

Social Responsibility Best Practices	SUBJECT Social Responsibility Corrective Action Plan (CAP)	LAST UPDATE July 2018
	APPLIES TO <ul style="list-style-type: none"> Suppliers Distributors 	FOCUS ON Steps To Conducting A Successful Corrective Action Plan (CAP) With Suppliers In The Area Of Social Responsibility
	QUICK LINKS <ul style="list-style-type: none"> PPAI Social Responsibility: www.ppai.org/corporate-responsibility/social-responsibility/ UL Responsible Sourcing: www.industries.ul.com/responsible-sourcing Fair Labor Association: www.fairlabor.org/ 	Intended for intermediate compliance programs

Italic grey text indicates a hyperlink listed in the Online Resources section of this document.

Overview

Corrective action plans (CAPs) are designed to correct a substandard condition or non-compliance with requirements. Upon completion of a factory assessment and the discovery of an infraction against stated social responsibility requirements, the factory is likely to receive a violations summary detailing findings, corrective actions and a time frame for their implementation.

An effective violations summary should rank or grade the infraction (ex: low, medium, high risk and zero tolerance) based on your company’s established grading matrix. The summary should also include the time frame in which the vendor will have to implement the corrective action before a follow-up assessment is scheduled.

When applied properly, the CAP will improve processes and compliance with requirements. Failure of a vendor to continuously improve and strengthen working conditions and labor practices should result in the relationship being terminated.

Distributor Specific

Due to the standard promotional products industry business model, distributors must put a great deal of faith in suppliers with regard to social responsibility. Generally, suppliers have the relationships with factories and distributors do not have complete visibility into the supply chain. Ultimately, this can put the distributor at risk. The following steps will guide a distributor when establishing an effective social responsibility program within the confines of the traditional promotional products business model.

Remediation Process

1. Establish corrective action policies and procedures. Include ranking of requirements based on value or severity of activity.
2. Communicate requirements and expectations to vendor senior management. All requirements are to be communicated during the initial assessment. Upon completion of the audit the actual conditions will be compared to stated requirements.
3. Meet with vendor senior management to review violations and expected corrective actions. Use the completed audit to guide the meeting. Provide audit results in a clear and consistent manner. Be professional and candid with regard to expectations for remediation.
4. Provide vendor with a corrective action plan letter summarizing the results, meeting and agreed upon CAP.
5. Review progress towards compliance with stated violations. Stay in regular contact with vendor to receive status reports.
6. Continuously monitor progress and compliance with requirements. Upon completion of the CAP continue to monitor the vendor’s continuous improvement or potential lapses in consistent compliance.
7. Document and maintain records of all violations and remediation efforts. Proper documentation and consistent management are essential to continuous improvement.
8. Conduct a follow-up audit.
 - a. Passed audit
= business as usual and continue monitoring
 - b. Fail to remediate violations or discover new violations
= termination of relationship

Below is an overview of the remediation process to be implemented according to the grade received by the factory at the end of the assessment.

GRADE	ZERO TOLERANCE ¹	HIGH RISK (MAJOR CONCERNS)	INTERMEDIATE RISK (MINOR CONCERNS)	LOW RISK (ACCEPTABLE)
RESPONSE	<ul style="list-style-type: none"> • Auditor contacts auditing company's client service department immediately and company is notified • Shipment of goods is suspended • Supplier and factory implement corrective actions <u>immediately</u> • Auditor conducts unannounced re-assessment to verify corrective actions within 30 days 	<ul style="list-style-type: none"> • Draft corrective action plan (CAP) • Forward CAP and report to third party provider client service manager • Factory implements corrective actions within <u>30-60 days</u> • Auditor conducts re-assessment to verify corrective actions within 60-90 days 	<ul style="list-style-type: none"> • Draft CAP • Forward CAP and report to client and supplier/factory • Factory implements corrective actions within 30-60 days • Approved for production for 1 year 	<ul style="list-style-type: none"> • The supplier is encouraged to continue to keep factory in compliance • Annual on-site assessment to verify ongoing compliance

¹ A Zero Tolerance grade is assigned to a facility where serious human rights violations are observed, such as child labor, forced labor, harassment, abuse, discrimination, non-payment of wages or the denial of the right to associate. It is important to note that factories that deny entry to the inspection team will be given a Zero Tolerance grade for having hindered the assessment.

Online Resources:

- PPAI Corporate Responsibility:** <https://www.ppai.org/corporate-responsibility>
- PPAI Product Responsibility Frequently Asked Questions:** www.ppai.org/corporate-responsibility/product-responsibility/product-responsibility-faqs/
- PPAI Business Partner QIMA:** <https://ppai.org/members/affinity-partners/#8ed9d94d-cb76-488a-9919-c94f8345d123>
- PPAI Social Responsibility Resources:** www.ppai.org/corporate-responsibility/social-responsibility/social-responsibility-resources/
- United Nations Global Compact:** www.unglobalcompact.org/
- International Labour Organization (ILO):** www.ilo.org/global/lang--en/index.htm
- International Organization for Standardization (ISO) 26000:** www.iso.org/iso/home/standards/iso26000.htm
- Social Accountability International (SAI) SA8000:** www.sa-intl.org/index.cfm?fuseaction=Page.ViewPage&PageID=1689

