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Foreword

Update notes

In this chapter, only minor changes to style and language were made

This chapter will be finalised at the end of the drafting process, to ensure all documents etc. are updated.

This updated version of the amfori BSCI System Manual was published in December 2022. 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 (v.2021)
amfori BSCI Monitoring Report Framework (available on the amfori Sustainability Platform)
amfori BSCI Country Due Diligence
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
Refugees in Supply Chains: A guide to Risk Identification and Management
Social Dialogue Handbook on Gender
Responsible Purchasing Practices in Times of COVID-19
Guidance for amfori Members’ Monitoring of Potential Exploitation Associated with State Imposed Forced Labour
Doing Business Responsibly in Conflict-Affected and High-Risk Areas – a Guidance for amfori Members

Please visit Resources page on amfori website for more guidance.

For MEMOS, please check amfori website and resources section.
The amfori BSCI due diligence approach

Update notes

This chapter has been simplified.

amfori members and their business partners that have endorsed the amfori BSCI Code of Conduct (CoC) have committed to conduct their business activities responsibly, and to identify, prevent, mitigate, account for and remediate adverse human rights, as well as environmental impacts in their supply chains.

Within the amfori BSCI system, both large and small companies get the same professional support and access to the same tools to support them in delivering upon their commitments to responsible business practices. Concretely, companies of all sizes and position in the supply chain may benefit by:

- Creating and maintaining trusted relationships with customers, supply chain partners and stakeholders
- Articulating the added value, they bring to their customers in supporting the achievement of customers’ own objectives for responsible business practices through effective assimilation of the amfori BSCI system in their own company
- Meeting investors and broader societal expectations.
The amfori BSCI Code of Conduct

Update notes

In this chapter

- minor changes to style and language were made
- a section “spotlight on engaging business partners and cascading the code of conduct” has been pulled out of the existing text and framed as a stand-alone sub-chapter

The amfori BSCI System supports businesses to:

- Monitor and strengthen responsible business practices in their global supply chains
- Build competence and knowledge with their own teams and in their supply chains
- Engage in constructive dialogue with relevant stakeholders

The basic of this system is established by the amfori BSCI Code of Conduct, which:

- Demands observance of the law
- Aligns with UN Guiding Principles on Business and Human Rights and OECD (Organisation for Economic Co-operation and Development) Guidelines
- Builds on the International Labour Organisation’s (ILO’s) Fundamental Conventions
- Encourages business enterprises to follow a systematic due diligence approach in their supply chains
- Defines the values and principles for responsible business practices in the supply chain
- Provides amfori BSCI members with the right to request information on their business partner’s social responsibility performance

Members act responsibly by:

- Publicly agreeing to and signing the amfori BSCI CoC
- Cascading the expectations set out in the amfori BSCI CoC to their business partners
- Continuously improving the performance of their operations and supply chains
- Ensuring they maintain responsibility for their own due diligence efforts

STRUCTURE OF THE AMFORI BSCI CODE OF CONDUCT

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

- amfori BSCI Code of Conduct: This includes the values and principles to which companies abide and the way in which the amfori BSCI System is going to be implemented by the amfori members and their business partners. amfori members and their business partners, including upstream and downstream producers, intermediaries and those involved in worker recruitment processes, can become signatories of the amfori BSCI Code of Conduct
- 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 CoC can be displayed as a poster version. Changes in the amfori BSCI CoC: The content of the amfori BSCI CoC must be respected in its entirety but can be supplemented by additional content within signatories’ own requirements for their business partners.
amfori BSCI signatories cannot eliminate any part of the amfori BSCI CoC extended version nor include changes that may contradict or water down the spirit of the amfori BSCI CoC

Any adaptation or adjustment needs to be consulted upon by the relevant department of amfori to be contacted at info@amfori.org

SPOTLIGHT. ENGAGING BUSINESS PARTNERS AND CASCADING THE CODE OF CONDUCT

To engage their business partners, amfori BSCI members should:

- Request their business partners sign the amfori BSCI CoC and share relevant Glossary and References documents, and cascade them to their own business partners
- Invite their business partner in the amfori Sustainability Platform for those business partners that will be monitored

There are many ways to cascade expectations through the supply chain, including:

- Including the amfori BSCI CoC as a stand-alone document attached to the terms of purchase or contracts
- Referencing the amfori BSCI CoC in a clause of the commercial contract
- Fully integrating the contract or terms of purchase

amfori members and their business partners should show their commitment to the amfori BSCI CoC by posting it in its entirety on company websites or integrating its contents or referencing it in publicly available codes of conduct.

amfori members should also actively engage their business partners in ways that go beyond cascading expectations via contracts and communicating their expectations clearly. For example, this can include providing capacity building support to business partners or collaborating with business partners to develop and implement solutions to address and mitigate identified risks in their operations.

The amfori BSCI CoC can be changed in certain circumstances to meet the needs of different stakeholders and support with cascading its contents through the supply chain. These are the changes that are most requested and accepted by amfori:

- Integration of the amfori BSCI CoC in existing documents of the company (e.g., commercial contracts)
- Alignment of the amfori BSCI CoC to the company’s corporate image and therefore changing layout

In cases where an amfori BSCI member integrates the amfori BSCI CoC in its purchase contracts, the following legal clause should be added to make business partners endorse the amfori BSCI Code of Conduct:

"The [Business Partner …] hereby acknowledges that it has been made aware of the contents and requirements of the most recent version of the amfori BSCI Code of Conduct and all its supporting documents, [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/…]. By signing this [Agreement/Contract/…], the [Business Partner …] commits to fully adhere to the contents and requirements of the most recent version of the amfori BSCI Code of Conduct and all its supporting documents."

If an amfori BSCI member changes the layout, the following paragraph must be included at the top of the document:
“The document herein is a literal translation of the most recent version of the amfori BSCI Code of Conduct. As a company 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”

If an amfori BSCI member 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 CoC
- 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 member decision. However, it is recommended:

- Internal policy: amfori BSCI members should develop internal policies on how to deal with business partners that refuse to sign the amfori BSCI CoC
- 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 member may not require it to sign the amfori BSCI CoC if the brand has a similar Code of Conduct in place and evidence of an effective due diligence approach
  - Refusal comes from a producing company: the amfori BSCI member will assess the following aspects:
    - Is it possible to liaise with other BSCI members sourcing from the same business partner to increase pressure on the business partner to sign the amfori BSCI CoC?
    - Is it possible to get reliable and timely information on the business partner’s social risks and performance in different ways (e.g., other social assessments)?
    - Is it possible to continue sourcing from a business partner unwilling to cooperate?

amfori members and their business partners should note that there are many ways to exercise leverage, and the noted examples above are indicative rather than exhaustive. It is the responsibility of each company to determine the best approach to use considering their position in the supply chain and the size and scope of the company which may impact the leverage the company can apply.

QR Code for the amfori BSCI Code of Conduct
QR Code for the amfori BSCI Glossary
QR Code for the amfori BSCI References
The right mind-set towards successful implementation

Update notes

In this chapter:

- text was simplified
- only minor changes to style and language were made
- any more substantive changes are marked in red

The diagram below summarises the key steps in implementing the amfori BSCI Code of Conduct in alignment with international due diligence standards.

DESIGN to be added for the 6-step approach

Step 1. Embed responsible business conduct into policies & management systems
Step 1 Spotlight. working with purchasing departments in day-to-day delivery

Step 2. Identify and assess actual and potential adverse impacts associated with the enterprise’s operations, products or services
Step 2 Spotlight. supply chain mapping
Step 2 Spotlight. assessing risks and prioritisation

3. Cease, prevent or mitigate adverse impacts
Step 3 Spotlight. risk management
Step 3 Spotlight. collaboration
Step 3 Spotlight. responsible disengagement
Step 3 Spotlight. MEANINGFUL stakeholder engagement

4. Track implementation and results
5. Communicate how impacts are addressed
6. Provide for or cooperate in remediation when appropriate

There are several factors that support successful implementation:

1. Get top management buy-in

Successful implementation relies on having the buy-in and support from the board and senior management (or the owner, in the case of small enterprise) as this shows:

- The seriousness of their commitment
- The degree to which the core values of the amfori BSCI CoC have been embedded in the business culture and throughout its operational activities, including purchasing departments

2. Don’t be defeated by internal challenges

Companies confront internal and external challenges, when translating amfori BSCI CoC into business practice. Here are some examples:

- Reservations from colleagues to support the changes internally needed
Lack of human and financial resources
Lack of communication resources and/or influence to convince their business partners to implement the amfori BSCI Code of Conduct
These are all common and should not be a cause for concern, or worse, a reason to quit.

3. **Find internal and external allies**
Companies cannot successfully embed the amfori BSCI CoC if the personnel responsible for this within the enterprise work in silos. They need to find allies that will support them in the process.

- Internal allies may include board members, sustainability and purchasing teams or legal functions
- External allies can include civil society organisations (CSOs), or member networks like amfori

4. **Be aware of the benefits of the amfori network**
amfori BSCI members represent a strong community of like-minded businesses that:

- Receive from and share with the amfori teams’ expert advice and reliable tools to identify, monitor and remediate adverse impacts in their supply chains
- Create synergies with other businesses facing similar issues.
- Exchange information and experience on amfori Community Platform

5. **Don’t underestimate your power as SMEs**
Small, medium sized (SME) and even micro enterprises may feel these responsibilities are too cumbersome for them.

- With the right support, SMEs can soon realise that they are already doing more than they think
- SMEs are expected to deliver due diligence to a level that is appropriate to the size and scope of their operations

6. **Use practical experience and the amfori BSCI monitoring approach and tools to identify and manage complex risks and impacts**
The complexity of the global markets and geopolitical changes calls for an approach of continuous improvement by which companies move beyond quick-fixes and aim at achieving long lasting positive impact.

This is particularly important whenever amfori BSCI members are confronted with imminent risk or flagrant human rights violations in their supply chain.
Observance of the law

Update notes

In this chapter:

- Language was simplified
- only minor changes to style and language were made
- any more substantive changes are marked in red

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 from which they source.

Relevance of the amfori BSCI Code of Conduct
The amfori BSCI CoC reflects global norms on responsible business conduct which many countries have already integrated into domestic legislation.

Contradiction between the amfori BSCI Code and domestic law
If there is a perceived or actual contradiction between the amfori BSCI Code of Conduct and domestic law, the stipulation that provides the highest protection to workers and the environment prevails.

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

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

- The constraints faced when trying to implement the amfori BSCI CoC
- Best ways to protect workers without contravening the domestic law
Act with due diligence - theory

INTRODUCTION

amfori BSCI members are expected to act with due diligence.

This means members should establish ongoing processes which aim to identify, prevent, mitigate, and account for how they address the impacts of their own activities, or which may be directly linked to their operations, products, or services by their business relationships.

amfori members must take ownership and responsibility for these management processes.

Effective due diligence must include

- Setting clear commitments and accountabilities
- Assessing actual and potential impacts
- Integrating and acting upon the findings
- Monitoring progress
- Communicating how impacts are addressed

amfori members are supported to achieve this with the help of the amfori BSCI CoC and all supplementary materials. Those have been developed to support members with meeting the expectations for due diligence as defined by the Organisation for Economic Co-operation and Development (OECD).

amfori members are encouraged to undertake further research into what a good due diligence management system should look like in their sector by referring to the following OECD publications:

- OECD/FAO (2016), OECD-FAO Guidance for Responsible Agricultural Supply Chains
- OECD (2017), OECD Due Diligence Guidance for Responsible Supply Chains in the Garment and Footwear Sector
- OECD (2018), OECD Due Diligence Guidance for Responsible Business Conduct
THE ESSENTIAL CHARACTERISTICS OF DUE DILIGENCE

Due diligence processes need to meet the expectations set by the 11 essential characteristics of due diligence, defined by the OECD. These are:

1. **Due diligence is preventative**
The purpose of due diligence is first and foremost to avoid causing or contributing to adverse impacts on people, the environment and society, and to seek to prevent adverse impacts directly linked to operations, products or services through business relationships. When involvement in adverse impacts cannot be avoided, due diligence should enable enterprises to mitigate the impacts, prevent their recurrence and, where relevant, provide remediation.

2. **Due diligence involves multiple processes and objectives**
The concept of due diligence involves interrelated processes that should be an integral part of enterprise decision-making and risk management.

3. **Due diligence is commensurate with risk (risk-based)**
Due diligence is risk-based. The measures that an enterprise takes to conduct due diligence should be commensurate to the severity and likelihood of the adverse impact.

4. **Due diligence can involve prioritisation (risk-based)**
Where it is not feasible to address all identified impacts at once, an enterprise should prioritise the order in which it acts based on the severity and likelihood of the adverse impact.

5. **Due diligence is dynamic**
The due diligence process is not static, but ongoing and responsive to changing circumstances.

6. **Due diligence does not shift responsibilities**
Each enterprise in a business relationship has its own responsibility to identify and address adverse impacts. Each enterprise addresses its own responsibility with respect to adverse impacts.

7. **Due diligence concerns internationally recognised standards**
In countries where domestic laws and regulations conflict with the principles and standards of effective due diligence, due diligence systems should honour the OECD Guidelines and the principles of the UN Guiding Principles to the fullest extent which does not place them in violation of domestic law.

8. **Due diligence is appropriate to an enterprise’s circumstances**
The nature and extent of due diligence can be affected by factors such as the size of the enterprise, the context of its operations, its business model, its position in supply chains, and the nature of its products or services.

9. **Due diligence can be adapted to deal with the limitations of working with business relationships**
Enterprises may face practical and legal limitations to how they can influence or affect business relationships to cease, prevent or mitigate risks. Enterprises can seek to overcome these challenges to influence business relationships through contractual arrangements, pre-qualification requirements, voting trusts, license or franchise agreements, and through collaborative efforts to pool leverage in industry associations or cross-sectoral initiatives like amfori.

10. **Due diligence is informed by engagement with stakeholders**
Engagement with stakeholders is a core part of effective due diligence and is characterised by two-way communication and involves the timely sharing of the relevant information needed for stakeholders to make informed decisions, in a format that they can understand and access.

11. **Due diligence involves ongoing communication**
Communicating information on due diligence processes, findings and plans enables the enterprise to build trust in its actions and decision-making and demonstrates good faith.
The amfori BSCI CoC (2021) refers to those due diligence characteristics, including in its values and principles.

**SPOTLIGHT. CONTINUOUS IMPROVEMENT**

Due diligence should be considered a journey, with the destination being that all risks in company supply chains are identified, managed, mitigated or eliminated. Over time, this requires companies to continuously engage with the known risks in their supply chain and monitor and regularly re-assess whether existing approaches are working.

Ultimately, it may be that no company has the resource, leverage, capacity or capability to reach their destination. This is where the concept of *continuous improvement* must be understood by amfori members and their business partners.

To understand continuous improvement, a company should consider the following, somewhat contradictory statements:

- It may never be possible to comprehensively manage, mitigate and eliminate all risks in the supply chain
- Nonetheless, remaining static is never an option
- And “good enough” is not good enough

In practice, this means companies should, at least on an annual basis, and ideally disclosed through their public due diligence report, be able to demonstrate the additional steps or actions they have taken in the previous 12 months to improve their due diligence efforts.

These steps should be closely linked to the type of company and resources available: a global multinational will be expected to do more than an SME, although this does not mean an SME can’t find creative solutions to improving their efforts that don’t rely on significant resources or internal capacity.

This also means that amfori BSCI members and their business partners should not be relying solely on the amfori BSCI monitoring results to manage their supply chain risks. In fact, it is good practice to keep engaging with business partners in continuous improvement to reduce and mitigate risks.

The amfori Sustainability Platform supports continuous improvement with guidance, tools and templates. amfori also encourage amfori members and their business partners to use resources from outside of our Platform, where necessary.
IMPLEMENTATION OF DUE DILIGENCE

All amfori BSCI members are expected to have due diligence processes that cover each performance area as identified in the amfori BSCI CoC.

amfori members' systems can go beyond issue areas identified in the amfori BSCI CoC, and amfori BSCI members are encouraged to consider if further due diligence processes should be established for their enterprises.

Each management system can cover one or more performance areas, depending on the content and relevance of performance areas to amfori members.

Management systems, at minimum, should include:

- A policy or standard that defines the amfori members and their business partners' expectations
- Processes that define how the requirements of the policy will be implemented
- Accountabilities to define who is responsible for implementing the system
- Mechanisms to gather evidence or data on implementation progress or performance

Please see and visit amfori Academy Trainings on how to develop an effective management system aligning with amfori BSCI values and principles.
Act with due diligence – in practice

Update notes

- This is a completely new chapter

Considering that due diligence should be commensurate with risk and appropriate to a specific enterprise’s circumstances and context, the following section outlines the OECD’s six-step framework to embed due diligence into the company’s management systems.

In the following pages, each step is discussed in more detail. However, it should be clearly noted that the expectation is for amfori members and their business partners to take ownership and responsibility for each step, with amfori supporting where feasible and appropriate.

amfori expects each amfori member and their business partners to have a due diligence system in place. Further, implementation of this framework is monitored during amfori BSCI monitoring activities.

Step 1. Embed responsible business conduct into policies & management systems

Embedding responsible business conduct into policies and management systems requires:

- Having clear leadership and accountability set at the most senior levels of the organisation
- Ensuring that people at all levels contribute to their company’s objectives through their abilities and clear roles, responsibilities and accountabilities
- Ensuring there is a continuous cycle of evaluation and improvement of operations and processes.
- Establishing evidence-based decision-making through the analysis of data and information collected through a system of control and transparency
- Building relationships with stakeholders, and in particular engaging business partners and cascading expectations, to enhance the ability of both companies and business partners to achieve shared objectives
- Drafting and publicly displaying a company policy that shall include, at a minimum:
  - A commitment of the company to implement due diligence process defined in the OECD Guidance Documents
  - A commitment to identify, assess and respond to risks of adverse impacts and actual adverse impacts in supply chains
  - A description of a clear and coherent management process for managing risks of adverse impacts and actual adverse impacts
  - The date when the policy became effective

Please note – it is a requirement for amfori members to agree to, sign and cascade the expectations of the amfori BSCI Code of Conduct. However, signing the amfori BSCI Code of Conduct is not equivalent to drafting a standalone company policy on responsible business. A company policy, nevertheless, may refer to the amfori BSCI Code of Conduct, or sections of it, as appropriate.

STEP 1 SPOTLIGHT. WORKING WITH PURCHASING DEPARTMENTS IN DAY-TO-DAY DELIVERY
It is good practice to involve as many company employees as is relevant to ensure an effective deployment of a due
diligence process. From the amfori BSCI member perspective, purchasing departments need to be involved in amfori BSCI
implementation at several steps:

- Communicating policy requirements to business partners
- Identifying and mapping supply chain relationships
- Collaborate with internal departments to support and enable risk assessment
- Facilitate or lead engagement with business partners on risks or corrective action plans
- Monitor the performance of business partners in implementing corrective actions
- Applying commercial leverage to influence business partners’ behaviours and engagement
- Taking actions to pause or cease commercial relationships if necessary

**Challenges and constraints**

Nonetheless, purchasing departments often have different incentives, capacity and capability to take on this role. The chart below helps in understanding the possible constraints and solutions to develop together a solid amfori BSCI strategy.

<table>
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<th>Possible constraints</th>
<th>Possible solutions</th>
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<tr>
<td>Buyers have information only about their immediate interlocutor (e.g., agent) but they have little information about where the agent sources from (e.g., production sites)</td>
<td>Include the amfori BSCI Code of Conduct as part of the 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 time. They may have no interest in revising this classification to include social and environmental risks.</td>
<td>Involve buyers in the mapping and prioritisation of business partners so they better understand the link between social risks and quality risks. Provide them with the amfori BSCI Country Due Diligence Tool.</td>
</tr>
<tr>
<td>Buyers receive incentives for selecting the cheapest source.</td>
<td>Influence the decision-maker to create incentives for buyers to include social and environmental risks and performance as part of their selection criteria.</td>
</tr>
<tr>
<td>Buyers may not have the time or the expertise to understand the information gathered on social risks and performance (e.g., reading an audit report)</td>
<td>Set a clear procedure on how to understand the information on business partner social risks and performance and/or Corporate Social Responsibility strategies. Develop a quick scan tool that translates amfori BSCI audit findings, monitoring reports and continuous improvement into guidelines for them.</td>
</tr>
<tr>
<td>Buyers visit factories but may not have the time or expertise to ask producers key questions on social risks and performance.</td>
<td>Provide buyers with a checklist which serves this purpose. Annex 7: How to use the amfori BSCI buyers checklist</td>
</tr>
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Business Partner Engagement as a part of purchasing team engagement

Business partner engagement can be driven by purchasing teams. This can include:

**Update purchasing contracts**: Include the amfori BSCI CoC in the purchasing contracts to cover as many business partners as possible.

**Support with supply chain mapping**: Classify the information on the supply chain by distinguishing direct from indirect sourcing as well as the location and commercial relationship stability. Once amfori BSCI members have this information mapped out, they continue building up their strategy, priorities and budget needed to execute an effective due diligence approach. Use functions on the amfori Sustainability Platform.

**Social risk collaborative assessment**: Define with identified internal stakeholders (procurement, compliance, legal etc.) the procedure to exchange information between departments about identifying any potential or actual risk associated with business partners.

**Business consequences**: Define with identified internal stakeholders what the business consequence should be for business partners that do not show any interest in improving their due diligence and social performance (i.e., when is the right time to stop business with the business partner?).
Step 2. Identify and assess actual and potential adverse impacts associated with the enterprise’s operations, products or services

To ensure risks can be managed, mitigated, eliminated, and remediated, amfori members should:

- Map their supply chains as completely as possible
- Carry out a broad scoping exercise to identify all areas of the business where risks are most likely to be present and most significant
- Carry out iterative and increasingly in-depth risk assessments to identify and assess specific actual and potential adverse impacts in the supply chain
- Determine the appropriate risk management, mitigation, elimination and remediation strategies
- Prioritise the most significant risks and impacts for action, based on severity and likelihood

All new business partners should undergo the risk assessment prior to being onboarded. Once business partners are onboarded, these steps should be regularly re-delivered (maximum on a biennial basis, or when circumstances changes).

**STEP 2 SPOTLIGHT. SUPPLY CHAIN MAPPING**

Mapping of the supply chain is a necessary step to take prior to assessing risks. Although it may seem daunting, amfori BSCI members should make efforts to identify the different actors in their supply chains, first focusing on their significant business partners, then moving further upstream.

Supply chain mapping can be delivered as simply as with a spreadsheet or using dedicated supply chain platforms such as the amfori Sustainability Platform.

Through this exercise, amfori members will find out:

- Who: the different actors involved directly or indirectly in the supply chain
- How: the nature of the relationship and 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, once the risk assessment is completed

There are different sourcing and contracting strategies to consider which can define the structure of the supply chain. Based on the result of the supply chain mapping, amfori BSCI members will define the amfori BSCI implementation model that suits them best.

- **Direct:** The amfori BSCI member 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 information on the production sites. In this case, the amfori BSCI member will identify those producers that are significant for its business and invite them into the amfori Sustainability Platform.
- **Indirect:** The amfori BSCI member contracts through a trader (agent or importer) to source from producing or manufacturing businesses and it has not information about them or through a service provider to provide service delivery (including recruiting agencies and cooperatives). In this case, the amfori BSCI member will request traders to become amfori BSCI member and rely on their amfori BSCI implementation.
- **Hybrid:** The amfori BSCI member combines both direct and indirect models.
STEP 2 SPOTLIGHT. ASSESSING RISKS AND PRIORITISATION

Different approaches to assessing risks

Businesses may use several resources to classify risk, their significant business partners and eventually select those who may require, risk management plans, enhanced due diligence, amfori BSCI monitoring activities or other actions.

amfori BSCI members should note that although audits can feed into risk assessment processes, this is not required and in fact audits should be considered a separate activity, to be delivered once risk assessment and risk management plans have been delivered.

- **Macro-level assessment**: The governance system of a country impacts the extent a business partner based in such a country can incorporate social responsibility as part of its core business. These are example of relevant tools and resources:
  - **amfori Country Due Diligence Tool**: 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 to certain ILO Conventions (e.g., ILO Convention 138 on Child Labour)
  - **Public concern**: Information from relevant stakeholders such as NGOs investigation reports or data sets

- **Sectoral and supply chain assessment**: The structure of the economic sector and the complexity of the supply chain impact on the way company can incorporate social responsibility as part of its core business. These are example of relevant tools:
  - **amfori Sustainability Platform**: enables amfori members to map their supply-chain, visualise its significant business partners, check amfori BSCI monitoring results, liaise with other amfori BSCI members to create alliance towards remediation and continuous improvement
  - **amfori Sustainability Intelligence Dashboard (amfori Insights)**: This is a new tool designed to assist amfori members in tackling the complexity of supply chain management and support their efforts to improve its sustainability performance
  - **amfori BSCI Self-Assessments**: Business partners can regularly fill in self-assessments to provide a level of risk assessment for their own business and for amfori members. The aim is to support business partners to avoid audit fatigue and focus on assessing their risks, and improving the gaps
  - **amfori Continuous Improvement**: The overall reason for continuous improvement is to identify and implement actions that will have an impact on the sustainability performance of the Business Partners, who are expected to engage in the continuous improvement process and take action to improve conditions for their workers. Members can also work on continuous improvement for their own company and define improvement activities
  - **amfori BSCI Zero Tolerance alerts**: Information provided through the amfori Sustainability Platform by monitoring persons within 24 hours from time the amfori BSCI monitoring 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 members 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
- Products that rely heavily on manual labour for farming
- The sourcing of minerals or metals from conflict-affected or high-risk areas
- Sourcing from countries with a high level of migrant workers in the workforce
- Sourcing from countries in which significant numbers of refugees reside or transit through

**Grievance mechanism:** Information from complaints or suggestions that the amfori BSCI members 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 recommends that members do not to rely exclusively on certificates but rather gather more substantial information that can help to take an informed decision about whether or how to work with significant business partners.

In order to capture the information of these classification perspectives, the amfori BSCI system provides companies with a set of self-assessments which are available on the amfori Sustainability Platform and guides 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

**Approaching prioritisation**

**1. Likelihood and severity**

Companies should develop a prioritisation process to address risks in a way that is appropriate for their company and meets the needs of rightsholders first. Prioritisation should ultimately be based on different factors:

- First and foremost, the **likelihood** of a harm occurring and its **severity** of impact
  - When operating in conflict-affected and high-risk areas, understanding the context becomes crucial and inform both the analysis of likelihood and severity
  - When the likelihood and severity of an adverse impact is high, then due diligence should be more extensive and therefore business partners with higher likelihood and severity of risks should be prioritised

- Severity of impacts is judged by their scale, scope and irremediable character
  - Scale refers to the gravity of the adverse impact
  - Scope concerns the reach of the impact, for example the number of individuals that are or will be affected or the extent of environmental damage
Irremediable character means any limits on the ability to restore the individuals or environment affected to a situation equivalent to their situation before the adverse impact.

- Once the most significant impacts are identified and dealt with, the enterprise should move on to address less significant impacts.

2. Causing, contributing or linked to

When assessing risks, prioritising business partners and, as a next stage, managing risks, companies should further consider the key concepts of “causing, contributing to or being linked to” adverse impacts.

Ultimately, this framework allows companies to determine where risks are most relevant to the company in question, which business partners should be prioritised for risk management and what types of risk management should be considered.

In simple terms, any areas where adverse impacts are being directly caused by a company’s actions should always be prioritised.

3. Further considerations for prioritisation

In order to further support with prioritisation of risk management action, amfori members, once they have assessed their risks and delivered a first round of prioritisation, can consider the identification of significant business partners as a potential next step.

Functionally, this is a question of identifying leverage which informs what next steps, if any, are possible.

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 of the amfori member; or
- Potentially relate to risks of adverse human rights impacts

They have (or they are likely to have) influence or effect on the amfori BSCI members’ business.

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

In some cases, all business partners will be determined to be significant. In all cases, significant business partner status should not supersede cases where it is considered there are risks of severe adverse impacts.

Finally, once the most significant impacts are identified and dealt with, the amfori members together with its business partners should move on to address less significant impacts.

**There is no one correct way to prioritise, however, companies should be able to explain and credibly defend their approach and, in all cases, severity and likelihood should form a crucial aspect of the process.**
3. Cease, prevent or mitigate adverse impacts

Once risks have been identified and next steps prioritised, members should:

- Stop activities that are causing or contributing to adverse impacts
- Develop and implement plans to prevent and mitigate potential (future) adverse impacts
- Develop and implement risk management plans

STEP 3 SPOTLIGHT. RISK MANAGEMENT

To manage risks, once identified, the company should have defined the internal procedures to handle the relationships with concerned 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 decides to include new line of products or services into its supply chain due diligence strategy, some procedures may need to be adapted)

All risk management plans should follow the three options as defined by the OECD Guidance:

1. Continuation of the relationship throughout the course of risk mitigation efforts
2. Temporary suspension of the relationship while pursuing ongoing risk mitigation
3. Disengagement with the business relationship either after failed attempts at mitigation, or where the enterprise deems mitigation not feasible, or because of the severity of the adverse impact

Within that framework, amfori BSCI members can decide on the risk management approach that fits best to their vision of implementing the amfori BSCI system and that manages and mitigates risks efficiently.

Commonly used risk management approaches include:

**Responsibility**

- The amfori member acknowledges that a certain business partner represents a risk for the amfori member
- The amfori member deliberately accepts the risk and acts, where possible, to manage the risk, even if there is limited leverage or possible actions that can be taken
- Top management needs to approve the decision and bears the consequences if something goes wrong

**Manage**

- The amfori member is aware of the risks
- The amfori member defines extra efforts to handle the risks
- The amfori member implements actions to minimise the impact or likelihood of risk that the business partner brings to people or the environment
- The amfori member allocates financial resources to support the defined efforts
- The amfori member assesses the success of its risk management and adapts accordingly
- A person or team is responsible for the management

**Collaborate**
The amfori member shares its responsibility and authority with another amfori member so the second controls the risks on behalf of the first

These are some examples:
- A brand requires an importer to control business partners’ risks on its behalf
- A business partner requires a recruitment agency to look after the workforce on its behalf

Delegating can be very efficient and effective if both parties exchange information regularly and share responsibility and resources

Full transfer of responsibility is not acceptable. amfori members and their business partners are expected to know and show how they act accordingly to avoid the adverse impact they may be connected to as well as the adverse impacts on the rightsholders themselves.

Avoid

The amfori member adjusts its business partnership requirements to eliminate or reduce the risks.
- A brand stops business with an importer that does not disclose satisfactory information on the sourcing location
- An amfori member only sources from local and well-known partners

Full avoidance is not feasible. amfori members and their business partners always assume certain risks and should always assume some form of due diligence process will be required.
STEP 3 SPOTLIGHT. COLLABORATION

From an amfori BSCI system perspective, collaboration can be an effective approach to create positive impact and our platform encourages collaboration.

Collaboration is an approach that can be effectively used to address risks and gain leverage in the supply chain. Collaboration can be delivered with other amfori BSCI stakeholders, or other relevant stakeholders, such as national or local government officials, civil society actors, trade unions or industry initiatives.

In addition, collaboration is key to achieving success with business partners in the supply chain. Due diligence is most effective when delivered collaboratively.

Nonetheless, ultimate responsibility for delivery of effective due diligence remains with each individual amfori BSCI members.

Collaboration with business partners

These are examples of constructive engagement with business partners:

- Follow up on challenges and improvements concerning their social risks and 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 develop and implement continuous improvement and remediation plans

Collaboration with other amfori members

These are examples of constructive engagement with other amfori members:

- Join forces: to send strong signals to governments that are failing to protect citizens
- Exchange: information on their respective approaches to engage stakeholders
- Request: a common business partner to sign the amfori I BSCI Code of Conduct
- Support: implementation of continuous improvement and remediation actions
- Respect: the monitoring strategy defined by the amfori BSCI member that holds RSP
- Encourage: Business partners to complete relevant courses in the amfori Academy
The amfori Sustainability Platform offers a straightforward way to share and exchange information with other amfori members.

**amfori Community Platform:** A communication portal for amfori Members to have discussions and compare experiences

**Collaboration with external stakeholders**

These are examples of fruitful engagement with external stakeholders, a core aspect of due diligence:

- Governments and international organisations such as the International Labour Organisation (ILO): cooperation may support the application of the labour law in the sourcing country
- Trade unions in the sourcing countries: cooperation may help to raise awareness of workers’ rights and obligations; it may be helpful in handling grievances
- Civil Society Organisations: cooperation may bring knowledge on the risks, their root causes, and valuable information and advise on how to ensure that human rights are respected on the ground

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

While amfori BSCI members may not have the means to address these external stakeholders individually, the amfori teams can support in the coordination.
STEP 3 SPOTLIGHT. RESPONSIBLE DISENGAGEMENT

The reasons to disengage from business partners can be varied and build up over time, but disengagement should be considered as a measure that is undertaken either as a result of the most serious impacts occurring (e.g., a business partner engaging in gross human rights violations) or as a measure of last resort following repeated attempts to mitigate identified risks.

Disengagement can be an appropriate response if there is a fundamental lack of trust provoked by the business partner’s behaviour.

Trust can be breached suddenly, but it is more 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 CoC
- Clearly demonstrates a clear inability to remediate issues
- Compromises the integrity of the monitoring by means of bribery, falsification or misrepresentation in the supply chain

These examples may occur at the commercialisation 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 of an amfori BSCI monitoring 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.

Disengagement as a last resort

Business enterprises should not stop business suddenly and disengagement should always be considered a last resort, after other solutions have been tested. Importantly, amfori members and their business partners should conduct responsible purchasing practices as much as possible.

These are some aspects to take into consideration before stopping business or ending contracts with a business partner, all of which should also include engagement with stakeholders:

- 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 to the region?

Systemic problems

Some deficiencies on social performance relate to systemic 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 continuous improvement 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 member 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 members 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 CoC.

- **Warning procedure:** amfori BSCI members 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 members 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 members 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 CoC does not alter contractual agreements (e.g., financial obligations from existing contracts need to be honoured).

*Amfori discourages amfori BSCI members from stopping business based on amfori BSCI monitoring results solely, as this conflicts with the values and principles of the amfori BSCI system.*
STEP 3 SPOTLIGHT. MEANINGFUL STAKEHOLDER ENGAGEMENT

Stakeholders are individuals, communities or organisations who are affected by and may affect an organisation’s products, operations, markets, industries, and outcomes. Mapping and engaging stakeholders, including people working within a company, are integral and indispensable parts of amfori members’ and their business partners’ 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 member, the table below shows potential stakeholder groups (organisations and individuals) and their relevance at distinct stages of the implementation of the amfori BSCI system. Small and microenterprises may rely on amfori BSCI stakeholders’ engagement work. It is important to note that international standards expect all businesses to meaningfully engage with stakeholders. However, acknowledging that this might result in a daunting exercise, they allow companies to prioritise who to engage with and to use proxies when engaging directly might not be feasible.

However, even if your resources are limited you may use some of your visits to factories or farms to get a better understanding of, for example, the working conditions in the region by engaging with a local CSO, local trade union etc.
<table>
<thead>
<tr>
<th>Relation amfori BSCI stages</th>
<th>Stakeholders inside the company</th>
<th>External Stakeholders</th>
</tr>
</thead>
<tbody>
<tr>
<td>Policy, scoping and assessing (rules and strategy-oriented)</td>
<td>• Top management&lt;br&gt;• Sourcing/buying department&lt;br&gt;• Compliance/legal department&lt;br&gt;• Local buying offices</td>
<td>• Business partners&lt;br&gt;• amfori&lt;br&gt;• Trade union federations&lt;br&gt;• Civil society organisations</td>
</tr>
<tr>
<td>Acting and integrating (task-oriented)</td>
<td>• Sourcing/buying department&lt;br&gt;• Local buying office Workers</td>
<td>• Business partners&lt;br&gt;• amfori&lt;br&gt;• Other amfori members&lt;br&gt;• amfori Country Representatives&lt;br&gt;• Specialised UN agencies (The ILO, UNICEF, UNHCR, UNWOMEN, IOM)&lt;br&gt;• Government agencies&lt;br&gt;• Local trade unions</td>
</tr>
<tr>
<td>Knowing and showing (communication and accountability-oriented)</td>
<td>• CSR department&lt;br&gt;• Compliance department&lt;br&gt;• Communication department</td>
<td>• Advocacy groups&lt;br&gt;• Consumers&lt;br&gt;• amfori Networks&lt;br&gt;• Business partners&lt;br&gt;• Trade unions&lt;br&gt;• Business partners’ workers or their proxies&lt;br&gt;• Government agencies</td>
</tr>
</tbody>
</table>

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

**Level of stakeholders’ engagement**

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

- Their influence on the community and other stakeholders
- Their interest in the company’s activity
Benefits of stakeholder 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 risks and 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 member
- Complement or challenge information gathered through social audits and amfori monitoring tools
- Collaborate to find root causes and build capacities to close existing gaps
4. Track implementation and results

To ensure risks are effectively being managed, mitigated, eliminated and remediated, companies should monitor and track implementation and effectiveness of the enterprise’s own internal commitments, activities and goals on due diligence.

This may include:

- Third-party or in-house audits, assessments and monitoring (including amfori Social audits)
- Reviews of relevant data specifically on amfori Insights, external data and other documents
- Periodic assessments of business relationships
- Consultation or engagement with impacted or potentially impacted rightsholders

5. Communicate how impacts are addressed

Amfori members should at minimum annually publicly report relevant information on due diligence processes, with due regard for commercial confidentiality and other competitive or security concerns. These reports should include:

- Approaches to identifying and assessing risks
- Results of the risk assessment and prioritisation processes
- Steps taken to manage, mitigate and eliminate risks, and remediate victims

Information should be published in a way that is easily accessible and appropriate to the company’s operations.

Reporting and disclosure of sustainability information might also be required by law.

6. Provide for or cooperate in remediation when appropriate

To support with effective and timely remediation, members should:

- Commit to providing for or cooperate in cases where remediation is required
- Cooperate in good faith with judicial or non-judicial mechanisms
- Establish operational-level grievance mechanisms (OLGM) in line with UNGP Principle 31
- Engage with workers’ representatives and trade unions to establish a process through which they can raise complaints to the enterprise
- Encourage and support business partners to use continuous improvement function of amfori Sustainability Platform

STEP 6 SPOTLIGHT. GRIEVANCE MECHANISMS
Accountability may be defined as the obligation of an individual or organisation 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 an effective grievance mechanism constitutes an essential element of being diligent as a company and exercising accountability. Some jurisdictions are also mandating by law that business enterprises set-up complaints procedures.

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 a grievance mechanism may be counterproductive and create mistrust. When implemented properly, they represent 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.

If a grievance mechanism is set up appropriately, it leads to:

- **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 member may do to set and maintain a culture of accountability, amfori has set up grievance mechanisms of its own to address stakeholders’ concerns in a timely and effective manner and to help supporting amfori members in providing access to remedy to workers and communities in their global supply chains, where grievances cannot or have not been addressed through Local Operational Grievance Mechanisms. The amfori Speak for Change programme or Supply Chain Grievance Mechanism is there to help amfori members through better visibility into labour risks in their supply chains and provide actionable insights based on real-time analytics. Complaints are resolved using the joint leverage of amfori members supported by amfori staff and independent third parties.

Finally, amfori also works continuously on strengthening Operational Grievance Mechanisms (OGMs) at production locations and farms through capacity building and training.

Further, amfori BSCI members should encourage all actors in their supply chains to set up their own grievance mechanisms.