Foreword

This updated version of the amfori BSCI System Manual is published in July 2018. It coexists with relevant documents issued by amfori to date.

The below documents continue to apply as they remain valid:

amfori BSCI documents

- amfori BSCI Code of Conduct (extended version)
- amfori BSCI Audit Report (available on the amfori BSCI Platform)
- amfori BSCI Country Risk Classification
- Coordinated by-laws of amfori a.i.s.b.l.
- Easy Guide: The UK Modern Slavery Act
- Position paper: New Child Labour Law in India
- Guidance Package: Syrian Nationals Working in Turkish Supply Chains

Memos for auditors

- Memo ACs 2016/03 1 Auditing arrangements under BSCI 2.0
- Memo ACs 2016/03 2 Auditing arrangements under BSCI 2.0 - Addendum
- Memo ACs 2016/10 1 New FTA process for audit report unlock request - addendum
- Memo ACs 2016/11 1 (concerning Child Labour Amendment Act in India)
- Memo ACs 2017/03 1 Evaluating double book keeping (concerning audits in Turkey)
- Memo ACs 2018/04 (concerning Adherence of Other Codes of Ethics)
- Memo AC’s 2018/03 (concerning Reporting on Workers Vulnerable to Forced Labour)
- Memo ACs 2016/03 1 Auditing arrangements under BSCI 2.0
- Memo ACs 2016/03 2 Auditing arrangements under BSCI 2.0 - Addendum
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The amfori BSCI due diligence implementation strategy

Business enterprises that have endorsed the amfori BSCI Code of Conduct support early detection of labour and human rights abuses in the supply chain as a crucial part of their business identity. As such, the implementation of the amfori BSCI Code of Conduct is part of the business action plan and not only a way to alleviate reputational risks.

Within amfori BSCI system, both large and small companies get the same professional support and access to the same tools. Concretely, SMEs may benefit by:

- creating and maintaining trustful relations with customers, supply chain and stakeholders
- articulating their added value vis-a-vis clients, thanks to a good assimilation of the amfori BSCI system in their own company

To verify if amfori BSCI is the right solution for them, business enterprises can check if the following statements resonate to them:

- Business enterprises can drive prosperity in a country
- Business enterprises must be diligent to avoid harming people and the environment
- Business enterprises must be responsible for their actions and omissions
CHAPTER 1: THE AMFORI BSCI CODE OF CONDUCT

At the heart of amfori BSCI: The amfori BSCI Code of Conduct is the basis of the amfori BSCI System. The System enables business enterprises to:

- monitor their global supply chains
- build competence and knowledge with their own teams and in their supply chains
- engage in constructive dialogue with relevant stakeholders

amfori BSCI Code in a nutshell:

- Demands observance of the law
- Aligns with UN Guiding Principles on Business and Human Rights
- Builds on the International Labour Organization’s (ILO’s) Fundamental Conventions, which apply to all countries
- Enables business enterprises to follow a systematic due diligence approach in their supply chains

Public commitment: When amfori BSCI participants sign the Code of Conduct, their signature represents their public commitment to responsible business.

Set of values: The amfori BSCI Code of Conduct defines the values and principles for responsible business practices in the supply chain.

Legal framework: The amfori BSCI Code and Terms of Implementation provide amfori BSCI participants with the legal framework to request information on their business partner’s social responsibility performance.

Therefore, to extend the benefits of the System to a business partner, amfori BSCI participants should:

- request their significant business partner to sign the amfori BSCI Code and relevant Terms of Implementation
- create a producer profile in the amfori BSCI Platform, for those business partners that will be eventually monitored

Ways to pass on the amfori BSCI Code to business partners

- As a stand-alone document attached to the terms of purchase or contracts
- As a reference in a clause of the commercial contract
- Fully integrated in the contract or terms of purchase
- Fully integrated in their own codes of conduct
- Making a public statement on the website
Structure of the amfori BSCI Code of Conduct

**Extended version:** The amfori BSCI Code of Conduct is composed of a set of documents that must be read together:

- **amfori BSCI Code:** This includes the values and the principles companies abide to
- **Terms of implementation:** The terms of implementation expand on the way the amfori BSCI system is going to be implemented by a company. This includes:
  - Becoming a socially responsible company
  - Conducting due diligence in the supply chain
  - Accepting amfori BSCI 2.0 audits – which is only applicable for producers
- **amfori BSCI Reference:** This includes all ILO Conventions and recommendations as well as other important policies that need to be taken into consideration when implementing the amfori BSCI system.
- **amfori BSCI Glossary:** This includes all definitions relevant for the implementation of the amfori BSCI system

**Poster version:** For communication and awareness raising, the amfori BSCI Code can be displayed as a poster version. However, this A3 document is not the complete version of the Code and it has no legal value.

**Changes in the amfori BSCI Code:** The content of the amfori BSCI Code of Conduct must be respected in its entirety.

*amfori BSCI participants cannot eliminate any part of the amfori BSCI Code extended version nor include changes that may contradict or water down the spirit of the amfori BSCI Code.*

*Any change needs to be previously approved by the amfori Secretariat relevant department to be contacted at info@amfori.org*

These are most commonly requested and accepted changes in the amfori BSCI Code of Conduct:

- Integration of the amfori BSCI Code in existing documents of the company (e.g. commercial contracts) or
- Alignment of the amfori BSCI Code to the company's corporate image and therefore changing lay-out

**Legal clause:** If an amfori BSCI participant integrates the amfori BSCI code in its purchase contracts, the following legal clause must be added to make business partners endorse the BSCI Code of Conduct:

“The [Business Partner …] hereby acknowledges that it has been made aware of, and fully adheres to, the contents and requirements of the amfori BSCI Code of Conduct and related Terms of Implementation, [reproduced in annex hereto / available upon request / a copy of which has been provided to the Business Partner/…], and that such documents will be deemed to form an integral part of this [Agreement/Contract/…].”
Disclaimer: If an amfori BSCI Participant changes the layout, the following paragraph must be included at the top of the document:

“The document herein is a literal translation of the amfori BSCI Code of Conduct version 1/2014. As a business enterprise which has endorsed the amfori BSCI Code of Conduct, we have adapted the document into our own layout to better contribute to the amfori BSCI cascade effect.”

Own code of ethics: If an amfori BSCI participant has a different code of ethics, the following needs to be taken into consideration:

- **Comparability**: its own code should be compatible and not contradict the amfori BSCI Code
- **Coherency**: Having different criteria for its own business (own code of ethics) and business partners (amfori BSCI Code of Conduct) may be regarded as lack of genuine commitment by stakeholders.

Refusal to sign the amfori BSCI Code

amfori BSCI does not prescribe any specific way to deal with it as it is the amfori BSCI participant decision. However, it is recommended:

- **Internal policy**: amfori BSCI participants should develop internal policies on how to deal with business partners that refuse to sign the amfori BSCI Code.
- **Transparency**: These policies should be publicly available for potential and actual business partners, so they are aware of the consequences of their refusal.

In addition, these are some elements that can be taken into consideration:

- **Refusal comes from a reputed brand**: the amfori BSCI participant may not require it to sign the amfori BSCI Code of Conduct, if the brand has in place a similar Code of Conduct and solid due diligence approach.
- **Refusal comes from a producing company**: the amfori BSCI participant will assess the following aspects:
  - Is it possible to liaise with other BSCI participants sourcing from the same business partner to get it sign the amfori BSCI Code?
  - Is it possible to get reliable and timely information on its social performance in different ways (e.g. other social assessments)?
  - Is it possible to continue sourcing from a business partner unwilling to cooperate?

Ready to learn more?
Here are several other resources that will help you dive deeper:

- Part I, Chapter 12: Responsible interruption of business relations
- Annex 1: How to start with amfori BSCI Platform
- Annex 3: How to set up a Social Management System (SMS)
- Annex 10: How to cascade amfori BSCI through the supply chain
CHAPTER 2: THE RIGHT MIND-SET TOWARDS SUCCESSFUL IMPLEMENTATION

Key milestones of the amfori BSCI Code implementation

Behind those straight forward milestones, business enterprises may be confronted to multiple challenges, which is why the right mind-set will determine the level of success:

Don’t be defeated by internal challenges

Business enterprises confront internal and external challenges, when translating amfori BSCI Code of Conduct into business practice. Here some examples:

- Reservations from colleagues to support the changes internally needed
- Lack of human and financial resources
- Lack of influence to convince their business partners to implement the amfori BSCI Code of Conduct

Find internal and external allies

These examples highlight that companies cannot successfully embed the amfori BSCI Code of Conduct, if they work in silos, but they need to find allies that will support them in the process.

Be aware of the benefits of the amfori network

amfori BSCI participants represent a strong community of likeminded business enterprises that:

- receive and share from and with the amfori Secretariat expert advice and reliable tools to identify, monitor and remEDIATE these issues
- create synergies with other business enterprises facing similar issues

Don’t underestimate your power as SMEs

Small, medium sizes and even micro enterprises may feel these new responsibilities are too cumbersome for them. With the right support, SMEs can soon realise that they are already doing more than they think. Indeed, an important feature of SMEs is their intuitive and informal practice of CSR.
Use practical wisdom to bear complexity

The complexity of the global markets and geopolitical changes calls for a continuous improvement approach, by which companies move beyond quick-fixes and aim at achieving long lasting positive impact.

This is particularly important whenever amfori BSCI participants are confronted with imminent risk or flagrant human rights violations in their supply chain.

Get top management buy-in

The success of socially responsible enterprises relies on:

- The seriousness of their commitment
- The degree to which the core values of the amfori BSCI Code of Conduct have been embedded in the business culture

Therefore buy-in and cooperation from the CEO and senior management (or the owner, in the case of small enterprise) are pre-requisites for implementation.

Notes:

Ready to learn more?
Here are several other resources that will help you dive deeper:

- Annex 3: How to set up a Social Management System (SMS)
- Annex 10: How to cascade amfori BSCI through the supply chain
- Annex 11: How to understand the Commitment Formula
CHAPTER 3: OBSERVANCE OF THE LAW

Relevance of the amfori BSCI Code of Conduct: The amfori BSCI Code reflects universally-accepted international conventions, which most countries have already integrated into legislation. Therefore, business enterprises that respect the law most likely follow the amfori BSCI Code of Conduct already.

First obligation of a company: Obeying the law is the first obligation of business enterprises, both the law that governs its headquarters as well as the domestic law of countries where they operate and/or source.

Contradiction between amfori BSCI Code and domestic law

amfori BSCI Code reflects universally-accepted international conventions. What, at first sight, may look like a contradiction between domestic legislation and amfori BSCI Code may eventually not be the case.

Here some elements that may be taken into consideration:

### Reality check

In case of contradiction between the domestic law of the sourcing country and the amfori BSCI Code of Conduct, the stipulation that provides the highest protection to workers and the environment prevails.

However, this needs to be pondered with a good understanding of the local context and possible constraints. amfori BSCI participants must be vigilant to avoid pushing their business partners into the dilemma of breaching of their domestic law to satisfy customer’s demands.

### Constructive dialogue

amfori BSCI participants should use the opportunity to assess and define together with business partners:

- the constraints faced when trying to implement the amfori BSCI Code of Conduct
- best ways to protect workers without contravening the domestic law

Ready to learn more?
Here are several other resources that will help you dive deeper:

- amfori BSCI Code of Conduct
- amfori BSCI Terms of implementation
- amfori BSCI References
CHAPTER 4: ACT WITH DUE DILIGENCE

These are the three key actions of the amfori BSCI Code's due diligence approach:

**Detect**

amfori BSCI participants commit to detect in the earliest stage any shortcomings on the observance of the amfori BSCI Code. Such early detection allows companies to:

- Protect and strengthen their reputation
- Support a more stable business environment
- Save financial and human resources

**Monitor**

amfori BSCI participants will successfully monitor their supply chain by:

- Developing analytical approaches and internal procedures to build reliable business relations
- Using amfori BSCI monitoring methodologies to understand and assess risks
- Establishing processes and resources for incorporating lessons learned

**Remediate**

amfori BSCI participants will successfully remediate by:

- Identifying their level of involvement or contribution to social issues identified in their supply chain
- Using amfori BSCI network to boost leverage towards effective remediation
- Taking an active role in the remediation process

**Show**

In addition, and in line with the concept of “know and show”, amfori BSCI participants need to be able to describe what they are doing in terms of business and human rights’ due diligence, even more in the frame of legislation requiring non-financial disclosure.

These types of reporting shall take into consideration:

**Community expectations:** Due diligence relates to the expectations that the relevant community has on a business enterprise’s behaviour. This expectation varies from one community to another. However, there is an increase in the overall societal expectation that business enterprises must behave ethically and responsibly.

**Balance expectations with resources:** Aiming at full coverage and transparency of the entire supply chain is unrealistic. Businesses need to scope, prioritise and balance societal expectations and their own resources to provide solid and credible reporting.
**Due diligence for SMEs**

Small companies are also bound to be vigilant and put in place the necessary measures to early detect, monitor and (if necessary) remediate any possible human right violation in their supply chains.

Being small business and having less complex supply chains may help them to have a better overview of their risks and possible negative impacts and therefore help them in tackling those.

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**Ready to learn more?**

Here are several other resources that will help you dive deeper:

- Annex 11: How to understand the Commitment Formula
- amfori BSCI References
- amfori BSCI System Manual Part II, The amfori BSCI monitoring approach

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Notes:
CHAPTER 5: SUPPLY CHAIN MAPPING

amfori BSCI system aims at providing tools and solutions that support amfori BSCI participants in their responsibility to conduct due diligence through their supply chains. At the same time, amfori BSCI participants may implement the amfori BSCI Code of Conduct in their own business enterprise.

Supply chain: For the amfori BSCI implementation, the supply chain consists of the amfori BSCI participant’s significant business partners. (For full definition see amfori BSCI Glossary)

Supply chain’s mapping: Mapping the supply chain helps amfori BSCI participants to visualise the interrelations among the different business partners in the supply chain. To the typical product-based supply chain (e.g. different actors adding value to a product), amfori BSCI supply chain mapping adds the network of actors which interlink through complex labour arrangements and conditions.

Visualization of the supply chain can help companies to define:

- **Who**: the different actors involved directly or indirectly in the supply chain
- **How**: the level of relevance or significance these actors have for the core business and reputation
- **What**: the level of leverage as well as the type of actions that need to be prioritised

**Implementation model**

Based on the result of the supply chain mapping, amfori BSCI participants will define the amfori BSCI implementation model that suits them best. These are the amfori BSCI implementation models:

- **Direct**: The amfori BSCI participant sources directly from producing or manufacturing business partners or its own production units (including farms). It can also be the case that it sources indirectly (e.g. through a trader) but it has all the information on the production sites. In this case, the amfori BSCI participant will identify those producers that are significant for its business and create them a profile in the amfori BSCI Platform for further engagement in the BSCI system.
- **Indirect**: The amfori BSCI participant contracts through a trader (agent or importer) to source from producing or manufacturing business and it has no information about them. In this case, the amfori BSCI participant will request traders to become amfori BSCI participants and rely on their BSCI implementation.
- **Hybrid**: The amfori BSCI participant combines both direct and indirect models

**Ready to learn more?**
Here are several other resources that will help you dive deeper:

- Annex 1: How to start with the amfori BSCI Platform
- Annex 10: How to cascade amfori BSCI through the supply chain
- Template 2: Supply Chain Mapping
CHAPTER 6: CLASSIFICATION OF SIGNIFICANT BUSINESS PARTNERS

Scoping risks

For the amfori BSCI system, significant business partners are identified as those that:

- Are primary providers of a given type of good or service
- Represent a large share of the purchasing volume or affect amfori BSCI participant's reputation; or
- Potentially relate to risks of adverse human rights impacts

They have (or they are likely to have) influence or effect on the BSCI participant’s business. (See amfori BSCI Glossary for further details)

Scoping opportunities

In the context of the UN Sustainable Development Goals, business enterprises may also consider as significant business partners those that can influence in a positive way the amfori BSCI participant’s business model and reputation.

Classification perspective

Business enterprises may use several resources to classify their significant business partners and eventually select those who will receive an amfori BSCI audit.

These are the most common ways to classify business partners from an amfori BSCI system perspective:

Macro-level assessment: The governance system of a country impacts the extent a business enterprise based in such a country is able to incorporate social responsibility as part of its core business. These are example of relevant tools:

- amfori Country Risk Classification: This classification follows the World Bank Governance Indicators. Within this classification, amfori BSCI provides additional advice vis-à-vis extremely risk countries.
- Least developed countries: This classification is developed by the UN. Countries included in this list have exceptions with regard certain ILO Conventions (e.g. ILO Convention 138 on Child Labour).
- Public concern: Information from relevant stakeholders such as NGOs investigation reports.

Sectorial and supply chain assessment: The structure of the economic sector and the complexity of the supply chain impact on the way a business enterprise is able to incorporate social responsibility as part of its core business. These are example of relevant tools:

- amfori BSCI Platform: enables amfori BSCI participants visualize its significant business partners, check amfori BSCI audit results, liaise with other amfori BSCI Participant to create alliance towards remediation and continuous improvement. For more information see Annex 1: How to start with amfori BSCI Platform
- amfori BSCI commitment formula dashboard: amfori BSCI participants can assess their business partners’ proactivity and willingness to work towards continuous improvement by using this tool. For more information see Annex 11: How to understand the amfori BSCI Commitment Formula
• **amfori industry risk assessment**: amfori regularly issues industry risk assessment reports with information on the major issues identified in certain industries

• **amfori BSCI Zero Tolerance alerts**: Information provided through the amfori BSCI Platform by auditors within 24 hours from time the amfori BSCI audit has taken place. For more information see [Annex 5: How to follow the Zero Tolerance protocol](#).

**Commercial visits**: Information gathered through buyers, agents or similar actors or the purchasing team

**Accumulated experience**: amfori BSCI participant may rely on purchasing personnel’s accumulated experience to develop a sector specific list of risks. For example:

- Use of agents to sub-contracting workers in specific sectors
- Manufacturing of goods that is often done using homeworkers, like embroidery or other handcrafts
- Products coming from areas where children’s education is not granted
- Food crops that are collected using extensive manual labour
- Conflict-affected or high-risk areas where minerals are sourced from

**Grievance mechanism**: Information from complaints or suggestions that the amfori BSCI participant may have received through its own grievance mechanism or the [amfori grievance mechanism](#).

**Assessments**: Information gathered by second or third-party assessments, audits or similar exercises. amfori Secretariat recommends amfori BSCI participants not to rely exclusively on certificates but rather gather more substantial information that can help to take an informed decision about how work with significant business partner.

In order to capture the information of these classification perspectives, the amfori BSCI system provides business enterprises with a set of templates and annexes to gather information on potential or existing business partners.

- **Template 1**: Business Partner Information
- **Template 2**: Supply Chain Mapping
- **Template 3**: Assessment of smallholders and family farms
- **Template 10**: Pre-qualification Assessment questionnaire
- **Template 11**: Producer Self-assessment
- **Template 13**: Self-assessment on gender equality
- **Annex 7**: How to use the amfori BSCI buyers’ checklist
- **Annex 12**: How to assess a small producer
- **Annex 14**: How to integrate gender equality in the due diligence strategy
- **Annex 15**: How to pre-assess potential business partners
**Diagramming techniques**

There are several diagramming techniques the amfori BSCI participants may use to decide the level of investment and vigilance towards the most significant business partners. These are the most commonly used:

- The arc of human rights priorities
- Diagram of Risks - likelihood versus severity
- Strengths, Weaknesses, Opportunities and Threats (SWOT analysis)

![Diagram of Human Rights Priorities](image.png)

*Figure 2: The arc of human rights priorities*
The results of using diagramming techniques will guide amfori BSCI participants to decide which business partners are to be involved in amfori BSCI system and particularly which of those will receive amfori BSCI audits.

**Figure 3: Diagram of Risk**

The diagram illustrates the Risk Rating formula: Risk Rating = Likelihood x Severity.

**Likelihood**
- Improbable
- Remote
- Occasional
- Probable
- Frequent

**Severity**
- Catastrophic
- Significant
- Moderate
- Low
- Negligible

**Legend**
- STOP: Catastrophic
- URGENT ACTION: Unacceptable
- MONITOR: Acceptable
- NO ACTION: Desirable
- ACTION: Undesirable

**Ready to learn more?**
Here are several other resources that will help you dive deeper:

- Annex 1: How to start with the amfori BSCI Platform
- Annex 5: How to follow the Zero Tolerance Protocol
- Annex 8: How to quickly assess other monitoring systems
- Annex 10: How to cascade amfori BSCI through the supply chain
- Annex 11: How to understand the amfori BSCI Commitment Formula
- Part I, Chapter 12: Responsible interruption of business relations
CHAPTER 7: DESIGN THE COMPANY APPROACH AND PROCEDURES

Internal procedures: Before kicking off the implementation of the amfori BSCI system within the company, the amfori BSCI participant may define the internal procedures to handle the relationships with concerned significant business partners in the most effective way.

These procedures will be:

- Approved by top management
- Regularly evaluated and adapted as needed to accommodate new business relationships (e.g. if in the middle of the fiscal year a company decide to include new line of products or services into its supply chain due diligence strategy, some procedures may need to be adapted)

amfori BSCI participants may need to decide on the risk management approach that fits best to their vision of implementing the amfori BSCI system.

Most commonly used risk management approaches and their consequence

<table>
<thead>
<tr>
<th>Risk management approach</th>
<th>Consequence</th>
</tr>
</thead>
<tbody>
<tr>
<td>Assume</td>
<td>The business enterprise acknowledges that a certain business partner represents a risk for the business enterprise&lt;br&gt;The business enterprise deliberately accepts the risk without engaging in special efforts to reduce it&lt;br&gt;Top management needs to approve the decision and bear the consequences if something goes wrong</td>
</tr>
<tr>
<td>Manage</td>
<td>The business enterprise is aware of the risks&lt;br&gt;The business enterprise defines extra efforts to handle the risks&lt;br&gt;The business enterprise implements actions to minimise the impact or likelihood of risk that the business partner brings to the business enterprise&lt;br&gt;The business enterprise allocates financial resources to support the defined efforts&lt;br&gt;The business enterprise assesses the success of its risk management and adapt accordingly&lt;br&gt;A person or team is responsible for the management</td>
</tr>
<tr>
<td>Delegate</td>
<td>The business enterprise shares its responsibility and authority with another business enterprise so the second controls the risks on behalf of the first&lt;br&gt;These are some examples:&lt;br&gt;  o A brand requires an importer to control producers’ risks on its behalf.&lt;br&gt;  o A producer requires a recruitment agency to look after the workforce on its behalf</td>
</tr>
</tbody>
</table>
Delegating can be very efficient and effective if both parties exchange information regularly and share responsibility and resources.

Full transfer of responsibility is no longer acceptable. Business enterprises are expected to know and show how they act accordingly to avoid the adverse impact they may have as well as the adverse impacts on the right holders themselves.

Avoid

The business enterprise adjusts its business partnership requirements to eliminate or reduce the risks. These are some examples:

- A brand stops business with an importer that does not disclose satisfactory information on the sourcing location.
- A business enterprise only sources from local and well-known partners.

Full avoidance is not feasible. Business enterprises always assume certain risks.

Table 1: Risk management approaches and consequences

<table>
<thead>
<tr>
<th>Notes:</th>
</tr>
</thead>
</table>

Ready to learn more?
Here are several other resources that will help you dive deeper:

- Annex 1: How to start with the amfori BSCI Platform
- Annex 3: How to set up a Social Management System (SMS)
- Annex 10: How to cascade amfori BSCI through the supply chain
- Annex 13: How to promote capacity building
- Part I, Chapter 12: Responsible interruption of business relations
CHAPTER 8: DESIGN A COMPANY’S COOPERATION APPROACH

Not all business cultures have the same understanding and inclination towards collaboration. From an amfori BSCI system perspective, cooperation represents the best approach to create positive impact.

Cooperation with business partners

These are examples of fruitful engagement with business partners:

- **Follow up** on challenges and improvements concerning their social performance in a regular way
- **Build** common expertise on the effectiveness of their due diligence
- **Exchange** information on their respective stakeholder engagement strategies and outcomes
- **Support** them to implement existing remediation plans

Cooperation with other amfori BSCI participants

These are examples of fruitful engagement with other amfori BSCI participants:

Micro and small companies will most likely not have any purchasing department as they run their business on their own or with a small multitasking team. In this case, small companies should concentrate on updating purchasing contacts, gaining an overview of the supply chain and define business consequence for business partners that do not show interest to cooperate.
The amfori BSCI Platform offers a straightforward way to share and exchange information with other amfori BSCI participants.

Cooperation with external stakeholders

These are examples of fruitful engagement with external stakeholders:

- **Governments and international organisations such as the ILO**: Cooperation with them may support the application of the labour law in the sourcing country
- **Trade unions in the sourcing countries**: Cooperation with them may help to raise awareness of workers’ rights and obligations; it may be helpful in handling grievances

Engaging with the relevant external stakeholders facilitates the achievement of a sustainable solution, particularly when it has been identified that the root causes of deficient social performance lay outside the supply chain.

While amfori BSCI participants may not have the means to address these external stakeholders individually, the amfori Secretariat can support in the coordination.

**Ready to learn more?**
Here are several other resources that will help you dive deeper:

- Annex 1: How to start with the amfori BSCI Platform
- Annex 5: How to follow the Zero Tolerance Protocol
- Annex 10: How to cascade amfori BSCI through the supply chain
- Annex 13: How to promote capacity building
- Part I, Chapter 12: Responsible interruption of business relations
- Part II, Chapter 1: Responsibility in business

Notes:
CHAPTER 9: INVOLVEMENT OF THE PURCHASING DEPARTMENT

Purchasing departments have first-hand information on the different business partners. Therefore, they are in the best position to support a robust amfori BSCI implementation strategy.

From the amfori BSCI participant perspective, purchasing departments need to be involved in amfori BSCI implementation at several steps:

Challenges and constraints: Involving the purchasing department is not always easy and may include some challenges and constraints.

The chart below helps in understanding the possible constraints and solutions to develop together a solid amfori BSCI strategy.

<table>
<thead>
<tr>
<th>Possible constraints</th>
<th>Possible solutions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Buyers have information only about their immediate interlocutor (e.g. agent) but</td>
<td>Include the amfori BSCI Code of Conduct and Terms of Implementation as part of the</td>
</tr>
<tr>
<td>they have little information about where the agent sources from (e.g. production sites)</td>
<td>contracts with immediate interlocutor. This provides the legal framework to request them more information on their supply chain.</td>
</tr>
<tr>
<td>Buyers may have classified business partners based on price, quality and delivery</td>
<td>Involve buyers in the mapping and prioritisation of business partners so they better understand the link between social risks</td>
</tr>
<tr>
<td>time. They may have no interest in revising this</td>
<td></td>
</tr>
</tbody>
</table>
classification to include social and environmental risks.

Buyers receive incentives for selecting the cheapest source.

Buyers may not have the time or the expertise to understand the information gathered on social performance (e.g. reading an audit report)

Buyers visit factories but may not have the time or expertise to ask producers key questions on social performance.

and quality risks. Provide them with the amfori BSCI Country Risk Classification.

Influence the decision-maker to create incentives for buyers to include social performance as part of their selection criteria.

Set a clear procedure on how to understand the information on business partner social performance and/or CSR strategies.

Develop a quick scan tool that translates amfori BSCI Audit results into guidelines for them.

Provide buyers with a checklist which serves this purpose.

Annex 7: How to use the amfori BSCI buyers checklist
Annex 15: How to pre-assess potential business partners

In addition, conduct internal trainings or share short awareness raising videos on a regular basis.

Table 2: Involving the Purchasing Department: Potential Challenges and Solutions

- **Update purchasing contracts**: Include the amfori Code of Conduct and Terms of Implementation in the purchasing contracts to cover at least the significant business partners
- **Supply chain overview**: Classify the information on the supply chain by distinguishing direct from indirect sourcing as well as the location and commercial relationship stability.

The table below is an example on how amfori BSCI participants may like to get an overview on their own sourcing patterns. Once amfori BSCI participants have this information mapped out, they continue building up their strategy, priorities and budget needed to execute a good due diligence approach.
<table>
<thead>
<tr>
<th>Direct sourcing from a producer</th>
<th>How many</th>
<th>Sourcing countries</th>
</tr>
</thead>
<tbody>
<tr>
<td>Low level of commercial relation stability</td>
<td>Fill in the number of business partners in this situation</td>
<td>Fill in the countries where these business partners are based</td>
</tr>
<tr>
<td>High level of commercial relation stability</td>
<td>Any social certificate or similar social claim</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Indirect sourcing using agents, importers or brokers</th>
<th>How many</th>
<th>Sourcing countries</th>
</tr>
</thead>
<tbody>
<tr>
<td>Low level of commercial relation stability</td>
<td>High level of commercial relation stability</td>
<td>Any social certificate or similar social claim</td>
</tr>
</tbody>
</table>

*Table 3: Distinguish Direct and Indirect Sourcing*
• **Social risk collaborative assessment:** Define together the procedure to exchange information between departments about identifying any potential or actual risk associated with business partners.

• **Business consequences:** Define together what the business consequence should be for business partners that do not show any interest in improving their social performance (i.e. when is the right time to stop business with the business partner?).

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**Ready to learn more?**
Here are several other resources that will help you dive deeper:

- Annex 1: How to start with the amfori BSCI Platform
- Annex 5: How to follow the Zero Tolerance Protocol
- Annex 10: How to cascade amfori BSCI through the supply chain
- Annex 13: How to promote capacity building
- Part I, Chapter 12: Responsible interruption of business relations

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Notes:
CHAPTER 10: ESTABLISHING A CULTURE OF MEANINGFUL ENGAGEMENT WITH STAKEHOLDERS

Stakeholders are individuals, communities or organisations who are affected by and may affect an organisation’s products, operations, markets, industries, and outcomes. For more information amfori BSCI Glossary.

Mapping and engaging stakeholders, including people working within a business enterprise, are integral and indispensable parts of business enterprises’ due diligence.

Meaningful engagement relies on:

- **Aptitude**: None of the parties intend to convince the other of their views or approaches, but instead they concentrate on shared goals
- **Interest**: They seek long-lasting solutions rather than short-term demands
- **Regularity**: The agenda agreed upon is followed up on a continuous basis and not just in case of immediate crisis

Identification of the Relevant Stakeholder Groups

From the perspective of an amfori BSCI participant, the table below shows potential stakeholder groups (organizations and individuals) and their relevance at distinct stages of the implementation of amfori BSCI system.

Small and microenterprises may just rely on BSCI stakeholders’ engagement work. However, even if your resources are limited you may use some of your visits to factories or farms, to get the flavour of the working conditions in the region by paying a visit to a local NGO, local trade union etc.

<table>
<thead>
<tr>
<th>Relation BSCI stages</th>
<th>Stakeholders inside the company</th>
<th>External Stakeholders</th>
</tr>
</thead>
</table>
| Policy, scoping and assessing (rules and strategy-oriented) | • Top management  
• Sourcing/buying department  
• Compliance/legal department  
• Local buying offices | • Business partners  
• amfori Secretariat  
• Trade union federations  
• Civil society organisations |
| Acting and integrating (task-oriented) | • Sourcing/buying department  
• Local buying office Workers | • Business partners  
• amfori Secretariat  
• Other amfori BSCI participants  
• amfori Country Representatives  
• Specialised UN agencies (The ILO, UNICEF)  
• Government agencies |
Knowing and showing (communication and accountability-oriented)

- CSR department
- Compliance department
- Communication department

- Advocacy groups
- Consumers
- amfori Networks
- Business partners
- Trade unions
- Business partners’ workers
- Government agencies

Table 4: Potential Stakeholder Groups to Support in amfori BSCI Implementation

**Level of stakeholders’ engagement**

The table below shows the most commonly used classification to define level of engagement depending on:

- Their influence on the community and other stakeholders
- Their interest in the company’s activity

![Figure 7: Ways to engage with stakeholders](image-url)

Figure 7: Ways to engage with stakeholders
Benefits of stakeholders’ engagement

Internal and external stakeholders can be good allies to companies, because they can help them to focus on most relevance issues, hence maximising resources. Indeed, stakeholders may:

✓ bring to attention specific issues, markets and actors in the supply chain
✓ influence public perception of social performance in the supply chain
✓ hold unique and specific knowledge about local actors, issues and circumstances that otherwise may be difficult or impossible to obtain by an amfori BSCI participant
✓ complement or challenge information gathered through social audits
✓ collaborate to find root causes and build capacities to close existing gaps

Notes:

Ready to learn more?
Here are several other resources that will help you dive deeper:

- Template 6: Stakeholders mapping
- Country Risk Classification
CHAPTER 11: SETTING A CULTURE OF ACCOUNTABILITY

Accountability and grievance mechanism

Accountability may be defined as the obligation of an individual or organization to account for its activities and accept responsibility for them. Lack of accountability (perceived or actual) can corrode public respect for business and business leaders.

Setting and maintaining a functioning grievance mechanism constitutes an essential element of being diligent as a company and exercising accountability.

It represents an additional channel of communication with both internal stakeholders (workers) and external stakeholders (e.g. community) to anticipate any risk or harm before it escalates.

Grievance mechanisms must be set up with genuine commitment to hear workers’ voices and community concerns. They must be linked to fair follow-up and remediation when needed. Otherwise, the effect of setting an internal grievance mechanism may be counterproductive and create mistrust.

Benefits of grievance mechanisms

- **Engagement**: It strengthens company relations with workers. If workers realise that they cannot only share their concerns but also receive timely solutions, they will feel more motivated and willing to work better. This can lead to better quality products and services and improved productivity
- **Confidence**: It strengthens confidence about the way to manage the business enterprise and relate to the workforce, which will be well-perceived during any audit and/or visit from existing and potential clients
- **Awareness**: It serves as a great vehicle to raise workers’ awareness on their rights and obligations. Workers can learn if certain claims are justified or not if the conclusions are openly shared (respecting the necessary confidentiality of the worker)

In addition to the specific efforts each amfori BSCI Participant may do to set and maintain a culture of accountability, amfori has set its **own grievance mechanism** to address stakeholders’ concerns in a timely and effective manner.

<table>
<thead>
<tr>
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</thead>
<tbody>
<tr>
<td>Here are several other resources that will help you dive deeper:</td>
</tr>
<tr>
<td>• Annex 4: How to set up a grievance mechanism</td>
</tr>
<tr>
<td>• Template 8: Grievance Mechanism tracker</td>
</tr>
</tbody>
</table>
CHAPTER 12: RESPONSIBLE INTERRUPTION OF BUSINESS RELATIONS

Most common warnings of breach of trust

The fundamental reason to stop business is outright lack of trust provoked by the business partner’s behaviour.

Trust can be breached suddenly, but it is often tested following several warnings that trust may be at stake, because the business partner:

- Does not provide relevant and accurate information on its production sites
- Does not engage its own business partners to provide information on a regular basis
- Does not verify that its business partners implement their remediation plans
- Shows clear unwillingness to align to the amfori BSCI Code of Conduct
- Compromises the integrity of the audit by means of bribery, falsification or misrepresentation in the supply chain.

These examples may occur at the commercialization level (e.g. the intermediary breaches the relation of trust) or at the production level (e.g. the producing company).

Furthermore, these breaches of trust may be identified in the course an amfori BSCI audit and considered by the auditor, severe enough to trigger a zero-tolerance alert. For more information see Annex 5: How to follow the Zero Tolerance protocol.

Before stopping business

Business enterprises should not stop business suddenly and would need to do some due diligence. These are some aspects to take into consideration before stopping business or ending contracts with a business partner:

- Is stopping business the best alternative?
- What may be the adverse impacts on the business if the partnership ends?
- What may be the adverse impacts on the producers’ workers if the partnership ends?
- Can the issue be solved in another way?
- Is there a better business partner alternative?
- Is the identified problem specific of the business partner or endemic to the region?

Endemic problems

Some deficiencies on social performance relate to endemic problems in the sector, region or country. This makes it more difficult to find other alternatives. It also makes it crucial to engage with stakeholders, so they can be supportive on holistic remediation approach and eventually understand the long-term reasons why your company stops business or stays in business with a problematic partner.

Procedure to stop business

Every amfori BSCI participant must choose how and when to make the decision of stopping business. However, the decision should always be based on agreed-upon procedures that include:

- Clearly communicated rationale: amfori BSCI participants should aim at clearly making available to potential and actual business partners the reasons that could represent for them a breach of trust. As much as possible, this should be translated into a cancellation or rescission
clause in the contracts, which would be the most stringent manner to enforce the amfori BSCI Code of Conduct.

- **Warning procedure:** amfori BSCI participants should aim to set up a procedure to issue warnings before stopping business. This will also help the company in the process of seeking alternative business partners.

- **Communication procedure:** amfori BSCI participants should aim to have a communication procedure to deal with cases where the related business partner has been targeted by the media. In such a case, the decision of stopping business needs to be analysed with extreme diligence as it might end up being totally counterproductive and raise stakeholder concerns.

- **Stakeholder engagement:** amfori BSCI participants should aim to engage with consumers and other stakeholders on a regular basis to be transparent about their business models and the reasons why they could stop business with partners based on social performance.

- **Stop business or contracts:** Business contracts and/or business relations should stop according to the agreed terms and after the agreed warnings. Stopping business because of a business partner’s unwillingness to implement a necessary measure to respect an obligation of the amfori BSCI Code of Conduct does not alter contractual agreements (e.g. financial obligations from existing contracts need to be honoured).

- amfori discourages amfori BSCI participants from stopping business based on amfori BSCI audits results below Good “B” rating, as this conflicts with the values and principles of the amfori BSCI system and prevents them from positively contribute to the Sustainable Development Goals

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<tr>
<td>- Template 9: Remediation plan</td>
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<tr>
<td>- Annex 15: How to pre-assess potential business partners</td>
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