

Expert's View

Beyond the Checklist

Five-Tier Pyramid Approach in Social
Compliance Management Systems



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Preface

The now and then in Social Compliance Programmes

An effective way in modern training techniques is to start the training with a funny story related to the training topic, which will make the training session more enjoyable and leave a stronger impression on the training objectives among audience.

Our experts are invited from time to time to deliver training and sharing at public and private occasions around social compliance. When they speak on management systems in social compliance programs, they usually start the sessions with a story about our CSR expert being concerned if an auditor uses the term Checklist to refer to the documentation that drives the audit process. “Our professionals are not call ‘checklist-fillers’ – they are auditors and they get that designation for a reason!”

Over the years, most social compliance audit programs evolved from a “checklist” approach - where auditors use a list of requirements to tick yes/ no against, to a “Management Systems” approach, where auditors need to objectively verify the effectiveness of

processes and practices implemented, through interconnected audit processes, and use holistic professional judgment to triangulate the collected objective evidences. In other words, the ‘checklist’ approach would let you know if fire extinguishers were accessible, but it wouldn’t show whether the facility ensures that they are accessible all the time. Management Systems audit approach would.

To put it simple, there is limited insightful information one can collect from checklists to determine truly the level of compliance of the sites that are being audited. On the contrary, the Management Systems approach, despite much greater effort would be involved, would sustain a sensible judgement on the real conditions.



CHECKLIST APPROACH

Is there child labour?

Do employees work only legally required hours?

Are fire extinguishers available and properly charged?

Are workers subjected to harassment and abuse?

MANAGEMENT SYSTEMS APPROACH

How the facility ensures compliance with minimum age requirements?

How the facility ensures employees work only legally required hours?

How the facility ensures all fire extinguishers are available and properly charged?

How does the facility ensure that workers are not subjected to harassment and abuse?

With the backdrop of how auditors measure performance, let us consider how that translates into the steps and actions a facility can take to demonstrate compliance and perform better in audits based on the Management Systems approach.

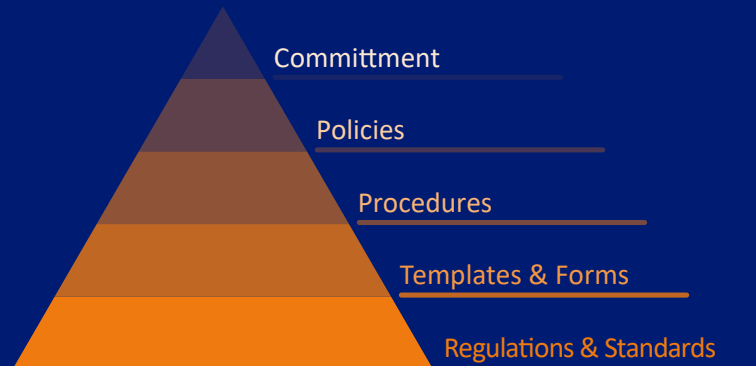
Explaining Management Systems approach

There are many ways to explain how to develop and adopt management systems approach. The most common one is likely the traditional PDCA - “Plan, Do, Check, Act” cycle that aims at implementing changes and achieving goals.

However, we will try here to look at this differently, and to simplify the idea so it can be useful for small or medium businesses which don’t have adequate resources to go through traditional or formal management system model.



A lighter and more *fit for purpose* model, referred to as the Five-Tier Pyramid, can be seen in the diagram below. The Five-Tier Pyramid is applicable to different organisations and can be interpreted easily by various departments or teams that need to be involved in the social compliance process. By linking every-day tasks and tools, (e.g. forms and templates), that the teams handle often, and their mindsets (commitment), this approach allows an easy adoption throughout the organisations. We will try to take an example of the common Child Labour element to illustrate the approach.



Five-Tier Pyramid Approach

Commitment

Commitment is the tip of the pyramid, and the first management system element an organization should have when building the system. And as the tip of the pyramid, it is the smallest part of the it, the commitment documentation is similarly the least among the system documentation.

Commitment comes in different forms, such as a header in the employee handbook, or in certain articles in the employment contract. However, the most common form in the social compliance world is the company's written "Code of Conduct", where the company declares its commitment to comply with, and respect a number of principles concerning the welfare of their workforce, such as reasonable working hours, fair wages, no child labour, no forced labour and so on. Many companies would even include environment protection or anti-corruption to these principles to cover all business ethics elements. In Code of Conduct, commitment to each of these principles is normally stated in a few lines without specific steps the company would take to comply with these principles. That's why the Code of Conduct is normally a page or two. The specific steps and practices would come in the following tiers of the pyramid.

Commitment does not normally relate to companies' sizes, operations, or industries, that's why codes of conduct from different companies can be very similar. It's also worth mentioning that management system would not be complete and efficient without these commitments from top management. Companies may also adopt existing codes of conduct such as the ones used in collaborative programmes or by their key stakeholders.

An example of commitment for the child Labour element can be "The company will ensure that no children under the legal minimum age will be employed, either directly or indirectly, and will ensure that hiring workers between the legal minimum age and the age of 18 will follow all the local law requirements. This will also apply on subcontracted employees".

Policies

Policies are normally used for more detailed engagement with the social compliance elements mentioned in the commitment or the Code of Conduct. It needs more work and documentation. That's why it is bigger than commitment in the pyramid. A big portion of the work is the analysis of the company activities affecting social compliance elements.

Again, if we take the child labour element as an example, the company would need to assess and analyse their activities to decide if any of them is affecting the element of child labor and build policies for such activities. Obviously in this case, the activities of Human Resources come first, as they involve hiring new workers, then come activities such as in-house subcontracting, or using contractors for services such as security, cleaning, or receiving visitors. It's important to distinguish between commitment and policy, as in the example here, good practice is the company's commitment to not hiring underage workers (Code of Conduct element), while the company's activities to attain the commitment would be the policies for HR, in-house subcontracting, visitors, etc. It is always concerning when there is "Child Labour Policy" in a company, as it implies that they do hire children and need a policy to govern it, while it actually falls under commitments not policies.

Of course, some code of conduct elements such as health and safety or environment, would require more technical analysis and specialised qualified personnel to identify the required policies.



Policies

Also, as we can see, to cover one element of the code of conduct, multiple activities (and consequently policies) would be considered. For example, HR policy would consider child labour, discrimination, fair employment conditions, wages, and hours, etc.

So, a good HR policy would include, among other contents, items such the following:

- 1 The company shall provide equal opportunities to all individuals in hiring, training and development, promotions, access to benefits, etc.
- 2 The company shall not hire employees younger than the legal minimum age of 15 years old, as explained in local law
- 3 In case juvenile workers are hired, the related department shall ensure their working conditions comply with the legal requirements of juvenile workers, as explained in local law.
- 4 The wages scheme in the company is based on skills, qualifications and seniority, which is evaluated upon hiring, and the starting salary for any employee shall be equal or more than the legal minimum wage.
- 5 The company adopts a disciplinary measures scheme that is in line with the legal requirements, this is described in the disciplinary action appendix in details.
- 6 The company does not allow harsh treatment, verbal or physical abuse of workers. All department managers will be trained on proper communication with workers.

Also, a good visitor policy would include, among other contents, items that can cover code of conduct requirements of H&S as well as child labour, such the following:

- 1 Visitors must comply with all internal company regulations.
- 2 No visitors under the age of 18 shall be allowed in the production areas.
- 3 Visitors shall be acquainted with the internal H&S requirements.
- 4 Visitors shall always be accompanied by company personnel.



Procedures

Procedures follow policies in the management system pyramid, it is larger because for each element in a policy, a set of procedures (detailed actions) might be required to ensure the policy's objectives are achieved, which also describes the easiest way to create a good procedure.

Generally, there should be procedures to ensure requirements are met comprising elements that are:

- ✓ Preventative – keep issues from occurring;
- ✓ Detective – identify instances where preventative efforts have failed and issues occur;
- ✓ Corrective – resolve identified issues.

If we take the example of HR policy above, and try to create procedures for each of the points described, we should come up with many different procedures, to name a few:

- 1** Hiring procedures that describe the exact steps followed when hiring new employees. The steps should include, among others, age verification methods HR department would follow to ensure minimum age policy is followed, what age documents are acceptable, and what records need to be kept in personnel files. Hiring procedure would also include steps they follow to ensure equal opportunities are provided when hiring, for example ensure that job ads and application forms don't include references to potential discrimination criteria such as gender, religion, marital or pregnancy statuses, etc.
- 2** Juvenile worker procedures that would describe working conditions of juvenile workers in terms of hiring requirements, approvals, working hours restrictions, hazard restrictions, etc.
- 3** Wages procedures that describe the detailed wage systems and schemes in the company, including how salaries are decided, how they are calculated, overtime premium details, deductions, benefits, bonus schemes, payment frequencies and methods, etc.
- 4** Disciplinary procedures that describe violations and corresponding disciplinary measures, investigation process, appealing process, improvement plans, etc.
- 5** A good practice also is to have procedures for internal checks or reviews to detect any gaps happened when applying the above mentioned procedures, and also include what measures to be taken when such gap happen.

In a nutshell, procedures are the description of detailed practices different departments in the company follow in their day-to-day operations.



Templates and Forms

Templates and forms are the tools a company would use to document day-to-day operations described in the procedures. They are essential elements to ensure work is done systematically as required, and also to document and record these tasks.

It is often easier, especially for big companies, to accomplish this daily work when employees have the proper forms to use. The need for these templates and forms might not be very clear in smaller companies, for example, in a company with only 5 employees, it might be easy to manage HR function with very few forms or templates, maybe even just the employment contracts would serve the purpose. However, as the number of employees increases, management would definitely need to start using proper templates for different activities, such as job applications, employment contracts, leave and benefit records, training records, attendance timesheets, detailed payroll sheets, pay slips, etc.

It is up to the company to decide the nature and format they see fit for their operations and functions, and also the context of the intended social compliance management system, the content of these forms should reflect the objectives of the procedures and hence the commitment, for example, the job application will include a question about age to verify minimum hiring age, while it should not include questions leading to discrimination concerns such as religion or race. The visitors' and subcontracted workers registers shall also include similar age checks fields.



Regulation and Standards

This element is the base of pyramid, it contains the criteria that we build this pyramid for. We cannot create proper policies and procedures, even commitment, if we don't know what we want to comply with.

The base is the largest part of the element as it comprises of many different sources such as:



It's possible that requirements and criteria are different between these standards, in that case the company needs to follow the strictest ones.

It's essential that the company keeps themselves updated with these regulations and standards, and continuously assess their systems and update them accordingly.

Summary

Above all, implementation of the management system requires good communication and training of staff, assigning the required personnel and resources, and close monitoring and follow up on the accuracy and effectiveness of implementation. Regular review of the procedures is key here.

The management system would also include other criteria that serves requirements such as quality and productivity, for example, when drafting the hiring procedures, elements of the candidates professional qualifications will be included to ensure the right personnel are hired, when drafting the working hours procedures, elements of production planning and capacity calculation will be considered to ensure productivity are not jeopardized.

It's also important that a proper risk analysis and assessment is done to priorities issues that are common in local communities and in the industry the company work in, for example child labour is common in some regions while it is not in others, and common in some industries and not in others, so although it is a topic of high importance in general, but other common elements can be priorities in the local context.



About Eurofins Consumer Products Assurance

The Eurofins Consumer Products Assurance (CPA) network of companies offers comprehensive supply chain assurance to various industries on their quests towards compliance and performance improvement around social, environmental, security, technical and product quality.

With the full-range audit and inspection services available globally, coupled with our signature solution QA/QC Programme, we support different stakeholders in the supply chain in becoming more successful and responsible businesses, achieving risk mitigation, brand protection, supply chain optimisation and customer satisfaction.



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