

<b>Social Responsibility Best Practices</b>	<b>SUBJECT</b> Social Responsibility Monitoring	<b>LAST UPDATE</b> July 2018
	<b>APPLIES TO</b> • Suppliers • Distributors	<b>FOCUS ON</b> Tracking And Measuring Vendor Performance Against Social Responsibility Requirements
	<b>QUICK LINKS</b> <ul style="list-style-type: none"> <li>• PPAI Social Responsibility: <a href="http://ppai.org/corporate-responsibility/social-responsibility/">http://ppai.org/corporate-responsibility/social-responsibility/</a></li> <li>• UL Responsible Sourcing: <a href="http://industries.ul.com/responsible-sourcing">industries.ul.com/responsible-sourcing</a></li> <li>• Fair Labor Association: <a href="http://www.fairlabor.org/">www.fairlabor.org/</a></li> </ul>	

**Intended for intermediate compliance programs**

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

### Overview

Continuous monitoring of social responsibility efforts is essential to ensuring the success of any social responsibility program. Effective monitoring mitigates the risk of violations in the form of sexual harassment and abuse, forced labor and slavery, and other mistreatment of workers. The end goal of effective monitoring programs is fair and humane treatment of workers through fair wages, improved working conditions and safer environments and facilities.

Over the past decade, there has been a growing concern regarding the impact of social responsibility and accountability for the business community. A code of conduct is a great first step toward being a socially responsible organization. However, without a monitoring program in place it is impossible to determine a vendor’s actual compliance with the code of conduct.

### Establishing A Monitoring Process

The goal of the monitoring process is to measure the implementation of a company’s social accountability program across the supply chain by tracking vendor performance. This can be accomplished by conducting assessments of vendors on a scheduled basis.

Determination of the most appropriate and reasonable monitoring schedule for the business is up to each individual organization. Examples of some options for conducting assessments may include but are not limited to the chart below:

	<b>ANNUAL ASSESSMENTS</b>	<b>ROTATING ASSESSMENTS</b>	<b>TOP VOLUME BASED ASSESSMENTS</b>
	All Vendors	All Vendors	Select Vendors
	Conduct yearly assessments of every vendor	Conduct assessments of all vendors based on a pre-determined order: spend/volume, perceived risk, alpha-numeric or other factors	Conduct assessments based on pre-determined threshold for spend/volume with vendors
<b>PRO</b>	World class best practice, optimal and most effective for thorough visibility of performance throughout the supply chain	Ensures assessment of entire supply chain using less time and financial resources	Ensures assessment of highest profile and most visible vendors
<b>CON</b>	Costly and time consuming which makes it difficult for the average organization	Length of time between assessments can lead to lapses in compliance which increases risk	Low volume vendors place the company in jeopardy with increased risk for violations being discovered and reported by an outside party

\* This is not an exhaustive list of monitoring schedule options. Rather, these options are merely a sampling of a few known practices. Employing one of these schedules, a combination of these schedules or an entirely different schedule for assessing vendors is up to the individual organization.

## Scorecards

Vendor scorecards are used to track and measure vendor performance. They can vary from simple to complex and can contain as much or as little criteria as are deemed effective in accomplishing an organization's goals. When used appropriately and consistently, vendor scorecards can strengthen relationships, improve costs and mitigate errors. Scorecards also provide an objective lens for measuring vendor performance, grade the vendor and benchmark them against other vendors.

It is recommended to maintain a vendor scorecard for every supplier inclusive of all corporate responsibility objectives. Include performance indicators and the violations data resulting from assessments and all activities related to the business relationship.

A company first determines its vision for the ideal supplier relationship and then develops criteria to support that vision. The criteria used to measure suppliers should coincide with the values and goals that are important to the organization.

**At a base level, a scorecard should include the following criteria:**

Delivery    Compliance    Quality    Service    Cost/Price

**Additional categories may include:**

Finance and accounting accuracy	Fill rates
Invoice timeliness	Return rates
Payment terms	Lead times
Strategic capabilities	Agreement/contract
Product development	Costs savings opportunities

**Key performance criteria within the compliance portion of a scorecard would include and would not be limited to:**

- Product responsibility (quality/safety)
- Social responsibility
- Environmental responsibility
- Supply-chain security
- Service

Criteria for social responsibility scorecards:

Category	Criteria
Child Labor	Factory Policy / Practices:
	- Children are not permitted in the factory;
	Age Documentation:
Unfair Labor	- All age documentation is in good order;
	- All legal documentation and provisions have been provided to underage workers (if any).
	Forced Labor:
	- No observations or reports of bonded, slave or prison labor;
	Discipline of Workers:
Subcontracting	- No observations or reports of employee discrimination;
	Discrimination, Gender Equality:
	- No observations or reports of restricted liberties.
	Unauthorized Use Of Subcontractors:
Wage And Hour	- No evidence that points to use of unauthorized subcontractors;
	Disclosure Of Subcontractors:
	- All subcontractors' identities were readily disclosed.
	Minimum Wage:
	- All workers are guaranteed local minimum wage;
	Overtime Premiums:
	- All workers are guaranteed local overtime premiums;
	Hours Of Work:
	- All workers work <60 hours per week;
	- Legal waiver to exceed maximum hours of work/ week;
	- One rest day per week in any 7-consecutive-day period is provided to all employees;
	Time Records:
- All time records are in order and signed;	
- Changes to time cards are initialed by employee;	
- If piece worker, all piece tickets are in order;	
Payroll:	
- All employees paid in a timely manner;	
- All eligible workers receive social and other mandatory benefits;	
Deductions/Deposits:	
- No evidence of excessive or illegal deductions or deposits.	
Freedom Of Association	Management Interference:
	- Factory allows workers to associate freely.
Other	Management Cooperation:
	- Management is receptive to recommendations made by COMPANY's third-party auditors and consultants;
	- Management is cooperative in providing auditors/ consultants with all necessary documents and access to premises.

**Online Resources:**

**PPAI Corporate Responsibility:** <http://ppai.org/corporate-responsibility/>

**PPAI Product Responsibility Frequently Asked Questions:** <http://ppai.org/corporate-responsibility/product-responsibility/product-responsibility-faqs/>

**PPAI Business Partner UL:** <http://ppai.org/members/affinity-partners/#8ed9d94d-cb76-488a-9919-c94f8345d123>

**PPAI Code of Conduct:** <http://ppai.org/corporate-responsibility/ppai-code-of-conduct/>

**PPAI Social Responsibility Resources:** <http://ppai.org/corporate-responsibility/social-responsibility/social-responsibility-resources/>

**United Nations Global Compact:** [www.unglobalcompact.org/](http://www.unglobalcompact.org/)

**International Labour Organization (ILO):** [www.ilo.org/global/lang--en/index.htm](http://www.ilo.org/global/lang--en/index.htm)

**International Organization for Standardization (ISO) 26000:** [www.iso.org/iso/home/standards/iso26000.htm](http://www.iso.org/iso/home/standards/iso26000.htm)

**Social Accountability International (SAI) SA8000:** <http://www.sa-intl.org/index.cfm?fuseaction=Page.ViewPage&pageId=1689>

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