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IR/PS CSR Case #08-03

# **The SA8000 Standard**

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Corporate Social Responsibility

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## Introduction

As the global economy expands, workers' rights have become a major issue in the context of corporate social responsibility. Consumers have begun demanding that the products they buy, and in turn, the corporations that they support are practicing corporate social responsibility. They want to be assured that the workers of the global supply chain are being treated justly. As corporations and governments alike have repeatedly failed to provide the framework for verifying just working conditions, various organizations have come forward to provide verification systems for adherence to a global standard for ensuring basic labor rights.<sup>1</sup> This case examines one such standard, the SA8000, which was formed by Social Accountability International. The SA8000 was created in the hope that corporations will seek out only SA8000 certified facilities to be a part of their global supply chain, thus reassuring consumers that they are a socially responsible brand.

## Overview of Social Accountability International

Social Accountability International (SAI) is an international, not for profit organization that promotes basic human rights for workers worldwide. It was established in 1996 as an Advisory Board designed to create a voluntary workplace standard, the SA8000, that would ensure ethical labor practices. The Board is composed of stakeholders from corporations, non-governmental organizations, and labor and trade unions. Members of this board come from corporations or organizations such as Gap, Inc., Toys R' Us, Dole

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<sup>1</sup> Seidman, Gay, W. Beyond the Boycott. Russell Sage Foundation, New York, 2007. p 40.

Food Company, CARE International, and the United Food and Commercial Workers International Union (for a complete list refer to Appendix 1). The Advisory Board's continuing function is to provide direction for policies of SAI, review any challenges to accreditation, as well as review the SA8000 standard. The Advisory Board has no responsibility for the day-to-day operation of SAI. There is also a Board of Directors whose responsibilities include evaluating the performance of the organization in regard to activities, operations, and future plans.<sup>2</sup>

### **Overview of the SA8000**

The SA8000 is an auditable standard and verification system designed to ensure that basic workplace standards are met. The standard is based on international workplace norms established from the International Labour Organization Convention, the Universal Declaration of Human Rights, and the U.N. Convention on the Rights of the Child. The basic elements include stipulations on child labor, forced labor, health and safety, freedom of association and the right to collective bargaining, discrimination, discipline, working hours, compensation, and management systems. Similar to the Fair Labor Association<sup>3</sup>, the SA8000 is implemented at the factory-level, meaning that individual factories are monitored and certified for compliance with workplace standards, rather than a company or brand. To certify that the SA8000 standard is conformed to, every facility must be audited. Workplaces are certified through independent, third party

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<sup>2</sup> Social Accountability International Website: <http://www.sa-intl.org>

<sup>3</sup> Shen, Fair Labor Association, IR/PS CSR Case 07-24, 2007.

certification bodies that are accredited by Social Accountability Accreditation Services (SAAS). The certification process occurs when individual facilities and organizations undergo voluntary assessment by a third-party auditor. If the facility meets all the standards required, it receives a certificate attesting to its compliance. SAI uses SAAS to manage the individual certification bodies that carry out audits at the facilities.<sup>4</sup>

Currently, there are 1,779 certified facilities in 67 countries with a total of 933,272 workers employed. This year to date, there have been 182 new certifications. Factories have been certified from 67 diverse industries, with the most common being apparel and textiles, footwear, toys, agriculture, metal products, food processing and housewares, automotives, chemicals, and building materials. Italy accounts for 46 percent of certified facilities, followed by India with 16 percent, China with 13 percent, and Brazil with 5 percent. However, the number of workers employed at SA8000 certified facilities, places India at the top of the list. The chart below lists the number of workers employed at certified facilities by country. As seen in the chart, India, China, and Italy have the highest proportion of workers employed by SA8000 certified facilities.<sup>5</sup>

Country	Summary of Facility by Number of Employees
India	235233
China	197593
Italy	145683
Brazil	64848
Vietnam	39381
Philippines	35275
Spain	28235
Pakistan	27991
Thailand	18866
Indonesia	18007

<sup>4</sup> Social Accountability Accreditation Services website: <http://www.saasaccreditation.org>

<sup>5</sup> SAAS website, "Certification" section

Sri Lanka	12960
Costa Rica	9436
Bangladesh	8466
Portugal	7832
Romania	6081
Kenya	5709
Argentina	5632
Mauritius	5324
Other	60720

## Introduction to the SA8000 Certification Process

### *The Relationship between SAI-SAAS*

SAI does not directly accredit the certification bodies that conduct the SA8000 certification process, rather it utilizes Social Accountability Accreditation Services as the accreditation body to ensure that certification bodies are qualified. SAAS was originally created as the accreditation branch of SAI. However, in 2007 it was formally established as an independent, not-for-profit organization. The only further information detailed on the SAAS website about the relationship between the two organizations is the following statement: “SAAS is now an independent decision-making agency, linked to SAI only through contractual arrangements.”<sup>6</sup>

Since SAAS was originally created as a branch of SAI, there is a definite connection between the two. Although SAAS now claims to be an independent organization, it was still created within the framework of SAI, so it cannot be a completely unbiased or neutral party to the accreditation process, as both SAI and SAAS assert. Also there is a lack of transparency in that there are very minimal details on either the SAI and SAAS

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<sup>6</sup> SAAS website, “FAQ’s” section

website about the relationship between the two. This makes both organizations appear less credible.

On the other hand, there are a couple points that lend themselves to ensuring SAAS, and in turn, SAI's credibility. The first is that SAAS's accreditation activities are monitored by the ISEAL Alliance, as well as through peer reviews, to ensure compliance with the ISO standards. Another fact that provides assurance is that another organization, Interaction, now uses SAAS to accredit certification bodies to audit against its PVO standard and verification code. If another organization is confident in SAAS's accreditation process than it shows that SAAS is a credible, and seemingly independent organization.

#### *Certification Bodies*

SAAS accredits certification bodies to certify compliance with the SA8000. The accreditation process includes "documentation review, site audits and observation of auditors in the field,"<sup>7</sup> as well as random audits of the certifying bodies. SAAS assesses these bodies to ensure that the SA8000 certification process can and is being carried out the way it was designed to. By observing auditors in the field, SAAS can assure SAI that the audits are being conducted professionally and that the integrity of the certification process is intact. Certification of compliance to SA8000 is only available through SAAS-accredited certification bodies. There are currently 18 accredited certification bodies for

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<sup>7</sup> SAAS website, "Accreditation" section

the SA8000 from the U.S., the U.K. Portugal, Italy, Switzerland, India, Hong Kong, and Uruguay.<sup>8</sup> For a complete list of the certification bodies please refer to Appendix 2.

Critics have argued that the certification bodies are too aligned with commercial interests. Although NGO's are eligible to become auditors, currently there are only commercial auditing firms performing SA8000 audits. "The commercial relationship may not be trustworthy. The fact that these audit companies are directly paid by the factories being audited raises questions of independence."<sup>9</sup> Moreover, SAI has corporate interests represented on both its Advisory Board and Board of Directors.<sup>10</sup> Critics have asserted that in order to effectively meet the goal of ensuring workers' rights globally, corporations cannot sit on any governance boards. As Dara O'Rourke pointed out, there is a "perceived corporate bias"<sup>11</sup> associated with this.

It is worth noting that in contrast to both the SAI and the FLA, the WRC takes a distinctly different approach. The WRC directly investigates factories only once a complaint is received. This is often referred to as the "fire alarm" approach, which uses "publicity to raise consumer awareness about abuses rather than claiming to certify that specific manufacturers have complied with global codes."<sup>12</sup> When violations are identified, the WRC then investigates the factory and recommends appropriate corrective measures. This difference between the WRC and the FLA is described in the following

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<sup>8</sup> SAAS website, "Certification Bodies" section

<sup>9</sup> Schipper, Irene. "WE Europe: A Report on CSR Policy and SA8000". SOMO. Amsterdam, Sept. 2004

<sup>10</sup> Refer to Appendix 3 for SAI Board of Directors

<sup>11</sup> O'Rourke, Dara. 2000. "Outsourcing Regulation: Analyzing Non-governmental Systems of Labor Standards and Monitoring". Policy Studies Journal 31(1). P 15.

<sup>12</sup> O'Rourke, 2000, p 14



quote:

Another integral element to the structural foundation of the WRC has been its commitment to remain entirely independent. Unlike the FLA and other mandates... the WRC does not allow corporations to serve on its governing board... this composition was intended to allow the WRC to remain faithful to the interests of workers in the apparel industry.<sup>13</sup>

The WRC's model seems to offer more credibility than that of either SAI or the FLA, since its composition is designed so that only workers interests are represented. This may be the case, but it is also harder to implement across a range of industries. Since the WRC focuses solely on the apparel industry, and in particular, on the supply chains of apparel sold as university bookstores, it is hard to make a direct comparison between it and SAI because of the difference in scope. The WRC was formed in response to university student and faculty outcry to ensure that a specific industry's supply chain was "sweat shop" free,<sup>14</sup> whereas SAI was created as a collaborative effort to ensure that workers rights are protected while taking into consideration the interests of diverse range of stakeholders. The "fire alarm" approach would not be feasible when taking into consideration the broad scope of the SAI's endeavor. It would be impractical and not viable for one organization to respond to complaints across all industries for all the factories in the world.

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<sup>13</sup> Chavez, Workers Rights Consortium, IR/PS CSR Case 07-25, 2008.

<sup>14</sup> Chavez, Workers Rights Consortium, IR/PS CSR Case 07-25, 2008.

## The Certification Process

### *An Overview*

The SA8000 certification process starts with an application from an individual factory to a SAAS-accredited auditing firm. Once an application is received and accepted, it is determined whether a pre-audit report is needed. If it is deemed necessary, the facility is visited and a pre-audit report is created containing a list of required improvements to be made before certification can be attained.

If it is found that the facility requires additional procedures to meet the Standard, corrective actions must then be put in place. Once the certification audit is conducted, corrective actions may be issued and again, procedures will need to be put in place to correct them. Major corrective actions must be evident before certification may be granted.<sup>15</sup>

Once the facility has met any outstanding requirements from the pre-audit phase, the actual audit certification takes place. Compliance is verified by auditing against the standard that makes use of “extensive checklists and examples of methods for verifying compliance.”<sup>16</sup> Once a company is deemed fit for certification it is granted a certificate acknowledging that it is a SA8000 certified facility. This certificate can then be shared with any party of the facility’s choosing. A public list is maintained on the SAAS website that lists all certified facilities, their address, industry, and the body that certified them.<sup>17</sup> After certification, periodic “surveillance audits” are conducted at least once every 6 months for the following three years. Certification expires after three years, and

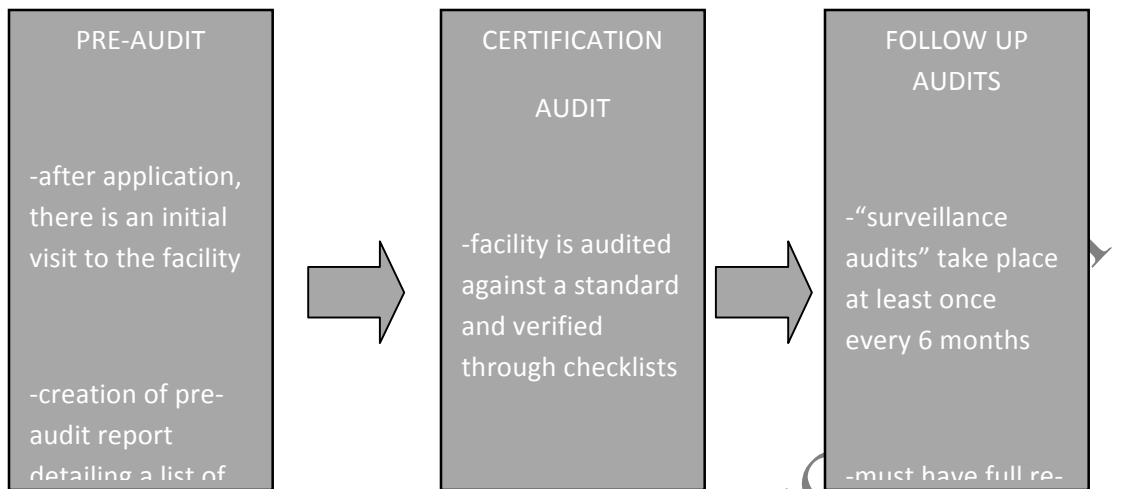
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<sup>15</sup> SAAS website, “FAQ’s” section

<sup>16</sup> Schipper, 2004, P 12.

<sup>17</sup> To access a list of certified facilities visit the SAAS website:  
<http://www.saasaccreditation.org/certifacilitieslist.htm>

facilities must undergo the full certification process to become re-certified.<sup>18</sup> The certification process is simplified and illustrated in the flow chart below.



It is unclear if the “surveillance audits” are announced or unannounced. Unannounced audits would make the monitoring process more credible because the facility management would not have any advance warning to take corrective steps that are normally not in place, only for the sake of passing the audit. This type of audit would allow the auditor to get a more informed, and true picture of the facility’s labor practices. In contrast, announced audits would allow the facility management to cover up any potential problems, which would make this type of audit, in effect, little more than a formality to give the appearance of compliance. Little detail is provided on the SAAS website about the nature or scope of the surveillance audits. This lack of transparency works against the credibility of the SA8000 standard.

An additional point of criticism revolves around the fact that facilities are certified based on a one-day, complete audit. Facility management can prepare for these audits, which

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<sup>18</sup> SAAS website, “FAQ’s” section

means that the state the auditor views the facility in is unlikely to be consistent with the typical practices of the facility. This format makes auditors less capable of “finding violations that are less visible, such as working hours, wages, discrimination, and so on.”<sup>19</sup> Uncovering these types of violations would depend on the accuracy of management’s records as well as the truthfulness of the employees that you talk to. It is unclear if the workers with whom auditors speak are pre-selected by management, but if this were the case then it would certainly affect the accuracy of the report.

#### *The SA8000 Criteria*

The SA8000 is based on a set of auditable criteria. This criterion is what factories are audited against for compliance. The criteria were designed based on basic labor standards to ensure that workers globally are treated fairly. Below is a list of the nine main points that are addressed by the standard, as well as a brief description of each.<sup>20</sup>

- 1. Child Labor:** No workers under the age of 15; minimum lowered to 14 for countries operating under the ILO Convention 138 developing-country exception; remediation of any child found to be working
- 2. Forced Labor:** No forced labor, including prison or debt bondage labor; no lodging of deposits or identity papers by employers or outside recruiters
- 3. Health and Safety:** Provide a safe and healthy work environment; take steps to prevent injuries; regular health and safety worker training; system to detect threats to health and safety; access to bathrooms and potable water
- 4. Freedom of Association and Right to Collective Bargaining:** Respect the right to form and join trade unions and bargain collectively; where law prohibits these freedoms, facilitate parallel means of association and bargaining

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<sup>19</sup> Schipper, 2004, P 14

<sup>20</sup> The complete 2008 SA8000 standard can be accessed on the SAI website: <http://www.sa-intl.org/index.cfm?fuseaction=Page.viewPage&pageID=710>

**5. Discrimination:** No discrimination based on race, caste, origin, religion, disability, gender, sexual orientation, union or political affiliation, or age; no sexual harassment

**6. Discipline:** No corporal punishment, mental or physical coercion or verbal abuse

**7. Working Hours:** Comply with the applicable law but, in any event, no more than 48 hours per week with at least one day off for every seven day period; voluntary overtime paid at a premium rate and not to exceed 12 hours per week on a regular basis; overtime may be mandatory if part of a collective bargaining agreement

**8. Compensation:** Wages paid for a standard work week must meet the legal and industry standards and be sufficient to meet the basic need of workers and their families; no disciplinary deductions

**9. Management Systems:** Facilities seeking to gain and maintain certification must go beyond simple compliance to integrate the standard into their management systems and practices.<sup>21</sup>

Taking into account the scope of this study, I would like to highlight and address two of the stipulations. Firstly, the inclusion of “freedom of association and the right to collective bargaining” is unique to the SA8000, and also controversial. The fact that the SA8000 includes this as a requirement is groundbreaking, and in theory, should be commended for breaking barriers. However, since the SA8000 operates in several developing countries with communist and/or authoritarian governments, it is seemingly impossible for this criterion to be met. Since China is one of the countries with the most certified facilities this draws into question how rigorous the auditors are in ensuring compliance with every set of criteria in the standard. The SAI asserts that in countries where the formation of unions is not possible, signs of progress will be accepted as

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<sup>21</sup> SAI website, “Overview of SA8000” section

sufficient to meeting this requirement, but “signs of progress” are not defined. The vagueness of this stipulation lacks transparency because it brings into question how a facility can be set to satisfy or not satisfy this criteria if it is not auditable.

The second criterion to be highlighted is “compensation”. The SA8000 stipulates that wages must meet the “basic need” of the workers. The complete standard goes into more detail about this, stating:

The company shall respect the right of personnel to a living wage and ensure that wages paid for a normal work week shall always meet at least the legal or industry minimum standards and shall be sufficient to meet the basic needs of personnel and to provide some discretionary income.<sup>22</sup>

The second part of this criterion detailing that the wage must meet the basic needs of workers serves to differentiate the SA8000 from the FLA, by taking it one step further. The FLA only requires that the prevailing wage be paid, which means the local minimum wage, whereas the SA8000 takes into account the fact that the prevailing wage may not be adequate to meet the basic needs of workers.<sup>23</sup> However, this remains controversial because the methodology used to calculate this “basic needs wage” is not detailed. It is unclear how this requirement of the standard is audited without further details, therefore diminishing the transparency of the SA8000.

### *Complaints Process*

SAAS maintains a list of complaints on its website. Complaints and appeals are accepted from certification bodies and other interested stakeholders against the accreditation

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<sup>22</sup> SAI Website, “SA8000 Documents” section

<sup>23</sup> O’Rourke, 2000, p 9.

process. There are four types of complaints:

Type 1A Complaints: Received from accredited and applicant certification bodies regarding audit, surveillance, or other client service provided by SAAS.

Type 1B Appeals: Received from accredited and applicant certification bodies against determinations/decisions made by SAAS, including those that lead to accreditation withdrawal or an accreditation not being issued.

Type 2 Complaints: Received from certified organizations or other interested parties regarding the performance of SAAS-accredited certification bodies.

Type 3 Complaints: Received from interested parties about the performance of certified organizations.<sup>24</sup>

When a type 3 complaint is received about the performance of an organization certified by a SAAS-accredited certification body, the complaint is directed to the relevant certification body that conducts an investigation, and makes a decision regarding an appropriate course of action whether that be rebuking the complaint, or withdrawing SA8000 certification from the applicable facility. If the complainant is not satisfied with the outcome of the investigation, it can then file a Type 2 complaint, in which SAAS will then conduct an investigation of the certification body being called into question.<sup>25</sup> The list of complaints includes those that have already been investigated, and those undergoing investigation. There are currently 20 complaints listed. Each complaint lists the type of complaint, the date, the name of the facility or certification body and address, the details of the complaint including the element(s) of the SA8000 standard called into question, the actions taken, and the outcome. An example of a complaint from the SAAS website is given in Appendix 4.

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<sup>24</sup> SAAS website, "Accreditation- Complaints and Appeals Process" section

<sup>25</sup> SAAS website, "Accreditation- Complaints and Appeals Process" section

The public disclosure of the complaint and appeal process is an advantage of the SA8000 standard. This promotes transparency, and in turn credibility, by assuring stakeholders that the standard is being upheld after the initial certification period, and that problems are not just being covered up to give the appearance that the certification process always works perfectly. It illustrates that SA8000 certification is not merely a piece of paper, but rather a standard that is enforced.

### **SA8000 Insufficiencies and Suggestions**

As a relatively new auditable social standard, the SA8000 is the subject of much criticism. The following will summarize what I have described to be SA8000's biggest insufficiencies, as well as offer possible suggestions to improve upon these problem areas. I am not implying that these suggestions would solve the problem, rather that they may serve as a starting point for further discourse on the topic.

- There is a lack of transparency surrounding the relationship between SAI and SAAS. Details are not provided on either website that address this, which could possibly lead an interested party to believe that SAAS is not truly an independent and unbiased organization. This sheds doubt on the credibility of SAAS to accredit certifying bodies to audit against the SA8000. I suggest that SAI and SAAS expand upon their ongoing relationship with each other, and provide further details regarding SAAS's split from SAI. The provision of a contact for further questions would also help add transparency.
- There are currently no NGOs serving as certification bodies for the SA8000



standard. Although SAI guidelines state that NGOs can serve as auditors, to date there have been none that have taken this step. This diminishes the credibility of the SA8000, because it insinuates that the standard is too closely linked to commercial interests to truly protect the rights of the worker. I suggest that SAI work to involve No's more directly in the monitoring process, by supporting them in becoming SAAS- accredited certification bodies. This would help appease the critique that commercial interests are too heavily weighted in the process.

- Full audits for certification or re-certification are conducted on one day, once every three years. Periodic surveillance audits are also conducted, but it is unclear if these are announced or un-announced. It is unlikely that auditors would be able to get an accurate reflection of the conditions workers face from a one-day visit. Also, it is unknown if the workers with whom auditors speak are pre-selected, which would determine the accuracy of the information provided, and in turn, affect the decision for certification. I suggest that full certification or re-certification audits be conducted over a more extended period of time. I believe that at least a week of observation is necessary to ensure that the auditors get a more accurate depiction of the true conditions at a facility. Additionally, facility workers should be chosen at random to speak with the auditors.
- The stipulation in the SA8000 criteria for “freedom of association and the right to collective bargaining” provides little detail about how this is interpreted and evaluated in communist countries such as China, which is one of the largest sources of SA8000-certified facilities. This lack of transparency sheds doubt on

the credibility of certification to certain facilities, particularly those in China. I suggest that further explanation be provided as to what “continued progress” is in this regard, and that guidelines are listed as to how this can be evaluated and audited.

### **Final Remarks**

The SA8000 standard provides a unique approach to monitoring and certification of basic labor standards in the global supply chain. Rather than certifying an entire brand or merchandiser, as do the FLA and WRC, SAI’s SA8000 certifies individual factories by using third-monitoring bodies to audit against the standard. This makes certain that every facility is audited and certified, which gives both the parent company and the consumer confidence in the integrity of each step in its supply chain. Multinational corporations can also seek out SA8000-certified facilities to use in their global supply chains. The use of facilities that are SA8000-certified will signal that they are socially responsible, and will increase consumer confidence in their corporation.

SAI’s SA8000 does several things that I would argue are commendable such as using third-party certification bodies to audit against the standard, requiring that a basic living wage be met, and publicly disclosing complaints and appeals. However, having been established in 1997, the SA8000 is relatively new to the scene of monitoring labor standards, and has come under criticism for several points such as commercial involvement in the certification process, the inability of one-day audits to provide an accurate reflection of factory conditions, and the lack of transparency surrounding the

stipulation regarding the right to collective bargaining. Although the standard has its insufficiencies, I would argue that the standard still provides one of the most credible assessments of the condition of workers at the facility level.

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### Discussion Questions

1. As a consumer, would you only buy merchandise from a corporation whose facilities in its global supply chain had been certified by the SA8000? How would you find out if the corporation were using only SA8000-certified facilities? Do you think this information is easily accessible to the majority of consumers? Why or why not?
2. SAI asserts that its Advisory Board and Board of Directors are made up of stakeholders from the private sector, labor and trade unions, and non-profit organizations to ensure that the SA8000 is a collaborative effort. Additionally, all of the certification bodies for the standard are commercial auditing firms. Do you believe that this is the best method for representing workers' rights?
3. The SA8000 criteria are designed in such a way that is it supposed to be auditable. Do you believe this to be the case for all of the stipulations? If not, what suggestions would you make to ensure that a particular criterion is auditable?
4. Based on your prior knowledge of the WRC and the FLA, as well as the information reported in this study, compare and contrast them with the SAI. Are they representing the interests of the same stakeholders? There has been recent discussion about the FLA and the SAI partnering together, do you think this would be a successful partnership? Why or why not?

**Appendix 1. Social Accountability International Advisory Board<sup>26</sup>****Affiliated with Non-Governmental Organizations, Trade Unions, Socially Responsible Investing and Government:**

Dorianne Beyer/David Zwiebel	National Child Labor Committee (USA)
Jeroen Douglas	Solidaridad (Netherlands)
Pietro Foschi/Francis Boigelot	Bureau Veritas Certification - formerly BVQI (UK)
Jan Furstenborg	Union Network International (Switzerland)
Oden Grajew/Helio Mattar	Ethos Institute of Business & Social Responsibility (Brazil)
Joseph Iarocci /Linda Cronin	CARE International (USA)
Alice Tepper Marlin	Social Accountability International (USA)
Frits Nagel	Corporate Social Accountability (The Netherlands)
Alan Spaulding	United Food and Commercial Workers International Union
(USA)	
The Honorable William Thompson	Office of the Comptroller, City of New York (USA)
Morton Winston	The College of New Jersey (USA)

**Affiliated with Business:**

Giorgio Bertinelli/Marisa Parmigiani	Legacoop Nazionale (Italy)
Celina Borges Torrealba Carpi	Grupo Libra (Brazil)
Kishor Chaukar /Anant G. Nadkarni	Tata Industries Limited (India)
Sylvain Cuperlier	Dole Food Company (USA)
Tom DeLuca (Chair)	Toys “R” Us (USA)
Durai Duraiswamy/Robin Cornelius	Prem Durai Exports (India) and Switcher SA (Switzerland)
Amy Hall	Eileen Fisher (USA)
Dan Henkle/Chuck Goncalves (alternate)	Gap Inc. (USA)
Achim Lohrie	Tchibo (Germany)
Geoffrey Martin-Henry	TNT Express (Netherlands)
David McLaughlin	Chiquita Brands International (USA)
Dr. Johannes Merck/Gerd Billen	OTTO GmbH & Co KG (Germany)
Nicholas Milowski	KPMG LLP (USA)
Steven Newman	Medical and Health Research Association (USA)
Jeff Samuels	Paul, Weiss, Rifkind, Wharton & Garrison (USA)

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<sup>26</sup> SAI website, “Governance” section

**Appendix 2. SAAS Accredited Certification Bodies<sup>27</sup>**

<b>Certification Body:</b>	<b>Country:</b>
ABS Quality Evaluations, Inc.	Houston, Texas USA
ALGI	Nyack, NY USA
APCER	Lisboa, Portugal
BSI	Reston, VA USA
Bureau Veritas Certification	London, United Kingdom
CISE	Forlí, Italy
CSCC	Los Angeles, CA USA
DNV	Chennai, India
HKQAA	North Point, Hong Kong
Intertek	New York, NY USA
IQNet Ltd	Bern, Switzerland
LATU Sistemas	Montevideo, Uruguay
LRQA	Coventry, United Kingdom
RINA	Genova Italy
SGS-SSC	Milano Italy
TUV NORD Group	Kowloon, Hong Kong
TUV Rheinland Group	Kowloon, Hong Kong
TUV SUD South Asia	Mumbai, India

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<sup>27</sup> SAAS website, "Certification Bodies" section

### Appendix 3. SAI Board of Directors

**Steve Newman (Chair)** Vice-President for Finance Chief Operating Officer Public Health Solutions

**Riccardo Bagni** Vice Chairman Coop Italia Societa Cooperativa

**Torrealba Carpi** President and Shareholder Grupo Libra

**Dana Chasin** Senior Advisor, Federal Fiscal Policy OMB Watch

**Tom DeLuca** Vice President, Product Development & Safety Assurance Toys R Us

**Jan Furstenborg** Head of Department - UNI Commerce Union Network International

**Alice Tepper Marlin** President Social Accountability International

**Nicholas Milowski** Manager KPMG LLP

**Jeff Samuels** Partner Paul, Weiss, Rifkind, Wharton & Garrison<sup>28</sup>

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<sup>28</sup> SAI website, "Governance" section

#### Appendix 4. Complaint and Appeal Example

##### ***Complaint #010: Certification Complaint PT Theodore Garmino Indonesia – Forced resignations***

**Details of Facility:** -PT. Theodore Garmino Indonesia -Manufacturer of knitted garments -Jawa Barat, Indonesia -Certified: March 10, 2005 -Certification Body: SGS

<b>Details of Complaint:</b>	<b>Element of SA8000 Standard:</b>
Intimidation of union members	Freedom of Association 4.3
Mass forced resignations	Management Systems 9.1 Remuneration 8.3

**Actions Taken:** November 30, 2005: Two companies sent SAI a letter of complaint against PT Theodore Garmino Indonesia stating that the facility had been shifting permanent workers to contract workers by forcing resignations since July 2005. One customer of this facility also informed SAI of previous intimidation of union members, which was resolved prior to receipt of the complaint. SAI notified SGS, the certifier of this facility, of the complaint, and SGS submitted a plan of action and results of the initial inquiry to SAI.

December 1, 2005: An SGS auditor attended a meeting between one of the brands purchasing from this facility and PT Theodore workers. A review of the resignation letters revealed that all used similar wording.

December 27-29, 2005: A supplementary investigation audit was conducted by SGS in conjunction with the chairman of the Indonesian Labour Union Federation which included worker interviews on the subject of the forced resignations.

January 1, 2006: The auditors' report was received by SAI, detailing the Corrective Action Requests (CARs) issued to PT Theodore. The CARs related to the mass resignations, re-election of labor leaders, worker attendance records, and improving communication between the labor leader and the members. Per the SGS certification procedures, the SA8000 certificate was suspended until satisfactory CAR closure was completed, and a second audit was scheduled within 90 days as a follow-up. During the audit, worker interviews confirmed that practice had been for managers to dictate a resignation letter to employees, who felt threatened and did not feel free to refuse to write



it. Within days, the workers submit similarly worded applications for the jobs from which they had just resigned.

March 24, 2006: A follow-up audit conducted by SGS concluded that PT Theodore Garmino was ineffective in closing out the CAR related to mass resignations – they were able to effectively close the other CARs issued to them. PT Theodore’s proposal had been that workers who repay the resignation money would be given back their permanent positions. Only 10 persons from a total resignation pool of 429 gave back the money from the resignation package. Worker interviews revealed that these workers were unable to pay back the money as they had used it to pay for basic necessities such as their children’s education and religious participation.

April 5, 2006: An update from SGS stated that only the 10 workers were given back permanent worker status and the company refused to reinstate workers that did not repay the resignation money.

May 2006: A union/management non-retaliation communication workshop was held with the goal of establishing communication between management, staff, and the trade union.

May 23, 2006: No agreement was reached on the issue of repayment of resignation money by the reinstated workers. The SA8000 certificate was suspended, per the SGS certification procedures, until satisfactory CAR closure was completed.

July 13, 2006: SGS conducted a follow-up audit with PT Theodore and reviewed training and other records, and did note improvements in production processes. Auditors met with the management of PT Theodore and concluded that the SA8000 certificate should be withdrawn as Management did not seek any alternative ways to close the corrective action, except that workers would have to give back the resignation money 100%.

September 6, 2006: SGS notified SAI that the SA8000 certificate for PT Theodore Garmino had been cancelled by SGS due to lack of closure of CARs by PT Theodore.

SAI accepted the SGS decision to withdraw the SA8000 certificate for PT Theodore Garmino and has determined that this complaint is formally closed.<sup>29</sup>

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<sup>29</sup> SAAS website: <http://www.saasaccreditation.org/complaint010.htm>