

ISES

2020

(International Social and Environmental Standard)

Contents and Implementation

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List of Abbreviations

BMZ	Ministry of Economic Cooperation and Development (Bundesministerium fuer Wirtschaftliche Zusammenarbeit und Entwicklung)
CAP	Corrective Action Plan
GTZ	Deutsche Gesellschaft fuer Technische Zusammenarbeit GmbH
IGEP	Indo-German Export Promotion Project
ILO	International Labour Organization
ISO	International Organization for Standardization
ISES 2020	International Social and Environmental Standards
SAI	Social Accountability International
SA 8000	Social Accountability 8000
UN	United Nations

Introduction

Customers in the western world set high standards for retailing companies and their products. They do not only demand for an outstanding product quality and an excellent value for money, but increasingly also request a compliance with social and environmental standards in the production process. If customers are doubtful about the social and environmental acceptability they will choose a different product.

Numerous international campaigns, customers and NGOs increase the pressure on companies by publishing violations of human rights and minimum social and environmental standards. The increased world trade has the effect that an organization or company is capable of affecting and being affected by a wide range of different stakeholders. For reasons of competitiveness it is evermore essential responding to the increasing demands in social and environmental performance. The concept of social and environmental responsibility has economic effects for the company and its competitiveness.

Companies interested in demonstrating that they and their suppliers are honoring social accountability standards have the possibility to have that fact certified with the ISES 2020 (International Social and Environmental Standard) and through an auditing process.

The aim of this guidance document is to serve as a manual to those companies who want to establish a system of corporate social responsibility by implementing minimum social and environmental standards based on the ISES 2020. This manual is intended to serve as a technical guide for the implementation of its eleven requirements, giving precise information on the requirements and showing practical methods to meet them. Using the guidance document in the daily practice enables the company to additionally get economic benefit from necessary changes and to comply with the ISES 2020 and to meet with minimum social and environmental standards in the world-wide production of consumer goods. The manual is intended to support companies to prepare for the audit process.

IGEP and Its Role

The Indo German Export Promotion (IGEP) started in 1988 as a joint trade promotion programme of the Indian Ministry of Commerce and the German Ministry of Economic Cooperation and Development (BMZ). It was implemented by the Deutsche Gesellschaft fuer Technische Zusammenarbeit (GTZ) GmbH. Since July 2005, IGEP is working as a private company.

Focusing on trade promotion with Germany and other European countries, IGEP has ever since played an important role in promoting Indian exports. Important product sectors promoted by the project are jewellery and silverware, leather products, silk and handloom products, handmade carpets, handicrafts, software and electronics, automotive components, plastic products as well as castings and forgings.

The cooperation between IGEP and Indian companies focuses on services rendered to promote the companies in India and abroad. These services comprise giving advice and counseling, rendering of market information, facilitating long term business relations, monitoring and influencing framework conditions as well as marketing activities through specialized fairs.

A specific focus in the services has always been put on the increasing relevance of compliance with social and environmental standards. To support companies to meet high customer standards for products manufactured under socially and environmentally acceptable conditions, IGEP has developed the ISES 2020. The standards and the auditing process ensure compliance with minimum social and environmental standards at the production sites and can cover the whole value chain.

Scope and Use

The present guidance document is intended to support companies who are in the process of adopting the ISES 2020 in self assessing the compliance with the minimum social and environmental requirements and in this way in preparing for the audits. For this purpose the manual provides the companies with necessary detailed information about the requirements and practical measures to ensure compliance. Used in the daily practice the guidance document helps the implementation process of ISES 2020.

After a short presentation of the audit process, the single requirements are presented in detail, always considering the national legal regulation. In many cases laws might vary from state to state and from industrial sector to industrial sector. The manual will give you the basic legal parameters. It lies in the responsibility of the companies to find out the exact legal requirements for the state and sector the company is working in. IGEP will offer a backup on legal questions.

To ensure a successful implementation of the social and environmental standards the guidance document further provides a checklist for self monitoring and measures to be taken to reach compliance with the requirements. The two sheets for self evaluation and for improvement serve as a practical tool for the companies to verify the status quo regarding the eleven requirements of the standard. Both are designed to be a tool for daily practice to the company during the preparation phase as well as during the circle of continuous improvement. As part of the daily company routine in this way it enhances the sustainability of measures taken and of the overall social and environmental performance.

ISES 2020

The ISES 2020 is the revised and advanced former ISES 2000, which was developed in 1995 / 96. The ISES 2020 comprises ten years of work and audit experience with the ISES 2000 with various companies of different sectors. The adapted standard furthermore deeper integrates environmental aspects than before. Further amendments in the field are tested at present and will be included after careful evaluation.

The ISES 2020 relies on the responsibility of the companies complying with the national regulations under labour, social and environmental law in India and relevant international conventions and declarations as mentioned below.

For companies and suppliers, the benefits of adopting ISES 2020 are significant. The widespread integrated management system of ISES 2020 based on the philosophy of a total quality management covers the fields of social accountability, health and safety as well as environment. It has a direct effect on the product, work and production quality of a company. It not only addresses relevant aspects to the employer but also treats issues important for the employees of a company, customers and or other stakeholders. The improvement of working conditions and reduction of pollution has a direct effect on ameliorating production efficiency, leading to positive impacts on the competitiveness of the company.

A commitment in improving working conditions and environmental aspects can lead to various benefits for a company, for example enhancing the reputation of the company, improving of the employee recruitment as well as gains in quality, productivity and profitability. An increased organizational efficiency as well as the compliance with national and international laws and regulations are further advantages employers can gain by adopting the ISES 2020.

Benefits for employees and workers are generally better working conditions including the guarantee of minimum living wages, guaranteed times off for recreation, a more secure work environment, fewer accidents and an increased awareness of labor rights.

For other stakeholders the benefits of companies adopting ISES 2020 lie in the improvement of environmental conditions as well as in a clearer more credible and transparent information system about the social and environmental responsibility. An identification of companies making progress towards humane working and living conditions becomes possible. Also customers and investors can on this basis take ethical purchasing and investment decisions.

A specific characteristic of the ISES 2020 and its auditing process is the combination of assessment and assistance. Certainly a central aspect of the audit is the assessment and evaluation of the compliance with the requirements of the standard. But the ISES 2020 approach goes beyond and gives assistance and consultancy services to the companies who are adopting the standard. Non compliance with aspects of the requirements does not lead to exclusion of certification. IGEP has chosen an approach of cooperation with the companies. In case of non compliance the auditors and IGEP will together with the company develop a corrective action plan (CAP). The CAP contains measures that have to be implemented to meet the minimum social and environmental standards and be accredited. This form, of consultancy promotes the companies in improving organizational and productive efficiency and hence national and international market competitiveness. Only in cases of total unwillingness and disinterest in setting socially and environmentally compliant, companies will be excluded from the certification process.

A further particularity of the ISES 2020 is the holistic approach. This covers on one side all production steps and production groups, integrating the supply chain with regard to social and environmental issues. On the other side the ISES 2020 approach includes a total quality management focusing not only on aspects of production, but as well on a personal management system, aspects of accounting and of continuous improvement.

Legal Framework of the ISES 2020

The framework of the ISES 2020 is constituted by national regulations under social, labour and environmental law of India and complies as well with international conventions declarations and internationally applicable certification system SA 8000 of Social Accountability International (SAI). To facilitate the work with European companies ISES 2000 and 2020 have been given to the Foreign Trade Association of the German retail Trade in Cologne, which formed on this basis the Business Social Compliance Initiative (BSCI, Brussels).

If there are discrepancies at points where national and international regulations overlap, it is recommended to follow the more stringent rule as long as this is possible and implementable without violating national principles.

National Legal Regulations

The national legal requirements are applicable particularly with respect to:

- Working time
- Compensation
- Social security contributions
- Minimum age of employees / child labour
- Ban on forced labor
- Disciplinary measures
- Freedom of association and collective bargaining
- Ban on discrimination
- Working conditions
- Health and safety

- Environmental issues
- Legal requirements for accommodation of employees (dormitories)

Important laws and acts to consider are:

- Factories Act
- Apprentice Act
- Material Benefits Act
- Bonded Labour System (Abolition) Act
- Equal Remuneration Act
- Trade Union Act
- Industrial Disputes Act
- Minimum Wages Act
- Payment of Wages Act
- Employees Provident Fund Act
- Employees State Insurance Act

International Regulations

The ISES 2020 is based on internationally recognized standards developed by different organizations. It is oriented on the core labor standards of the International Labour Organization (ILO) as well as the Universal Declaration of Human Rights and the UN Convention on the Rights of the Child.

The following working standards are applicable:

- ILO Convention 29 and 105 (Forced and Bonded Labor)
- ILO Convention 87 (Freedom of Association)
- ILO Convention 98 (Right to Collective Bargaining)
- ILO Convention 100 and 111 (Equal Remuneration for Male and Female Workers for Work of Equal Value, Non Discrimination)
- ILO Convention 135 (Worker's Representative Convention)
- ILO Convention 138 and Recommendation 146 (Minimum Age and Recommendations)
- ILO Conventions 155 and Recommendation 164 (Occupational Safety and Health)
- ILO Conventions 159 (Vocational Rehabilitation and Employment of Disabled persons)
- ILO Convention 177 (Home Work)
- ILO Convention 182 (Worst Form of Child Labor)
- Universal Declaration of Human Rights
- The United Nations Convention on the Rights of Child
- The United Nations Convention to eliminate all forms of discrimination against women

ISES 2020- Process Steps and Audit

The ISES 2020 implementation and audit process can be separated into six different phases, in which the first three phases represent a linear process. The self assessment phase and the first audit follow the awareness raising phase. After that a cyclic process, the cycle of improvement consisting of the audit, the correction phase, the implementation phase and the re-audit follows. These four phases have a cyclical progression as they are repeated in case of non conformance with one or more requirements and or after a period of three years as a re-evaluation process. This assures continuous improvement together with the special and unique characteristics of ISES which consists of unannounced counties. All manufacturers must agree to them at the beginning of the certification process. They are all integral part of the ISES work and can be carried out at any time.

Awareness Raising Phase:

During an awareness raising workshop the main aspects of corporate social responsibility and the ISES 2020 are being explained. This first phase is meant as introductions in which the requirements of the ISES 2020 are being explained. During the workshop a guidance document is handed out. It gives detailed information about the single requirements of the standard and supports the self assessment process and preparation for the coming audit process.

Preparation and Self Assessment Phase

For reasons of cost and efficiency a careful preparation for the audit is recommendable. Following the introductory workshop the company should start the self assessment phase on the basis of the information and the sheets for self assessment and for improvement.

Steps to be taken to prepare for the audit:

- Perform self assessment on the basis of the ISES 2020 checklist and evaluation sheets.
- Correction of deficiencies found wherever possible before the date of the audit.
- Provide authors and audit company with all the information they require and ask for.
- Persons responsible for the relevant areas shall be available during audit. They have to be prepared in advance using the guidance document.
- Make available a separate room for the auditors if possible.

IGEP will give necessary advice and coaching during each stage of this pre audit phase.

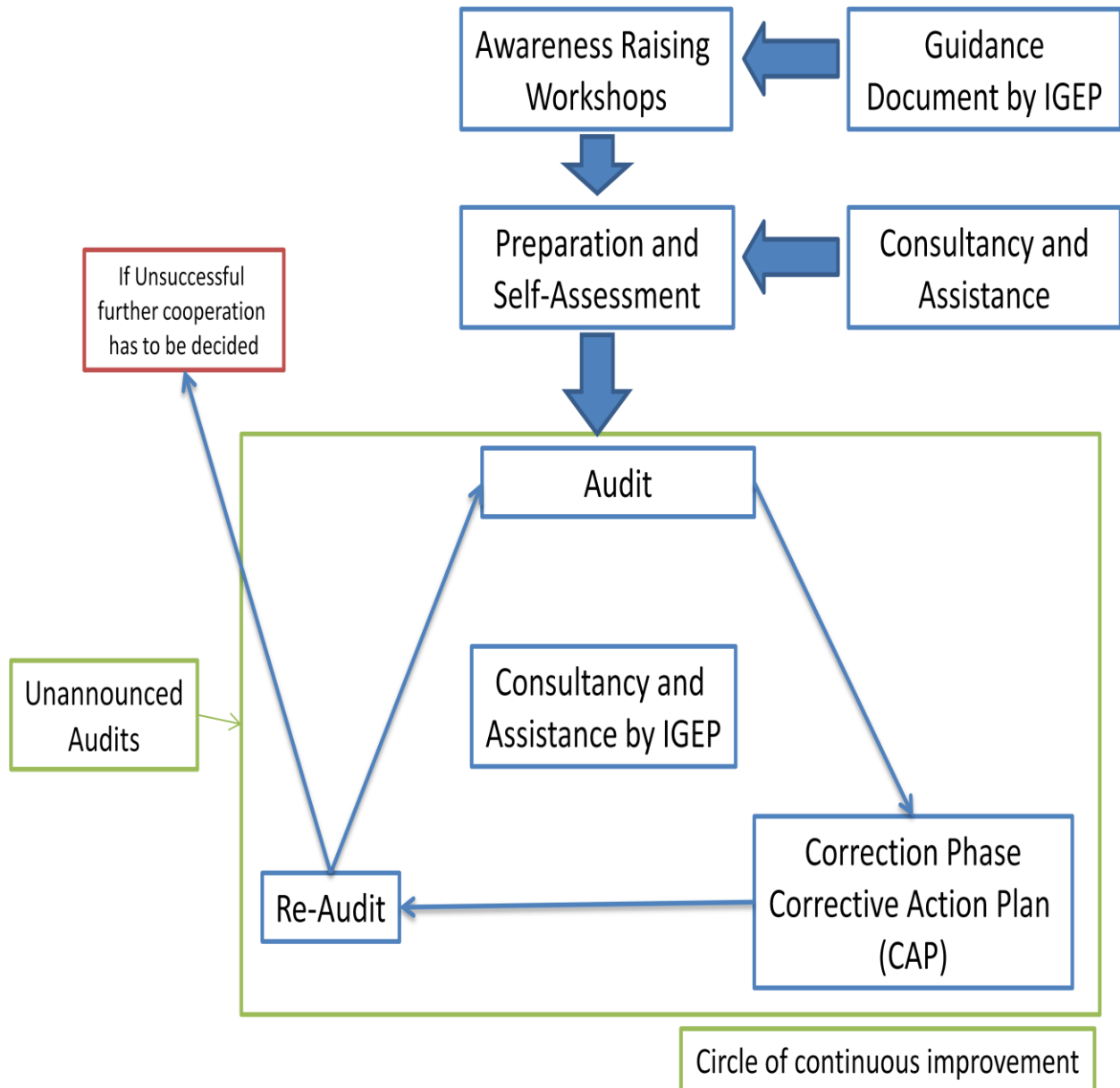


Figure 1: Phases of the ISES 2020 - Audit Approach

Audit

After thorough preparation the company should arrange for the first audit being conducted at the company. The audit will be conducted by audit and certification companies and/or specially trained auditors. The purpose of this audit is to analyze the social and environmental performance of the company, in order to identify any need for improvement and to agree on appropriate corrective action where necessary.

Normally the first audit serves as a survey, with the help of which the necessary corrective actions are arranged between the auditors, the company and IGEP. In case of a careful preparation on this basis, simple corrective actions should be implemented immediately. Further more complicated actions necessary for compliance are to be carried out according to an agreed time plan (normally max, six months)

The audit itself is conducted systematically, uniformly and completely. The auditors are subject to an obligation of neutrality. The audit normally comprises the following components:

- Introductory Meeting:

The introductory meeting is for the participants to introduce themselves and to clarify the framework conditions, such as the procedure and time of audit, which persons should be available, what documents will be examined and the clarification of outstanding questions.

- Interview with the management:

The interview serves as a further intensive information exchange with the company. In the case of the audit it may be repeatedly be necessary to clarify matters with the company's management. Part of the interview will be the answering of the questionnaire.

- Inspection of the documents:

Numerous documents have to be examined and checked during the audit, in order to assess whether they comply with the requirements. The auditor has to be given full access to all personnel files, and book keeping documents, etc.

- Site Inspection:

During the audit the auditor will inspect the site of the company. Main matters of inspection are the fire protection equipment, emergency exits, health and safety matters, machines and electrical equipment, room temperature, ventilation and lighting, general cleanliness, sanitary facilities and required social amenities.

- Interviews with employees:

One of the elements in a complete audit is the conduct of interviews with the employees in the company, particularly from the production area. These interviews are used to check matters which cannot be properly assessed by means of documents, by site inspection or by interviews with the top management.

Anonymity must be maintained. The employees to be interviewed must be selected without the knowing and influence of third parties. During the interview no further person may be present apart from the auditor. Employees interviewed have special protection. Any exertion of influence on employees before the interview, or disadvantages for employees who have been interviewed will lead to marking down of the audit results or in the worst case to invalidity of the audit.

- Report based on Audit Results:

Based on the information of the documentation check, the site inspection and the interviews, the auditor determines the audit results and composes a written report.

- Final Meeting:

At the end of the audit a final meeting is held with top management. The audit results with necessary corrective actions are discussed in detail. The corrective action plan has to be agreed by the responsible manager. This meeting automatically leads into the next phase.

Correction and Implementation Phase:

This is a phase of constructive cooperation. Based on the results and reports about the audit, corrective actions are being developed where the auditor found non-compliance with the requirements. A final social and environmental audit report sums up the results of the audit and the developed corrective action plan.

The next step is the implementation of the corrective actions. Depending on the intensity, extent and complexity of such corrective actions, this may range from simple checks on implementation to additional awareness raising measures right up to intensive training programmes. A realistic period must be set for implementation of each corrective action plan. Some suggestions for the implementation process are:

- Start with implementation of actions which prevent dangerous situations for employees and or for the company.
- Then implementation of actions that involve a small amount of effort and can be realized with the means available.
- Preference shall be given to those actions where an additional economic benefit can be likely expected for the company.

During the implementation phase it is important to get together with the responsible people and or employees affected by the corrective actions, and generate an action plan for implementation as well as identify possible solutions together. This integrates the employees in the process, enforces their identification with the process and qualifies them at the same time.

The implementation of corrective actions normally requires additional know how and trained personnel to recognize deficiencies in different areas of a company and to create know how so that the problem can be solved in future immediately by the employees themselves. A good training in the use of machines and tools enables the employees to better protect themselves. Furthermore a good training in the use of machines and tools enables the employees to better protect themselves from accidents. This also has a effect on the product quality.

During this phase IGEP supports the companies where necessary with consultancy services. A close cooperation during this stage is important to realize a sustainable change and to avoid unnecessary costs for the companies.

Re-Audit:

The re-audit is to check implementation of the corrective actions taken and whether the deviations found in the previous audit have been corrected. In case of non-conformities during the first audit, a re-audit has to be placed after elapse of the implementation period agreed within the CAP of 6 months after the previous audit.

If the corrective actions meet the requirements a second audit cycle will take place after two years to monitor the current situation at the company and to evaluate the development during the past years. For safe guarding a continuous improvement and the sustainability of measures unannounced control visits are carried out, normally two times within one year.

Definitions:

The following terms are used within the ISES 2020 and present throughout the guidance document and require definition.

Child: Any person less than 15 years of age, unless local minimum age law stipulates a higher age for work or mandatory schooling, in which case the higher age will apply. If, however the local minimum age law is set at 14 years of age in accordance with developing country exceptions under ILO Convention 138, the lower age will apply. If the work is hazardous it will be tried to convince the company to employ no persons under the age of 18 years. Exceptions can be made if special regulations are agreed for apprentices.

Child Labour: Any work done by a child younger than the age specified in the above definition of a child, except as provided for by ILO recommendation 146.

Corrective Action: Actions taken to prevent the recurrence if there is non conformance

Forced Labour; All work or service that is extracted from any person under the menace of any penalty for which said person has not him / herself voluntarily agreed. Forced labour can also take a form of bonded labor, where debts are used to keep workers in a situation of bondage. In these case workers are not allowed to leave until their debts are paid off.

Interested Party: Individual or group concerned with or affected by the social performance of the company.

Remedial Party: Actions taken to remedy a non conformance.

Remediation (Rehabilitation) of Children: All necessary support and actions to ensure the safety, health, education and development of children who have been subjected to child labour, as defined above and are dismissed.

Subcontractor: A business entity in the supply chain which directly or indirectly provides the supplier with goods and or services integral to and utilized in / for the production of the suppliers / company's goods and services.

Supplier: The party that is responsible for the product, processor service and is liable to ensure that the social accountability is exercised. This definition may apply to manufacturer, distributors, importers, assemblers, service organizations etc.

Young worker: Any worker over the age of child as defined above and under the age of 18.

ISES 2020 – SOCIAL AND ENVIRONMENTAL STANDARDS REQUIREMENTS

The ISES 2020 covers eleven areas of requirements:

1. Management System
2. Child Labour
3. Forced Labour
4. Health and Safety
5. Freedom of Association and Rights to Collective Bargaining
6. Discrimination
7. Disciplinary Practices
8. Working Hours
9. Compensation
10. Upstream suppliers
11. Environment Protection

All eleven requirements have the same significance for a social and environmental performance of a company and for the auditing process. The ISES 2020 starts with the management system for corporate social and environmental responsibility. This is because the existence of at least basic management structures is of importance to implement minimum social and environmental standards on a continuous and sustainable basis. The management system gives the framework for the regulations of all other requirements and matters concerning the social and environmental performance of a company.

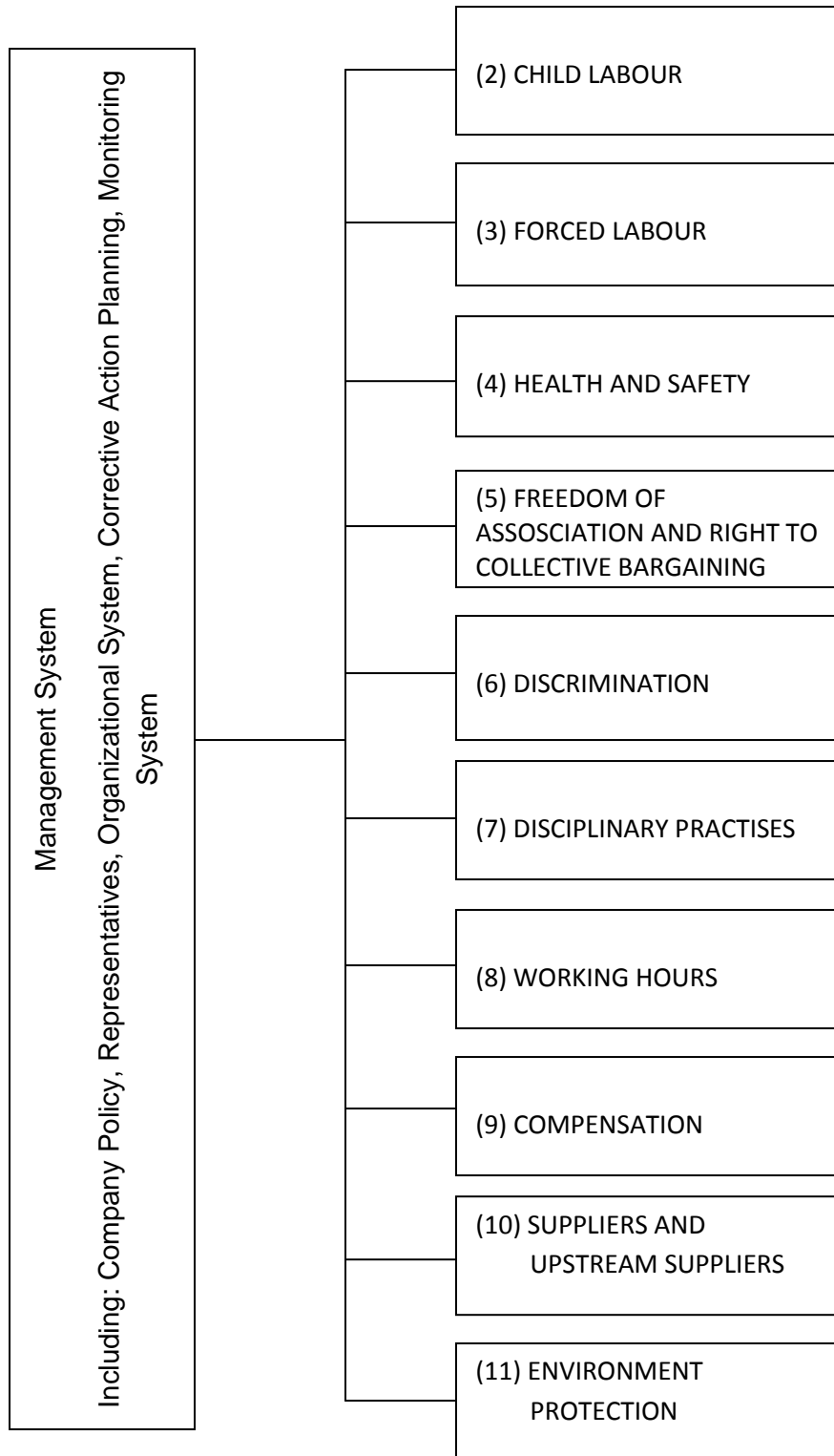


Figure 2: The eleven requirements of the ISES 2020