Council for Leather Exports

Social Compliance

- a Measure of Ethical Manufacturing Practices...

- an Imperative for Global Business Players...

Foreword

International Business can perhaps succeed in the short term on profit motive, but for a sustained presence in global markets, compliance with international standards on quality, labor and environment is necessary. Social compliance is increasingly being insisted upon by buyers in our major markets as the EU and USA. It is important that every member of our Council be made aware of the various Social Compliance parameters to be abided by in the working place. It is with this objective that the CLE, has brought out this informational pamphlet on Social Compliance. It also includes the CLE's initiatives on Social Compliance including importantly, that on the prevention of child labour. The Code of Conduct for CLE Members and the services offered by M/s Intertek, the CLE-empanelled agency for providing Social Compliance Services to members has been detailed. The Indian Government's constitutional and legal provisions prohibiting use of child labor have also been listed.

Social compliance is not to be seen as an imposition from outside but as a better way of conducting our business keeping the long term interests of all stake-holders in mind. It is in this spirit that the Council is endeavoring to play a proactive role in educating and encouraging members on social compliance adherence

It is hoped that this pamphlet will serve as a useful and ready reference on social compliance.

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SOCIAL COMPLIANCE

Social Compliance is an important parameter in international business today, and buyers from major global markets, are increasingly insisting on adherence to social compliance norms.

Social Accountability is the measure of an organization's state of being mindful of the emerging social concerns of internal & external stakeholders *(community, employees, governmental and non-governmental organizations, management, and owners).* It is reflected in the organization's verifiable commitment to certain factors *(which may or may not be tied directly to its processes)* such as **(1) willing compliance with employment, health and hygiene, safety, and environment laws, (2) respect for basic civil & human rights, and (3) betterment of community and surroundings.**

Social Compliance is the result of conformance to the rules of social accountability by the extended organization including not only the organization's own policies and practices but also those of its supply and distribution chains. It is a continuing process in which the involved parties keep on looking for better ways to protect the health, safety, and fundamental rights of their employees, and to protect and enhance the community and environment in which they operate. A social compliance program is usually based on adherence to rules of social accountability, established by certified conformance to international standards such as SA8000.

Importance of Social Compliance for Leather Products & Footwear
Leather Products like Garments, Accessories, Small Leather Goods, & Footwear are termed life-style consumer products. In recent years, through the efforts of Human Rights Organizations and media, consumers have become increasingly aware of suspected unethical labor practices throughout the world. This knowledge has put pressure on retailers and manufacturers to ensure that they supply ethically manufactured products.

Until recently, the assumption that manufacturers complied with local legal requirements was assumed to be monitored by local authorities. But retailers and manufacturers are beginning to act independently to ensure that fair and ethical labor practices are employed in the manufacture of their products. Doing so helps these companies ensure that their reputation is not tarnished by forces previously assumed to be out of their control.

India is a sourcing destination for many international brands for leather products and as sourcing by large American and European Buyers increased, it necessitated the advent of social compliance programs in the leather products & footwear factories. *All compliance programs are aimed at ensuring legal compliance to laws of the country/ region and going beyond that for improving workers' conditions in the export-oriented factories.* This is a relatively new business challenge for our industry, although major disturbing issues like child labor, minimum wages and health & safety at the workplace have been tackled quite successfully.

Major international players (Footwear Retailers, Department Stores, Chain Stores etc) who insist on Social Compliance/Audits, are well-known retailers like *Levis, Puma, Adidas, Decathlon, Artsana, Inditex,* who have also developed their own policies/ Code of Conduct (CoC). Many retailers request third party agencies to audit their suppliers' for compliance to the CoC. Some clients like *Marks and Spencer, Tesco, Debenhams* follow Sedex (Supplier Ethical Data Exchange) Methodology. If the facility is already certified for SA 8000, WRAP etc; they waive the Sedex Audits. Retailers like *Esprit, Migros and Metro* follow the Business Social Compliance Initiative (BSCI) audit methodology; while *Carrefour, Siplec* and some French clients follow ICS certification.

IMPORTANT SOCIAL COMPLIANCE PARAMETERS:

Compliance with all national laws and regulations - Organisations are required to abide by all applicable laws, regulations and standards applicable to the particular industry under the national laws of the countries where the organisation is doing business. Should the legal requirements and the standards of the industry conflict, organisations must comply with the laws of the country in which the products are being manufactured. Organisations should, however, strive to meet industry standards whenever possible. If state or local legal requirements apply to the organisation's manufacturing activities, they must comply with the state and local requirements.

Employment practices - Organisations are to respect its employees and strive to improve conditions whenever possible but in all instances to be in compliance with the specific requirements relating to employment conditions.

Wages & Benefits - Organisations shall provide wages, overtime compensation and benefits at not less than the minimum levels required by applicable laws and regulations, or which are consistent with the prevailing local industry levels, whichever is higher.

Working Hours - Organisations shall maintain employee work hours in compliance with local standards and applicable laws of the jurisdictions in which they are doing business. Unless the national law is different, the maximum standard working time is 48 hours per week or 60 hours per week including 12 hours of overtime work

Child Labor - Exploitation of child labor or any vulnerable group (illegal immigrants for example) is totally unacceptable. No person shall be employed at an age younger than the legal minimum age for working in any specific country and in no circumstance shall any worker be younger than 14 years of age. In general, all children under the age of 18 must not be employed in hazardous work; not work night shifts; and are entitled to more breaks than adults.

Forced Labor - The use of forced or involuntary labor is unacceptable. Organisations shall maintain employment on a voluntary basis. They are not to directly or indirectly use in any manner, forced labor or prison labor.

Non-discrimination / Human Rights - Cultural differences exist and different practices apply in various jurisdictions. However, all terms and conditions of employment should be based on an individual's ability to do the job and not on the basis of physical characteristics or beliefs. Employees must not be exposed to physical punishment, threats of violence or physical, sexual, psychological or verbal harassment or maltreatment.

Freedom of Association - Organisations must recognize their employees' rights to choose whether or not to associate with or establish any organization including labor organizations.

Working Conditions - Organisations must provide adequate working conditions for employees and comply with all applicable worker safety laws and regulations.

At a minimum, adequate working conditions include: Access to sanitation, drinking water, First Aid and emergency exits, Safety procedures for

hazardous activities and accident prevention, Proper maintenance of all machinery, Provision of meal breaks, Adequate ventilation, Temperature controls and lighting. Residential or resting facilities, if provided, shall also meet these minimum conditions.

Environmental - Organisations shall comply with all applicable environmental laws and regulations. This shall include having processes in place to ensure compliance with those regulations relating to the handling, recycling, and disposal of dangerous or hazardous materials.

INDIAN CONSTITUTIONAL & LEGISLATIVE PROVISIONS PROHIBITING CHILD LABOR-

Child Labor is a red-flag issue for all International Buying Groups/Retail Chains, Stores, Individual Brands/Buyers, etc. The Government of India has stringent legislative and legal provisions prohibiting child labor deployment across sectors. For ready reference of members, *Constitutional Provisions of the Government of India and Legislative Provisions under Indian Law,* prohibiting Child Labor are given below:

Legislative Provisions Prohibiting Employment of Children under Indian Law:

- *As per the* **Child Labor (Prohibition & Regulation) Act, 1986** **"child"** *means a person who has not completed his* **14th year of age.**
- *The Act prohibits employment of children in* **16 occupations and 65 processes** *contained in Part A & B of the Schedule to the Act (Section 3). In the list of Processes in Part B of the Schedule at Sl. No: 9 is listed* **"tanning"** *and at Sl. No: 46 is listed* **"Skinning, dyeing and processes for manufacturing of leather and leather products."**
- *Any person who employs any child in contravention of the provisions of section 3 of the Act is liable for punishment with imprisonment for a term which shall not be less than three months but which may extend to one year or with fine which shall not be less than Rs 10,000 but which may extend to Rs 20,000 or both. (Section 14).*
- *The Central and the State Governments are to enforce the provisions of the Act in their respective spheres.*

Constitutional Provisions of the Government of India against Child Labor :

Article 21 A : Right to Education - The State shall provide free and compulsory education to all children of the age of 6 to 14 years in such manner as the State, by law, may determine.

Article 24 : Prohibition of Employment of Children in factories, etc.- No child below the age fourteen years shall be employed in work in any factory or mine or engaged in any other hazardous employment.

CLE'S INITIATIVES ON SOCIAL COMPLIANCE INCLUDING CHILD LABOR :

Code of Conduct for the Members of the Council For Leather Exports

CLE has now adopted a *'Code of Conduct'* to be adhered to by members, as given below:

- *It will be the responsibility of the Members to ensure that the Minimum Age of Employment in all their production units is as permissible under Indian Law, and that no child labor is employed as prohibited by the Child Labor (Prohibition and Regulation) Act 1986 and the Factories Act, 1948.*
- *It shall also be the responsibility of each Member to ensure that such prohibitions on child labor are respected by any entity that performs production work on behalf of the Member outside of the Member's premises.*
- *In case of violation of the Code of Conduct, a Show-Cause Notice will be issued to the members by giving him/her an opportunity to explain the circumstances under which the violation has been made.*
- *The explanation so received will be placed before the Committee of Administration to enable it to decide action to be taken in respect of that violation.*
- *In case a member is found guilty of violating any of the terms of the Code of Conduct on more than two occasions, the Chairman and Executive Director, Council for Leather Exports will put the case before the Committee of Administration for a decision regarding de-registration of such members.*
- *It will be the responsibility of each member to ensure strict compliance to the Code of Conduct.*

- *The Code of Conduct shall apply to all members of the Council including Associate Members.*

EMPANELMENT OF M/S INTERTEK FOR SERVICES ON SOCIAL COMPLIANCE

Towards increasing member awareness about social compliance issues and facilitating social audit certifications, **CLE has empanelled M/s Intertek** as the agency which will provide advisory services to the Council and social auditing services to individual member companies. M/s Intertek, is an international organization providing customized testing, audit and auditing services on Social Compliance, Quality management systems, Product testing/inspections etc.

As part of advisory services to CLE, Intertek will be conducting awareness programs on social compliance and also providing periodic information updates on social compliance issues.

As part of its services to CLE member companies, Intertek will carry out social auditing of factory/production facility premises for international Social Audit Standards/Certifications as the SA 8000, SEDEX, WRAP, BSCI, WCA etc. at a **special negotiated rate.** Out of pocket expenses for travel, hotel or any other administrative charges as levied by the certification bodies and service tax would be extra.

It is to be noted however that CLE Member companies are free to use the services of any agency of their choice for advisory and testing/auditing/certification on Social Compliance.

Intertek is a leading provider of quality and safety solutions serving a wide range of industries around the world with more than 25,000 people in over 1,000 locations serving clients in more than 100 countries. A hundred-year old organization, Intertek helps local and global businesses and organizations ensure that their products and processes meet industry standards and consumer expectations for safety and quality.

Intertek Textile, Apparel, Footwear and Leather Goods Services - As these products are increasingly sourced from developing countries; Intertek has expanded to provide services near manufacturing sites and buying offices, towards facilitating a quick response to market dynamics. Intertek offers a range of testing, inspection; auditing and certification solutions to help global retailers, manufacturers and distributors meet increasingly stringent safety and quality standards.

Intertek is accredited to test according to national and international standards, such as European Standards (EN), GB Standards issued by the Standardization Administration of China (SAC), the Chinese National Committee of the ISO and IEC, American Association of Textile Chemists and Colorists (AATCC), ASTM International (ASTM), the US Consumer Product Safety Commission (CPSC), including to the new CPSIA, International Organization for Standardization (ISO) and more.

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NOTES

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