total Suppliers	
	This year	Last year	This year	Last year	This year	Last year	This year	Last year
5								
4								
3								
2								
1								

# Supply Chain CSR Report

This is an example of a report that would be provided to the CEO, the Executive Committee and/or the Board. It consolidates information on the labor standards performance of all your suppliers as well as their related business performance. We suggest that it be sent jointly from the Labor Standards Performance Team and Sourcing department.

**Table 2 – PRIMARY LABOR STANDARDS PERFORMANCE PROBLEMS**

*[Note on report writing: We suggest that you explain that a straight comparison of the percentages by labor standards performance problem might be misleading. Some issues like Health & Safety are much easier to audit for than others like Workers’ Organizations.]*

Violations Found and Major Corrective Actions Issued for:	% of Suppliers in Sector 1		% of Suppliers in Sector 2		% of Suppliers in Sector 3		% of Total Suppliers	
	This year	Last year	This year	Last year	This year	Last year	This year	Last year
Child Labor *								
Forced Labor *								
Working Relationship								
Human Resources Policy								
Working Conditions and Terms of Employment								
Workers’ Organizations								
Non-Discrimination and Equal Opportunity								
Retrenchment								
Grievance Mechanism								
Health and Safety								
Non-Employee Workers								
Supply Chain								

*[Note on table above: \* Child Labor and Forced Labor are the elements, at a minimum, that PS2 requires companies to track in their suppliers. You may choose to include the other elements listed above as your labor standards performance program evolves and you expand the scope of your Supplier Code of Conduct. This expanded scope is in keeping with global best practices.]*

# Supply Chain CSR Report

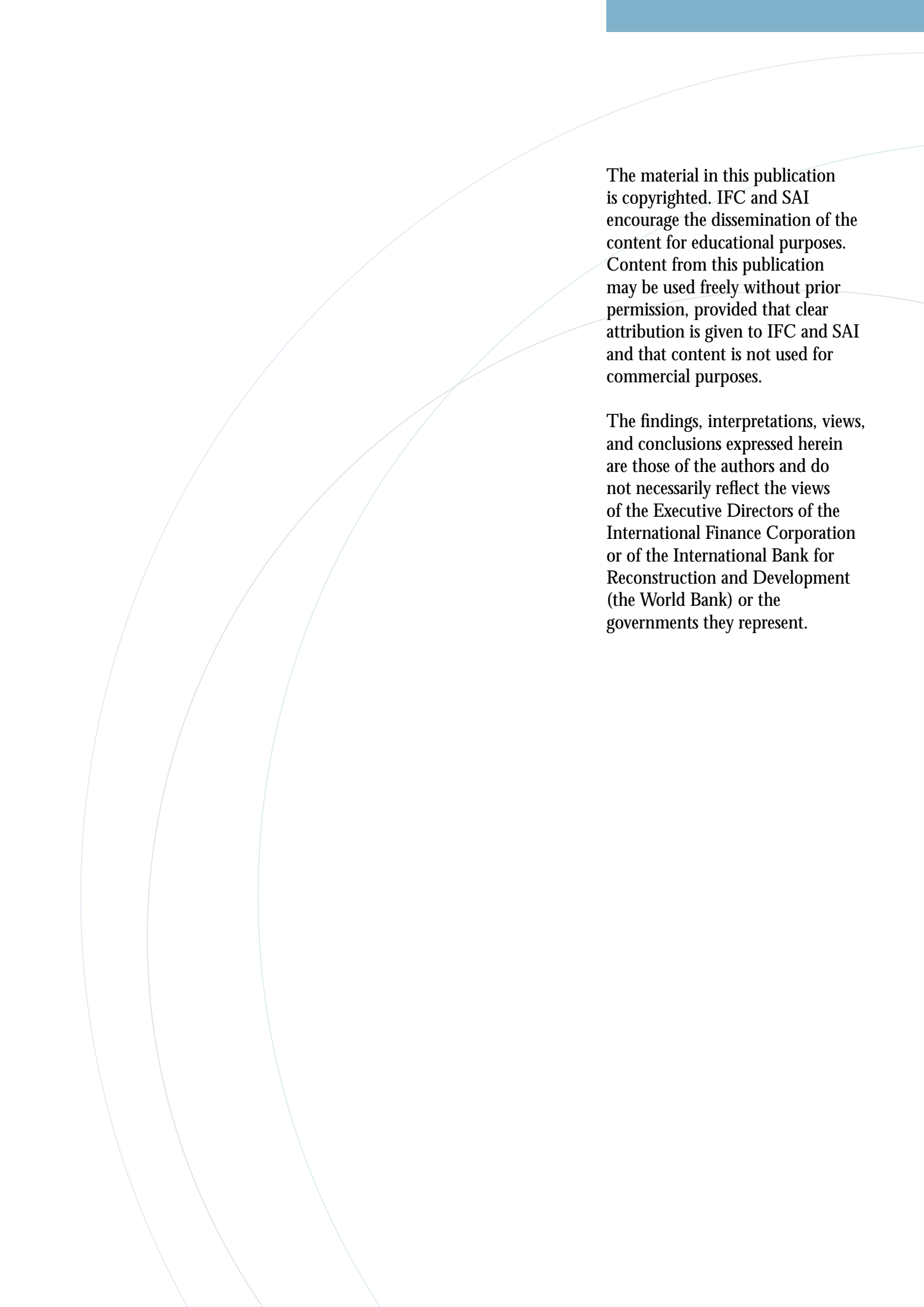
This is an example of a report that would be provided to the CEO, the Executive Committee and/or the Board. It consolidates information on the labor standards performance of all your suppliers as well as their related business performance. We suggest that it be sent jointly from the Labor Standards Performance Team and Sourcing department.

**Table 3 combines the labor standards performance ratings of suppliers with their business key performance indicators (KPIs).**

*[Note on report writing: Table 3 is really important as it allows you to look at the business performance of all suppliers at each labor standards performance level. Tracking this will create the foundation for building a business case that suppliers with better labor standards performance typically have better key performance indicators. We suggest that you create a separate table for each product group and a consolidated table for your entire supply chain. You can also modify this table to set annual improvement targets for the aggregate labor standards performance. You may consider tracking three-year rolling performance: current year, previous year, next year.]*

**Table 3 - INTEGRATED KEY PERFORMANCE INDICATOR REPORT**

Labor Standards Performance Rating	% of Suppliers	% of Volume	Business Key Performance Indicators (1-5)					
			Average score for all suppliers at the labor standards performance rating					
	%	%	Price	Quality	On-time	Lead-time	R&D	Total Score
5								
4								
3								
2								
1								



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