

Annex 10: How to Cascade amfori BSCI through the Supply Chain

This annex of the [amfori BSCI System Manual](#) guides amfori BSCI participants and their business partners on how to increase the number of business partners that observe the [amfori BSCI Code of Conduct](#).

INTRODUCTION

By signing the [amfori BSCI Code of Conduct](#) and related [Terms of Implementation](#), business enterprises commit to cascade those values and principles:

- **Within the business structure:** For example, communicate and develop the necessary systems, procedures, and competences to live up to the amfori BSCI Code of Conduct within its business culture.
- **Within the supply chain:** For example, communicate and develop the necessary systems, procedures, and competences to promote, to both direct and indirect business partners, the values and principles of the amfori BSCI Code of Conduct.

CASCADE EFFECT WITHIN THE BUSINESS STRUCTURE

Senior management (or the owner in case of micro and small business enterprises) should initiate the cascade effect and be supported by at least the following key departments (or individuals):

- Human resources
- Operations (production, procurement, and sourcing)
- Legal
- Communication

To reach this level of buy-in requires conviction, but also investment. It will not happen without effort. These are some of the actions top management may consider pursuing:

- Approve business policies, procedures, and systems that embed the amfori BSCI Code of Conduct in business operations e.g. recruiting, OHS, access to grievance mechanism
- Ensure regular training to the different people within the structure
- Define annual targets to assess the implementation progress

CASCADE EFFECT WITHIN THE SUPPLY CHAIN

Business enterprises may start cascading the values and the principles of the amfori BSCI Code of Conduct through their supply chains even before having it cascaded within their own business structure.

However, it is advisable that a minimum level of buy-in exists within the business structure to succeed in the cascade effect throughout the supply chain. For more information see [Annex 13: How to Promote Capacity Building](#).

Business enterprises may have limited resources to communicate and develop the necessary systems, procedures, and competences to promote the amfori BSCI Code of Conduct among their direct and indirect business partners. For that reason, mapping will help them to prioritise where to start.

Mapping the Sourcing Models

There are three major sourcing models:

- **Direct sourcing:** Direct sourcing is between a producer that produces a final product and the business (an amfori BSCI participant) when there are no intermediaries.
- **Indirect sourcing:** Indirect sourcing is between a producer that produces a final product and the business (an amfori BSCI participant) when there are one or more intermediaries.
- **Hybrid sourcing:** Hybrid sourcing is between a producer that produces a final product and the business (an amfori BSCI participant) when there are no intermediaries, whereas for other products there are one or more intermediaries.

Mapping the Significant Business Partners

Within these three sourcing models, some business partners will be considered significant for a business (e.g. over 40% of the volume sold in a specific market relies on that business partner or in that constellation of business partners).

Those significant business partners must know and agree upon the amfori BSCI Code of Conduct and amfori BSCI Terms of Implementation.

Eventually, some of these significant business partners will need to complete an amfori BSCI audit. Others will be monitored by other means (e.g. business visits). If a producer is required to complete an amfori BSCI audit, it should map and well document its own sourcing models and significant business partners because the auditor will want to understand how the producer:

- Selects its own business partners, taking into consideration their capacity and willingness to respect the amfori BSCI Code of Conduct
- Communicates and requests the signature of the amfori BSCI Code of Conduct to its significant business partners

If the producer wants to report the status of this mapping of the supply chain to all its linked participants, the [amfori BSCI platform](#) offers a specific section in the producer profile to that aim.

The producer can record a list of significant business partners, indicating the type of business partner, the level of importance, if it has signed the amfori BSCI Code of Conduct, and whether or not it has been monitored (e.g. internal assessment).

Alternatively, the producer can gather this information using [Template 2: Supply Chain Mapping](#) or any other system he/she may find appropriate.

MOST COMMON BUSINESS PARTNERS INCLUDED IN THE CASCADE EFFECT

The inclusion of certain business partners in the cascade effect is a strategic business decision.

In case of a business to consumer (B2C) partner, the perceived social risks from the market will be a key factor in determining to which business partners, and in which countries, the amfori BSCI Code of Conduct will be cascaded and its observance eventually monitored.

In case of business to business (B2B) partners, such as producers and their intermediaries, not only they will need to map their supply chain from their own perspective, but also to take into consideration the perspective and social risk perceived by their clients (e.g. amfori BSCI participants)

For producers that receive an amfori BSCI audit, these are the most common significant business partners that are mapped out:

- **Sub-contractors:** Many clients (e.g. amfori BSCI participants) will only allow the producer to use sub-contractors if their use was previously approved. This will ensure that the producer has an overview of the subcontractors' social performance, as if they were part of its own business.
- **Recruitment agencies (or brokers):** Many clients (e.g. amfori BSCI participants) will identify negative social impacts in the way workers are engaged. A producer will have the greatest influence on how the recruitment agency or broker (if applicable) engages workers in a responsible manner. For more information see [Annex 17: How to promote responsible recruitment practice](#).
- **Farms and smallholders:** Many clients (e.g. amfori BSCI participants) identify the agricultural work environment as a specific priority in their business and human rights due diligence. For this reason, the producer will aim at having good overview and influence on the social performance of farms and smallholders that deliver fresh produce to it. This overview can be achieved through regular internal assessments. Eventually an amfori BSCI audit may include a sample of these farms as part of the audit scope.

THE CASCADE EFFECT IN THE FOOD SUPPLY CHAIN

Since many food producers will be sooner or later linked to the agricultural work environment in their supply chain, the amfori BSCI system includes a specific audit methodology that allows:

- amfori BSCI participant to have an in-depth understanding of the working conditions in the agricultural sector
- Food producers to create synergies and economies of scale by adding a sample of farms into the scope of their own amfori BSCI audit

Both the amfori BSCI participant and the significant business partner (food producer) will have an interest in having a good overview of the social performance of farms and smallholders that deliver fresh produce to it. Particularly, when this fresh produce is delivered directly to the food producer (i.e. no intermediary), it becomes paramount to aim for the greatest level of transparency on working conditions, recruitment procedures, and any other procedures at the farms.

Food producers sourcing directly from farms should aim to have a good understanding of their supply chains and a social management system in place to monitor the social performance of at least two thirds of these farms. See [Annex 18: How to monitor producers organisations in the food sector](#).

After the mapping of the most significant farms, including smallholders, the food producer will need to:

- **Set priorities:** It may not be possible to assess all farms that are significant business partners, but the food producer should get a good understanding of those that represent the highest risk for its business.
- **A functioning social management system:** A systematic approach to manage and monitor the farms will save resources and build confidence on the level of risk management. See [Annex 3: How to Set Up a Social Management System \(SMS\)](#).
- **Support person:** Appointing a person who can accompany the farms through the amfori BSCI Code of Conduct implementation process may be the most cost-effective approach to ensuring continuous improvement and long-lasting engagement

To support this process, the amfori BSCI system recommends that amfori BSCI participants allow for a six-month preparation period before auditing a farm for the first time.

Alternatively, amfori BSCI participants may start by auditing only the food producer as main producer, while allowing internal monitoring, or even other farm specific standards, to monitor the farms separately.

The ultimate goal should be to always have a good understanding of the supply chains and promote continuous improvement, while avoiding duplication of efforts and wasted resources.

As commercial relations with farms may fluctuate, food producers should keep their farms' monitoring system up-to-date and reflecting the current reality. Failing to do this may be counterproductive and damage the trust and reputation of clients.