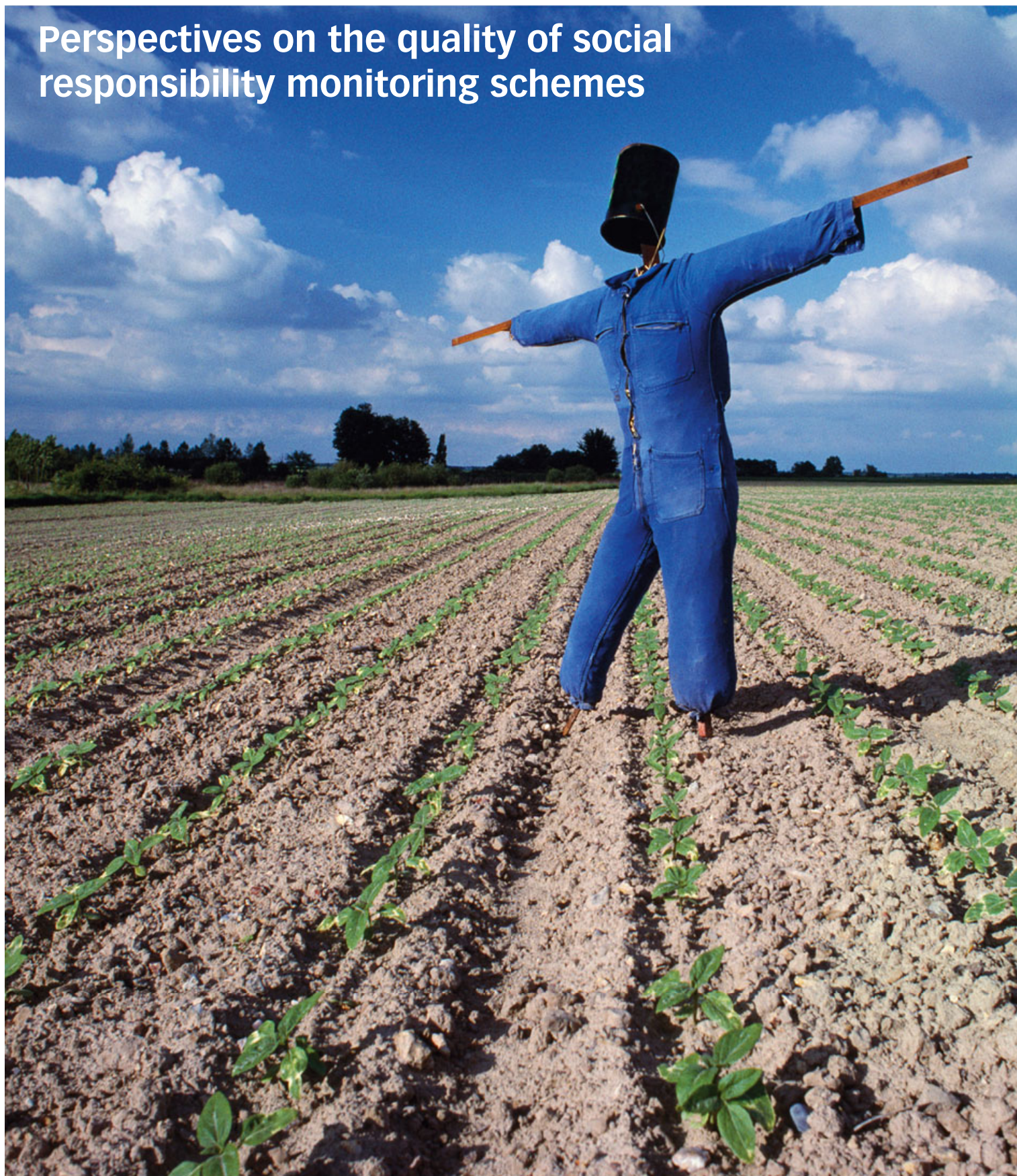


2/2016

Perspectives on the quality of social responsibility monitoring schemes



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Translated from Finnish. In case of interpretation disputes the Finnish text applies.
The original is available at: www.finnwatch.org.
Finnwatch is a Finnish non-profit organisation that studies the responsibility of global business.

2nd corrected version

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Introduction

The UN Guiding Principles on Business and Human Rights endorsed in 2011 require that companies exercise human rights due diligence¹. A company's value chain may be long and include numerous different products and raw materials that are made or produced in high-risk countries² all over the world. Therefore, the exercise of human rights due diligence typically involves the monitoring of subcontractors and other producers that are part of the company's value chain. As companies cannot be physically present in all the countries that comprise their value chain, they outsource an increasing amount of their social responsibility monitoring to external non-governmental social responsibility certification and auditing schemes. For example, the objective set by one of the world's largest retailers Marks & Spencer to become the most sustainable in the field is being realised in great part with the use of social responsibility certifications and audits³.

Certification and auditing of social responsibility aim to correct shortcomings in the ratification and implementation of international conventions concerning human rights, especially labour rights. The development of voluntary auditing and certification standards, either through company self-regulation or through stakeholder engagement, is a process in which non-state actors from more than one country generate behavioural prescriptions that are intended to apply across national borders, the purpose of

which is to supplement gaps in governmental provisions.⁴

The growing use of social responsibility certification and audit schemes among companies is also in line with recommendations by NGOs. Finnwatch and numerous other NGOs that monitor human rights issues have encouraged companies to become members of responsibility schemes that carry out third-party responsibility monitoring. Third-party social responsibility auditing and certification schemes have many advantages: the public generally has access to their criteria, they reduce overlapping audits at monitored farms and factories and they provide stakeholders with different options for making complaints and getting their voices heard. In Finland, stakeholder engagement has resulted in the *Shared vision for respecting the UN Guiding Principles on Business and Human Rights in grocery trade supply chains*. The shared vision states that international, third-party, criteria-based standardised systems are always preferable options in the implementation of credible human rights monitoring.⁵

At the same time as NGOs have welcomed third-party monitoring, certifications and social responsibility audits have become a billion euro business, wherein large international companies are responsible for the majority of audits. Confidence in third-party monitoring has often led to disappointments: the criteria used by auditing and certification schemes have not always guaranteed acceptable working conditions. Monitoring has also often failed. In numerous instances, third-party monitoring has been reported to have ignored serious problems at an audited production facility.

Both the number of social responsibility certification and auditing schemes as well as

1 The UN Guiding Principles on Business and Human Rights can be read here: http://www.ohchr.org/Documents/Publications/GuidingPrinciplesBusinessHR_EN.pdf

2 When companies take part in business activities in a high-risk country, they have an increased risk of being involved in human rights violations. Depending on a company's field of business, different tools can be used for determining high-risk countries. The Business Social Compliance Initiative BSCI, which is favoured by Finnish companies, defines all countries that received less than 60 points in the World Bank's Worldwide Governance Indicators (WGI) as high-risk countries. A high-risk country is also defined as a country that receives less than 60 points for any two of the six indicators.

3 Marks and Spencer Group, 2010, Plan A: Doing the Right Thing, p. 14, can be read at: <http://corporate.marksandspencer.com/plan-a/85488c3c608e4f468d4a403f4ebbd628>

4 Dingwerth K, Pattberg P, 2009, World Politics and Organizational Fields: The Case of Transnational Sustainability Governance, p. 711, can be read at: <http://ejt.sagepub.com/content/15/4/707.full.pdf+html>

5 The shared vision for respecting the UN Guiding Principles on Business and Human Rights in grocery trade supply chains can be read at: https://www.tem.fi/files/44250/UNGP_Grocery_Trade_final_200815_eng_final.pdf

the number of products that are certified and audited continues to grow at a fast pace. In 2012, the number of goods that met with the requirements of various different monitoring systems grew by 41 per cent, while the goods market itself grew by only 2 per cent. The number of responsibility audits and certifications grew especially in the palm oil market, where the standard-compliant production grew by more than 90 per cent in 2012.⁶ The growth in palm oil certification is closely linked to EU regulation.⁷ As the number of new regulation initiatives and soft-law instruments continues to grow, it is likely, that the use of responsibility audits and certifications will also increase further, including in other product groups.⁸

Although production of standard-compliant products has grown steadily, the sale of responsibly produced products has not increased at the same pace.⁹ Although more and more consumers say they are interested in corporate social responsibility, audits and certificates, however, do not guide purchasing decisions. Rather, decisions are guided by emotional ties and not by analytical examination of details related to production methods.¹⁰ As the number of labels and responsibility claims increases, it is less and less likely that consumers are aware of the criteria of different schemes behind the labels and make choices on the basis of objective information.

Consumer purchasing behaviour and growing competition in the social responsibility certification and audit market between both monitoring schemes and audit firms have not improved the quality of monitoring or made it

more efficient. Some researchers even blame business-driven social responsibility schemes for maintaining operating models that are detrimental to labour rights.¹¹

Some large companies are completely abandoning the use of traditional certification and auditing schemes and instead, establishing their own responsibility programmes that are lighter in structure. The problem with the companies' own programmes is their varying quality and non-transparency. Some companies have, for instance, saved costs by focusing only on self-evaluations or second party verifications.¹²

This report takes part in discussion on responsibility monitoring by examining the trustworthiness of third-party monitoring schemes that focus on labour rights. The report focuses specifically on the certification and auditing of primary production and processing in risk countries, the purpose of which is to monitor working conditions at plantations, factories and other production units.

The report is divided into seven chapters of which the first covers the corporate social responsibility certification and auditing schemes most commonly used by Finnish companies. In the second chapter, we compare these schemes and their criteria. The third chapter centres on the problems observed in the monitoring and conformity assessment by social responsibility certification and auditing schemes. Chapter 4 examines the views of client companies on audit quality. Chapter 5 introduces some of the methods and approaches that have emerged in an effort to improve social responsibility certification and auditing schemes. The two last chapters 6 and 7 comprise the report's conclusions and recommendations.

6 International Institute for Sustainable Development, *The State of Sustainability Initiatives (SSI)*, 2014, can be read at: https://www.iisd.org/pdf/2014/ssi_2014.pdf

7 The Fuel Quality Directive 2009/30/EC and the Renewable Energy Directive (2009/28/EC) (RES) are the EU's key directives that apply to the used of palm oil.

8 The implementation of the UN Guiding Principles on Business and Human Rights, new procurement directives, non-financial reporting requirement, and possible regulation of conflict minerals increase the need for certification and auditing schemes in the EU area.

9 International Institute for Sustainable Development, *The State of Sustainability Initiatives (SSI)*, 2014, can be read at: https://www.iisd.org/pdf/2014/ssi_2014.pdf

10 *Certiably Sustainable?: The Role of Third-Party Certification Systems: Report of a Workshop*, 2010, can be read at: <http://www.nap.edu/read/12805/chapter/6>

11 SPERI, 2016, *Ethical Audits and the Supply Chains of Global Corporations*, can be read at: <http://speri.dept.shef.ac.uk/wp-content/uploads/2016/01/Global-Brief-1-Ethical-Audits-and-the-Supply-Chains-of-Global-Corporations.pdf>

12 For example Mondelez International has terminated their cooperation with Rainforest Alliance, and initiated its own responsibility programme for the production of coffee and cocoa. Finnwatch has reported on Mondelez's Cocoa Life programme in an article that can be read at: <http://www.finnwatch.org/fi/uutiset/349-lidl-voitti-suklaakonvehtien-vastuullisuus-vertailun-> (in Finnish)

1. Certification and auditing schemes used by Finnish companies for the monitoring of labour rights

There are a countless number of different social responsibility monitoring schemes in place. The Standards Map¹³, an online platform maintained by the International Trade Centre, enables its users to explore and compare over 170 sustainability standards. The number of responsibility monitoring systems predominantly created by non-state actors has multiplied over the past 15 years.¹⁴

This report specifically focuses on the social responsibility certifications and auditing schemes used by companies that operate in Finland to ensure responsibility in their supply chain. The term *use* refers here to activities in which a company markets certain products that have been audited or certified by a monitoring scheme or has approved the scheme's audits or certification as part of its responsibility work in practice.

There are no databases available to gauge the use of responsibility certification and auditing schemes by companies to monitor their suppliers. Only some of these schemes are visible on consumer products in the form of certification labels or responsibility claims, as some of the schemes are predominantly only used in companies' internal processes. Many companies use several different overlapping systems for their products depending on the country of production and level of human rights risks. For these reasons, the table included in this chapter is an indicative description of the schemes used by companies that operate in Finland.

The information in the table was compiled by examining the responsibility reports of Finland's largest companies, the membership catalogues of well-known responsibility schemes, as well as previous Finnwatch reports based on surveys sent to companies.

¹³ Further information <http://www.standardsmap.org>

¹⁴ Dingwerth K, Pattberg P, 2009, World Politics and Organizational Fields: The Case of Transnational Sustainability Governance, p. 711, can be read at: <http://ejt.sagepub.com/content/15/4/707.full.pdf+html>

Table 1. Examples of social responsibility certification and auditing schemes used by companies that operate in Finland.

Certification/auditing scheme	Brief description	Examples of Finnish users
Better Cotton Initiative (BCI)	The initiative was established by companies and NGOs to improve the environmental and social responsibility of cotton. Both production companies and cooperatives are being audited against the BCI standard. ¹⁵	Marimekko ¹⁶ , H&M, Adidas, Gina Tricot, Hemtex, Ikea, KappAhl, Lindex, Nike, Stadium, Tommy Hilfiger ¹⁷
Business Social Compliance Initiative (BSCI)	The BSCI was established by commerce and industry actors. Member companies commit to improving the conditions in production facilities and farms that are part of their value chain. The BSCI's auditing scheme can be applied to different industries and production countries. ¹⁸	Kesko ¹⁹ , S Group ²⁰ , A&M Holmberg, Alko, Basic-Fashion, Best Friend Group, Cailap Oy Marketing, Halonen, Halti, Hofler, Ibero, L-Fashion Group, Logonet, Marimekko, Nanso Group, Nordic Wear Int'l Ltd, Oy FinnFlame AB, OY Sultrade Ltd, Reima, Stockmann, Texmoda Fashion Group, Tokmanni Group, Tuko Logistics Cooperative, VIP-Juice-maker Oy ²¹
Fair Labor Association (FLA)	The FLA is a joint project between companies, NGOs and universities that was established in the United States on the basis of an initiative by the Clinton administration. Companies from numerous different sectors participate in the FLA. The primary responsibility for monitoring working conditions at a production facility fall on the scheme's member companies. ²²	Adidas, Apple, Fruit of the Loom, Hugo Boss, Nestlé, Nike, Prana, Puma, Patagonia, s.Oliver ²³
Fair Wear Foundation (FWF)	FWF members are companies that manufacture clothing, shoes and textiles with their own brand names. The FWF requires that its members monitor working conditions at factories that are part of their supply chain, and that they adjust their sourcing practices to support working conditions that are in line with labour rights standards. ²⁴	Armedangels, Kwintet Group, Continental Collection, Filippa K, Switcher, Deuter ²⁵
Forest Stewardship Council (FSC)	The FSC is a forestry certification scheme. The FSC's activities are based on guiding principles and country-specific responsibility criteria drafted on the basis of the guiding principles, which include requirements related to working conditions. FSC members include companies, NGOs and communities. ²⁶	Stora Enso ²⁷ , UPM-Kymmene, Kesko ²⁸ , S Group ²⁹
Global Coffee Platform³⁰	The Global Coffee Platform is a business-to-business, entry level verification scheme for coffee production. The standard includes economic, social and environmental criteria. ³¹	Paulig, Löfbergs Lila ³²
ICTI Care Process (ICP)	The ICP is a certification scheme established by the International Council of Toy Industries ICTI, which is used for the monitoring of responsibility at toy factories especially in China.	S Group, Hasbro Finland, Tactic Games ³³
International Sustainability & Carbon Certification (ISCC)	The ISCC is a certification scheme that was developed for biomass and the criteria of which cover ecological and social responsibility and greenhouse emissions. ISCC is used for the certification of biofuels, food, feed, and the chemical industry. ³⁴	Neste, UPM-Kymmene ³⁵
ProTerra Foundation	The ProTerra Foundation focuses on the monitoring of ecologically and socially responsible production of soy. The majority of ProTerra certified production comes from Brazil. ProTerra is specialised in the certification of non-GMO production. The Finnish Soy Commitment established by the WWF and companies requires that its supporters commit to the use of either ProTerra or RTRS certified soy. ³⁶	HKScan ³⁷ , Raisio ³⁸ , Alpro ³⁹

Fairtrade International (Reilu kauppa)	Fairtrade, which is owned by producer communities and national labelling organisations, was created to improve the status of small farmers and workers at large farms in developing countries in international trade. Fairtrade certification requires the payment of a minimum price to producers as well as a separate Fairtrade premium intended for social projects and projects to develop production. ⁴⁰	Ruokakesko, Satotukku, Ethic Design, Maustaja, Ekovista, Fazer Confectionery, Gredon Invest Oy / Dammenberg, Cafetoria Roastery, Gustav Paulig, Mokkamestarit, Tampereen kehityskauppa, Helsingin Kukkatoimitus, Eckes-Granini Finland, Kätkö Koru, Meira, Aaro Forsman, Oy Soya Ab, Sidoste, Suomen Elintarviketuonti, Nordqvist, Altia, Pernod Ricard Finland, Social Wines, Stella Wines ⁴¹
Roundtable on Sustainable Palm Oil (RSPO)	The RSPO was established on the basis of collaboration between WWF, companies and producer organisations. The RSPO certification standard is comprised of eight basic principles and 39 criteria. ⁴²	Neste, Kesko, Bon Tuonti Oy, Haarla Oy, Halva Ltd, HKScan Oyj, Oy Karl Fazer AB, Paulig Ltd, Raisio, S Group ⁴³
Round Table on Responsible Soy (RTRS)	The RTRS is a certification scheme for the production of soy. The scheme includes criteria on social and environmental responsibility as well as agricultural practices. The Finnish Soy Commitment established by the WWF and companies requires that its supporters commit to the use of either ProTerra or RTRS certified soy. ⁴⁴	HKScan, Neste, Hankkija, Raisio ⁴⁵
SA8000	SA8000 is a social responsibility certification that involves the auditing of different production facilities and farms. Audits are performed at frequent intervals, at least every six months. SA8000 certification requires that the production facility or farm has an independent management system. ⁴⁶	Kesko ⁴⁷ , S Group ⁴⁸
Sure-Global-Fair, Voluntary Control System (VCS)	An auditing scheme established by the juice industry for the monitoring of production facilities involved in the production of juices. The auditing scheme is based on regulations concerning food safety and package labelling, but also includes requirements related to social responsibility. ⁴⁹	Eckes Granini ⁵⁰
Sustainable Agriculture Network (SAN) / Rainforest Alliance (RA)	The RA is a certification scheme that emphasises the conservation of biodiversity. The scheme also includes social responsibility criteria. In Finland, RA's frog label is most commonly seen on coffee, tea, chocolate and bananas. ⁵¹	Unilever ⁵² , Chiquita, Nestlé, Dole, Lidl ⁵³
UTZ	UTZ is a certification scheme for coffee, tea, cocoa and hazelnuts. It has grown rapidly over the past few years. It includes criteria related to social and environmental responsibility as well as farming methods and good management practices. In addition to the price of raw materials, producers are paid a premium. UTZ has developed a special portal, which makes it possible for consumers to trace raw material all the way to the farm. ⁵⁴	Orkla Confectionery & Snacks Finland ⁵⁵ , Gustav Paulig, Kesko, Kespro, Coffee House ⁵⁶

15 For more information please see the BCI website <http://bettercotton.org>

16 Marimekko, Responsibility – products, <http://company.marimekko.com/sustainability/products> (referenced on 28.12.2015)

17 Better Cotton Initiative, BCI members' list, Retailers and brands, <http://bettercotton.org/wp-content/uploads/2015/09/Part-IV-Retailers-Brands2.pdf> (referenced on 16.2.2016)

18 For more information please see the BSCI website <http://www.bsci-intl.org>

19 Kesko, Business Review 2014, can be read at: http://kesko2014.kesko.fi/filebank/2542-Kesko_Business_review_2014.pdf

20 S Group, S-ryhmä ja vastuullisuus 2014, <http://vuosikatsaus.s-ryhma.fi/fi/vastuulliset-tuotteet-jalpalvelut> (in Finnish; referenced on 28.12.2015)

- 21 FTA, the BSCI's Finnish member companies http://fta-prd.cegeka.be/node/292/domains/bsci/field_member_country/FI (referenced on 28.12.2015)
- 22 For more information please see the Fair Labor Association website <http://www.fairlabor.org/>
- 23 Fair Labor Association, Participating companies, <http://www.fairlabor.org/affiliates/participating-companies> (referenced on 25.4.2016) The list presented in the table includes examples of companies and brand names that operate in Finland.
- 24 For more information please see the Fair Wear Foundation website <http://www.fairwear.org/>
- 25 Fair Wear Foundation, Brands, <http://www.fairwear.org/36/brands/> (referenced on 28.12.2015). The list presented in the table includes examples of companies and brand names that operate in Finland.
- 26 For more information please see the FSC website <https://ic.fsc.org/en>
- 27 Stora Enso, Certified responsibility to meet your demands, <http://www.storaenso.com/rethink/responsibility/certificates> (referenced on 28.12.2015), FSC certificates apply to Stora Enso's own production facilities.
- 28 Kesko, Rautakeskon puulinjaus, <http://www.kesko.fi/yritys/vastuullisuus/miten-johdamme-vastuullisuutta/linjaukset-ja-kannanotot/rautakeskon-puulinjaus/> (in Finnish, referenced on 29.12.2015)
- 29 S Group, S-ryhmässä myydään vain vihreän luokan kesäkalusteita, https://www.s-kanava.fi/uutinen/s-ryhmassa-myydaan-vain-vihrean-luokan-kesakalusteita/129474_66560 (in Finnish, referenced on 11.2.2016)
- 30 Previously known as 4C Association for a Better Coffee World
- 31 For more information please see the Global Coffee Platform website <http://www.4c-coffeeassociation.org/>
- 32 4C Association, Our members, <http://www.4c-coffeeassociation.org/membership/our-members> (referenced on 28.12.2015)
- 33 Icti-CARE, ICP Committed Brands Program, http://www.icti-care.org/e/content/cont_page.asp?content_id=90
- 34 For more information please see the ISCC website <http://www.iscc-system.org/en/>
- 35 ISCC, Register of members of the ISCC Association Members (as of 17 December 2015), <http://www.iscc-system.org/en/stakeholders/membership-list/> (referenced on 28.12.2015)
- 36 For more information, please see the ProTerra website <http://www.proterrafoundation.org/>: Information on the Soy Commitment available on the WWF Finland website <http://www.wwf.fi/wwf-suomi/viestinta/uutiset-ja-tiedotteet/Suomalainen-soijasitoumus-haastaa-yritykset-kayttamaan-vastuullista-soijaa-2661.a> (in Finnish)
- 37 HKScan, HKScan vahvistaa sitoumuksensa vastuullisesti tuotetun soijan käytöstä, <http://www2.hkscan.com/portal/suomi/suomi/tiedotearkisto/?id=2046> (in Finnish, referenced on 29.2.2016)
- 38 Raisio, <http://annualreport2014.raisio.com/fi/case-gmo> (in Finnish, referenced on 29.12.2015)
- 39 ProTerra, Members of the ProTerra Network, <http://www.proterrafoundation.org/index.php/membership/members-of-the-proterra-network> (referenced on 29.12.2015)
- 40 For more information, please see the Fairtrade website <http://www.fairtrade.net>
- 41 FLO-Cert, Fairtrade customer search, <http://www.flocert.net/fairtrade-services/fairtrade-certification/fairtrade-customer-search/> (referenced on 28.12.2015)
- 42 For more information please see the RSPO website <http://www.rspo.org>
- 43 RSPO, Finnish member companies, http://www.rspo.org/members?keywords=&member_type=&member_category=&member_country=Finland (referenced on 28.12.2015)
- 44 For more information please see the RTRS website <http://www.responsiblesoy.org/?lang=en>
- 45 RTRS, Finnish members, <http://www.responsiblesoy.org/about-rtrs/members/?nombre&busca=busca&pais=51&categoria&lang=en> (referenced on 29.12.2015)
- 46 For more information please see the SAI website <http://www.sai-intl.org/index.cfm?fuseaction=Page.ViewPage&PageID=937>
- 47 Kesko, Principles of Corporate Responsibility, <http://www.kesko.fi/en/company/responsibility/how-do-we-manage-responsibility/principles-of-corporate-responsibility> (referenced on 24.2.2016)
- 48 S Group, Better Working Conditions, <https://www.yhteishyva.fi/live/201410/tasta-elamasta/parempien-tyoolojen-puolesta/0218010-380799> (in Finnish, referenced on 24.2.2016)
- 49 For more information please see the SGF website <http://www.sgf.org/en/home/>
- 50 Eckes Granini, Quality management system, <http://ymparisto.eckes-granini.fi/en/quality-management-system/> (referenced on 28.12.2015)
- 51 For more information please see the Rainforest Alliance website <http://www.rainforest-alliance.org/>
- 52 E.g. Magnum and Cornetto ice creams and Lipton teas, Rainforest Alliance, Find Certified Products, <http://www.rainforest-alliance.org/shopthefrog?country=206>
- 53 Rainforest Alliance, Find Certified Products, <http://www.rainforest-alliance.org/shopthefrog?country=206>
- 54 For more information please see the UTZ website <https://www.utz.org/>
- 55 Utz Certified Cocoa Members, <https://www.utzcertified.org/images/stories/site/pdf/downloads/cocoa/12-06-2015%20UTZ%20Certified%20Cocoa%20Members%20-%20Supply%20Chain%20Actors.pdf> (referenced on 29.12.2015)
- 56 Utz Certified Coffee Members, <https://www.utzcertified.org/images/stories/site/pdf/downloads/cocoa/12-06-2015%20UTZ%20Certified%20Cocoa%20Members%20-%20Supply%20Chain%20Actors.pdf> and <https://www.utzcertified.org/images/stories/site/pdf/downloads/coffee/25-05-2015%20UTZ%20Certified%20Coffee%20Members%20-%20Retailer%20and%20Others.pdf> (referenced on 29.12.2015)

2. Comparison of the social responsibility certification and auditing schemes' criteria

By definition, all social responsibility certification and auditing schemes are based on codes of conduct that define which issues the monitoring system focuses on and what requirements a company that is going through certification or auditing must meet in order to attain approved status. The ability of certification and auditing schemes that centre on social responsibility for improving working conditions depends in great part on the objectives established for a scheme, the scheme's code of conduct, i.e. the criteria, and the mode of operations for the monitoring of compliance with the criteria.

Nearly all social responsibility certification and auditing schemes have based their criteria for social responsibility on the International Labour Organization ILO's Core Conventions, the UN Universal Declaration on Human Rights or other international guidelines on corporate responsibility, such as the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights. However, as many of the different international conventions, declarations and guidelines are often formulated at a general level the differences between social responsibility certification and auditing schemes are formed on the basis of how they define sufficient threshold for, and implement the monitoring of human rights compliance.

There is an abundance of literature as well as electronic databases available on the structure of the certification and auditing schemes and the details of their criteria. One of the most comprehensive tools for mapping out and describing the criteria for the schemes in a comparable manner is the Standards Map database⁵⁷, which is maintained by the International Trade Centre, a joint agency of the World Trade Organization and the UN. The Standards Map database facilitates searches of different types of auditing and certifica-

tion schemes by industry/sector as well as a simple comparison of the specifics of different schemes. The information provided in the Standards Map database is in parts so specific that users, who are unfamiliar with different schemes, may find it difficult to form an overall picture of the key issues.

This report's comparative table includes the social responsibility certification and auditing schemes commonly used by companies that operate in Finland (see Chapter 1), as well as the issues that Finnwatch feels are the most important when comparing certification and auditing schemes. These key issues have been selected on the basis of observations and recommendations made in Finnwatch's previous reports and in other publications concerning the quality of social responsibility certification and auditing schemes.

The comparative table included in this report (see pages 18–31) has been divided into five different categories. The areas are described in greater detail in the following sections. The results of the comparative table are listed on pages 16–17.

2.1 IMPARTIALITY OF SCHEMES

The impartiality of social responsibility certification and auditing schemes are examined in the table first via ownership. Ownership has often been observed to have a direct link to how ambitious the criteria and monitoring mechanisms created by the schemes are. To put it more simply, schemes financed and established by companies themselves are more likely to apply weaker criteria and monitoring mechanisms than those schemes, that are financed and have their decisions made by actors that represent a broader range of interest groups, including trade unions or NGOs. It has also been noted that companies tend to emphasise technical criteria (e.g. occupational safety, working hours, minimum wage) instead of process

⁵⁷ The Standards Map database contains information on over 170 standard systems. For more information, please see <http://www.standardsmap.org>

DEGREE OF INDEPENDENCY OF CONFORMITY ASSESSMENT PROCESS (FROM MOST TO LEAST DEPENDENT)

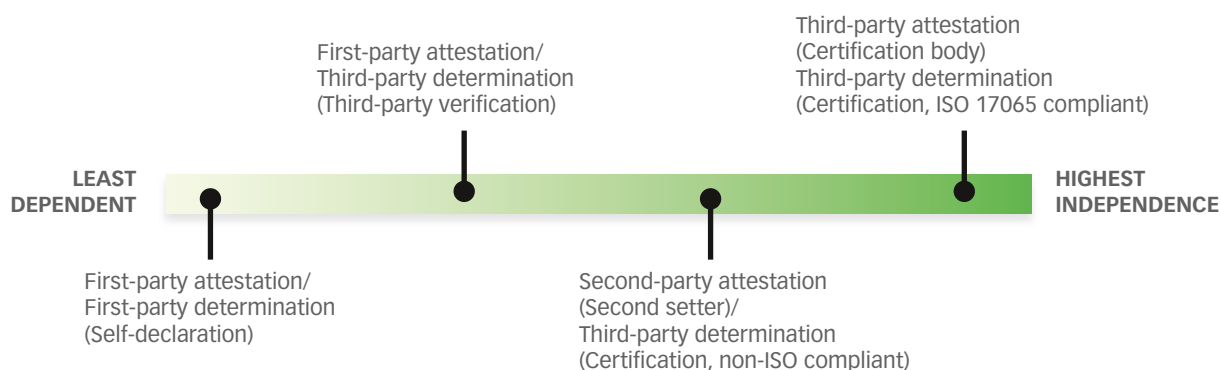


FIGURE: IISD, THE STATE OF SUSTAINABILITY INITIATIVES REVIEW 2014, [HTTPS://WWW.IISD.ORG/PDF/2014/SSI_2014.PDF](https://www.iisd.org/pdf/2014/SSI_2014.PDF)

rights (e.g. freedom of association). Advancing process rights however, is a key factor for achieving long-term, sustained changes in working conditions.⁵⁸

As the role of NGOs can at times be problematic (see box on page 14), Finnwatch has focussed specifically on the inclusion of trade unions in the schemes' decision-making bodies. Social responsibility certification and auditing schemes have long been criticised for marginalising trade unions and the workers at monitored production facilities⁵⁹.

The comparative table examines the impartiality of audits by first determining who is qualified to perform the certification or auditing schemes' conformity assessments. Self-assessments carried out by the producer are considered to be the least independent assessment method. Processes pursuant to ISO/IEC 17065, wherein a third party independent of both the responsibility schemes and the producer carries out the audit and awards a certificate of conformity are considered to be the most independent monitoring method.

A factor that also plays a part in the determination of trustworthiness of audits is whether the auditor is familiar with the producer being audited and whether a long-term business relationship has been established between the audit firm and company being audited. In order to ascertain this, the comparative table also examines whether social responsibility certification or auditing schemes limit the number of consecutive audits an auditor can perform for a client (see also box on page 12).

The comparative table assesses the impartiality and quality of responsibility monitoring by auditing or certification schemes also by whether the scheme accredits the auditors it uses. Accreditation refers to a process of reliably stating the competence of an operator – in this case a certification or verification body – and the credibility of the certificates it provides.⁶⁰ Accreditation is performed by an independent accreditation body, in accordance with specific accreditation criteria which are set by a monitoring scheme. Accreditation bodies do not make certification or verification decisions or directly monitor the conformity of farms or production facilities but focus their attention on the auditing firms.

58 Barrientos S. and Smith S., Do Workers Benefit from Ethical Trade?, can be read at: <http://iis-db.stanford.edu/docs/182/Barrientos.pdf>

59 Utting P., 2002, Regulating Business via Multistakeholder Initiatives: A Preliminary Assessment, can be read at: [http://www.unrisd.org/80256B3C005BCCF9/\(httpAuxPages\)/35F2BD0379CB6647C1256CE6002B70AA/\\$file/uttnngls.pdf](http://www.unrisd.org/80256B3C005BCCF9/(httpAuxPages)/35F2BD0379CB6647C1256CE6002B70AA/$file/uttnngls.pdf)

60 See e.g. Finnish Accreditation Services FINAS, Accreditation, can be read at <https://www.finas.fi/sites/en/accreditation/Pages/default.aspx> (referenced on 10.4.2016)

Typically, accreditation criteria comprise or are in part based on the ISO/IEC 17065 standard. In addition, they may include other specifications such as requirements for competencies of auditors, including their educational level and professional experience.⁶¹

61 See e.g. SAN, Accreditation requirements, can be read at <http://san.ag/web/our-standard/our-sustainability-principles/> (referenced on 10.4.2016); RTRS, Accreditation and Certification Standard, can be read at <http://www.responsiblesoy.org/wpdm-package/rtrs-accreditation-and-certification-standard-for-responsible-soy-production/?lang=en> (referenced on 10.4.2016)

Accreditation bodies also have their own ISO standard. The ISO/IEC 17011 standard⁶² sets requirements for the impartiality, confidentiality, management systems and document control, internal audits and personnel of accreditation bodies. The standard also specifies that the accreditation process itself comprises a document and record review as well as an on-site assessment of a certification body applying for accreditation.

62 SFS-EN ISO/IEC 17011 Conformity Assessment. General requirements for accreditation bodies accrediting conformity assessment bodies, Helsinki: Suomen Standardisoimisliitto, 2005

International requirements for certification bodies

International ISO standards provide a uniform approach to repetitive activities. They are recommendations in nature, but for example national authorities may require their use in certain cases. The internationally approved ISO standards are drawn up by working groups appointed by the International Organization for Standardization (ISO). The Finnish Standards Association (SFS) is a member of the ISO. Members of the SFS include representatives from commerce and industry as well as the Finnish government.⁶³

Several social responsibility schemes require that the audit firms they use meet structural, resource, process, and management system requirements in the ISO/IEC 17065 standard. The ISO/IEC 17065 standard includes requirements for the competence of bodies certifying products, processes and services, as well as the impartiality and uniformity of their activities. The competency and impartiality of certification bodies and their staff is a key condition for the trustworthiness of their certification decisions.⁶⁴

The ISO/IEC 17065 standard requires that an audit firm defines staff competency criteria for each certification process, identifies individual training needs and monitors the performance

of its staff. It also requires that the certification body performing audits appoints at least one person, who reviews all the information and results related to an assessment (audit). The person(s) carrying out the review must not have taken part in the assessment process. According to the standard, the decision of certification must be made on the basis of all assessment-related information, the review and other relevant information. The person or group making the decision on certification must also not have taken part in the actual assessment.

Pursuant to the ISO/IEC 17065 standard, certification bodies are expected to monitor the risks related to their own impartiality, and manage those risks. Potential risk factors that threaten impartiality mentioned in the standard include preconceptions (bias), competition, and over-familiarity, which could result from the certification body or its staff knowing the facility or farm being audited too well, or being too trusting, and for this reason not attaining sufficient proof of conformity to base a reliable certification decision on (see Chapter 2.1).

The ISO/IEC 17065 standard also instructs audit firms to carry out monitoring to guarantee that a facility/farm that has received the right to use a certification label continues to meet the certification criteria even after the initial certification. Certification bodies are also required to maintain appeal and complaint mechanisms.

63 For more information, please see the SFS website http://www.sfs.fi/en/sfs_in_brief

64 SFS-EN ISO/IEC 17065 Vaatimustenmukaisuuden arviointi. Vaatimukset tuotteita, prosesseja ja palveluita sertifioiduille elimille, Helsinki: Suomen Standardisoimisliitto, 2012 (Conformity assessment. Requirements for bodies certifying products, processes and services)

Accreditation bodies must also monitor the activities of audit firms after the accreditation. In addition to their own monitoring activities, accreditation bodies must maintain a complaint mechanism. Information that has come to light through the complaint mechanism can act as a motivator for specific verification of an audit firm's competence and integrity, e.g. through so-called compliance audits. Also the parties that own a certification scheme can request that an accreditation body assess the conformity of audit firm's activities due, for example, to criticism of the scheme's credibility (see e.g. page 40–41). If necessary, accreditation bodies can suspend or terminate an audit firm's accreditation or alter the scope of its accreditation.

Some responsibility schemes allow the use of audit firms that have not been accredited in line with the requirements of the scheme in question, but that can demonstrate that they have accreditation in accordance with a scheme that is similar in requirements. This is called a proxy accreditation and is used e.g. by UTZ, which requires that the audit firms used have been found compliant with ISO/IEC 17065 standard and been accredited to audit the responsibility of agricultural production by an accreditation body that is a full member of International Accreditation Forum or ISEAL Alliance (see page 50–51)⁶⁵.

If a scheme does not utilise a separate accreditation service, they have been asked to provide information on how the quality of audits is being guaranteed. For example, ISEAL Alliance does not require that its members carry out conformity assessments in a given way, (e.g. some of its members use certification, some verification) but it does require that the scheme's conformity assessment processes conform with the ISO/IEC standards and have the following characteristics: consistency, rigour, competence, impartiality, transparency and accessibility.

ISEAL Alliance's Assurance Code requires all its member schemes to also adapt an oversight mechanism to monitor the performance of conformity assessment bodies.

65 UTZ, 2016, Certification protocol, p. 27, can be read at: https://www.utz.org/resource-library/?fwp_main_categories=certification-protocol (referenced on 31.3.2016)

According to ISEAL Alliance, the oversight mechanism must cover an audit firm's management systems, competence of personnel and conformity assessment processes. An ISEAL Alliance approved oversight mechanism can mean for example the monitoring of certification or verification bodies by the owner of a responsibility scheme. In such cases, the staff that carry out the monitoring must be independent of the conformity assessment process itself. The most common form of oversight mechanism, however, is accreditation.⁶⁶

In the comparative table, the frequency of audits is also examined as well as whether in addition to the full conformity assessment audit, the schemes require follow-up audits on site. Finnwatch also asked whether audits included unannounced audits. The role of surprise audits has been viewed as important because audited production facilities often make an effort to hide problems for the duration of audits (see Chapter 3.5).⁶⁷ We have also looked into whether the scheme requires audit firms to carry out worker interviews, and, specifically, off-site interviews with workers. Ignoring the views of workers has been observed repeatedly as a problem in auditing schemes (see also Chapter 3.5).⁶⁸

66 ISEAL Alliance, Assurance Code, can be read at <http://www.isealliance.org/our-work/defining-credibility/codes-of-good-practice/assurance-code> (referenced on 10.4.2016)

67 Clean Clothes Campaign, 2005, Looking for a quick fix – How weak social auditing is keeping workers in sweatshops, p. 20, can be read at: <https://www.evb.ch/fileadmin/files/documents/Konsum/Quickfix05.pdf>

68 Also see e.g. AFL-CIO, 2013, Responsibility outsourced: Social Audits, Workplace Certification and Twenty Years of Failure to Protect Worker Rights, p. 1.

Role of NGOs in certification and auditing schemes is no unproblematic

Numerous responsibility monitoring schemes emphasise that they are multi-stakeholder initiatives, representing both companies and NGOs. Organisations, which are seen as lending them more credibility, are sought after members for many schemes. Some NGOs are also independently taking an active role in the creation of responsibility schemes; one of the most active is no doubt the WWF, which is a founding member of the RSPO, FSC, BCI and RTRS. Also ISEAL Alliance requires its full members to be in active contact with their stakeholders and engage them in e.g. drafting and updating responsibility criteria.⁶⁹

However, the role of NGOs in responsibility monitoring schemes is not fully unproblematic. NGOs do not represent workers and their activities are not based on representative democracy. Organisations, which are often based in western countries, are sometimes seen as focussed on pursuing their own agenda and objectives, which means that some important perspectives may be ignored in the process.⁷⁰ For example, environmental issues may be emphasised at the expense of social responsibility. According to some, the voluntary regulation created by NGOs and companies in the form of responsibility monitoring schemes also erode the role of governments.⁷¹

2.2 TRANSPARENCY OF SCHEMES

The second point examined in the comparative table is the openness of the schemes. In regard to transparency, the key questions are linked to whether external actors have the possibility of inspecting what criteria auditing and certification schemes are based on and how audit manuals interpreted the criteria that are often at a general level. We have also looked into whether the schemes publish information on which companies have been certified or passed an audit. Public audit reports or at least audit results are the primary manner in which stakeholders can acquire information on the effectiveness of the schemes and bring to light any inconsistencies in a company's consumer communications. Shortcomings in the openness of social responsibility certification and auditing schemes have been viewed as the key reason why public debate has been ineffective in the effort to identify or resolve problems in the schemes.⁷²

We also look into whether schemes or approved auditors report blatant illegal activities that might have been observed during audits to authorities. This is an important issue when assessing the relationship certification and auditing schemes have with governments and regulation. Self-regulation by companies, which excludes local authorities and courts, has been viewed as undermining the role of the government.⁷³ Ignoring authorities and legal remedies can be extremely harmful especially in developing countries, where it can further hamper the activities of occupational safety authorities and decrease the government's interest in improving the status and implementation of labour laws or tackling corruption.

69 ISEAL Alliance, 2014, Setting Social and Environmental Standards, ISEAL Code of Good Practice, can be read at: <http://www.isealalliance.org/sites/default/files/ISEAL%20Standard%20Setting%20Code%20v6%20Dec%202014.pdf>

70 Huller B., O'Malloney J., 2004, The Role of Civil Society Organisations in Regulating Business, Discussion Paper 26, can be read at: <http://www.lse.ac.uk/accounting/carr/pdf/dps/disspaper26.pdf>

71 SPERI, LeBaron G., Lister J., 2016, Ethical Audits and the Supply Chains of Global Corporations

72 Clean Clothes Campaign, 2005, Looking for a quick fix – How weak social auditing is keeping workers in sweatshops, can be read at: <https://www.evb.ch/file-admin/files/documents/Konsum/Quickfix05.pdf>

73 See e.g. SPERI, 2016, Ethical Audits and the Supply Chains of Global Corporations, can be read at: <http://speri.dept.shef.ac.uk/wp-content/uploads/2016/01/Global-Brief-1-Ethical-Audits-and-the-Supply-Chains-of-Global-Corporations.pdf>

2.3 COMPREHENSIVENESS AND QUALITY OF CRITERIA

As was previously stated, there are a multitude of difference between the criteria used by certification and auditing schemes, and different types of comparisons have been established on how rigid and ambitious their criteria are.

Finnwatch's comparison of criteria focuses on two issues that are fundamental when it comes to labour rights: the active promotion of freedom of association and the demand for a living wage⁷⁴. The latter is often a result of the first, i.e. a result of collective bargaining between employers and employees. Some auditing and certification schemes have also made an effort to promote a living wage as a separate human rights issue.

Freedom of association is rarely a reality in the high-risk countries in which social responsibility audits take place, yet it is often dealt in the scheme's criteria with a light clause that prohibits the active prevention of the exercise of freedom of association, instead of requiring companies to actively advance freedom of association.

The problems linked to freedom of association and the right to collective bargaining are well known⁷⁵, but factories that do not permit their workers to organise or negotiate their terms of employment are regularly awarded approval by the responsibility monitoring schemes.

74 A living wage refers to a wage that affords a worker and the workers family a basic but decent standard of living in a particular location. The wage must be sufficient to satisfy the family's basic needs (e.g. sufficient nutrition, housing, health care, clothing, transport and education for children) and must allow the worker and the worker's family to put aside modest savings and to participate in social and cultural life. More information: Finnwatch, 2015, A living wage, a human right, can be read at: <http://www.finnwatch.org/images/pdf/LivingWage.pdf>

75 See e.g. Ethical Trading Initiative, Freedom of Association in Company Supply Chains, 2013, can be read at: <http://s3-eu-west-1.amazonaws.com/www.ethicaltrade.org/files/resources/FoA%20in%20company%20supply%20chains.pdf>; Barrientos S., Smith, S., Do Workers Benefit from Ethical Trade? Assessing codes of labour practice in global production systems, can be read at: <http://tandfonline.com/doi/abs/10.1080/01436590701336580>

Our comparative table also examines, how schemes take into account the differences between high-risk countries. Some so-called high-risk countries have specific human rights risks related to the local context, and ignoring these can significantly lower the quality of audits. Such issues can include e.g. the status of Dalits in India, Nepal and Bangladesh or the recruitment of and document fees charged to the migrant workers in Thailand and Malaysia.

2.4 TRACEABILITY OF RAW MATERIALS AND CONSUMER COMMUNICATIONS

Before responsibility audited products are put on the market, a number of different monitoring standards are applied to their sale and logistics. Monitoring standards i.e. chain of custody standards (see Appendix 3) are commonly used especially in agricultural production when there is a danger that products will get mixed with other products that are not within the scope of responsibility monitoring. The most commonly used chain of custody mechanisms are physical monitoring of varying degree and mass balance. In addition to these, the Roundtable on Sustainable Palm Oil and the Round Table on Responsible Soy utilise *book and claim* model, which is based on the separate purchase of certificates. Of physical monitoring models, *identity preserved* allows an audited product to be traced from the consumer all the way back to the primary producer. The lighter structured *segregation* model sees the audited/certified product mixed with audited/certified product from other producers, whereas mass balance mechanism sees the audited/certified product mixed with other product, including non-certified product, although the amount of the product is monitored on the basis of its mass. The book and claim model is the trade of certificates and the sellers and purchasers have no other trade relationship⁷⁶.

76 For more information on the book& claim model see the following website: <http://www.responsiblesoy.org/mercado/rtrs-trading-platform/?lang=en>.

The comparative table compiled by Finnwatch lists the chain of custody standards used by auditing and certification schemes, when they are relevant to the scheme (in other words, when the auditing and certification scheme focuses on certain farming products). Mechanisms based on strict physical traceability are most probably the best with regard to consumer rights. After a certain critical point, strict traceability criteria also encourage producers and industry to participate more extensively in the scope of certification. On the other hand, traceability can accumulate extra expenses and make it more difficult for small producers to enter the market especially when certified or audited raw material accounts for a small share of the market. Due to the aforementioned reasons, Finnwatch does not rank chain of custody standards.

Marketing communications are also linked to the market introduction of audited and/or certified products. Some social responsibility certification and auditing schemes allow companies to use their label or logo in communications that apply to individual products. However, the schemes' criteria for the use of social responsibility claims vary a great deal. As different labels, logos and verbal claims are used in an effort to guide consumers' purchasing behaviour, Finnwatch has examined the conditions that the responsibility schemes have put in place for allowing on-product responsibility claims.

2.5 IMPACT OF SCHEMES

Certification and auditing schemes that perform social responsibility monitoring have received strong criticism for not being able to bring about sustained improvements in working conditions over the decades. A report published in 2005 by the international Clean Clothes Campaign was based on extensive interviews with workers and criticised audits as ineffective in the strongest terms. A report published ten years later in 2016 by the Sheffield Political Economy Research Institute blamed social responsibility monitoring schemes for chiefly validating

companies' existing production models, which are harmful to workers, and for maintaining ecological and social problems in production countries.⁷⁷ It is possible that schemes have focused on verifying conformity, but at the same time, have not followed the long-term impacts of their activities.

Some responsibility monitoring schemes have roused to the task of monitoring impact, and for example the ISEAL Alliance has adapted an Impact Code. The code comprises the best practices in the monitoring of impact, with which social responsibility schemes that are full members of the Alliance must comply. The Code obligates the schemes to implement a plan for impact monitoring. Such a plan should include the definition of objectives for the scheme's activities, operating strategies for achieving those objectives and indicators for measuring impact of its activities. Additionally, social responsibility schemes must systematically collect data and regularly report on their impacts.⁷⁸

Finnwatch's comparative table examines whether the schemes monitor the impact of their own activities in any manner and whether publicly available indicators have been set for impacts assessment. Additionally, the table examines the efforts of the schemes to support individual production facilities to correct shortcomings observed during audits.

2.6 COMPARISON RESULTS

The activities of certification and auditing schemes have been assessed with a simple colour code system on the basis of answers the schemes have provided. The sections marked in red are those that involve clear

⁷⁷ SPERI, 2016, *Ethical Audits and the Supply Chains of Global Corporations*, can be read at: <http://speri.dept.shef.ac.uk/wp-content/uploads/2016/01/Global-Brief-1-Ethical-Audits-and-the-Supply-Chains-of-Global-Corporations.pdf>

⁷⁸ ISEAL Alliance, 2014, *Code of Good Practice for Assessing the Impacts of Social and Environmental Standards (Impacts Code)*, can be read at: <http://www.isealalliance.org/sites/default/files/ISEAL%20Impacts%20Code%20v2%20Dec%202014.pdf>. Also see Chapter 5.2.

shortcomings, while those marked in green represent the best existing practices. The sections marked in yellow are those in which a scheme has taken steps in the right direction, but still needs to improve. A detailed explanation of the assessment criteria and the colour coding can be found in Appendix 1.

As the different areas of assessment are not directly proportional, each area has been assessed separately.

Fairtrade, which was superior to others in comprehensiveness and quality of criteria, fared the best in the overall comparison. Fairtrade also tied for first place in scheme impact and consumer communications, and placed second in scheme impartiality. Fairtrade needs the most work in the development of transparency, as it only placed in the top ten in this area.

SGF, a quality and responsibility system for the juice industry fared the most poorly in the overall comparison. It placed among the last of all schemes in three different areas of the comparison. SGF only managed to place midway in the section that examined scheme transparency. SGF reported that it is currently updating its auditing scheme and, during this process, it will need to do a great deal to develop its criteria and the monitoring thereof. In its present form, it cannot be considered a credible social responsibility monitoring scheme.

It was striking in the comparison that, with the exception of Fairtrade, all the schemes fared extremely poorly or quite poorly in the comprehensiveness and quality of criteria. This supports the view of many researchers that social responsibility auditing and certification schemes are weak in guaranteeing process rights that strengthen labour rights over time such as freedom of association and a living wage as the result of collective bargaining. Shortcomings related to the long-term development of working conditions are also evident in the scheme impact comparison, an area on which only four of the schemes fared well in the comparison.

Certification and auditing scheme comparison table

Better Cotton Initiative BCI	Business Social Compliance Initiative BSCI	Fair Labor Association FLA	Fair Wear Foundation FWF	Forest Stewardship Council FSC	Global Coffee Platform	ICTI CARE Process	ISCC
							

Impartiality of schemes

Who owns the auditing scheme/certification?

Better Cotton Initiative (BCI). Members include retailers and brands (46), suppliers and manufacturers (595), associates (9), CSOs (26) and producer organisations (30). Each category have an equal number of seats – and therefore equal voting rights – on the BC council (except for associate members). All associate members have the right to participate and vote in the general assembly.	Business association Foreign Trade Association (FTA). BSCI members (1, 714) are companies.	Fair Labor Association FLA. FLA members are companies (47 brands and 19 suppliers), universities (around 200), and NGOs. FLA is governed by a board which comprises six representatives from each of the above categories.	Fair Wear Foundation FWF. FWF has 80 member companies which are brands that produce their own sewn goods. FWF is governed by a board of directors. The board is a multi-stakeholder body the members of which represent business associations, trade unions, and NGOs. The board is led by an independent chair.	Forest Stewardship Council FSC. FSC membership is open to organisations and individuals. Members (853) join FSC through one of the three chambers – environmental, social or economic. Decision-making power in the general assembly is divided up equally between the chambers. FSC also has national offices with national members. The membership structure of national offices follows that of the international FSC.	Global Coffee Platform. 4C Association for a Better Coffee World was split into two in March 2016, forming the standard-setting body Global Coffee Platform and the Coffee Assurance Services, responsible for the scheme's verification functions. <i>Global Coffee Platform did not provide breakdown on membership or decision-making bodies.</i>	ICTI CARE Foundation. Individual members of the Governance Board (listed on ICTI CARE website) have an equal vote at the annual general meeting.	The ISCC Association (ISCC e.V.). The ISCC Association has currently 83 members. Members include NGOs, research and governmental organisations (18), companies (55), individuals (10).
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Are trade unions represented in the scheme's decision-making bodies?

No	No	No	Yes	Yes, see above. As of March 2016, FSC International had about 16 organisational trade union members.	Yes	No	No
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How is the scheme financed?

Membership fees, events and training fees, institutional grants, credibility and data management fees, traceability services (in 2014). In addition, BCI retailer and brand members contribute to the BCI Growth and Innovation Fund in proportion to how much Better Cotton they use in their supply chains. Global institutional donors and government agencies are invited to match contributions by private sector.	Membership fees and auditing fees	Membership fees, government grants, foundations, audit fees (when FLA audit teams are used)	Membership fees, government grants, intergovernmental organisations (EU, UN), trade unions, audit fees (when FWF audit teams are used)	Membership fees, licensing fees, certification fees, company grants, foundations	Membership fees, government grants	Membership fees (buyers), certification fees, company grants, revenue received from factories paying to participate in the programme, donations, royalty payments from ICTI CARE Foundation Asia Limited to ICTI CARE Foundation Inc., which supports to costs of the Governance Board, Communications and Strategy work.	Membership fees, licensing fees, ISCC system user fees
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Who monitors the implementation of criteria?

Three levels of assessment: 1) annual self-assessment 2) second-party credibility checks conducted by BCI and partners and 3) third-party verifications. Second and third party assessments are conducted based on combinations of random sampling and risk assessments.	Third party service providers	Member companies monitor production facilities, FLA monitors member companies	Member companies monitor production facilities, FWF monitors member companies	Third party service providers	Producer managing units submit annual self-assessments to Coffee Assurance Services; self-assessments are verified every three years by third party service providers.	Third party service providers	Third party service providers
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ProTerra 	Fairtrade 	Roundtable on Sustainable Palm Oil RSPO 	Round Table on Responsible Soy RTRS 	SA8000 	SGF 	Sustainable Agriculture Network SAN / Rainforest Alliance RA 	UTZ 
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<p>ProTerra Foundation. ProTerra Foundation is governed by a board composed of representatives of stakeholder categories. ProTerra has 20-30 members who are stakeholders in the soy value chain: producers (19%); industry and trade (62%); and civil society organisations (19%).</p>	<p>Fairtrade International. Fairtrade members are national fairtrade organisation (23) and producer networks (3). Both constituencies have 50 per cent of the decision-making power.</p>	<p>Roundtable on Sustainable Palm Oil RSPO. RSPO members include oil palm producers (148), processors or traders (431), consumer goods manufacturers (585), retailers (62), banks/investors (15), and environmental and social NGOs (45).</p>	<p>Round Table on Responsible Soy Association. Its members are stakeholders in the soy value chain: producers (31 members); industry, trade and finance (105); and civil society organisations (22).</p>	<p>Social Accountability International (SAI) SAI is not a membership organisation. The SAI Board of Directors (11 members) is the highest decision making body for SAI operations, while the SAI multi-stakeholder Advisory Board is responsible for the development and interpretation of the Standard (20 members representing business, NGOs, trade unions and academia).</p>	<p>Juice industry association SGF International e.V. Members of SGF are trade associations, retailers and companies (599 members).</p>	<p>Sustainable Agriculture Network SAN and Rainforest Alliance RA. SAN's 10 members are NGOs working on conservation of biodiversity and rural development. RA is a member of SAN. RA membership is open to anyone. It currently has 35,000 individual members. RA is governed by a board of directors.</p>	<p>UTZ Foundation. UTZ members are producers and supply chain actors (brands, processors, trade, retailers). UTZ is governed by a supervisory board. The board is a multi-stakeholder body the members of which are drawn from the following groups: production; supply chain; civil society; and trade unions. Supervisory board members however do not represent their stakeholder group but rather act in the overall interests of UTZ.</p>
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No	Yes, through membership in national Fairtrade organisations. Members of the permanent Workers Rights Advisory Committee also include representatives from the global trade union movement. The Committee oversees development and implementation of the Fairtrade Hired Labour Strategy.	No	No	Yes. Trade unions are represented on the Advisory Board and the Standards Committee, which is responsible for revising and providing interpretation of the Standard.	No	No	No (see above)
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Membership fees, licensing fees, fees for use of trademark (label), training fees from certification bodies. ProTerra is also open to funding from governments, companies, and foundations.	Membership fees, licensing fees, certification fees, government grants, company grants, foundations, European Commission	Membership fees and supply chain contributions, which are derived from sustainable palm oil trade at USD1 per tonne.	Membership fees, licensing fees, certification fees, % of value of trade in certified produce or products, government grants, company grants, foundations	Social Fingerprint tool's self-assessment fees, royalties paid by certification bodies, course fees	Membership fees, licensing fees, government grants, foundations	SAN: % of value of certified produce or products // RA: Membership fees, certification fees, % of value of certified produce or products, government grants, company grants, foundations	Membership fees (applicable only to supply chain members, not producer members), licensing fees (applicable only to supply chain members, not producer members), % of value of trade in certified produce or products, government grants, company grants, foundations
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Third party service providers	Third party service providers	Third party service providers	Third party service providers	Third party service providers	The auditor will yearly check compliance of one social and one environmental criterion during the regular SGF audit. In the certificate (regarding sustainability aspects) SGF certifies 1) commitment to the standard and 2) compliance in two selected control points (no child labour in the factory; waste water treatment in place).	Third party service providers	Third party service providers
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Better Cotton Initiative BCI	Business Social Compliance Initiative BSCI	Fair Labor Association FLA	Fair Wear Foundation FWF	Forest Stewardship Council FSC	Global Coffee Platform	ICTI CARE Process	ISCC
Does a third party make the decision on the conformity of the audited company/producer?							
For Producer Units, no. For Large Farms, yes.	Yes	No	No	Yes	Yes	No	Yes
Does the scheme require that auditors are accredited?							
No.	BSCI has a framework contract with Social Accountability Accreditation Services (SAAS). Only SAAS accredited auditors are currently authorised to conduct BSCI audits.	No.	No.	Yes, Accreditation Services International (ASI) accredits certification bodies to FSC.	Global Coffee Platform uses proxy accreditation.	No.	Yes. American National Standards Institute (ANSI) accredits certification bodies to ISCC.
If the scheme does not require accreditation of auditors, what other procedures does it implement to ensure the quality of its audits?							
Complaints mechanism, desk audits, witness audits, parallel audits, training programme and approval process for auditors, internal and external oversight	N/A	Complaints mechanism; parallel audits	Complaints mechanism, desk audits, witness audits, parallel audits, Brand Performance Checks to verify the efforts of member companies	N/A	Complaints mechanism, desk audits, witness audits, external oversight mechanism	Complaints mechanism, desk audits, witness audits, parallel audits, annual refresher courses for auditors, quarterly KPI review with audit firms	N/A
Is the number of consecutive audits carried out by the same audit firm limited in any way?							
No	No	No	No	There are no set limits to how many times the same certification body can audit a producer. However, generally the same auditor should not conduct more than three consecutive audits for the same producer.	No	No	No
For how long a period is the audit/certification valid?							
BCI-license is valid for either 1, 3, or 5 years based on the producer's performance.	2 years	N/A	3 years per factory (the efforts of member companies are verified annually)	5 years	3 years	1 year	Maximum of 1 year
Are follow-up audits performed on-site?							
A self-assessment is required annually from all producers, in addition all producer units are subject to physical second party credibility checks on Improvement Requirements.	Follow-up audit in 12 months if compliance level in full audit is below rating A (Outstanding) or B (Good).	FLA member companies are required to submit five percent of their applicable supply chain to annual assessment by the FLA – these are physical audits.	No	Yes	No. However, if compliance is considered weak or 'red' practices are identified during the audit, surveillance audits are a possibility. (The standard is divided into four blocks. Criteria in these blocks are categorised as green, yellow or red according to their level of sustainability. Green practices are desirable; yellow practices should be improved; and red indicates that the practice must be discontinued. A producer group must reach an average yellow rating for each block in order to reach compliance.)	Yes	No. Certification bodies can conduct surveillance audits between the certification audits. ISCC also conducts audits in the framework of the ISCC Integrity Program.

ProTerra	Fairtrade	Roundtable on Sustainable Palm Oil RSPO	Round Table on Responsible Soy RTRS	SA8000	SGF	Sustainable Agriculture Network SAN / Rainforest Alliance RA	UTZ
Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
ProTerra uses proxy accreditation.	DAkKS, German national accreditation body, accredits FLOCERT.	Yes, Accreditation Services International (ASI) accredits certification bodies to RSPO.	"Yes. OAA (Argentinian national accreditation body), INMETRO (Brazilian National Institute of Metrology, Quality and Technology), and OUA (Uruguayan national accreditation body) accredit certification bodies to RTRS."	Yes. Social Accountability Accreditation Services (SAAS) accredits certification bodies to SA8000.	No.	Yes. IOAS (International Organic Accreditation Service) accredits certification bodies to SAN/RA.	UTZ uses proxy accreditation.
Complaints mechanism	N/A	N/A	N/A	N/A	Complaints mechanism, desk audits, witness audits, parallel audits	N/A	Complaints mechanism, Certification Body Monitoring System comprising six-monthly assessment of certification bodies against the following indicators: reporting, communication, compliance of the protocol, performance of auditors; and, review of all certification decisions made by certification bodies.
No	Fairtrade International works only with one certification body, FLOCERT. FLOCERT auditors shall not conduct more than three consecutive audits for the same producer.	No. However, guidelines are being developed which will require rotation of lead auditors every three audits.	There are no set limits to how many times the same certification body can audit a producer. However, the same auditor shall not conduct more than three consecutive audits for a producer.	There are no set limits to how many times the same certification body can audit a producer. However, the same auditor shall not conduct more than five audits per client per certification cycle.	No. However, guidelines are being developed which will require rotation of certification bodies/auditors every three audits.	There are no set limits to how many times the same certification body can audit a producer. However, rotation of audit teams is mandatory at least every two years.	There are no set limits to how many times the same certification body can audit a producer. However, the same auditor shall not conduct more than three consecutive audits for a producer.
2 years	3 years	5 years	5 years	3 years	The certificate is valid for 1,5 years but an audit has to be carried out once a year	3 years	1 year
Yes	Yes	Yes	Yes	Yes. Within the initial certification cycle, the frequency of surveillance audits for all SA8000 certified organisation is every six months with a minimum of one unannounced audit. For recertification applicants prior to undertaking recertification, the client can request the certification body to conduct an analysis to determine whether or not it could be a candidate for less frequent surveillances.	No	Yes	No. However, certification bodies must conduct a certain number of semi-unannounced audits to producers each year. The number of these audits must be at least 10 per cent of the total number of UTZ certificates issued by the certification body the previous year.

Better Cotton Initiative BCI	Business Social Compliance Initiative BSCI	Fair Labor Association FLA	Fair Wear Foundation FWF	Forest Stewardship Council FSC	Global Coffee Platform	ICTI CARE Process	ISCC
Do follow-up audits include unannounced audits?							
No	BSCI Secretariat organises Random Unannounced Checks to a representative sample, either on its own initiative or as a request of a concerned Participant. Furthermore, participants can at any time select to conduct semi-announced or fully unannounced BSCI audits.	No	N/A	Unannounced audits are not required, but certification bodies can conduct unannounced surveillance audits.	No	All audits are unannounced.	No. Unannounced audits are not required, but certification bodies can conduct unannounced surveillance audits as an instrument of risk management.

Does the auditing process involve interviews with workers? Are interviews with workers carried out on-site or off-site?							
Yes, worker interviews are included in the third party verification. Worker interviews are conducted on-site.	Yes, auditors must interview management, particularly managers in charge of Human Resources and Occupational Health and Safety (OHS), workers' representative, internal auditors and workers. Interviews can be conducted on-site or off-site.	FLA audit methodology, Sustainable Compliance Initiative, requires interviews with workers but location is not specified. FLA audit methodology is used by FLA audit teams. Member companies are strongly encouraged (but not required) to use FLA audit methodology and audit teams for assessing their suppliers' compliance.	FWF audit methodology requires interviews with workers, including off-site interviews in preparation for an audit. The FWF audit methodology is used by FWF audit teams. Member companies are strongly encouraged (but not required) to use FWF audit methodology and audit teams for assessing their suppliers' compliance – this is in order to avoid duplicating audits.	Yes, location is not specified but should enable confidentiality and anonymity.	Yes, location is not specified but should enable confidentiality and anonymity.	Yes, on-site	Yes, on-site

Transparency of schemes

Are the criteria for the scheme available to the public?							
Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Is the audit implementation manual for technical requirements available to the public?							
Yes	Yes	No	Yes, FWF audit methodology is public but member companies are not required to use it (see above)	Yes	Yes	Short version is available publicly, complete version (ICTI CARE Process Audit Protocol Handbook) needs to be purchased through the local toy associations. According to ICTI CARE these will shortly be fully available free of charge online.	Yes
Is the audit implementation manual that includes the interpretation of criteria available to the public?							
Yes	Yes	Yes	Yes (FWF audit methodology, see above). In addition, auditors are encouraged to use applicable issue specific guidance which are also public.	Yes	Yes	Short version is available publicly, complete version (ICTI CARE Process Audit Protocol Handbook) needs to be purchased through the local toy associations. According to ICTI CARE these will shortly be fully available free of charge online.	The audit procedures are only available for cooperating certification bodies and registered system users in the protected client section of the ISCC website.
Are audit reports or audit results available to the public?							
No	No	Yes	No (only the results of Brand Performance Checks are public)	Yes	No	No	No. Publishing audit reports is for the time being voluntary. Approximately 20% are public on a voluntary basis.
Is the information on companies/producers that have successfully passed audits available to the public?							
No	No	The assessment is not pass/fail process; corrective actions required to address non-compliances are included in the public report.	No	Yes	Yes	Yes	Yes

ProTerra	Fairtrade	Roundtable on Sustainable Palm Oil RSPO	Round Table on Responsible Soy RTRS	SA8000	SGF	Sustainable Agriculture Network SAN / Rainforest Alliance RA	UTZ
No	FLOCERT includes focused audits and risk-based audits in their regular audit cycle. 4 per cent of overall audits are unannounced.	No	They can be but don't have to.	The SA8000 process requires all accredited certification bodies delivering SA8000 services to conduct a minimum of one unannounced audit per factory per certification cycle. More may be required in countries of high to very high risk or to follow up on issues of concern or complaints.	Unannounced audits are conducted randomly every year.	No. However, certification bodies must conduct a certain number of non-programmed audits to producers each year. The number of these audits must be at least 2 per cent of the total number of SAN/RA certificates issued by the certification body the previous year.	(see above)
Yes, on-site	Yes, location is not specified but should enable confidentiality and anonymity.	Yes, most interviews with workers are conducted on-site.	Yes, location is not specified.	Yes, location is not specified.	No	Yes, location is not specified but the auditors must be able to interview workers without management being present.	Yes, on-site
Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Yes	Yes	Yes	No	Yes	Yes	Yes. The accredited auditors also set up internal protocols for testing each criteria, based on local laws and conditions.	Yes
No	No	Yes	Yes	No	No	Yes, the summaries of audit results are public.	No
No	Yes	Yes	Yes	Yes	No. Only members have access to the database of certified companies.	Yes	Yes

Better Cotton Initiative BCI	Business Social Compliance Initiative BSCI	Fair Labor Association FLA	Fair Wear Foundation FWF	Forest Stewardship Council FSC	Global Coffee Platform	ICTI CARE Process	ISCC
Does the scheme publish information on how many audited companies/producers have passed or failed audits each year?							
Some information is available, e.g. "In 2014, BCI's Implementing Partners worked (in India) with 284,058 farmers organised into 96 Producer Units. 269,511 farmers in India earned a Better Cotton licence" (BCI, Annual harvest report).	No	(see previous question)	No	No	No	This information is recorded and is available on demand and will be published in annual report covering the 2015 calendar year.	No
Have auditors been given clear instructions on how they must act, if, during an audit, they observe potentially criminal activities? Are authorities always notified in t							
No	If serious human rights violations are found during an audit BSCI Zero Tolerance Protocol will be followed. According to the protocol BSCI participants decide whether they will send an inspection request to the local labour authority if relevant/ and deemed possible.	FLA has Immediate Action Procedures (not a public document), which instruct the auditors to inform FLA of any egregious findings, including those constituting a crime, within 24 hours of the completion of the onsite assessment. Depending on the nature of the finding, FLA either alerts the brand contacts or the local authorities.	No, such issues are in the first instance addressed directly with the factory.	No	No	Auditors are trained on how to report suspected criminal activity. The auditors are required to submit a written report to ICTI CARE within 2 hours of detection. ICTI CARE will then manage the reporting to the local authority.	If auditors detect violations against cross compliance criteria this must be notified to the respective national or regional authority and ISCC.

Comprehensiveness and quality of criteria

Are the companies that are being audited required to undertake human rights due diligence in their supply chain? The question does not apply to primary production							
N/A	No	No	No	N/A	N/A	No	N/A
Does the scheme recommend or require responsible purchasing practices from the companies using auditing/certifications (e.g. longer sourcing agreements, differ							
No	No	FLA member companies must bring 100 per cent of their supply chain (applicable facilities) within the scope of internal compliance assessment from the second to third year of membership onwards. FLA also requires affiliated companies to put in place planning and purchasing policies that, for example, require relevant internal company representatives to work with suppliers to reduce negative impacts on working conditions; establish accountability mechanisms to staff for the implementation of planning and purchasing practices with a view to avoid negative impacts on workers and working conditions; and, provide incentives for responsible suppliers.	FWF member companies are encouraged to bring 100 per cent of their supply chain (by value of production) within the scope of internal compliance assessment from the third year of membership onwards. FWF also requires member companies to adopt responsible purchasing practices, such as a commitment to conduct human rights due diligence at all new production locations before placing orders, production planning that supports reasonable working hours and pricing that allows at least the payment of legal minimum wages.	No	Members commit to purchasing an "increasing" amount of verified, Global Coffee Platform Compliant Coffee or coffee certified by other schemes such as UTZ, Rainforest Alliance or Fairtrade over time as well as develop long-term relationships with producer groups.	Yes – if a company wishes to be recognised as an ICTI CARE Committed Brand they must sign a sourcing commitment. This pledge will be further strengthened in 2016.	No

ProTerra	Fairtrade	Roundtable on Sustainable Palm Oil RSPO	Round Table on Responsible Soy RTRS	SA8000	SGF	Sustainable Agriculture Network SAN / Rainforest Alliance RA	UTZ
No	No	No	No	No	Yes, in the annual business report	No	No
this type of situations?							
Auditors are required to report possible crimes to certification bodies who will then decide what action to take.	Findings during the audit process are always reported to the certification body who will take action. Depending on the nature of the findings, measures will be carried out in cooperation with other organisations or reported to the authorities.	No	No	Only in case of severe violation of the penal code, auditors will need to report their findings to the authorities. Examples of such situations include cases of imminent danger or risk to workers, forced labour, or physical abuse.	In case of serious non-compliances SGF's Catalogue of Possible Corrective Actions includes possibility to give information to authorities as well as filing formal EU-infringement proceeding or court cases against producers.	No	No
n.							
N/A	N/A	N/A	N/A	Yes, human rights due diligence over supply chain, including the selection of new suppliers/subcontractors, private employment agencies and sub-suppliers is required. Performance related to this requirement is assessed during the audit.	No. However, SGF/IRMA Code of Conduct requires that IRMA certified suppliers transmit social standards to their fresh fruit suppliers and packaging houses. The process is currently under review.	N/A	N/A
nt guaranteed price mechanisms or an increase in the use of certified/audited raw materials)?							
No (under development)	Yes, buyers are required to pay at least the minimum price and a fixed premium to the producers; communicate sourcing plans to suppliers; and, commit to not using unfair trading practices. In addition, first buyers are required to pre-finance payments to producers. For more information, see Trader Standard.	When RSPO related responsibility claims regarding a final product are made and there is any percentage of non-certified oil palm within the product (maximum of 5% non-certified oil palm), the reason for this must be justified and an action plan for moving to fully certified oil palm must be in place.	RTRS members need to report on steps taken and intended for the coming year and for the long term in the form of a time-bound plan of working towards producing or buying RTRS certified responsible soy.	No	No. The system is currently under review.	No	No

Better Cotton Initiative BCI	Business Social Compliance Initiative BSCI	Fair Labor Association FLA	Fair Wear Foundation FWF	Forest Stewardship Council FSC	Global Coffee Platform	ICTI CARE Process	ISCC
Is freedom of association actively advanced?							
Yes, employers should provide access and reasonable facilities to workers' representatives.	No. However BSCI promotes workers involvement in and implementation of operational grievance mechanism.	Workers must be informed about the FLA Workplace Code of Conduct through appropriate means and the Code must be posted in local language(s) throughout the workplace's common areas.	A Code of Labour Practices Worker Information Sheet should be posted at every production site in a language understood by workers. If a training on labour rights takes place, workers must be paid the corresponding wages for the duration of the training.	Employment practices and conditions must demonstrate conformity with the eight ILO Core Conventions, including conventions on Freedom of Association and Protection of the Right to Organise Conventions, and the Right to Organise and Collective Bargaining Convention.	No (red: organisations exist but are not accepted as valid counterparts / interlocutors; yellow: right to be represented by an independent organisation of free choice is accepted and easy access to it exists; green: resources, information and institutional structures are available to improve representation of workers and farmers by their organisation)	Yes, CARE Cards, which include information on freedom of association, are distributed to every worker in the factories. More than 600,000 cards are distributed annually.	There should be a confirmation, obtained through interviews with workers, that the employer supports the establishment or at least does not block the effective functioning of worker committees. Trade union members are guaranteed the opportunity to fulfil their tasks at least outside of regular working hours.
Is the payment of a living wage a requirement? If so, how is the criterion implemented?							
No	No. However, BSCI provides a quick scan tool for factories to calculate the living wage of their own workforce.	The FLA Workplace Code of Conduct requires each company to attest that their workers have a "right to compensation for a regular work week that is sufficient to meet the worker's basic needs and provide some discretionary income." Beginning in February 2015, the FLA launched its Fair Compensation Work Plan, designed to provide a new framework for member companies to achieve compliance with this requirement. It will not include exact wage that needs to be paid but guides members towards desired wage levels. Member companies will need to reach compliance by 2018.	Wages and benefits paid for a standard working week must meet at least legal or industry minimum standards. By using the FWF Wage Ladder benchmarking tool, stakeholders can see how current wages at a producing unit compare to living wage estimates. These estimates are based on information gathered from local trade unions, NGOs, labour groups, business associations, government agencies and other sources. FWF recommends producers to close the gap over time.	Wages must meet or exceed minimum industry standards or other recognized industry wage agreements or living wages, where these are higher than the minimum wages. Living wage benchmarks are being developed by the Global Living Wage Coalition of which FSC is a member.	No (red: wages are below existing national minimum wages or sector agreements; yellow: wages comply with existing national minimum wages or sector agreements; green: living wages or wages above existing national minimum wages or sector agreements are paid)	No	Yes. ISCC does not provide a calculation model on the living wage. The auditors must assess and analyse the individual situation for each country and/or industry.

ProTerra	Fairtrade	Roundtable on Sustainable Palm Oil RSPO	Round Table on Responsible Soy RTRS	SA8000	SGF	Sustainable Agriculture Network SAN / Rainforest Alliance RA	UTZ
Certificate holders must provide evidence that the producers respect the right to form and join trade unions and training to all employees regarding labour rights, including freedom of association.	Standard For Hired Labour: A Right to Unionise Guarantee should be posted at workplaces in a language understood by workers. There must be some form of democratically elected and independent workers' organisation established to represent workers in the company and negotiate with management. Where there is no collective bargaining agreement for the sector, the company must proactively engage in a process to enter into a collective agreement with elected worker representatives. See Freedom of Association Protocol.	Yes. A published statement in local languages recognising freedom of association must be made available.	Workers are informed about their right to freedom of association through trainings on labour rights.	"Yes. A certified organisation needs to be able to demonstrate that it has actively developed and implemented the necessary actions to ensure that the workplace provides a truly free and protected environment for workers' to implement their decision on whether to have union representation. In countries where it is not possible to establish free and independent trade unions because such action is restricted under law, an organisation needs to allow workers to freely elect representatives. An organisation should provide a safe workplace for workers' full exercise of their rights to elect worker representatives with the same gravity and restraint as employers in countries that do permit free and independent trade unions, and for workers to directly elect their representatives at the organisation level. The organisation is prohibited from interfering in any way with the establishment, functioning or administration of workers' organisation(s) or collective bargaining. "	No. The system is currently under review.	Farms must have and divulge a policy guaranteeing workers' right to organise. Farms must periodically provide opportunities for workers to make decisions regarding their rights and alternatives to form any type of organisation for negotiating their working conditions.	Workers must be informed of their right to organise in writing or through "general diffusion".
No	If remuneration is below the living wage benchmark the company must ensure that real wages are increased annually to close the gap. The incremental steps and timeline toward the applicable living wage are negotiated with trade union/elected worker representatives. Living wage benchmarks are being developed by the Global Living Wage Coalition of which Fairtrade is a member.	Yes, but the criteria is not implemented in all countries. Some of the national interpretations currently refer to ISEAL definition of Living Wage (eg Honduras) or ILO definition (eg Guatemala).	No	Yes. SA8000 living wage calculation methodology is presented in Guidance Document for SA8000. In addition, SAI is part of the Global Living Wage Coalition.	No. The system is currently under review.	Requirement for a living wage will be included in to the revised principles and criteria (expected in the summer 2016). SAN/RA is part of the Global Living Wage Coalition.	Workers must receive at least the higher of either the national or regional minimum wage. If the remuneration is still below the Living Wage, producers are encouraged to take action to increase salary levels to close the gap over time. Living Wage rates are being developed by the Global Living Wage Coalition of which UTZ is a member.

Better Cotton Initiative BCI	Business Social Compliance Initiative BSCI	Fair Labor Association FLA	Fair Wear Foundation FWF	Forest Stewardship Council FSC	Global Coffee Platform	ICTI CARE Process	ISCC
Are criteria/audits adjusted according to the specific issues in each high-risk country?							
No	No.	In selecting factories for assessment by FLA, FLA assigns risk weights to countries depending on the local labour rights environment. As a result, factories in high risk countries (e.g. Bangladesh, China are oversampled in the selection.	FWF produces country studies which help to identify pertinent issues in those countries. FWF also produces issue specific guidance which can be used together with the country specific guidance.	Yes. National standards are developed in line with FSC standard-setting criteria, and approved by FSC International. At the moment, 34 countries have national standards and 20 countries have their own interim standards (there is certified production in 81 countries).	No	Yes, there are local guidelines in place for example in India.	Yes, ISCC EU standard's document on Sustainability Requirements for the Production of Biomass provides country-specific characteristics relevant for risk management.

Traceability of raw materials and consumer communications

Does the scheme have a chain of custody standard in place for audited/certified raw materials?							
Mass balance (according to BCI this is voluntary but there are consequences for non-compliance).	N/A	N/A	N/A	Mass balance, segregation, identity preserved	Mass balance (yellow), segregation (green) (see above)	N/A	Mass balance, segregation, identity preserved
How large a proportion of raw materials must be in accordance with criteria before a claim of responsibility can be made about a product?							
<p>According to BCI they do not do product certification, and product content claims cannot be made. However, BCI has an on-product mark. According to BCI brands and retailers can use the on-product mark under certain conditions, to talk about their sustainable cotton sourcing – but not about product content.</p> <p>A company using the BCI on-product mark needs to be procuring Better Cotton (in any quantity) evidenced through existing orders on the Better Cotton Tracer, and commit to increasing that quantity by 5% or more each year and have a time-bound commitment for procuring more sustainable cotton as x% percentage of total cotton procurement published on the company website.</p>	N/A	N/A	Brands that have brought about 90 per cent or more of their suppliers within the scope of internal compliance assessments and who have received a benchmarking total score of 75 or higher during the Brand Performance Check can use the FWF logo on garments.	Single-ingredient products: 100 per cent. Multi-ingredient products: 70 per cent certified + 30 per cent controlled raw material (marked FSC MIX).	N/A	N/A	100 per cent of the raw material claimed standard compliant must be ISCC certified.

ProTerra	Fairtrade	Roundtable on Sustainable Palm Oil RSPO	Round Table on Responsible Soy RTRS	SA8000	SGF	Sustainable Agriculture Network SAN / Rainforest Alliance RA	UTZ
Currently no, as about 99 per cent of ProTerra -certified production comes from Brazil. However, ProTerra plans to introduce national alignment when moving to new countries.	Yes	Yes	Yes	Yes. SAAS developed a country risk audit process to categorise the oversight and assurance process activities according to risk level. Activities taking place in higher risk locations shall receive more oversight than those in countries determined to be lower risk. These countries have specific requirements for accredited SA8000 certification program, as determined by this risk audit.	No. The system is currently under review.	Yes	Yes (existing national guidelines are currently under review)
Mass balance, segregation, identity preserved	Mass balance (for cocoa, sugar, tea and juice), segregation, identity preserved	Mass balance, segregation, identity preserved, book & claim	Mass balance, segregation, book & claim	No	No	Segregation, identity preserved	Mass balance (cocoa and hazelnut only), segregation, identity preserved
Single-ingredient products: 100 per cent. Multi-ingredient products: 100 per cent of soy in the product.	Single-ingredient products: 100% Multi-ingredient products: all ingredients that Fairtrade standards exist for must be 100% Fairtrade. The total percentage of Fairtrade ingredients in a multi-ingredient product must be claimed and meet at least 20% threshold.	Single-ingredient products: 95 % Multi-ingredient products: 95% palmuöljystä	Single-ingredient products: at least some but the proportion is not specified Multi-ingredient products: at least some but the proportion is not specified	N/A	N/A	Single-ingredient products: minimum 30% Multi-ingredient products: minimum 30% of the identified core ingredient	Single-ingredient products: 90% Multi-ingredient products: 90% of the certified ingredient(s); certified ingredient(s) must be specified

Better Cotton Initiative BCI	Business Social Compliance Initiative BSCI	Fair Labor Association FLA	Fair Wear Foundation FWF	Forest Stewardship Council FSC	Global Coffee Platform	ICTI CARE Process	ISCC
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Impact of schemes

What support procedures does the scheme have in place for audited companies/producers that have not passed audits or have problems in fulfilling the scheme's criteria?

The Better Cotton Growth and Innovation Fund focuses on continuous improvement, capacity building and farmer support. Farmers participate in training and capacity building provided by BCI's Implementing Partners. Farmers within each Producer Unit are visited by Field Facilitators who support their implementation of more sustainable practices, and by Producer Unit Managers, who monitor and assess compliance risks and remediations on an ongoing basis.	BSCI Academy includes training programmes for factories. BSCI organises national round-table discussions and has local contact persons in Bangladesh and China.	FLA provides assistance to companies in developing specific company action plans in response to an assessment.	Workplace Education Programme for factories (workers and middle-management, factory management) – available to all factories FWF members source from.	None	Improvement plan	ICTI CARE conducts factory trainings as well as capacity building programmes aimed at addressing the root causes of non-compliances.	ISCC offers standardised and customised trainings or individual support. Individual support is mostly provided when ISCC sees the need to improve requirements (e.g. setting up of a stakeholder working group).
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Are the long-term impacts of the scheme's implementation systematically monitored? Have indicators been identified for the assessment of impacts?

Yes. Indicators are 1) pesticide use 2) fertiliser use 3) water use for irrigation 4) yield 5) profitability 6) elimination of child labour A – leveraging partnership with local specialist organisations 7) elimination of child labour B – improving understanding and awareness, and 8) inclusion of women.	No, but in 2010 an impact study was conducted regarding BSCI in the food sector.	FLA is currently piloting a new approach to re-accreditation of member companies previously accredited by the organisation with an eye to a more robust evaluation of impact on working conditions. FLA also conducts innovation projects to measure impacts, e.g. gender equality in cocoa production in Côte d'Ivoire and child labour in hazelnut production in Turkey.	No. However, FWF conducts pilot projects on following issues: reduction of gender-based violence, social dialogue, living wage. An integral part of each pilot project is impact assessment.	Yes. Indicators are grouped into economic, social, environmental and general – there are three of each. The social indicators are as follows: forest management operations have good and fair relations with indigenous and any other local communities, and maintain or enhance fair access to resources and economic benefits; forest dependent, forest managing certified communities improve their livelihoods as well as their forest management and marketing benefits; forest management operations improve worker's living and working conditions especially with respect to occupational health and safety.	Yes, indicators are coffee yield change; perceived production costs and change in costs; information regarding coffee market; perceived negotiation capacity or stability of relationships; perceived changes in income/salaries; price differential; occupational health; housing conditions; food availability; school access and occurrence of child labour during school time; active participation in organisation; work contract; perceived quality of natural resources; erosion; pesticides use change and toxicity; and, carbage, wage disposal practice.	Yes, ICTI CARE monitors on a monthly basis for example factories certified, factories terminated, factories on probation, individuals trained, worker numbers and roles, gender split numbers, employment types i.e. short term contracts etc, wages, hours, most common reasons for termination, most common calls to worker helpline, instances of bribery or corruption, instances ZERO tolerance findings i.e. child or forced labour.	Yes. In 2015 a systematic analysis of audit reports was conducted. One of the KPIs was the amount of non-conformities detected and closed. Many non-conformities, for example, in the areas complaints mechanism, election of workers' council, and health and safety issues were closed and let to a higher social standard and better working conditions on farms and plantations. Further KPIs included improvement of the management system of companies with regard to sustainability requirements, the improvement of the traceability of sustainable material and determination of greenhouse gas emissions. ISCC is in the process of automatising the audit reports for more effective assessment of the audit results. A track & trace database is also available and would allow further assessments, however, the database is not heavily used.
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ProTerra	Fairtrade	Roundtable on Sustainable Palm Oil RSPO	Round Table on Responsible Soy RTRS	SA8000	SGF	Sustainable Agriculture Network SAN / Rainforest Alliance RA	UTZ
Informal collaborative projects with local partners (extension services, agronomists and NGOs) to address producer needs on a case-by-case basis.	Local support persons in the field pro-actively approach producers to discuss audit results and non-conformity areas in order to see where producers need additional support to improve their compliance. If possible and useful, common non-compliances may be addressed through targeted workshop interventions, for example to improve governance systems at small producer organisation (co-op) level. Other interventions help producers to set up their own monitoring systems to support improved social compliance (related to child labour, sexual abuse) or improve their human resource management capacities (offering better services to their workers, including seasonal workers).	At request of the members, RSPO secretariat staff will deliver in-house training for companies.	None	SAI does not have a direct role in SA8000 auditing or certification and therefore does not provide tailored trainings related to non-conformities. However, with the new integration of Social Fingerprint into SA8000:2014 certification, organisations seeking certification must register with SAI and there will be a more direct channel for SAI to provide deeper guidance and promote stakeholder dialogue.	None. The system is currently under review.	Improvement plan	Tailored trainings
No (under development)	Yes; indicators pertain to enhanced access to fair trading conditions and fair prices for small producer organisations; increased investment in small producers, their organisations and communities; stronger, well-managed, democratic organizations for small producers; enhanced knowledge and capacity among small producers and their organizations and networks; resilient and viable small producer business; strong and inclusive small producer organisations; improved farming performance, protection of environment and adaptation of climate change; enhanced benefits for small producers and their communities.	An RSPO impact report is published biannually in accordance with ISEAL requirements. <i>RSPO did not provide information on indicators.</i>	Yes; indicators are HCV areas; number of direct employees & indirect employees; amount of pesticides and herbicides applied per hectare; amount of fossil fuels used per hectare; and, amount of non-conformities per indicator per country.	SAI is beginning to conduct impact assessments with the revision of the Standard and SAI's increased involvement through Social Fingerprint, a programme designed to measure and improve social performance.	No. The system is currently under review.	Yes, indicators pertain to biodiversity conservation; effective production of crops and livestock; improved livelihoods for local communities; and, effective management enabling adaptation to changing conditions.	Yes, indicators are: long-term economic viability and increased resilience of farms; farmers make a living income & have a decent standard of living, workers earn a living wage; better health; children go to school; natural resource are safeguarded; reduced GHG emissions; and, contribution to biodiversity protection.

3. Problems with monitoring compliance

The following sections use case examples to highlight problems that have come to light in the practical activities of social responsibility auditing and certification schemes. The examples have been compiled from research reports published by Finnwatch in 2014–2015, which observed labour rights violations at factories and production facilities, despite the fact that they had been audited and determined standard-compliant by a third party.

In addition to case examples, the first section, 3.1 gives an analysis of RSPO audit reports. For the purpose of this report, Finnwatch examined the reports of 28 audits performed in Malaysia between May 2013⁷⁹ and December 2015.⁸⁰

3.1 CASE: THE QUALITY OF AUDITS IN RSPO

In 2014, Finnwatch conducted research on working conditions at four IOI Group estates in Malaysia. IOI Group is a supplier of for example the Finnish state-owned company Neste (formerly Neste Oil).⁸¹ The field research focussed on the rights of migrant workers and their salary levels in particular. Several serious labour rights violations were observed at the estates. Some of the migrant workers had incurred a great amount of debt even before they started working due to recruitment fees. They had signed contracts that they did not understand and, when they had arrived in Malaysia, the employer had kept their passports. Discrimination on the basis of gender was commonplace in

recruitment. The salary of some workers was below the minimum wage and workers were not adequately compensated for overtime. In addition, the company restricted the workers' freedom of association in several different ways.

All four estates that Finnwatch investigated were certified and had passed RSPO audits.⁸² The field research findings, which were in many ways contradictory to the RSPO Principles and Criteria, prompted Finnwatch to pay attention to the quality of audits and quality assurances in RSPO.

Summaries of RSPO Principles and Criteria audit reports are public.⁸³ For this report, Finnwatch analysed the public reports on 28 audits that had been conducted in Malaysia between May 2013 and December 2015.⁸⁴ Of these, eight were initial certification audits, three re-certification audits, and 17 annual surveillance audits. They had been conducted by seven different audit firms: BSI, Control Union Malaysia, Intertek, Mutuagung Lestari, SGS Malaysia, Sirim Qas International and TÜV Rheinland Indonesia. The vast majority (six) of the initial certification audits were conducted by Mutuagung Lestari, whereas

79 In April 2013, the RSPO board approved an updated version of its Principles and Criteria, which entered into force in May 2013.

80 Reports on audits that were performed pursuant to the RSPO Principles and Criteria can be viewed on the following web page: <http://www.rspo.org/certification/principles-and-criteria-assessment-progress>

81 Finnwatch, 2014, The law of the jungle: The Corporate responsibility of Finnish palm oil purchases, available at <http://www.finnwatch.org/images/palmoil.pdf>; see also Finnwatch, 2015, The New Law of the Jungle? Responses by certification schemes and the IOI Group to Finnwatch's Law of the Jungle report, available at <http://www.finnwatch.org/images/palmoil.pdf>

82 The estates were Pamol Barat, Bukit Serampang, Bahau and Regent. These estates supply two mills – Gomali and Pamol Kluang, and they were certified by SGS Malaysia and BSI respectively. In the case of Gomali mill, two minor non-compliances had been raised during the audit in 2013 regarding employment contracts and housing provided to the workers at Sembilan Tani estate but these were closed following corrective action by the estate and did not prevent the mill from maintaining its certification. Major non-compliances were found at estates supplying Gomali mill during an audit in the summer 2015 (see page 35).

83 The audit reports are available online at <http://www.rspo.org/certification/principles-and-criteria-assessment-progress>. The format for public summary reports is specified in the Annex 4 of the 2007 RSPO Certification systems, available at <http://www.rspo.org/sites/default/files/RSPOcertification-systems.pdf>

84 RSPO board accepted in April 2013 an update version of the Principles & Criteria -standard which came into effect in May 2013.

	made publicly available. - Major compliance -			
Criterion 6.5: Pay and conditions for employees and for contract workers always meet at least legal or industry minimum standards and are sufficient to provide decent living wages.				
6.5.1	Documentation of pay and conditions shall be available. - Major compliance -	Documentation of pay and conditions such as pay slips shows gross pay, net pay, leave, medical leave pay etc are maintained by the company. Minimum wage is paid to workers and no complaint was received during interview with workers.	Complied	Some audit firms use copy & paste to fill in the audit reports. For example this text was repeated word to word in audit reports on different POMs. The information given is not sufficient to generate trust that during the audit, compliance has been assessed in a proper and thorough manner.
6.5.2	Labour laws, union agreements or direct contracts of employment detailing payments and conditions of employment (e.g. working hours, deductions, overtime, sickness, holiday entitlement, maternity leave, reasons for dismissal, period of notice, etc.) shall be available in the languages understood by the workers or explained carefully to them by a management official. - Major compliance -	Employment contract are available and understood by workers. This was confirmed during the workers interview. Pay and conditions explained to workers by the operating units. Basic daily pay was verified to be in accordance with the minimum wage payment. Sample contract and payslip of employees (Passport No.: AS 042957, AR 894911, AS 031718) for the month of October 2015 verified during the audit and found paid more than the minimum wage.	Complied	
6.5.3	Growers and millers shall provide adequate housing, water supplies, medical, educational and welfare	Palm Oil Mill and estates provide adequate housing, water supplies, medical, educational and welfare amenities in accordance with Workers' Minimum Standard of Housing	Complied	

two of the re-certification audits were conducted by Control Union.⁸⁵

In its analysis of these audit reports, Finnwatch focussed specifically on two social criteria included in the RSPO standard: a living wage and freedom of association (see below). A living wage and freedom of association are crucial for the long-term, sustained improvement to working conditions everywhere. Yet, problems with both of these are well documented in Malaysia.⁸⁶ Therefore, it is reasonable to assume that certification bodies would pay special attention to these criteria during audits, especially when the RSPO auditing manual instructs auditors to pay special attention to environmental and social risk factors.⁸⁷

All of the aforementioned audit firms use their own reporting templates to report on audit findings. There is also a lot of variation between certification bodies with regard to the amount of detail they present in the

public reports on the evidence they have gathered during the audits and on the basis of which decisions on conformity have been made. This makes comparing the reports challenging.

In twelve of the audit reports, there was a mention of consultation with trade unions during an audit's preparation stage, and in three, of consultation with workers' committees (Joint Consultative Committee, JCC) or other workers' representatives. However, it remained unclear in nearly all the reports, what kind of feedback trade unions had given or how their feedback had been taken into account during the preparations for the audits or in the audits themselves. Stakeholder consultation during the preparation stage is a recommended good practice, and can help in focusing on pertinent issues during audits (see also Chapter 3.5). From the perspective of labour rights, trade unions are arguably one of the most important stakeholder groups that should be consulted. In addition to stakeholder consultation, off-site interviews with workers are another recommended good practice for the preparation stage, as these can also help identify problem areas. Where off-site interviews cannot be arranged otherwise, interviews should be conducted, for example, in the workers' living quarters in conditions that guarantee confidentiality and anonymity.

⁸⁵ Accreditation Services International (ASI), RSPO's accreditation body suspended the RSPO accreditation of Control Union Malaysia, Mutuagung Lestari and has withdrawn the RSPO accreditation of SGS Malaysia in December 2015. See also page 40.

⁸⁶ In addition to the Finnwatch report *The law of the jungle*, see for example Amnesty International, 2010, *Trapped: The exploitation of migrant workers in Malaysia*, available at <https://www.amnesty.org/en/documents/ASA28/002/2010/en/>. Other well-established social risk factors specifically pertinent to the palm oil sector in Malaysia include recruitment of migrant workers and subcontracted workers.

⁸⁷ RSPO, 2007, *Certification Systems*, can be read at: <http://rspo.org/sites/default/files/RSPOcertification-systems.pdf>. Point 4.2.8 – "Assessments should include but not be limited to areas of potential environmental and social risk."

Table 3: Living wage – RSPO principles and criteria and their interpretation in audit situations

Principles and Criteria (2013)	6.5 Pay and conditions for employees and for contract workers always meet at least legal or industry minimum standards and are sufficient to provide decent living wages.
Indicators (2013)⁸⁹	6.5.1 Documentation of pay and conditions shall be available 6.5.2 Labour laws, unions agreements or direct contracts of employment detailing payments and conditions of employment (e.g. working hours, deductions, overtime, sickness, holiday entitlement, maternity leave, reasons for dismissal, period of notice, etc.) shall be available in the languages understood by the workers or explained carefully to them by a management official.
Checklist (2015)⁹⁰	a) What types of employment arrangements are there in the company? b) Is there documentation of pay and conditions for each employee? c) Is there a definition of living wage in the country? If not, how was the decision on wage for employees and contract workers made? a) Is the pay and conditions of employment clearly detailed in the employment or service contracts? b) Is the contract prepared in languages understood by the workers, explained carefully to workers by management officials, and signed by both the authorised signatory of the company and the employee? c) Does the pay and conditions provided in labour laws, union agreements or direct contracts of employment comply with decent living wage / legal requirements / industry minimum standards? d) Is the pay received by the employee consistent with terms of the contract and the law? e) Have there been any cases recorded of breach by the company, or complaint made by employees against the company on unjust pay and conditions?
National interpretation: Malaysia (2014)⁹¹	Minimum Wage Order 2012 ⁹²

Living wage in Malaysia

The RSPO standard requires payment of a living wage.⁸⁸ However, national interpretation guidelines specify that in Malaysia this means the national minimum wage although there is no explanation in the national interpretation as to why this is the case. In most countries, the minimum wage is lower than a living wage, as the basic needs of the employee and their families are not adequately taken into account when the minimum wage is decided on. Multiple models exist for the calculation of the living wage, which also take into account in-kind benefits such as housing provided to the workers. Of these models, the most comprehensive is the so-called Anker methodology

by the Global Living Wage Coalition (see also page 50–51). In addition to national interpretation guidelines, RSPO has also issued indicators and a generic checklist to help auditors in assessing conformity with the RSPO standard (see Table 3).

About the audit reports analysed by Finnwatch

- In almost all cases (20), workers received a monthly pay of MYR 900 or more. This had typically been verified from a sample of payslips. Five reports made no mention of

⁸⁸ A living wage is the take-home pay received by a worker for a standard work week sufficient to afford the worker and the worker's family a basic, but decent, standard of living in a particular location. A living wage must be sufficient to satisfy the family's basic needs (e.g. food, housing, clothing, transport, healthcare, and education). For more information see e.g. Finnwatch, 2015, *Elämiseen riittävä palkka ihmisoikeutena: Laskentamalli ja suositukset*, available at <http://finnwatch.org/images/pdf/RaporttiERP.pdf> (in Finnish)

⁸⁹ RSPO, 2013, *RSPO P&C for the Production of Sustainable Palm Oil – including Major and Minor Indicators*, can be read at: <http://www.rspo.org/resources/key-documents/certification/rspo-principles-and-criteria>

⁹⁰ RSPO, 2015, *Generic Checklist for Audits against RSPO P&C 2013*, can be read at: <http://www.rspo.org/resources/key-documents/certification/rspo-principles-and-criteria>

⁹¹ RSPO, 2014, *National Interpretation of RSPO Principles and Criteria for Sustainable Palm Oil Production*

⁹² The minimum wage in Peninsular Malaysia is MYR 900 per month (8 hrs per day: 26 days per month). The minimum wage for Eastern Malaysia is MYR 800.

salary rate and, in three cases, at least some of the workers were paid less than the statutory minimum wage (see below).

- The reports typically made no mention of the hours the workers had worked to earn their monthly salary. Without information on actual working hours it is impossible to assess whether a minimum wage has indeed been paid. In Malaysia, the minimum wage is calculated on the basis of an 8-hour working day and 26 work days per month.
- A total of 14 reports briefly mentioned that regular working hours were stipulated in workers' employment contracts, but the amounts of working hours were not given. Only one report specified the amount of contractual working hours (in this case, 8 hrs). None of these reports mentioned that the actual amount of hours worked by the workers had been confirmed from hour logs or through interviews with the workers. Previous NGO reports, which are based on interviews with workers, have shown that many workers work more than eight hours a day, and that hour logs are not necessarily kept at all by many estates. This appears to be particularly the case when workers are paid at piece meal rate for the amount they harvest. Finnwatch has also seen copies of employment contracts where piece rate workers were encouraged to work 10 to 12 hours a day as their pay was based on their productivity. In light of this, it is worrying that several of the audit reports mentioned that the "estate encourages workers to keep on improving their productivity in order to earn more".

Finnwatch has previously raised concerns that piece rate salaries at palm oil plantations lead to situations where working hours are not adequately monitored and, subsequently, the workers are not paid for overtime, and they may not have sufficient time off to rest during the work week. By paying workers at a piece meal rate, the employer is passing the risk of low yields to the workers. Therefore, Finnwatch has recommended that the workers should be paid a monthly fixed-rate salary which should be at least the same as the statutory

minimum wage. In addition to their monthly pay, highly productive workers could be awarded a bonus.⁹³

- In two cases, the workers were paid less than the minimum wage. In both these cases, it was written in the audit report that according to the employer, the reason for illegally low salaries was that the workers were lazy or absent from work.

It was only clear in one of these two cases that the auditor had attempted to confirm the claims of the employer in interviews with the workers. In this case, the workers said that they had completed all the work assigned to them, and that if they had completed their tasks in less than eight hours, they were assigned additional tasks. Only some of the workers said that they had declined the additional work because they were too tired. According to the report, no log was kept on the hours worked to complete the additional tasks. At one estate, no hour logs were kept at all, and some of the workers were found to only have worked on seven or fifteen days a month. The interviews with the workers led the auditor to conclude that this was a non-compliance and that the certificate holder did not meet the RSPO criteria.⁹⁴

In the other case, the workers, who had been paid illegally low wages, appeared to have worked exceptionally few days per month – less than 18. However, the employer's record on the number of working days had not been verified through interviews with the workers, and there appeared to have been no attempt to confirm why the workers had not worked full-time. It is therefore possible, that the workers had completed all tasks assigned to them and that there was no more work available. The same report mentioned that the employer had made deductions from the workers' salaries, but had not obtained the workers' written consent to do so. The lack of written consent for deductions was noted

⁹³ Finnwatch, 2014, *The law of the jungle*, pages 41 and 49.

⁹⁴ SGS, RSPO Principles and Criteria Certification Report, Gomali POM, date of last report update 14 July 2015

in the audit report, but the illegally low wages did not lead to any non-conformities being reported, or other follow-up actions.⁹⁵

In a third report, the workers were said to be paid “up to” the minimum wage yet this was considered to be in line with the requirements and had not been investigated further.⁹⁶

It is Finnwatch’s view that all instances where workers receive less than the minimum wage should be investigated. Circumstances around the workers’ suggested “laziness” or “absenteeism” should be established and verified in interviews with the workers themselves. In Malaysia, migrant workers are tied to one employer and are not free to seek additional sources of income. Many of them have incurred a great amount of debt due to high recruitment fees, which they have agreed to in exchange for promises of at least minimum wage. Deceptive recruitment practices, including false promises regarding wages, are one of the ILO indicators of forced labour.⁹⁷

- In three reports,⁹⁸ there was a mention that some of the workers did not understand how their salaries were calculated. In one report, this had led to no actions as the employer could show that the workers had signed employment contracts where salaries were supposedly explained. However, there was no mention in the report on whether or not the contract was in a

language that the workers understood.⁹⁹ In another case, this had led to an observation.¹⁰⁰ In a third case, the POM was found to be non-compliant. In this case, there were also other problems related to the payment of salaries. The contract workers were not given payslips and they received no pay for annual leave, sick leave or for public holidays. They also had no employment contracts.

In light of the above examples, it seems possible that most auditors do not collect sufficient evidence during the audits regarding payment of wages to be able to assess compliance with the criteria. Critical evidence includes information on actual hours worked or clarification on suggested “laziness” and “absenteeism”. The guidance given to the auditors in the checklist and national interpretation documents also appears insufficient in this regard. It is recommended that the auditors be explicitly required to confirm the hours actually worked by checking the hour logs or, preferably, in interviews with the workers as compliance with the criteria cannot be assessed without this information.

As evidenced in Finnwatch’s previous research, another important factor to take into consideration when assessing working hours is subcontracted labour. For example, sometimes workers work at the same plantations on Sundays in addition to having completed a full work week. The only difference is that on Sundays they are seemingly employed by a subcontractor instead of working directly for the plantation. In the audit reports analysed by Finnwatch, the lack of information specifically on terms of work and conditions of subcontracted labour was striking given the prevalence of

95 SGS, RSPO Principles and Criteria Certification Report, Kuala Pertang POM, date of last report update 20 October 2015

96 Mutuagung Lestari, Roundtable on Sustainable Palm Oil Certification – Assessment Report: Pontian Fico POM, approved by Mutuagung Lestari on 23 October 2015

97 For more information see ILO, Indicators of Forced Labour, available at http://www.ilo.org/wcmsp5/groups/public/---ed_norm/---declaration/documents/publication/wcms_203832.pdf

98 SGS, RSPO Principles and Criteria Certification Report, Gomali POM, date of last report update 14 July 2015; Control Union, RSPO Principles & Criteria – Public Summary Report; Kota Gelanggi POM, May 2015; SGS, RSPO Principles and Criteria Certification Report, Keck Seng, February 2015

99 Information regarding contracts was mostly handled in a consistent way in the sample audit reports analysed by Finnwatch. Only three reports lacked a clear reference to employment contracts. In all seven cases where some workers – typically migrant workers – were found to not have a contract, a non-compliance had been raised. However, from only 11 reports it was clear that attention had been paid to the language in which the contracts were in. Even in these cases it remained unclear whether the contract was available to all workers in at least one language that they understood.

100 Observations on their own do not prevent a positive certification decision being made but if they report in various audits they should automatically lead to non-compliances.

Table 4: Freedom of association – RSPO principles and criteria and their interpretation in audit situations

Principles and Criteria (2013)	6.6 The employer respects the rights of all personnel to form and join trade unions of their choice and to bargain collectively. Where the right to freedom of association and collective bargaining are restricted under law, the employer facilitates parallel means of independent and free association and bargaining for all such personnel.
Indicators (2013)	6.6.1 A published statement in local languages recognising freedom of association shall be available. 6.6.2 Minutes of meetings with main trade unions or workers representatives shall be documented.
Checklist (2015)	a) Has the company published a statement in local languages recognising the rights of employees to freedom of association? b) Are the employees, including migrant and transmigrant workers and contract workers, allowed to form associations and bargain collectively with their employer? c) Was the outcome, if any, from the collective bargaining process between the company and the association respected, implemented and adopted in full or partially by the company? d) Are there labour laws and union agreements, or in their absence direct contracts of employment detailing payments and other conditions, made available in the languages understood by the workers or explained carefully to them by a management office? a) Are there documented minutes of meetings between the company and main trade unions or workers representatives? b) Are the minutes made readily available to employees upon request?
National interpretation: Malaysia (2014)	The right of employees, including foreign workers and contract workers, to form associations and bargain collectively with their employer should be respected, in accordance with the Employment Act 1995, Industrial Relations Act 1967, Labour Ordinance, and Trade Unions Act 1959. Labour laws and union agreements, or in their absence direct contracts of employment detailing payments and other conditions, should be available in the languages understood by the workers or explained carefully to them by a management official. In the Malaysian context, migrant/transmigrant workers are known as Foreign Employees under Section 2 of the Employment Act 1995. With regards to permits, visit pass & etc., it is covered under the Immigration Act 1959/1963m and also the Immigration Regulation 1963.

subcontracted workers at palm oil plantations and the requirement for equal treatment in the RSPO standard. The terms of work and conditions of subcontracted workers as a vulnerable group should always be included within the scope of audits.

The above examples also indicate that sometimes certification bodies do not identify non-compliances in a consistent way. Similar findings appear to lead to different conclusions, and in some cases even the seemingly clear non-compliances have been left out of reports. To enable better and more consistent identification of non-compliances, clearer guidance on what is required to adequately verify compliance with criteria is needed. All auditors should also be given sufficient training on interviewing workers to ascertain information, and workers' rights.

Freedom of association in Malaysia

RSPO criteria require that the employer respects the right to freedom of association (see Table 4).

About the audit reports analysed by Finnwatch

- All the reports mentioned that the statement regarding freedom of association had been published.¹⁰¹ However, only in 16 there was a mention of the languages it was available in although an RSPO identified indicator of compliance with this criterion specifically requires that the statement is available in local languages. In one case, it was made clear that the statement was not available in local languages, and that had led to a non-compliance. Bearing in mind that a large portion of the workers

¹⁰¹ One of the 28 audit reports reviewed by Finnwatch pertained to an independent smallholder group to which these criteria do not apply. The total number of reports analysed here is therefore 27.

in the palm oil estates are migrant workers, it is equally important that the statement is available in languages understood by the workers.

- Only three reports made clear that the issued statement was understood by the workers. This had been confirmed through interviews with one or more workers. Somewhat alarmingly, one report mentioned only that the auditors had confirmed with the management if they understood what this right meant, and not with the workers.
- In 22 reports, it was made clear that the minutes from meetings between workers' representatives and management had been made available. None of the reports specified whether these were available to the workers or not. Three reports made no mention of the minutes, and two reports stated that no minutes were available and, in both cases, this had led to a non-compliance.
- Only three reports mentioned issues and topics discussed between the workers' representatives and management. There was no information in any of the reports on possible follow-up actions following such meetings.
- In none of the reports was there any mention at all of the workers having been asked whether they were members of a trade union or if they thought that the workers' organisations were able to genuinely represent the workers' interests. Even though the RSPO guidelines to auditors do not explicitly require the auditors to confirm this, it is a crucial question from the point of view of fulfilment of the right to freedom of association and collective bargaining. Workers' committees (ECC, JCC) cannot be considered equal to trade unions, because they are not organs for collective bargaining and the workers' representatives to these committees are selected through elections organised by the employer, etc.¹⁰² Of the

audit reports, 17 made a clear reference to a trade union being functional in the estates or mills (NUPW, KPPF) and ten stated that there was either a workers' committee in place or the form of representation was left unclear.

- The reports were typically unclear regarding any steps taken to verify whether migrant workers were also active or represented in workers' organisations. Positive confirmation of migrant worker participation was given only in four cases. On the other hand, one report mentioned that there was no sign of the migrant worker participation but because the employer had published a statement recognising this right, this appeared to not have been considered even as potentially problematic. Another report merely mentioned that the migrant workers' right to freedom of association was subject to national legislation and a third report stated that the migrant workers' right to freedom of association was "restricted"; in neither of these cases was there any information on how, if at all, these impacted the migrant workers' right to organise in practice. In the latter, it also remained unclear whether the restrictions referred to national legislation or were put in place by the employer. Although Malaysian legislation prevents migrant workers from leading a trade union, migrant workers can join trade unions freely.

Challenges in assessing compliance with criteria in matters related to the freedom of association during social audits have been raised before.¹⁰³ The above examples show that, although the auditors were quite systematic in checking the paper trail of compliance (statements, meeting minutes), not one appeared to have attempted to check the independence, effectiveness and bargaining power of the existing workers' organisations. In the case of Malaysia, a country which does allow independent trade unions by law, it is also questionable that the RSPO guidelines accept workers' committees as sufficient alternative to trade unions.

¹⁰² Workers' committees are set up by the employer, not the workers. The membership of workers' committees is not open; workers' representatives to the committees are selected through elections organised by the employer. Workers' committees are not organs for collective bargaining and they cannot initiate actions such as work stoppages or strikes.

¹⁰³ See for example, Clean Clothes Campaign, 2005, Looking for a quick fix: How social auditing is keeping workers in sweatshops.

Quality assurances and oversight

RSPO's accreditation body Accreditation Services International (ASI) is responsible for assessing the competence of certification bodies to conduct conformity assessments against the RSPO standard, and for monitoring the credibility and compliance of their activities against specific accreditation criteria. The RSPO accreditation criteria require compliance with ISO/IEC 17065 standard and a set of additional competence and procedural criteria which are defined by RSPO.¹⁰⁴

The stages of the accreditation process are

- 1) Initial accreditation that includes a document review, a head office assessment, and witness assessment(s) depending on the scope of accreditation the certification body has applied;
- 2) Annual surveillance. Each year, a certification body's head office undergoes an office assessment; affiliate offices are assessed at least once every five years. In addition, a small sample of all audits is followed with a witness assessment or document review.¹⁰⁵ As of 2016, ASI also implements compliance assessments.

In order to confirm whether ASI had picked up on the above inconsistencies and shortcomings in RSPO audit reports, Finnwatch asked RSPO for permission to access information in the ASI database regarding observations and non-conformities it had lodged against certification bodies.¹⁰⁶ RSPO gave Finnwatch permission, but Finnwatch received only a partial data set from ASI. According to ASI, this was due to data protection legislation and confidentiality agreement between ASI and the certification bodies. From the data set received by Finnwatch, the names of the certification bodies and the POMs had been omitted as had detailed descriptions of observations and non-compliances and the

evidence on the basis of which they had been made. Therefore, drawing comprehensive conclusions from the data set is difficult. From November 2015 onwards, ASI has published the reports of the RSPO witness and compliance assessments it undertakes for Principles and Criteria certificate holders.¹⁰⁷

From data provided by the ASI, it is clear, however, that between May 2013 and December 2014¹⁰⁸ ASI recorded 64 observations, 45 minor non-compliances and 30 major non-compliances in the activities of certification bodies in Malaysia. Minor non-compliances can be characterised as isolated incidents whereas major non-compliances signal reoccurring non-compliances, persisting over a longer period of time and affecting a significant part of the certificate holder's operations. Some of the major non-conformities could also pose a threat to the credibility of the entire system. Although overall, there is a lot of variation in the findings, the reoccurring non-conformities pertain to the following:

RSPO Certification Systems point 4.2.5.¹⁰⁹ (9 non-conformities).

Findings in this category were described, for example, as follows:

- During the audit, the certification body failed to collect sufficient objective evidence and follow some audit trails completely when potential non-conformities were noted;
- Non-conformities have been reported as minor against compulsory major indicators;
- Major non-conformities of certificate holders are not always addressed within sixty days.

¹⁰⁴ RSPO, 2007 Certification systems, chapters 3 and 4, available at <http://rspo.org/sites/default/files/RSPOcertification-systems.pdf>

¹⁰⁵ For more information, see ASI, What are the different types of assessment that ASI conducts?, available at <http://www.accreditation-services.com/archives/what-are-the-different-types-of-assessment-that-asi-conducts>, referenced on 6 April 2016

¹⁰⁶ ASI checks a sample of audit reports by certification bodies in order to make sure that their activities meet the accreditation criteria.

¹⁰⁷ These are available at <http://www.accreditation-services.com/resources/document-library/download-category/assessment-reports?orderby=date>.

¹⁰⁸ Although Finnwatch requested information through to December 2015, data from 2015 was not included in the information provided.

¹⁰⁹ "Certification assessments will determine conformity or nonconformity with each indicator. Nonconformities must be graded minor or major, in accordance with Annex 3. A certificate of conformity with the RSPO Criteria cannot be issued while any major non-conformities are outstanding. Major nonconformities raised during surveillance assessments must be addressed within 60 days, or the certificate will be suspended. Major nonconformities not addressed within a further 60 days will result in the certificate being withdrawn. Minor nonconformities will be raised to major if they are not addressed by the following surveillance assessment."

The quality of RSPO audits and assurances has come under criticism before

In July 2015, Wall Street Journal (WSJ) published an article revealing violations of migrant workers' rights at FELDA palm oil plantations in Malaysia.¹¹⁰ FELDA, one of the world's largest palm oil companies, is a member of RSPO. In its public responses to the WSJ article, RSPO admitted that this had not been the first time that violations of workers' rights and allegations of child labour had been raised. The RSPO secretariat took the matter to the RSPO complaints panel, and instructed ASI to assess the integrity of the certification bodies and the entire certification process in Malaysia.¹¹¹

In October 2015, ASI published a report following its investigation. ASI found several non-compliances in the activities of the two investigated certification bodies, Mutuagung Lestari and Control Union Malaysia. Among other things, ASI concluded that the certification bodies had not identified non-compliances in line with standard requirements. ASI also made an observation in Mutuagung Lestari's case because they had not exhaustively covered in the audit reports the evidence collected during audits and used to assess and make decisions regarding compliance.¹¹²

The two certification bodies had until mid-December 2015 to clear up the non-compliances.

The steps taken by the certification bodies by this deadline were not sufficient and ASI has suspended both Mutuagung Lestari and Control Union Malaysia for up to six months. During this time, they are not authorised to contract new clients, conduct initial or re-certification audits. The suspended certification bodies are however required to conduct surveillance audits.

Finnwatch and other NGOs have criticised ASI's investigation. According to the organisations, ASI's approach during the investigation especially with regard to forced labour was inadequate. According to the organisations, this might have been primarily because of the shortcomings in the RSPO criteria and guidance to certification bodies for assessing compliance.¹¹³ Although the RSPO criteria forbid forced labour, the guidance does not require auditors to cover the recruitment of migrant workers or the legal work status of subcontracted workers – even though several of the ILO indicators of forced labour pertain specifically to the recruitment stage.¹¹⁴ The RSPO guidance also allows the employer to keep the workers' passports if they have been "voluntary surrendered".¹¹⁵ ASI has confirmed that it used a "narrow" definition of forced labour, meaning the use or the threat of use of violence, but said

110 Wall Street Journal, 26.7.2015, Palm-Oil Migrant Workers Tell of Abuses on Malaysian Plantations, can be read at: <http://www.wsj.com/articles/palm-oil-migrant-workers-tell-of-abuses-on-malaysian-plantations-1437933321> (referenced on 18.2.2016)

111 RSPO, 14.8.2015, 2nd Update RSPO response to the report titled "Palm-Oil Migrant Workers Tell of Abuses on Malaysian Plantations", published by the Wall Street Journal on 26th July 2015, can be read at <http://www.rspo.org/news-and-events/news/2nd-update-rspo-response-to-the-report-titled-palmoil-migrant-workers-tell-of-abuses-on-malaysian-plantations-published-by-the-wall-street-journal-on-26th-july-2015> (referenced on 10.3.2016)

112 ASI, Compliance audit and Investigation report, available at <http://www.accreditation-services.com/resources/document-library/download-info/asi-rspo-complianceinvestigation-pt-mutuagung-lestari-cu-at-felda-malaysia-2015> (referenced on 11.4.2016)

113 Finnwatch and others, Faulty RSPO audit commissioned for evaluating modern day slavery on palm oil giant Felda plantations, available at <http://www.finnwatch.org/en/news/348-faulty-rspo-audit-commissioned-for-evaluating-modern-day-slavery-on-palm-oil-giant-felda-plantations>

114 ILO Indicators of forced labour, available at http://www.ilo.org/wcmsp5/groups/public/---ed_norm/---declaration/documents/publication/wcms_203832.pdf

115 Retention of workers' identity documents is common but also a contributory factor in situations of bonded or forced labour and human trafficking. Although in some cases, it might be necessary to provide the workers' with a safe depository for their personal documents, the consent needs to be confirmed in writing. In addition, a clear and simple procedure that guarantees the workers free, direct and immediate access to their documents at any time needs to be established. During an audit, these must be confirmed directly with the workers in interviews that enable confidentiality and anonymity.

that their analysis was in line with the RSPO requirements.¹¹⁶

In February 2016, ASI announced, that during the latter half of 2016 it will implement a wider project aimed at strengthening the implementation of RSPO standards and to identify gaps and weaknesses in the standards.¹¹⁷

ASI started as the RSPO accreditation body in 2012. However, the 2015 investigation of certification bodies in Malaysia was the first time it undertook compliance assessments as part of the RSPO accreditation programme, even though violations of labour rights at certified plantations had been reported on previously.¹¹⁸ For example, following the publication of the Finnwatch report *The Law of the Jungle*, RSPO did not ask ASI to conduct compliance assessments at the estates discussed in the report. Instead, RSPO asked BSI, the certification body that had audited some of the estates, to be more vigilant during follow-up audits between certification audits.¹¹⁹ The fact that the same certification body was asked to verify its own findings after the credibility of the findings was questioned is a conflict of interest and puts the impartiality of the verification and oversight exercised in this case into doubt.

In November 2015, the Environmental Investigation Agency (EIA) published a report in cooperation with Malaysian NGO Grassroots, which alleged that in addition to not being able to identify labour rights violations and indicators of human trafficking during RSPO audits, the auditors were also in some cases complicit in attempts to hide non-compliances. The report

is based on an analysis of complaints filed by stakeholders.¹²⁰

However, the report is most critical about internal quality controls within the RSPO system. The report highlights conflicts of interest (in some cases the same certification body that has certified a POM has been ordered to investigate a complaint regarding that very POM, see above) and problems in information sharing between RSPO and ASI (ASI does not automatically receive information about allegations of non-compliance if they have not been submitted using formal complaints mechanisms, (see above). The report also raises issues with the competency of auditors and the guidance they are given in particular regarding social responsibility criteria in the RSPO standard, and the complaint mechanism itself (in order to assess the complicity of individual auditors, a complaint has to be filed explicitly regarding the activities of an auditor).

One of the conclusions made by the EIA and Grassroots is that "in effect, NGOs are now tasked with policing both RSPO members and the auditors they hire [...] The single most important flaw in using the complaints system to address failings by auditors is that, in almost all cases, complaints only arise after considerable harm has been done. Effective audits and the entire certification system, by contrast, pre-empt harm".

116 ASI, ASI response to NGO statement "Faulty RSPO Audit Commissioned for Evaluating Modern Day Slavery on Palm Oil Giant FELDA Plantations"

117 ASI, 22.2.2016, RSPO Integrity Project 2016, can be read at: <http://www.accreditation-services.com/archives/rspo-integrity-project-2016> (referenced on 11.4.2016)

118 ASI, 11.1.2016, ASI suspends two RSPO CABs after compliance investigation, can be read at: <http://www.accreditation-services.com/archives/asi-suspends-two-rspo-cabs-after-compliance-investigation> (referenced on 18.2.2016)

119 BSI, Verification report to RSPO on IOI Pamol Kluang Complex, IOI Group, Malaysia.

120 Environmental Investigation Agency, 2015, *Who watches the watchmen? Auditors and the breakdown of oversight in the RSPO*, can be read at: <https://eia-international.org/wp-content/uploads/EIA-Who-Watches-the-Watchmen-FINAL.pdf>

RSPO Certification Systems point 4.1.1¹²¹
(5 non-conformities).

Findings in this category were described, for example, as follows:

- The certification body has used an auditor for its RSPO Principles and Criteria audit that has not been approved as Lead Auditor by the certification body.
- The minimum competencies of lead assessors and the requirements for assessment teams have not been clearly defined by the certification body.

RSPO Certification Systems Annex 4A, point 4.2.2.1¹²² (4 non-conformities).

Findings in this category were described, for example, as follows:

- The annual surveillance audit did not include the appropriate range of stakeholders interviewed to collect objective evidence of the continued fulfilment of requirements for certification, in accordance with the RSPO Principles and Criteria. Also, the certification body auditor used inappropriate stakeholder consultation methods.

In addition, observations were raised regarding the interview practices such as adapting the manner of the interview to the situation or person(s) interviewed (five instances). Similarly, inconsistencies in the audit reports or insufficient evidence to determine that all requirements were met, were also raised as observations (four instances).¹²³ Considering the importance of these, it is not immediately

clear from the material provided why they were raised as observations and not as non-conformities.

The oft-repeated non-compliances and observations in the ASI data set for their part support the conclusions of Finnwatch analysis of RSPO audit reports. Critical problems are related to the identification of non-compliances, auditors' competency and interview practices. Shortcomings are also common in information provided in the audit reports on the evidence which has been gathered and which has been used to make decisions on certification as well as in the follow-up and closing of non-conformities. Finnwatch's recommendations for improving the quality of RSPO audits are included in Chapter 7.

3.2 CASE: AN SA8000 AUDIT DID NOT REQUIRE A LIVING WAGE

The SA8000 standard stipulates that a certified company respects their workers' right to a living wage. The wage must be sufficient to cover the worker's basic needs and it must allow for the worker to put aside savings on a monthly basis. A living wage is one of the aspects audited by the SA8000 (see Chapter 2).¹²⁴

The SA8000 requires that a company pays its workers a living wage for the work week, which must be determined by local legislation and can be no more than 48 hours per week. A living wage must be sufficient to cover the costs of food, clean water, clothing, shelter, transportation (e.g. between the workplace and home), education and social security, as well as allow for moderate savings. The SA8000 emphasises that a living wage cannot be ensured by paying the local minimum wage, except in those rare situations where the local minimum wage is in reality a living wage.

In its guidelines for auditors, the SA8000 highlights that there is no single method to calculate a living wage. However, the SA8000 gives a clear recommendation for how a model calculation can be made.

¹²¹ "The certification body must define the minimum competencies of lead assessors and the requirements for assessment teams, for both RSPO Criteria and supply chain assessments. As a minimum, these must be consistent with the specifications defined in ISO 19011: 2002 Guidelines for quality and/or environmental management systems auditing, with modifications to take into account the specific requirements of palm oil and chain of custody evaluation, as described below."

¹²² "The procedures (to be formulated by the certification body) must require that the annual surveillance assessment includes an appropriate range of methods to collect objective evidence, including field checks and interviews with internal and external stakeholders."

¹²³ Observations are raised when there is a risk for something to become a non-conformity. Observations can also be raised to praise a certification body.

¹²⁴ SA8000 Guidance – 2008 Standard, can be read at: http://sa-intl.org/_data/n_0001/resources/live/SA-8000ConsolidatedGuidance2013.pdf

UNLAWFUL TERMINATION OF EMPLOYMENT

10 out of 15 packing workers stated that they have to achieve the individual target per day, then they can leave the factory. But 5 out of 10 workers stated that they can leave the factory even they cannot achieve the target per day. All 5 workers in other section have never heard about force to achieve the target per day. **Based on worker interview, the**

workers in packing section are requested to achieve the target per day. If not, the working hour would be extended until meeting the target and workers could not leave the factory.

There was only production target for packing section and it was individual target. Target was depends on complicated of packing instruction. New hired or new transferred workers would initially work on daily-rate basis first and they would be paid at piece rate based once they were familiar with the job. Other migrant workers who worked in another sections, would be paid on daily-rated basis. But if they worked in packing section, they would get more wages. Thai workers also worked in packing section and they can produce a lot.

Workers interviewed off-site told about forced over-time. Information obtained through the interviews with the workers was however ignored during the actual audit which the factory passed with flying colours.

When performing the calculation, the workers' expenses and average family size in the area must be determined, as well as the typical number of adults, who are employed, per family (according to SA8000 the number of employed adults is generally no more than 1.6), and the poverty statistics of the country in question must also be examined. Examination of poverty statistics can help in assessing which costs of living surpass the poverty line. Whilst examining statistics one must keep in mind that a worker's salary should be sufficient to at least support the worker and two dependants.

SA8000 guidelines also state that a credibly established model for calculation of a living wage uses transparent and open assumptions and is based on regular consultation of stakeholder groups. SA8000 recommends dialogue with workers, trade unions and NGOs for finding a sufficient level of wages.¹²⁵ SA8000 is currently being updated, and the new version SA8000:2014 is due to be published in spring 2016.

In 2014, Finnwatch carried out research on the Hung Hing Heshan printing factory in China, which had been awarded SA8000 certification valid from 22 July 2010 to 21 July 2013. The factory had received a model for the calculation of a living wage from Hong Kong-based audit firm HKQAA. The daily energy requirement listed in the calculation

model was 2,100 kilo calories a day, and the auditor had pre-filled the columns for food needs and calories. Hung Hing Heshan filled in the sections of the table that concerned local prices.

The model was not based on dialogue with stakeholder groups and contrary to the SA8000 guidelines, it required that families have two breadwinners, i.e. two employed adults. According to the living wage calculation model that Hung Hing Heshan received from the audit firm and applied to its workers, 1,113 yuan was the living wage. At the time of the calculation, this was lower than the local minimum wage (1,130 yuan).

SA8000 requires that living wage calculations are transparent and drawn up in cooperation with stakeholder groups. Despite making a request to see the model used by Hung Hing Heshan, the Hong Kong-based audit firm refused to share this information with Finnwatch claiming that it was bound by a non-disclosure agreement. However, in the end, Hung Hing Heshan supplied the model to Finnwatch.

Finnwatch believes the model used by the factory does not fill the SA8000 scheme's requirement for calculating a living wage and that the final sum is far from the workers' views and recommendations by NGOs. Even the Chinese government and the ACFTU trade union recommend a higher wage.¹²⁶

¹²⁵ More information on the SA8000 certification approved living wage model is available in Finnwatch's 2015 report *A living wage, a human right: A model for calculating a living wage and related recommendations*. The report can be read at <http://www.finnwatch.org/images/pdf/RaporttiERP.pdf>

¹²⁶ Finnwatch, 2014, *Books from China: Working conditions at the Hung Hing Heshan Printing Factory*, can be read at: http://www.finnwatch.org/images/pdf/Publishers_HungHing_Finnwatch_summary.pdf

3.3 CASE: EMPLOYEE ACCOUNTS OF HUMAN RIGHTS VIOLATIONS WERE IGNORED IN THE AUDIT REPORT

In 2015, Finnwatch published a report on working conditions at the Austrian-owned Siam Sempermed factory. As part of dialogue related to the report, OneMed, which supplies Siam Sempermed gloves in the Nordic countries, sent Finnwatch the reports of audits it had commissioned at the Siam Sempermed factory. The audits comprised Intertek's Workplace Conditions Assessment (WCA), as well as a separate evaluation which included off-site interviews with workers. The workers' off-site interviews are not within the scope of a normal WCA audit, but OneMed had commissioned them as a separate service following Finnwatch's recommendation.

Interviews with the workers confirmed the findings of the Finnwatch report: workers said that the factory forced workers to work overtime and that the recruitment agents had confiscated the passports of the workers.

However, according to the Intertek WCA modelled audit report, the factory passed with flying colours and the blatant differences between the two assessments were completely ignored. The factory was awarded an overall compliance score of 88 per cent. Its compliance with the criteria pertaining to working conditions was rated 100 per cent.

3.4 CASE: PINEAPPLE JUICE FACTORY SUSPECTED OF HUMAN TRAFFICKING RECEIVED CRITICISM FOR ITS LACK OF A WASTE MANAGEMENT AGREEMENT

In 2014, Finnwatch published a report on the working conditions at the Vita Food Factory in Kanchanaburi, Thailand, which supplied pineapple juice concentrate to Kesko, S Group and Tuko Logistics.¹²⁷ A SMETA audit pursuant to the Sedex system had been carried out at the factory. Sedex is a database that allows companies to share and receive information on the responsibility of their produc-

tion chain. Sedex does not establish criteria or accredit auditors. Instead, it provides the SMETA (Sedex Members Ethical Trade Audit) model for audits. The Sedex system can be used to store the results of audits carried out by the production facility itself, by the purchasing company or by an external actor.¹²⁸

VIP Juicemaker, which supplies juice concentrate to Finnish store chains told Finnwatch that the audit had been performed by audit firm Bureau Veritas. According to VIP Juicemaker, the auditors had noted only one non-compliance, which was related to the lack of an agreement concerning the transport of industrial waste.

The reliability of the audit can be considered questionable at best. At the time the audit was carried out in summer 2012, both news agency Al Jazeera and UN human rights rapporteurs brought forth their serious concern over working conditions at Vita Food Factory. In May 2012, the United Nations Office of the High Commissioner for Human Rights (OHCHR) sent a letter to Thai authorities informing them of unrest at Vita Food Factory and the factory's working conditions.

Workers interviewed in late 2013, as part of the field research for the Finnwatch report, reported that the recruiter used by the factory acted violently towards workers, that undocumented migrant workers were subject to exploitation and that there were underage workers at the factory. After Finnwatch published its report, the BSCI carried out a special review at the factory in spring 2014, which confirmed the findings of the Finnwatch report, based on interviews with workers.¹²⁹

3.5 CASE: CHEATING ON AUDITS

The date and time of an audit are generally agreed on in advance with a production facility. This way, the audited company may find it an appealing idea to hide problems for the duration of an audit. Common problems

¹²⁷ Finnwatch, 2014, Out of a Ditch into a Pond – Follow-up Research on the Effects of the Finnwatch Report Cheap Comes With A High Price, can be read at: http://www.finnwatch.org/images/pdf/FW_privatabel_ENG.pdf

¹²⁸ Sedex, <http://www.sedexglobal.com>. Companies that operate in Finland that are members of Sedex include S Group, Valio, P&G, Orkla and Mondelez.

¹²⁹ BSCI, Veronica Rubio, email 26.2.2016

related to audits include training workers to answer an auditor's questions in a manner that is favourable for the employer, incorrect interpretations and translations, hiding of under-aged or undocumented workers, dual accounting and forged documents.

Auditors deceived by interpreter

In 2014 and 2015, Finnwatch reported on problems at a Thai factory that produced rubber gloves used by Finnish hospital districts: high recruitment fees were deducted from workers' wages, the workers' travel documents had been confiscated, and the workers were pressured into working overtime. According to interviewed workers, the factory had been audited by different auditing schemes, but auditors had always used the factory's own interpreters. According to the workers, the interpreters were the same people, who collected the problematic recruitment fees and, for this reason, they did not interpret all important points brought up by workers.¹³⁰

Workers with no helmets hidden from auditors

In 2015, Finnwatch reported on serious problems at Wärtsilä's subcontractor's factory in India. On the basis of information received during interviews with workers, the factory was suspected of paying illegally low wages and neglecting occupational safety. Numerous interviewed workers said that workers were only given helmets when auditors were due to arrive at the factory. The helmets were collected from the workers once an audit ended. When auditors arrived at the factory some of the workers were asked to stay home as the factory did not have enough safety gear for all its workers.¹³¹

Workers prohibited from revealing the truth

In 2014, Finnwatch reported on a Thai canned goods factory that systematically cheated on different audits. Interviewed workers said that the factory trained the workers for the interviews: workers were required for example to say that they received statutory overtime compensation. Workers from Myanmar, who understood Thai, participated in the interviews with a recorder in their pocket. The employer told workers that they would later listen to the interviews from the recorder to ensure the workers had given the correct answers. When audits were carried out at the factory, irregular migrant workers were asked to stay home.¹³²

In February 2015, Finnwatch and its partnering organisations MWRN and SERC carried out a visit that had been announced in advance to the factory suspected of illegalities. The factory was not told that Finnwatch would meet with workers in advance off-site. Interviewed workers said that their foremen had called a workers' meeting for the day before the visit, where they were told how to answer Finnwatch's questions. The workers had been ordered to say that the factory allowed workers to use safety gear free of charge and that the workers' annual holiday was paid pursuant to Thai legislation. In reality, the cost of safety gear was deducted from the workers' wages and they received no compensation for annual holiday. Undocumented workers had also been asked to stay at home, and some of the factory's production lines had been closed for the duration of Finnwatch's visit.¹³³

130 Finnwatch, 2015, Socially responsible medical gloves: Follow-up report on the working conditions at Siam Sempermed, can be read at: http://www.finnwatch.org/images/pdf/Semperit_FU_EN.pdf

131 Finnwatch, 2015, In High-tech's Backyard: Labour Rights as a Part of Wärtsilä's Value Chain, can be read at: http://www.finnwatch.org/images/pdf/Wartsila_en.pdf

132 Finnwatch, 2014, Out of a Ditch into a Pond – Follow-up Research on the Effects of the Finnwatch Report Cheap Comes With A High Price, can be read at: http://www.finnwatch.org/images/pdf/FW_privatelabel_ENG.pdf

133 Finnwatch conducted interviews with workers in February 2015. A sample video of such an interview can be viewed at: https://www.youtube.com/watch?v=pgNGwb2lsNY&feature=em-upload_owner

4. Views of client companies on audit quality

For the purposes of this report, Finnwatch sent 41 Finnish and international companies a query regarding their experiences and views on the quality of social audits.¹³⁴ A total of 27 companies responded. The query was sent to companies that were known on the basis of existing information to use the certification and social auditing schemes discussed in this report (see Chapter 1). Of the respondents, eight said that they had only recently started using such systems, or were merely purchasing certified products or raw materials and, therefore, had not accumulated sufficient experience to respond to questions concerning audit quality. As such, the responses of 19 companies are discussed here. Finnwatch promised the companies that it would not disaggregate their responses in this report. This was done with a view to ensuring as open a discussion as possible.

Small and medium-size enterprises

SMEs¹³⁵ that responded to the query typically reviewed less than 5 audit reports per year. According to their responses, SMEs were very satisfied with audit firms. None of the SMEs that responded had ever felt the need to send follow-up questions or formal com-

plaints to audit firms. Most SMEs also had no recommendations for improving the quality of social audits.

In SMEs that responded, responsibility work is usually done by staff in addition to other duties, and the SMEs reported that they largely relied on the certification and social auditing schemes in matters related to audit quality control. "We trust that the audit firms in the BSCI registry operate in line with the BSCI values and regulations and that they are reliable," said one of the respondents.

Large companies

Larger Finnish companies reviewed between 2–150 audit reports each year, depending on the sector. Some international companies that responded reviewed as many as 1,500 reports each year. Grocery retailers reviewed the most audit reports.

The experiences and views of larger companies on the quality of social audits varied a great deal. Some of the larger companies said that they have not had the need to send follow-up questions regarding audit reports, whereas others said that they send questions to each report they received. On average, larger companies sent a few follow-up questions to audit reports per year. Typically the questions dealt with the interpretation of observations during audits and identification of corrective actions. Companies expressed a wish to have the audit results represented in a more uniform and comparable format. Large companies that did send follow-up questions on the basis of audit reports might follow-up on a report with all three parties – the audit firm, production facility that was being audited as well as the standard setting body (e.g. BSCI).

However, larger companies also rarely submitted formal complaints about audits. Of all the respondents, only six said that they had sent formal complaints. Reason for complaints included for example, that the results

¹³⁴ The respondents were Mastermark, Halonen, Hofler, Ibero, Texmoda Fashion Group, L-fashion Group, Halti, Marimekko, A&M Holmberg, Reima, Tuko Logistics, Alko, Nanso, Finnflame, Tokmanni, SOK, Kesko, Neste, Fazer, Meira, Orkla Confectionary, Löfbergs Lila, Arvid Nordquist, HKScan, Axfood, Egmont, and Lidl. Euro-East, Logonet, Nordic Wear International, VIP Juice-maker, Basic Fashion, Sultrade, Best Friend Group, Stockmann, Raisioagro, Arla, Atria, Disney, Migros and Marks & Spencer did not respond.

¹³⁵ Small and medium-sized enterprises (SMEs) are defined as enterprises which have fewer than 250 employees, and have either an annual turnover not exceeding EUR 50 million (EUR 40 million before 2003), or an annual balance-sheet total not exceeding EUR 43 million (EUR 27 million before 2003) and which conform to the criterion of independence as defined below. Independent enterprises are those which are not owned as to 25 per cent or more of the capital or the voting rights by one enterprise, or jointly by several enterprises, falling outside the definition of an SME or a small enterprise, whichever may apply. Statistics Finland, SME, can be read at http://www.stat.fi/meta/kas/pk_yritys_en.html

of two different audits contradicted one another.

Many of the larger companies felt that their own role in ensuring the quality of audits was somewhat limited. "If the unit that is being audited wants to somehow cheat during the audit, it is difficult to uncover at this end of the chain." Several respondents felt that the certification and social auditing schemes had a larger role to play in ensuring the quality of audits than they themselves. Positive experiences were reported from both unannounced audits as well as advance meetings held to plan audits.

Several of the larger companies felt that the monitoring of the implementation of corrective actions was inadequate. They recommended that audits should put more emphasis on supporting the implementation of corrective actions and the internal development work of the companies that are being audited for example by sharing best practices and other positive examples, as well as through training.¹³⁶ However, some companies also emphasised their own role in the follow-up work after audits and in remedying negative impacts, as well as how audits were just one (although important) tool in ensuring the sustainability of farms and production facilities that are part of their supply chain. "A bad audit result usually means bad conditions at a factory, but a good audit result does not as often correspond with good conditions at factory level."

In response to questions concerning ways to improve the quality of social audits, larger companies emphasised the importance of auditor competency, including a thorough knowledge of the sustainability scheme itself, and also the industry sector, factory and business operations. Similarly, it was considered

Recommendations to improve the quality of audits:

- stricter competency criteria for auditors and further training
- careful planning of audits
- contextualising audits for example by consulting stakeholder groups in order to focus on the collection of pertinent evidence during audits
- increased consistency in reporting and improved comparability of the results
- more effective follow-up on the implementation of corrective actions
- unannounced & surveillance audits
- further developing audits so they could become the basis for the audited producer's/company's internal development work

desirable that the auditors would have contextual knowledge on the circumstances in which the audited producers/companies operate. Auditors were criticised for operating in silos, and that they are rarely in touch with local stakeholder groups and, therefore, they may not be in a position to pay attention to all the important factors during audits.

Some respondents felt that audits often focused on collecting "easy" evidence and that the auditors did not have the necessary tools and preparedness to assess compliance, especially with criteria that are by their nature more difficult to identify such as discrimination. Respondents also felt that

¹³⁶ This view is problematic as for example the ISO/IEC 17065 standard prohibits certification bodies from offering 'consultation' to their clients. In the standard, this is considered a risk to the certification body's impartiality. On the other hand, ISEAL Alliance has announced that it is exploring, how audits could be used for capacity building and to support continuous improvement, while still maintaining the rigour of the inspection during them. For more information see <http://www.isealalliance.org/online-community/blogs/criticism-on-audits-and-assurance-an-iseal-response>.

several of the audits were still plagued by the so-called check-list-approach, and that the examples given in audit reports were not sufficient to give an overall picture on pertinent issues, such as the audited company's approach to human resources management or occupational health and safety.

Several of the respondents noted the likelihood of "audience fatigue". Although most of the sustainability schemes have incorporated the idea of continuous improvement, assessing the long-term impacts would often mean extra work from the audited producers/companies, for which they do not necessarily have the resources. Companies hoped that audits would become a more and more common basis for internal development work for audited companies, so that the benefits and value they gain from audits would become clearer.

Companies responsible for assessing conformity

The international TIC sector (Testing, Inspection and Certification), which is responsible for third-party audits and verifications, has been estimated to be worth up to 100 billion euros. The market includes thousands of companies and international corporations that are specialised in certain countries and industry sectors. They include Swiss-based SGS, France-based Bureau Veritas and UK-based Intertek. During the past few years, the sector's largest companies have expanded their geographical coverage with numerous acquisitions. In 2010–2012, SGS finalised 32 acquisitions, while Bureau Veritas bought 50 new companies in 2008–2012.¹³⁷

Finnwatch went through all the companies that have received accreditation or other approval from certification or auditing schemes used by companies that operate in Finland. The roles of these companies in social responsibility certification schemes vary: some only offer chain-of-custody services for the traceability of certified products, whereas others only focus on production facility audits. The largest companies offer both services.

The majority of social responsibility verification services used by companies that operate in Finland are owned by the world's largest TIC sector companies – SGS, Intertek, Bureau Veritas, DNV, TÜV Nord, TÜV Rheinland and Control Union (see Appendix 2).

137 Mergers Alliance, Global Testing, Inspection and Certification, M&A Update, 2012, can be read at: https://headwatersmb.com/rsrc/research/Global_Testing_Inspection_&_Certification.pdf

5. Who monitors the monitor?

5.1 SOCIAL RESPONSIBILITY AUDITS AND CERTIFICATIONS ARE NOT VALIDATED BY AUTHORITIES

The purpose of responsibility monitoring schemes is to give stakeholders and consumers confidence that goods and products within the scope of these schemes meet with set requirements.¹³⁸ The number of different responsibility schemes has sky-rocketed since the early 2000s. The growing number of schemes has created the need to “certify” certifications in order to set apart the credible and trustworthy schemes from the rest.¹³⁹

For example, the purpose of accreditation (see Chapter 2.1) is to decrease problems related to audit quality and thus increase the credibility and reliability of certification. However, accreditation also increases the overall cost of conformity assessment.

It has been noted that finding a balance between risk management-related expenses and reliability is challenging for responsibility monitoring schemes. It has been especially difficult for the schemes to communicate the added value achieved from increased reliability on to consumers. Some schemes have attempted to achieve this by increasing transparency. However, researchers have questioned the likelihood of responsibility systems being able to achieve the desired balance on their own, and put forward questions on the role of government and legislation in monitoring the competence, reliability and objectiveness of conformity assessments.¹⁴⁰

¹³⁸ E.g. according to the ISO/IEC 17065 standard described above, the objective of certification is to provide all involved parties confidence that the product, process or service meets all the set requirements. Certification by a third party brings added value in the form of confidence and trust, because this is viewed as objective and competent proof that set requirements have been fulfilled.

¹³⁹ See e.g., UNFSS, Marx A., & Wouters J., YEAR, Competition and Cooperation in the Market of Voluntary Sustainability Standards, Discussion Paper No. 3, can be read at: https://unfss.files.wordpress.com/2013/02/unfss-dp-no-3-final-version-15april_full.pdf

¹⁴⁰ See e.g. State of Sustainability Standards Review 2014, page 53

For example, nowadays organic certification is within the scope of government regulation in many countries. Within the EU, provisions by the Council of Europe and the European Commission stipulate the minimum requirements for agricultural products marketed as organic throughout the entire EU area. In order to guarantee consumer protection and fair competition, the descriptions on the labels of organic products are protected in the EU area independent of language used. In Finland, Evira, the ELY Centres, Valvira, municipalities and Finnish Customs are responsible for monitoring the production and marketing of organic products.¹⁴¹

Organic certification therefore offers interesting points of contact for meta-regulation of voluntary social responsibility schemes. Originally, organic standards were grassroots projects that were established in different parts of the world and for which locality and short value chains were typical. However, organic products have since become a part of global trade and at the same time, conformity assessment, physical traceability of organic raw materials, organic labels and government regulation have become central tools for guaranteeing the credibility and reliability of organic products.

The government regulation of organic products has been based on varying motives in different countries. In many developed countries, the need to protect both consumers and producers, as well as an effort to develop the organics market have led to government regulation. In developing countries, the desire to sell the country's organic products to developed country markets has been the predominant motivator for government regulation. There is also a growing trend among governments to link organic production to sustainable development projects. In practice, legislation-based regulation of organic products has been a cooperative effort between

¹⁴¹ For more information, please see the Evira website <http://www.evira.fi/portal/tietoa+evirasta/asiakokoukset/luomu> (in Finnish)

government actors, producers, commerce, industry and NGOs. Additionally, the organics standards approved by national governments have been harmonised internationally.¹⁴²

In addition to regulation, governments have also used other methods for the development of organic production and markets for organic products. Production has been developed with the help of different subsidies and by supporting research on production methods. Demand has been promoted via public procurement and the implementation of different consumer-oriented awareness and information programmes.¹⁴³

As another example, financial auditing, which is also based on strong regulation, is better established and researched than social responsibility auditing with which it nevertheless has several similarities. Statutory financial auditing is also based on the recognition of certain actors' need for information the reliability of which they cannot themselves verify. A financial auditor's task is to ensure that stakeholders are provided an accurate and realistic picture of the audited company's financial situation. Regulation of financial audits also pays special attention to impartiality; impartiality is a condition for the credibility of an auditor. There are two different approaches to the regulation of audits: the sector's self-regulation and legislative methods (Auditing Act).¹⁴⁴

There is no governmental monitoring of social responsibility monitoring schemes. ISEAL Alliance, however, is one example of an effort to harmonise responsibility schemes.

5.2 ISEAL ALLIANCE AS A FORM OF SELF-REGULATION

The International Social and Environmental Accreditation and Labelling Alliance (ISEAL Alliance) was established in 2002. Its members include responsibility systems and accreditation bodies, and its aim is to promote the sector's best practices.¹⁴⁵

The shared views of ISEAL Alliance's member organisations and external experts on the sector's best practices have been compiled in the ISEAL Alliance Codes of Good Practice, which include the ISEAL Alliance Standard-Setting Code, Assurance Code and Impacts Code.¹⁴⁶ Responsibility systems that are full members of ISEAL Alliance are required to comply with these codes in their own activities.¹⁴⁷ The conformity of the ISEAL members' activities is ensured by the ISEAL Alliance Secretariat and through peer reviews.¹⁴⁸ Of the schemes covered in this report, the Global Coffee Platform, BCI, Fairtrade, FSC, RSPO, SAN/RA and UTZ as well as accreditation bodies ASI, IOAS and SAAS are full members of ISEAL Alliance.

ISEAL Alliance's premise is that credible responsibility schemes make an effort to continuously improve and increase the effectiveness of their activities. One example of this is the Global Living Wage Coalition, which was established by six ISEAL Alliance member schemes.¹⁴⁹ The Global Living Wage Coalition has developed a detailed methodology for calculating a living wage, as well as four country-specific wage calculations. Additionally, it is currently working on indicative calculations for a living wage in 15 other countries. Responsibility schemes that are

¹⁴² Members of the International Task Force on Harmonization and Equivalence in Organic Agriculture and its successor the Global Organic Market Access include UNCTAD, FAO and IFOAM.

¹⁴³ For more information on the development of government regulation of organic certification see e.g. UNFSS, Bowen D., 2015, Public Private Collaboration on Policy, Standards, Regulations and Trade Facilitation for Organic Agriculture, can be read at http://www.unfss.files.wordpress.com/2013/02/unfss_4-final_public-private_collaboration_apr_2015.pdf

¹⁴⁴ Paatola, M., 2013, Tilintarkastajan riippumattomuus: Tilintarkastajien käsityksiä riippumattomuuteen vaikuttavista seikoista sekä riippumattomuuden sääntelystä, can be read at: <https://tampub.uta.fi/bitstream/handle/10024/84366/gradu06562.pdf?sequence=1> (in Finnish)

¹⁴⁵ ISEAL Alliance, 2013, About ISEAL, can be read at: http://www.isealliance.org/sites/default/files/ISEAL_Mission_Goals_2013.pdf

¹⁴⁶ ISEAL Alliance, Codes of Good Practice, can be read at: <http://www.isealliance.org/our-work/defining-credibility/codes-of-good-practice> (referenced on 4.4.2016)

¹⁴⁷ ISEAL Alliance's member organisations must be compliant with the Assurance Code by the end of 2016.

¹⁴⁸ ISEAL Alliance, Full members, can be read at: <http://www.isealliance.org/our-members/full-members> (referenced on 4.4.2016)

¹⁴⁹ For more information see <http://www.isealliance.org/our-work/improving-effectiveness/global-living-wage-coalition>

members of the Global Living Wage Coalition require that certified producers commit to increasing their workers' pay to the level of living wage defined by the Global Living Wage Coalition.

Especially the ISEAL Alliance Standard-Setting Code is commonly accepted as the sector's international yardstick, and, for this reason, its scope of impact is far more extensive than just the ISEAL Alliance member organisations. Some national and international governmental organisation have also referenced the best practices promoted by ISEAL Alliance in their own work.¹⁵⁰ ISEAL Alliance is seen to partly close the regulatory gap that has been observed in the regulation and harmonisation of voluntary social responsibility systems.¹⁵¹

ISEAL Alliance is also viewed to have succeeded in increasing cooperation between responsibility certification schemes and in promoting their mutual learning. This is believed to be a result of there being relatively little competition between the members of ISEAL Alliance especially in its early days, because its founding members each focused on different products, and of ISEAL Alliance's objective having been to harmonise processes rather than the content of the criteria. Thus the certification and quality control processes of ISEAL Alliance members are relatively similar, and in line with international standards.¹⁵²

The mutual harmonisation has been less successful between social auditing schemes and other social responsibility systems that primarily focus on production facilities. E.g. the Joint Initiative on Corporate Accountability

Benchmarking of social responsibility schemes

The proliferation of social responsibility monitoring schemes has led to duplication of audits and increased cost to the producers. As such, benchmarking (or mutual recognition) is a growing trend among certification schemes, and this is also contributing towards the harmonisation of the schemes' criteria. Benchmarking means that certification schemes can approve a certificate awarded by another scheme as sufficient proof of the company complying with its criteria and a new audit is, therefore, not needed. Benchmarking does not necessarily work both ways – in other words, although one scheme accepts the other, this does not mean that the other automatically accepts the first.

For example, of the certification schemes reviewed in this report, the BSCI accepts SA8000 audits as such, and the Global Coffee Platform accepts producers certified by Rainforest Alliance without separate verification.

and Workers' Rights JO-IN founded in the early 2000s by the Fair Labor Association, Ethical Trading Initiative, Social Accountability International, Fair Wear Foundation, Clean Clothes Campaign and Workers Rights Consortium was, according to observers, unsuccessful because of disputes between the schemes on a common set of criteria, its implementation and conformity assurance. Resolution of disputes was further hampered by the strict, inflexible timetables set by the project's financiers.¹⁵³

¹⁵⁰ See e.g. Bernstein S., 2011, Legitimacy in intergovernmental and non-state global governance, *Review of International Political Economy*, 18:1, p. 17–51; ISEAL Alliance, Our Codes, can be read at: <http://www.isealliance.org/our-work/defining-credibility/codes-of-good-practice> (referenced on 29.2.2016)

¹⁵¹ See e.g., UNFSS, Marx A., & Wouters J., YEAR, Competition and Cooperation in the Market of Voluntary Sustainability Standards, Discussion Paper No. 3, can be read at: https://unfss.files.wordpress.com/2013/02/unfss-dp-no-3-final-version-15april_full.pdf

¹⁵² See e.g. UNFSS, Derkx, B., Meta-governance in the Realm of Voluntary Sustainability Standards: Early Experiences and Their Implications, can be read at http://unctad.org/en/PublicationsLibrary/ditcted2013d1_en.pdf

¹⁵³ See e.g. UNFSS, Derkx, B., Meta-governance in the Realm of Voluntary Sustainability Standards: Early Experiences and Their Implications, can be read at http://unctad.org/en/PublicationsLibrary/ditcted2013d1_en.pdf

6. Summary

Both the number of social responsibility certification and auditing schemes as well as the number of products that are certified and audited continue to grow at a fast pace. The implementation of the UN Guiding Principles on Business and Human Rights, endorsed in 2011, as well as an increasing number of regulation initiatives related to corporate social responsibility are the key reasons for this growth. NGOs have also consistently recommended third-party social responsibility monitoring to companies and taken part in establishing new schemes.

As one means to assess conformity with human rights principles, social certification and auditing schemes are indispensable, and they will likely play a key role in the exercise of human rights due diligence by companies for a long time to come.

Finnish companies are using numerous social responsibility certification and auditing schemes of which 16 different ones are compared in this report. The comparison demonstrates that many of the problems related to auditing are yet to be resolved.

Most social responsibility monitoring schemes are company- or NGO-driven. Representatives of trade unions are rarely members of the decision-making bodies in the social responsibility certification or auditing schemes that are used by companies that operate in Finland, a noticeable exception being FSC. That companies and NGOs hold ownership in most schemes is evident in the shortcomings in their criteria.

Process rights that play a key role in the long-term realisation of labour rights are still unresolved in great part by the schemes in spite of some individual advances. The most important of these issues are promoting workers' freedom of association and the payment of a living wage, which is often the result of collective bargaining.

The schemes' ability to have a positive impact on the working conditions in the long-term is hardly monitored or monitoring is

scattered. If there are set indicators for monitoring, they are often derived from check lists compiled for audits. Some researchers blame audits and certifications for enforcing and maintaining poor working conditions and the structures that lead to them.

Companies and NGOs alone are not to blame for the poor representation of trade unions and, thus, workers in the schemes. At the moment, the approach of trade unions towards social responsibility monitoring schemes is scattered; trade unions participate in some schemes that are weak with regard to labour rights while at the same time, they have distanced themselves from more ambitious schemes¹⁵⁴.

For a consumer, assessing the criteria of countless certification and auditing schemes, as well as their implementation, is not realistically possible. Some schemes do not allow the use of product-specific claims of responsibility that target consumers, while others allow products to carry their label on flimsy grounds that can be said to be misleading consumers.

Just a few international companies control all the monitoring carried out by responsibility schemes. The competition between schemes and audit firms increases the pressure to lower costs and can lead to poorly planned and executed audits, which are check list-driven. Only few certification and auditing scheme criteria or risk analyses are adjusted according to the country to match human rights risks that are observed locally. It is normal for audited companies to try to mislead auditors. The risk of being caught is minimal, as not one of the researched schemes requires off-site interviews with workers¹⁵⁵. The weakest scheme in the com-

¹⁵⁴ Textile workers global union federation ITGLWF (now IndustriAll) left SAI, which owns the SA8000 certification, in 2006. UNI Global Union, a global union federation for skills and services, left SAI in 2012.

¹⁵⁵ The FWF audit methodology requires off-site interviews during an audit's preparation stage, but use of the methodology is optional for member companies (see page 22).

parison, SGF does not require that workers be heard at all.

The client companies, that use social auditing and certifications in their responsibility work, commission many audits, but use audit reports mechanically to verify conformity. Some companies that utilise audits admit that not even a good audit report guarantees that a factory's working conditions are good.

There are critical problems with the transparency of responsibility monitoring schemes. Only five of the researched certification and auditing schemes publish their audit reports or summaries of the reports, and a third do not even publish the names of companies or producers that have successfully passed audits. The lack of transparency makes it more difficult to intervene in problems and to highlight misconduct.

There are also positive examples. RSPO, a certification scheme for palm oil is a pioneer in transparency, and Finnwatch analysed its audit reports for this report.

Although RSPO performs well in transparency, on the basis of RSPO audit reports, it can be said that the monitoring of working conditions is inconsistent and that RSPO does not have sufficient guidelines in place for monitoring the payment of a living wage or even a statutory minimum wage. The quality of the audit reports varies and auditors have marked findings on their own audit templates, making it even more difficult to assess the consistency of all RSPO audits. The same findings are interpreted in different ways and are sometimes raised as non-conformities, and at other times not. In the following section, Finnwatch gives recommendations for correcting quality problems that have come to light in RSPO audits. Similar recommendations could also be made for other schemes if the same amount of information on their audits was publicly available.

Credible schemes make an effort to overcome challenges by establishing initiatives that aim to improve the quality and comprehensiveness of schemes. ISEAL Alliance has drawn up common codes for credible social responsibility certification schemes and the

measurement of their impact, and some of its member schemes have also established an ambitious project for calculating a living wage in different countries. Gratifyingly, many schemes have also adopted the use of accreditation services.

However, it has been difficult for many schemes to find a balance between varied risk management-related expenses and the reliability of monitoring. At the same time, new responsibility systems are entering the market. The ambitiousness of these may be lower than that of the schemes that have come before them. Some companies have stopped using third-party responsibility monitoring schemes altogether and instead use their own logos and labels on consumer products. A catchy slogan or a well-designed logo can attract a consumer's attention more easily than work carried out over the span of many years to advance social responsibility.

Unlike many ecological responsibility systems, social responsibility monitoring systems are not supervised by authorities. For example, provisions by the European Commission stipulate the minimum requirements for agricultural products marketed as organic throughout the entire EU area. In order to guarantee consumer protection and fair competition, the descriptions on the labels of organic products are protected in the EU area independent of language. Similar oversight by authorities could hone the activities of schemes specialised in the certification or verification of social responsibility. Consumers, companies and NGOs cannot be saddled with the sole responsibility for weeding out unreliable and misleading schemes.

7. Recommendations

DECISION-MAKERS

- Social responsibility certification and auditing schemes play a key role when companies exercise human rights due diligence as described in the UN Guiding Principles on Business and Human Rights. However, the activities and quality of schemes that monitor social responsibility vary. The EU has already laid down criteria for the quality of monitoring systems and appointed authorities to supervise some systems that monitor ecological sustainability. The possibility of extending supervision by authorities to social responsibility certification and auditing schemes should be explored.
- Responsibility scheme-related claims of responsibility that target consumers and their accuracy should be more closely monitored. Competition and consumer protection legislation in several countries prohibits the use of untrue or misleading information in the advertising and marketing of products, if the information in itself may lead to a purchase decision.
- Despite problems, public procurements must utilise social responsibility certification and auditing schemes more and more. New Finnish procurement legislation that will be enacted in 2016 will further simplify the use of certification schemes. As third-party verification will be required for a growing number of products in the future, it is important to make sure at the same time that public buyers are aware of the criteria of different schemes and can demand compliance with the criteria of more ambitious schemes.

CERTIFICATION AND AUDITING SCHEMES

- For years, social responsibility certification and auditing schemes have been criticised for ignoring workers and trade unions. The results of this report demonstrate that trade unions are for the most part still not represented in the certification and auditing schemes and the workers' freedom of association is not actively advanced with a few exceptions. Trade unions must be invited to join social responsibility certification and auditing schemes.
- Workers are not always heard during audits. Not one of the schemes examined in this report required off-site interviews with workers. Off-site interviews with workers must be incorporated as a compulsory part of all audits, and auditors must, when necessary, be given training on how to interview workers. Where off-site interviews cannot be arranged otherwise, interviews should be conducted in conditions that guarantee confidentiality and anonymity.
- Impact assessments must be incorporated into all social responsibility monitoring systems. An effort must be made to assess impacts with clear indicators that are verifiable. Key indicators include an increase in the number of workers that are members of an independent trade union and an increase in the wages of audited factories.
- Monitoring schemes must intervene in buying companies' harmful purchasing practices.

- Responsibility systems should increase transparency e.g. by publishing audit reports in so far as trade secrets and the privacy of workers and other interviewed individuals are not jeopardised. Increased transparency would make it easier for stakeholder groups to highlight any possible problems or weaknesses in the audit's methodology and quality. Published audit reports should include sufficient information on how the conformity of each criterion has been ascertained.
- Responsibility systems must conduct country and sector-specific risk analyses that cover challenges related to workers' rights. Risk analyses can help schemes provide auditors with information on what probable problem areas audits should focus on. Audits could be further steered to focus on pertinent issues by requiring off-site interviews with the workers of the companies that are being audited, during an audit's preparatory stage.
- When necessary, schemes should adjust their criteria or provide country or topic-specific interpretation guidance that match the problem areas observed in risk analyses. For example, in industry sectors that are dependent on migrant workers, it is of utmost importance to include recruitment practices within the scope of audits to identify possible cases of forced labour or human trafficking.
- Responsibility systems must set a living wage as the objective for conformity. Companies that are being audited must be encouraged to increase wages over time so that they reach the living wage. The methodology created by the Global Living Wage Coalition must be used as the reference for calculating wages. When assessing the wages paid by companies, it is always important to take into account the actual number of hours a worker has worked. The number of working hours must be confirmed through interviews with workers. The basic assumption should be that workers must be paid at least the statutory or collectively bargained minimum wage for their normal working time. Instead of paying performance or productivity-based wages, workers can be motivated with different bonuses.
- When assessing the realisation of freedom of association, schemes must require that auditors pay close attention to how well workers believe that existing workers' organisations are able to improve the status of workers at the workplace. In order to improve the status of workers, companies that are being audited should be required to actively work on ways to advance freedom of association. In countries, where freedom of association is not restricted, responsibility schemes should not accept alternative forms of association for trade unions, such as workers' committees established and appointed by the employer, as proof that the criteria have been fulfilled.
- Especially at times when the requirements of responsibility schemes also cover criteria other than those related to social responsibility, the qualification of auditors to assess conformity of social responsibility criteria must be verified (e.g. training provided for auditors). Auditors must be provided with comprehensive guidelines in order for them to be able to assess conformity.
- Procedures for audit quality control must be further improved. Improvements to quality control should be sought innovatively and through cooperation, e.g., by adopting joint reviews, which are already used in financial audits. For the purpose of a joint review, a company that is being audited appoints more than one certification body as its auditor. Auditors share responsibility for reviews and draft a joint audit report. A joint review increases impartiality, while the auditors "monitor" each other's work. Efficient distribution of work also has positive effects on the quality of reviews.

COMPANIES THAT USE CERTIFICATION AND AUDITING SCHEMES

- Even though social responsibility certification and auditing schemes have much room for improvement, they are an important and reliable tool in the monitoring of social responsibility in high-risk countries. Companies must continue to use third party certification and auditing schemes. At the same time, an active effort must be put into developing the schemes.
- Certification and auditing schemes must be considered just one of the tools for exercising human rights due diligence. Companies must also adopt other methods to ensure the realisation of human rights in their supply chains. These can include direct dialogue with suppliers, long-term agreements with suppliers, joint projects for the development of working conditions and cooperation with NGOs and trade unions.
- Instead of increasing the number of audits, attention should be given to improving the quality of audits. It is especially important to ensure that audits are prepared thoroughly and that the audited production facility's workers and stakeholders are heard in off-site interviews. Off-site interviews are the most effective means for intervening in audit scams.

TRADE UNIONS

- It is striking how invisible and ignored trade unions are in international responsibility certification and auditing schemes. Trade unions are generally not involved in decision-making in schemes and the views of workers are ignored during audits. Trade unions should make an effort to actively take part in the development of certification and auditing schemes.
- Trade unions must strategically challenge certification and auditing schemes. An example of a concrete measure could be for trade unions to utilise auditing databases that certification and auditing schemes have made available to the public in an effort to encourage workers at factories that have successfully passed audits to join a trade union.
- The key problems with existing certification and auditing schemes are related to assessing freedom of association. Trade unions could play their own specific role in certification, if they were able to verify that factories and other production facilities have a democratic and free trade union.

ANNEX 1. Comparative table benchmarks

- *Who owns the auditing scheme/certification?*
No yellow or red assessments given.
Green: The scheme is owned by a broad group of different stakeholders and it is not owned by just companies.
- *Are trade unions represented in the scheme's decision-making bodies?*
Red: Trade unions do not have any power of decision or other permanent role in the scheme. However, they may be heard e.g. when the scheme's criteria are drafted or revised.
Yellow: Trade unions are represented in permanent advisory bodies, but not in decision-making bodies.
Green: Trade unions are represented in the scheme's decision-making bodies.
- *How is the scheme financed?*
This question is not assessed.
- *Who monitors the implementation of criteria?*
Red: The company that is being audited monitors its own activities through self-assessments (first-party monitoring).
Yellow: Audits are realised through second-party monitoring (the monitoring party is a company or NGO that is a member of the scheme or the scheme itself; see page 11).
Green: Audits are conducted by a third-party service provider.
- *Does a third party make the decision on the conformity of the audited company/producer?*
Red: The scheme or the company/producer being audited makes the decision on conformity.
Yellow: A third party independent of the scheme and the company/producer that is being audited makes a partial decision on the conformity of the actor that is being audited.
Green: A third party independent of the scheme and the company/producer that is being audited makes the decision on conformity in line with the ISO standard.
- *Does the scheme require that auditors are accredited?*
Red: The scheme does not use accreditation, and it does not have comprehensive quality assurance for audits in place.
Yellow: The scheme does not use accreditation, but it does have a comprehensive set of monitoring procedures that aim at ensuring the quality of audits.
Green: The scheme uses accreditation or proxy accreditation of auditors.
- *If the scheme does not require accreditation of auditors, what other procedures does it implement to ensure the quality of its audits?*
Red: The scheme does not have sufficient procedures in place for ensuring the quality of audits.
Yellow: The scheme has comprehensive procedures in place for ensuring the quality of audits.

The best score for this question requires that auditors are accredited.
- *Is the number of consecutive audits carried out by the same audit firm limited in any way?*
Red: No limitations have been set for the number of consecutive audits carried out by the same service provider or individual auditor.
Yellow: No limitations have been set for the same service provider, but the number of consecutive audits that the same individual auditor can carry out is limited.
Green: Limitations have been set for the number of consecutive audits performed by the same service provider and auditor.
- *For how long a period is the audit/certification valid?*
This question is not assessed.
- *Are follow-up audits performed on-site?*
This question is not assessed.
- *Do follow-up audits include unannounced audits?*
This question is not assessed.
- *Does the auditing process involve interviews with workers? Are interviews with workers carried out on-site or off-site?*
Red: Interviews with workers are not a compulsory part of audits.
Yellow: Workers are interviewed as part of the audit process, but the interviews may be carried out on-site at the production facility.
Green: Workers must be interviewed as part of the audit process. Interviews or at least some of the interviews must be carried out off-site.
- *Are the criteria for the scheme available to the public?*
Red: The scheme's criteria are not available to the public.
Yellow: Some of the scheme's criteria are available to the public.
Green: All the scheme's criteria are available to the public.
- *Is the audit implementation manual for technical requirements available to the public?*
Red: The implementation manuals for audits are not available to the public.
Yellow: The implementation manuals for audits are partly available to the public.
Green: The implementation manuals for audits are available to the public.
- *Is the audit implementation manual that includes the interpretation of criteria available to the public?*
Red: The implementation manuals for audits are not available to the public.
Yellow: The implementation manuals for audits are partly available to the public.
Green: The implementation manuals for audits are available to the public.
- *Are audit reports or audit results available to the public?*
Red: Audit reports and audit results are not available to the public.
Yellow: Audit reports are not available to the public, but a general summary of the report and/or audit results are available to the public.
Green: Audit reports and audit results are available to the public.

- *Is the information on companies/producers that have successfully passed audits available to the public?*
Red: The information is not made available to the public.
Yellow: The scheme provides a platform on which information can be published on a voluntary basis.
Green: The information is made available to the public.
- *Does the scheme publish information on how many audited companies/producers have passed or failed audits each year?*
Red: The information is not published.
Yellow: The information is published irregularly or only partially.
Green: The information is published.
- *Have auditors been given clear instructions on how they must act, if, during an audit, they observe potentially criminal activities? Are authorities always notified in this type of situations?*
Red: The auditors have not been given instructions on how to notify authorities when they observe suspected criminal activities.
Yellow: The auditors have been given general guidelines.
Green: The auditors have been given clear and detailed instructions, and the scheme also holds responsibility for notifying authorities of possible criminal activities.
- *Are the companies that are being audited required to undertake human rights due diligence in their supply chain? The question does not apply to primary production.*
Red: The companies that are being audited are not required to exercise human rights due diligence.
Yellow: The companies that are being audited have been advised to exercise human rights due diligence, but this not monitored.
Green: The companies that are being audited are required to exercise human rights due diligence, and the implementation of this requirement is reviewed during audits.
- *Does the scheme recommend or require responsible purchasing practices from the companies using auditing/certifications (e.g. longer sourcing agreements, different guaranteed price mechanisms or an increase in the use of certified/audited raw materials)?*
Red: The scheme does not take a position on companies' purchasing practices.
Yellow: The scheme gives recommendations on companies' purchasing practices. Compliance with these recommendations is not compulsory. OR The purchasing recommendations given by the scheme are marginal.
Green: The scheme requires that companies have responsible purchasing practices.
- *Is freedom of association actively advanced?*
Red: Freedom of association is not actively advanced.
Yellow: Freedom of association is actively advanced through some individual activities.
Green: Freedom of association is actively advanced in many different ways.
- *Is the payment of a living wage a requirement? If so, how is the criterion implemented?*
Red: Payment of a living wage is not a requirement.
Yellow: Payment of a living wage is a requirement, but no sufficient tools exist for the implementation of this criterion or these are only now just being developed.
Green: Payment of a living wage is a requirement, and sufficient tools exist for the implementation of this criterion.
- *Are criteria/audits adjusted according to the specific issues in each high-risk country?*
Red: Criteria and audits are not adjusted according to country-specific risks.
Yellow: The number of audits is adjusted according to the country's risk classification.
Green: Criteria and audits are adjusted according to country-specific risks.
- *Does the scheme have a chain of custody standard in place for audited/certified raw materials?*
This question is not assessed.
- *How large a proportion of raw materials must be in accordance with criteria before a claim of responsibility can be made about a product?*
Red: A consumer product can carry the scheme's logo or a text that references it, even when the product is less than 10 per cent certified or audited.
Yellow: A consumer product can carry the scheme's logo or a text that references it, when the product is at least 30 per cent certified or audited.
Green: A consumer product can carry the scheme's logo or a text that references it, when the product is at least 90 per cent certified or audited.
- *What support procedures does the scheme have in place for audited companies/producers that have not passed audits or have problems in fulfilling the scheme's criteria?*
Red: The scheme does not have any support procedures in place for individual companies/producers.
Yellow: The scheme's support procedures are only just being developed.
Green: The scheme has support procedures in place for individual companies/producers.
- *Are the long-term impacts of the scheme's implementation systematically monitored? Have indicators been identified for the assessment of impacts?*
Red: The scheme does not systematically monitor the long-term impacts of its work.
Yellow: The scheme monitors impacts, but does not have set indicators and/or its indicators are inadequate and/or the impacts are not assessed systematically.
Green: The scheme monitors the impacts of its work using indicators of a high standard.

If a scheme has set a deadline by which a reform must be implemented this has been interpreted as an advantage for the scheme during comparison. Reforms for which no clear deadline has been set have not been taken into account. Assessments were conducted by first adding up all the green scores that a scheme has received and, after this, subtracting all the red scores the scheme received from the total.

ANNEX 2. Most common accredited or otherwise approved auditing firms

	BCI	BSCI	FLA	FWF	FSC	Global Coffee Platform	ICTI CARE	ISCC	ProTerra	Reilu kauppa	RSPO	RTRS	SA8000	SGF	SAN/RA	UTZ
Bureau Veritas	X	X			X		X	X			X		X			X
Control Union Certifications	X				X	X					X	X				X
DNV GL		X			X	X		X			X		X			X
Intertek		X					X	X			X		X	X		
SGS – Société Générale de Surveillance	X	X			X		X	X				X	X			X
TUV NORD CERT		X			X			X			X		X			X
TUV Rheinland Group / DIN CERTCO		X			X		X	X			X		X			X

Sources:

BCI, Approved Verifiers, <http://bettercotton.org/wp-content/uploads/2015/04/BCI-Approved-Verifier-List-2014.pdf>, referenced on 19.4.2016

BSCI, Service Provider Directory – Auditors <http://www.bsci-directory.org/auditors/view/fa.php>, referenced on 19.4.2016

FLA, Accredited Monitoring Organizations, <http://www.fairlabor.org/transparency/fla-accredited-monitoring-organizations>, referenced on 19.4.2016

FWF, Alba Leon, telephone conversation 15.9.2015

FSC (via ASI), Certification Bodies for FSC, <http://www.accreditation-services.com/archives/standards/fsc>, referenced on 19.4.2016

Global Coffee Platform, List of Approved 4C Verifiers, <http://www.4c-coffeeassociation.org/assets/files/Documents/CodeVerification-EN/4C-List-Verifiers.pdf>, referenced on 19.4.2016

ICTI CARE, List of Accredited Audit Companies, http://www.icti-care.org/e/content/cont_page.asp?content_id=161, referenced on 19.4.2016

ISCC, List of Certification Bodies, <http://www.iscc-system.org/en/certification-process/certification-bodies/recognized-cbs/>, referenced on 19.4.2016

ProTerra, Approved Certification Bodies, http://www.proterrafoundation.org/files/PTF_Approved_Certification_Bodies.pdf, referenced on 19.4.2016

Fairtrade, Certifying Fairtrade, <http://www.fairtrade.net/about-fairtrade/certifying-fairtrade.html>, referenced on 19.4.2016

RSPO, Certification Bodies, <http://www.rspo.org/certification/bodies>, referenced on 19.4.2016. RSPO accreditation of Control Union Malaysia was temporarily suspended on 31 December 2015.

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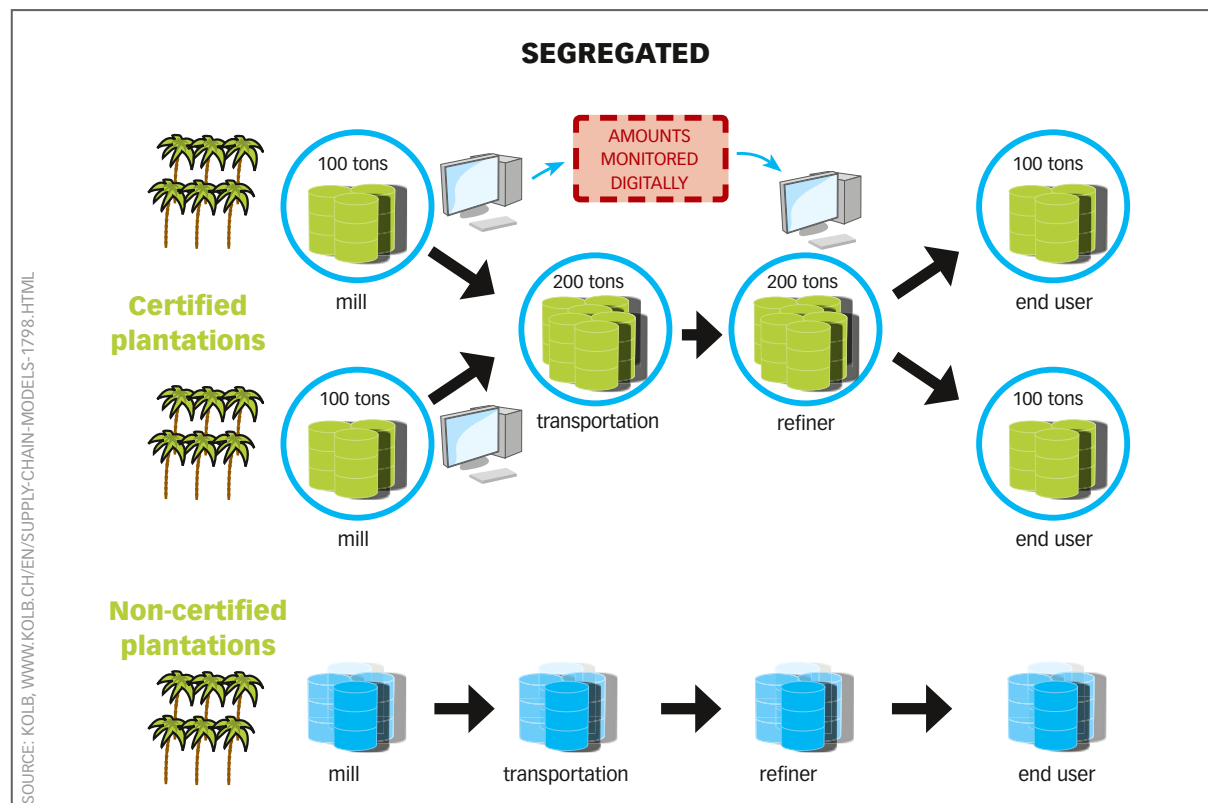
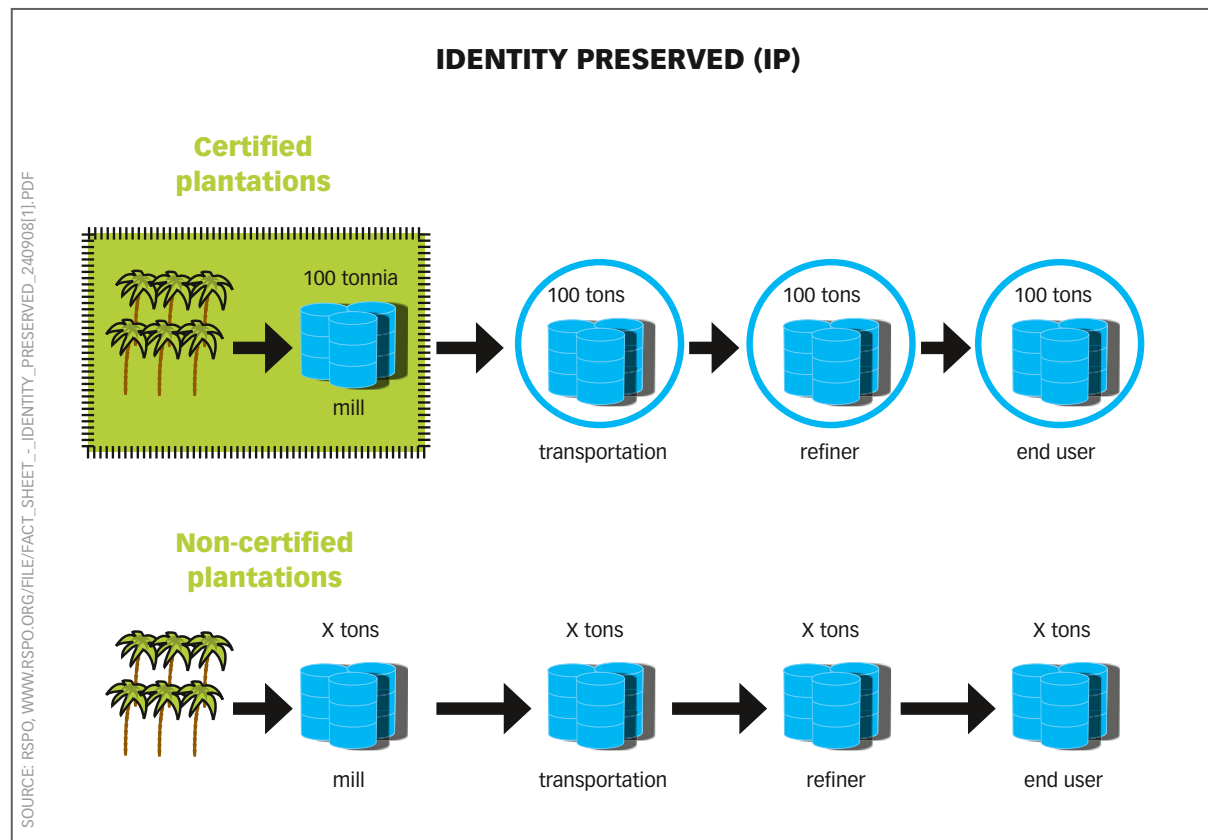
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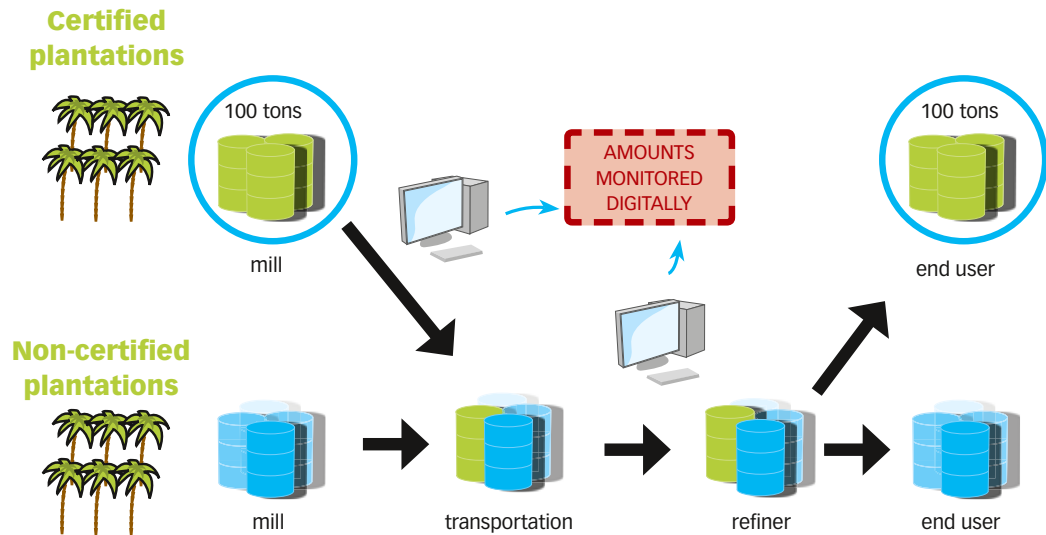
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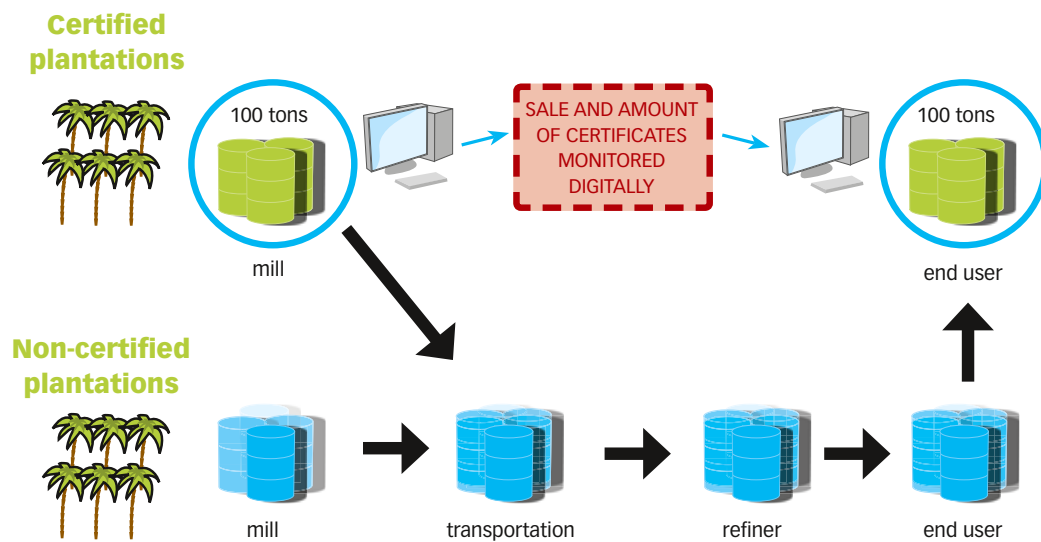
ANNEX 3. RSPO Chain of Custody standards



MASS BALANCE



BOOK AND CLAIM CERTIFICATION





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