



# Constructive Dialogues:

Examining Social Compliance Programs  
Through Conversations with Stakeholders



May 2014

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## Message from WRAP's President & CEO

They say the only constant in life is change, and these past two years have seen more than their fair share in the world of social compliance, as well as within WRAP itself. In seeking to grow WRAP further as a trusted and effective partner in supply chain social compliance management, it was evident to me that we needed to hear from the very people we were seeking to partner with, in order to obtain their perceptions of social compliance and of WRAP itself. That was the impetus behind one of the most important projects WRAP has ever undertaken. We spent the past six months in planning and executing a series of conversations with 50 thought leaders in the social compliance arena, hearing from representatives of brands and retailers (from among both those that do use WRAP's certification and twice as many from among those that do not use our certification), non-governmental organizations, socially responsible investors, US government agencies, service providers, and educational institutions who have expertise in the field.



I wish to acknowledge the tremendous support of those stakeholders who participated in these conversations and express my immense gratitude to them for their willingness to candidly share their thoughts, suggestions and critiques. As you will see from the illustrative list of participants in Appendix 4, we were fortunate in being able to talk with some of the most engaged and thoughtful minds in our arena. They have given us much valuable food for thought, and I want everyone to be assured that WRAP is taking this information to heart. We already have begun making plans for applying this feedback to our programs, and in the coming weeks and months you will see additional strengthened initiatives and even some completely new programs and relationships.

This outreach project was spearheaded admirably by Clay Hickson, WRAP's Senior Director of Strategy and Business Development. He has been responsible from start to finish in planning, implementing, and analyzing the results. Clay participated in all 50 of the conversations, and I know that he found his interactions with each of the participants exceptionally rewarding. Without his hard work, this endeavor would not have been possible.

Clay was ably assisted in this half-year long endeavor by Kay Schultz, former Senior Group Manager, Social Compliance at Target, who was instrumental in helping design the project, make connections and do statistical analysis of the results. Without her great help, this endeavor would not have been manageable. I also want to recognize Ted Sattler, WRAP Advisor and retired Corporate Group Executive Vice President at PVH, for his role in helping arrange many of the conversations and assisting in determining the strategic implications of the findings. Without his wise counsel, this endeavor would not have been meaningful.

While this may be a "final report" of a project, it is, in fact, only the beginning of a much larger task – that of building on the wonderful input we have received in order to shape our way forward in fulfilling our mission of fostering responsible sourcing and manufacturing, and being an efficient and effective partner in supply chain social compliance management. Let me thank once again all the participating stakeholders and the WRAP team who helped make this project possible.

I look forward to your feedback on this report, and to working on that larger task!

All the best,

A handwritten signature in blue ink that reads "Avedis Seferian". The signature is stylized and written over a faint, light blue starburst graphic.

Avedis Seferian

# Executive Summary

In light of the significant changes at WRAP since 2012 and the ongoing changes in social compliance in general, WRAP wanted to obtain candid input from key thought leaders to help determine how the organization can best serve its stakeholders and meet the needs of the broader community of which it is a part.

Over the course of the project, the following six things emerged as broad themes during the conversations: **trust** (as a necessity in relationships; in information and in audit reliability); **transparency** (an increasing desire to get the real picture in dealing with the supply chain); **remediation** (shifting from a comply-or-die model to one of continuous improvement); **control** (needing to obtain information tailored to suit specific needs and/or address internal KPIs); **technology** (improvements in information gathering systems); and **partnership** (as a desirable goal, *if* the other 5 things can be addressed).

This report on these conversations has seven main sections:

## Methodology

The research for the project spanned from early October 2013 to early April 2014. The conversations were guided by two similar sets of questions (one set for each type of participant—buyers and other stakeholders. A total of 50 thought-leaders were surveyed; consisting of buyers that currently do use WRAP (11), buyers that do not use WRAP (27), and other stakeholders (12). All responses have been kept confidential, with no comments being attributed to any individual or organization.

## Evolution of the Motivation for Social Compliance Programs

Over the past 25 years there have been multiple drivers pushing buyers to have a social compliance program. Leaders in the field were driven by company founders who had the view that the workers who produced their products should be treated the same as their own employees and were part of their leadership and/or corporate cultural values. At the same time, the buyers also were motivated by other factors, with the respondents stating that the greatest need was to satisfy stakeholders' (e.g., consumers, activists and shareholders) expectations. On occasion, these expectations also coincided with an external public incident, which was followed by the need to protect the integrity of their brand. Many of the programs have evolved beyond just listing the problems uncovered in facilities toward auditing with an eye to remediation. They have moved into improving the conditions for the workers, strengthening the supply chain, being better partners while still managing risk and reputation.

## Audit Functionality: How Audits Are Performed

There are multiple formats buyers are using to perform their social compliance audits. They are conducted using both internal and external resources but the vast majority of the respondents (96%) replied that audits are being done by external parties. Included in that total are instances of combination internal-external audits. Fifty-two percent of the respondents stated that combination audits are done. The majority of the respondents (52%) stated that a combination of announced-unannounced audits is done, which many felt was the best approach. Twenty-four percent of all the respondents stated that announced audits, with or without a window, were performed and ten percent indicated the use of purely unannounced audits.

## Partnership Criteria

Virtually all the buyers are using third-party service providers for a variety of reasons and in some portion of their programs. Many buyers are looking for objective validation of compliance and help with improvement of their programs, which an external partner can provide. When looking for a partner, there were several common desired attributes—reputation, ethical behavior, reliability, customer

service, and quality. Buyers also take into account the relationships they may have, or had, or who is recommended by other respected sources. Coverage at both the local and global levels is important, along with the capacity and capabilities of the partner. Advisory and remediation expertise is also a factor. A few buyers feel that the individual auditor is more important than the audit firm for whom they may work and review and approve the individual.

When asked about accepting certification programs, 50% of the participating buyers accept certifications. The certification most mentioned was WRAP (45%); and other well-known programs being mentioned 26%. Some of the buyers that currently do not accept certifications used to accept but do not any longer. This is due to concerns that some of the certified facilities should not have been certified and to finding facilities with false records or audit results that did not meet their own. The certification audits are viewed as not as thorough as their own team's. Such buyers also may wish to maintain control of the whole process in order to maintain confidence in and integrity of their own system. While 50% of buyers do not accept certifications, they generally still recognize that the process to become certified implies the facility has been evaluated, received counseling and training to become a better facility.

### Feedback about WRAP

The majority of the respondents has known of WRAP since the early days (2000), some were involved in its development and worked for buyers or other stakeholders that had input. There were some with the impression in the early years that the systems were weak and provided poor oversight of audits; and because they have not interacted with WRAP since then, this remains their impression. At the same time, there were respondents that used WRAP Principles as the basis of their own programs, and to them the Principles were clear. The balance of the respondents have learned of WRAP in the past few years from interactions with WRAP staff in collaboration efforts. WRAP's training and expertise of the staff and auditors are seen by many as the major strengths. It was emphasized that the new leadership has been more visible, seen as more collaborative, more willing to share information (specifically the expertise on Bangladesh) than before.

**WRAP's training and expertise of the staff are seen by many as the major strengths.**

Two of the biggest opportunities identified by respondents, and where WRAP has already begun focusing, are trust in the results and improved communication. Fifty-five percent of the respondents feel WRAP can improve the level of trust in the results and 31% felt communicating the changes, improvements and greater brand awareness could be done. Examples of where WRAP can improve include: knowledge of what WRAP is doing, and changes made; awareness of the types of training, WRAP's methodology, and of the Newsletter; understanding of what WRAP's definition of certification is; how WRAP is making certifications and audits more credible; detail of data from the audit reports and/or data mining; and more transparency of audit findings and advise buyers when there are issues and/or facilities are decertified.

Some respondents who have a level of familiarity with WRAP shared that the WRAP methodology does not fit with their models. There are challenges and skepticism with certifications in general. A few of the reasons cited are concerns of inconsistent audit results and discrepancies on records issues. It boils down to the level of trust and confidence in the certificate as to whether or not it provides adequate assurance that a buyer's facilities are socially compliant. Those who do use WRAP have confidence in the certification, but for some who do not there is not the same confidence.

There were varying responses on audit reports themselves, some feel the depth of the report is insufficient while a few others feel the reports are too lengthy. There have been comments about the integrity of WRAP's audits, the audit firms, and auditors themselves—how they are approved and using the same auditors in the facility over multiple years. WRAP is perceived by some as simply doing an

audit, being in and out of the facility, and as not providing remediation services. This is seen as particularly important as many buyers are increasing remediation on a continual basis, sharing tools with the facilities for continuous improvement and encouraging facilities to take ownership themselves. Opportunities can be found with second and third tier suppliers, which have been defined as fabric and trim suppliers or facilities broken out by levels of production volume and importance depending on the buyer. The facilities in these tiers have been virtually untouched by social audits. Another possible opportunity for WRAP is conducting pre-production audits; audits on small, seasonal facilities and the buyers' non-owned brand products to help ensure their supply chains are compliant.

There are those respondents who view WRAP as pro-business, too closely associated to industry (e.g., buyers, AAFA) and not multi-stakeholder. There is also a lack of collaboration with NGO's and other stakeholders; however, some respondents also see WRAP as devoted to social compliance and as specialists in the field.

## Trends for the Future

Based on these conversations, WRAP leadership is projecting the following trends for the near term future (2014-17) based on what we are seeing and hearing from the world of social compliance:

- Sourcing: Continued change as the norm; greater consolidation of vendor bases; increasing role of social responsibility factors in sourcing decision-making
- Social & Environmental Compliance: Increased transparency; increased engagement with supply chain; increased collaboration within trusted relationships; greater role for technology
- Corporate/Government/NGO/Media: Growing and more sophisticated use of media; more direct engagement (with not all of it being "friendly")

## Next Steps

While the analysis of the information shared is ongoing, WRAP already is applying it to a thorough strategic planning process, re-evaluating all areas of programs and relationships. This will lead to augmentation of certain activities, as well as development of some completely new programs and relationships. Two key issues highlighted as requirements for ensuring future success were trust (as in being able to trust WRAP audit reports and being able to trust WRAP as a social compliance partner) and communication (as in WRAP doing a better job in communicating the very things WRAP is doing in order to gain, and maintain, that trust). WRAP has been making a lot of changes over the past couple of years as the organization seeks to further improve the program, but as a result of this project, more enhancements are planned, including:

**Two key issues highlighted as requirements for ensuring future success were trust and communication.**

- Increasing WRAP's own internal audit staff further and doing more post-certification follow-up audits
- Adding more full-time local staff in key sourcing destinations
- Expanding efforts to support factory transparency
- Seeking more engagement with a diverse mix of partners to find effective ways of helping workers and factories and addressing other social compliance issues
- Taking better advantage of modern communication methods to support communication
- Enhancing utilization of WRAP's recently updated and re-launched website
- Making the popular weekly newsletter a trusted source of information
- Expanding sharing of expertise on key topics
- Continuing to listen to stakeholders
- Examining how to make best use of data from audits and the field and how to turn that into meaningful intelligence

## Introduction

Worldwide Responsible Accredited Production (WRAP) was gratified by the overwhelming willingness to share candid feedback by the social compliance stakeholders who were invited to participate in these conversations. The project has been not only educational but rewarding and has introduced—or reintroduced—WRAP to many people in the field. Even prior to completion of the project, a number of inquiries were received from the participants about obtaining the results of the survey. This is attributable in large part to the re-evaluation that many compliance programs are undergoing and to the desire for benchmarking information to aid in that process. This in and of itself has served as validation of the project’s value. Additionally, this project has provided WRAP with constructive feedback that will be used to improve and enhance what WRAP already is doing (see Addendum 1). We appreciate the significant interest generated and are confident that the end result provides useful information that individual organizations can apply and that will help enrich many stakeholders’ knowledge of social compliance.

### **This report contains the following sections:**

- Themes
- Methodology: How and Why the Project Was Developed
- Evolution of the Motivation for Social Compliance Programs
- Audit Functionality: How Audits Are Performed
- Partnership Criteria
- Feedback about WRAP
- Summary
- Trends for the Future
- Next Steps

# Themes

Through the course of the project, the following six things emerged as themes during the conversations:

## Trust

Companies are not sure they are getting a complete picture of what is happening in their supply chains, especially as they often are relying on third-party monitors with infrequent visits to the facilities. Auditing raises awareness of issues but a facility cannot be audited into compliance. Buyers are looking for an approach that yields results that can be verified and trusted. The reasons audits are conducted is changing, as is how they are being utilized. Buyers want to be able to believe what they see and that there is ongoing remediation. They want to trust in what is happening at the facility level.

## Transparency

During the Kathy Lee Gifford saga (mid-1990's), the buyers said to themselves that they did not want that kind of thing to happen to them, so they tried to avoid the bad facilities. Now, it is not quite so simple. There is an understanding that even good facilities have bad days. There is an attitude of trying to understand what is wrong in the facilities and of trying to determine how to help them improve through remediation.

## Remediation

This involves making the facilities better partners. More trust yields more transparency; facilities treated as partners perform better. There is a natural evolution in sourcing and of knowing where the product is produced (e.g., illegal subcontracting).

## Control

Buyers are seeking to build Key Performance Indicators (KPI's) for their own organizations. This is defined differently by each organization. The need for information and how it is gathered and analyzed are specific to each organization. Some are further along in this process than others.

## Technology

Buyers are examining how technology can enhance their social compliance initiatives, how it is used to gather and manage information. Likely advancements in handheld devices may find application in conducting and recording audits and in augmenting detection of health and safety environmental factors.

## Partnership

Over the course of the past two decades, attempts at large scale partnerships in the social compliance or sustainability arena had not met with much success. While some skepticism continues about the long-term viability of partnerships at the broadest level, more recently there has been an unprecedented coalescing around specific issues, such as building and fire safety in Bangladesh, resulting in the establishment of large-scale initiatives (i.e., the Alliance and the Accord). Additional partnerships have also evolved on several levels. Brands and retailers are building collaborations with their most trusted factories as well as with existing, larger cooperative efforts, which range from broad-mandate organizations like the Sustainable Apparel Coalition to country-centered initiatives (like the ILO's Better Work programs) to issue-centered efforts (such as the environment, especially water - e.g., the Zero Discharge of Hazardous Chemicals project. Further, such efforts include instances of evolving relationships with NGOs - e.g., Greenpeace's Detox campaign). The opening up of new sourcing avenues (such as Myanmar and Sub-Saharan Africa) could provide additional opportunities for stakeholder collaboration. Buyers find there is a need to build credibility by validating audit results through benchmarking. There are also opportunities for collaboration with audit report sharing, and on tools and training for continuous improvement.

## Methodology: How and Why the Project Was Developed

In light of the significant changes at WRAP since 2012 and the ongoing changes in social compliance in general, WRAP wanted to obtain candid input from key thought leaders to help determine how the organization can best serve its stakeholders and meet the needs of the broader community of which it is a part.

### Definitions

The following definitions are used throughout this report:

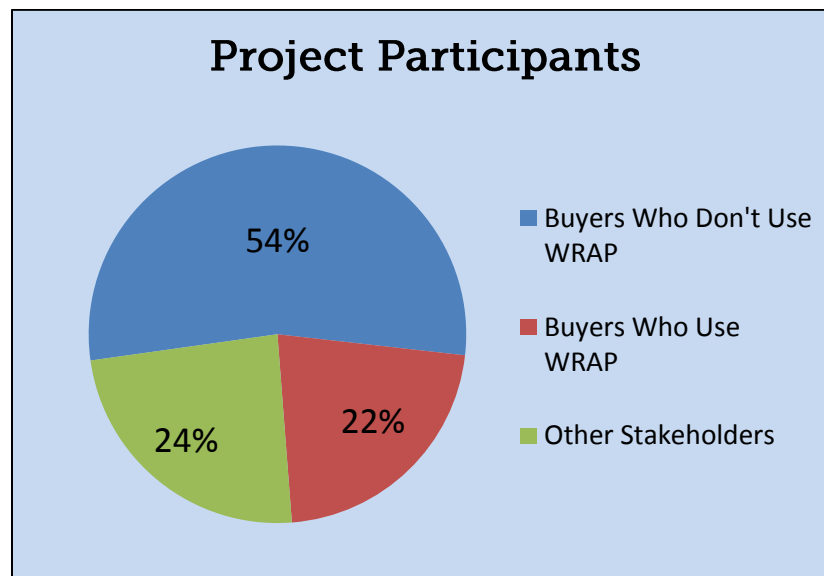
**Buyer:** brand, retailer

**Facility:** factory, mill, manufacturing site

**Vendor:** agent, supplier (not the facility itself)

**Other Stakeholder:** NGO (nongovernmental organization), SRI (Socially Responsible Investor), US government agency, service provider, and educational institution

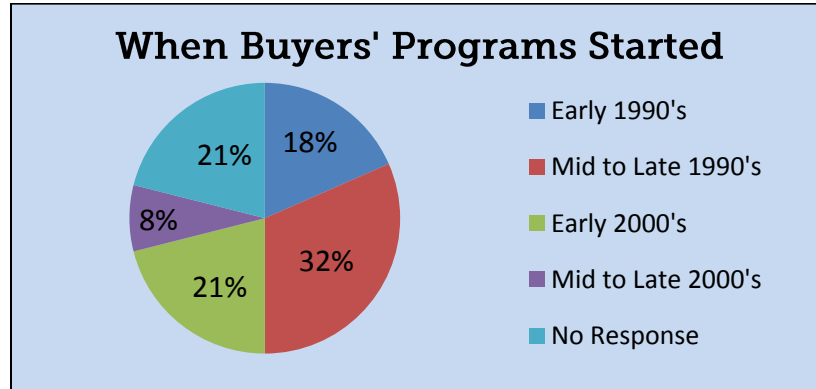
WRAP undertook this project to better understand various stakeholders' perceptions of social compliance and of WRAP itself. The research for the project spanned from early October 2013 to early April 2014 and consisted of a series of conversations that averaged 45 minutes. The conversations were guided by two similar sets of questions (16 questions for buyers and 10 questions for the other stakeholders, see Addenda 2 and 3). The questions were provided in advance for review, and not every participant responded to all of the questions. A total of 50 buyers and other stakeholders were surveyed; consisting of buyers that currently do use WRAP (11), buyers that do not use WRAP (27) and other stakeholders (12). A handful of respondents from the non-apparel and footwear industries were chosen for their deep knowledge of social compliance and were included with the buyers. All responses will be kept confidential, with no comments being attributed to any individual or organization.



The next section begins a summation of what was learned from the conversations.

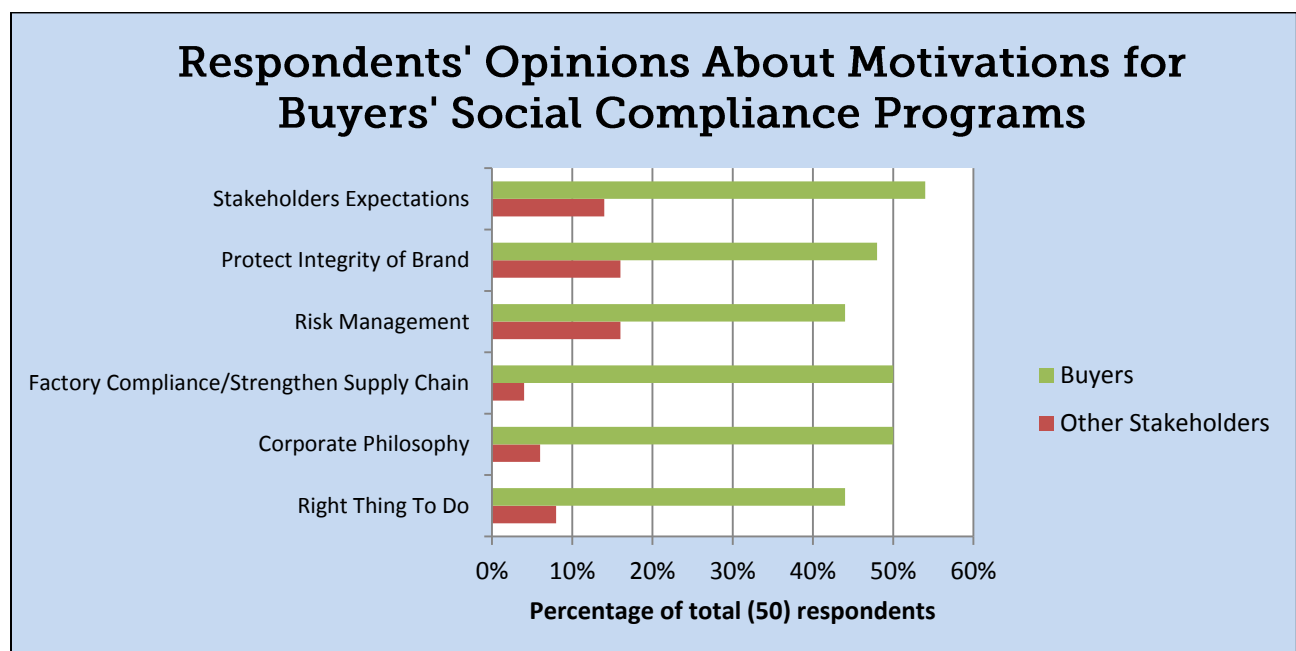
## Evolution of the Motivation for Social Compliance Programs

The leaders in corporate social compliance started their programs in the early 1990's, with the next tier starting in the mid to late 1990's, and the balance of the respondents following throughout the 2000's.



Over the past 25 years there have been multiple drivers pushing buyers to have a social compliance program. Leaders in the field were driven by company founders who had the view that the workers who produced their products should be treated the same as their own employees, and it was part of their leadership and/or corporate cultural values. At the same time, the buyers also were motivated by other factors, with the respondents stating that the greatest need was to satisfy stakeholders' (e.g., consumers, activists and shareholders) expectations. On occasion, these expectations also coincided with an external public incident, which was followed by the need to protect the integrity of their brand.

The chart below highlights the factors buyers reported that have motivated their companies to have social compliance programs and contrasts it with the perceptions of other stakeholders. For instance, as a percentage of the total respondents, 54% of buyers indicated that stakeholder expectations have played a major role, but only 14% of other stakeholders perceive that to be the case.



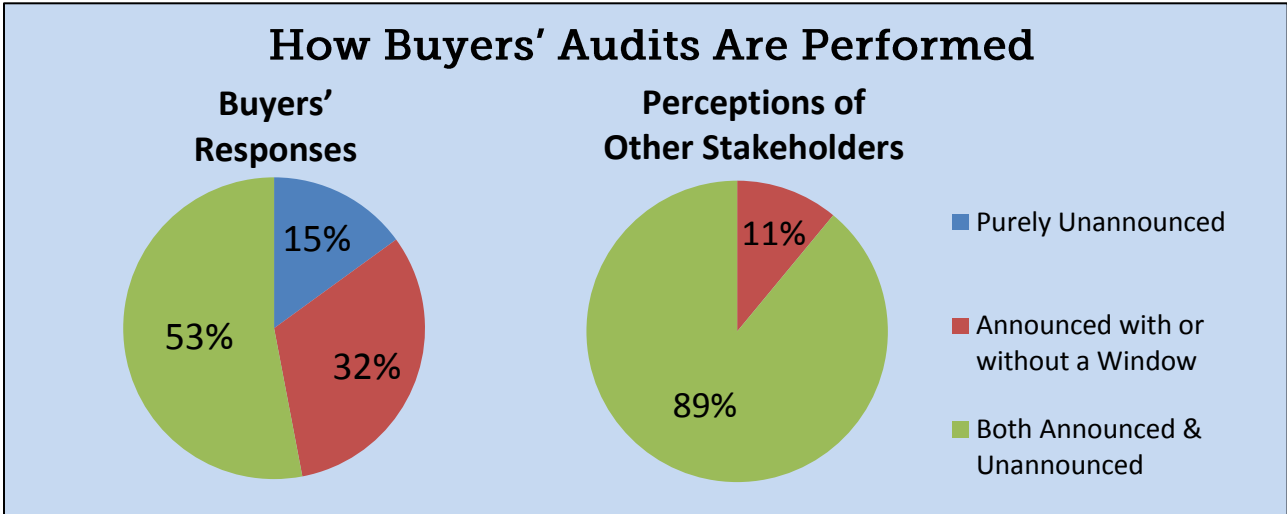
Many of the programs have evolved beyond just listing the problems uncovered in facilities toward auditing with an eye to remediation. They have moved into improving the conditions for the workers, strengthening the supply chain, being better partners while still managing risk and reputation. Many buyers are sharing tools and encouraging facilities to take ownership of the process; empowering their workers; assisting in capacity building; and are starting to measure impact through KPI's. An additional motivator for buyers having a social compliance program is that it often allows them to attract and retain talented employees. The majority of the buyers review their programs annually, assessing the frequency and types of issues that occurred the previous year.

## Audit Functionality: How Audits Are Performed

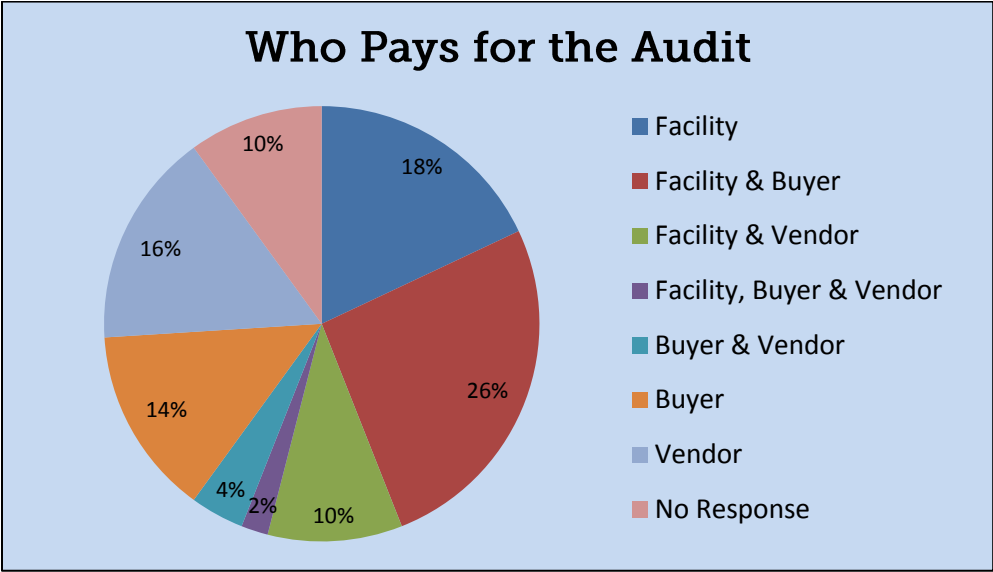
This section will review how buyers are conducting their audits, whether with internal or external resources, announced or unannounced, and who pays for the audit. It also includes the path the audit report takes from auditor to buyer, the cost of the audit, and where in the organization the social compliance function sits.

There are multiple formats buyers are using to perform their social compliance audits. They are conducted using both internal and external resources, but the vast majority of the respondents (96%) replied that audits are being done by external parties. Included in that total are instances of combination internal-external audits. Fifty-two percent of the respondents stated that combination audits are done and 44% use external auditors only.

The chart below highlights how buyers reported they are conducting their audits with regard to announced versus unannounced and how other stakeholders perceive buyers are doing their audits. The percentages reported are based on the number of respondents in the buyer category (38) and in the other stakeholders category (12) not on the total number of all 50 respondents. The difference between what is reported by buyers and the perception of other stakeholders is interesting to note. The majority of the buyer respondents (53%) and 89% of other stakeholders replied that a combination of announced -unannounced audits is done, which many felt was the best approach. Thirty-two percent of all the buyers and 11% of others stated that announced audits, with or without a window, were performed. Of buyers, 15% indicated they use purely unannounced audits; however, 0% of other stakeholders think that purely unannounced audits are done.



Of all respondents, eight cited the following reasons for doing announced audits over unannounced: viewing vendors/facilities as partners, building trust, needing to ensure the right people and documents are available at the time of the audit, and the facility already has proven transparency. Nine respondents cited that unannounced audits are done in that they want to see how the facility operates on a day-to-day basis, due to previous issues or have suspicions and/or if it is a brand new relationship. Several respondents felt that a good auditor can find information whether the audit is announced or unannounced. Many also acknowledged that an audit is just a snap shot of a moment in time but still feel it is needed as it provides valuable information.

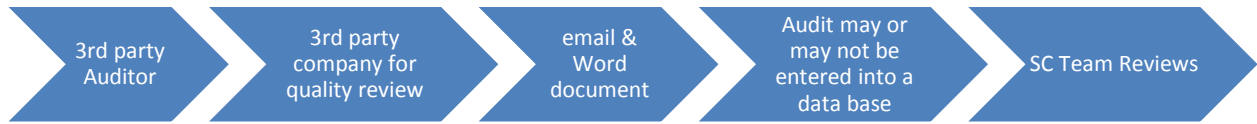


Respondents indicated that who pays for the audit varies and can be a combination of the buyer, facility, or vendor. The facility pays at least a portion of the audit cost 56% of the time, the buyer pays 14%, the buyer shares in the cost with the vendor 4%, and the vendor pays 16% of the time (this includes the other stakeholders understanding or knowledge about who pays). A few of the reasons buyers will pay include: for the initial audit, if the facility passes, if it is an internal audit, or if the facility was showing improvement. Several buyers also stated that if access is denied for the audit, the vendor or facility pays. The facility or vendor pays model is increasing, as buyers find that there is no accountability unless there is a cost involved, or as one respondent stated, “they need skin in the game to make change.”

**The facility or vendor pays model is increasing, as buyers find that there is no accountability unless there is a cost involved, or as one respondent stated, “they need skin in the game to make change.”**

Seventy-five percent of the audits come into the buyer via an email attachment, either from the third-party or their own team. A quarter of the buyers have the audits come directly into their database or a third-party database. In addition, when a third-party auditing firm is used, it is often the buyer’s tool being used and comes into the buyer in their format. This allows them to measure their KPI’s, corrective actions, and remediation. A number of buyers are actively in the process of building or contracting for an internal database.

## Path of the Third-Party Audit Report



When WRAP is accepted by a buyer, WRAP typically performs unannounced audits of facilities using pre-accredited third-party monitors. After the audit is completed, the report is shared with the facility by the auditor and is sent to WRAP's headquarters for review by staff. Once any questions are addressed, the recommendation report is submitted to the WRAP Review Board for final internal discussion and approval. Should the Board have any questions, they will be addressed with the monitor/facility prior to formal approval. Once approval is granted, WRAP issues the facility a certificate for six months, one year, or two years, depending on results of the audit and the facility's audit history. The facility shares the report with the buyer and/or grants WRAP permission to share the report with the buyer.

## Path of the WRAP Audit Report



### Cost

The cost of an audit varies and is heavily dependent on a number of factors including the country, location within the country, facility size, and manpower requirements. Of those who provided information on the cost of audits they indicated that an audit typically ranges from \$1,000 to \$2,000 for a two man-day audit, all inclusive of travel and staff time. Twenty percent of respondents stated that they had, or were aware of, negotiated rates per man-day, often times coupled with other services, such as product testing.

### Organizational Structure

Of the buyers that were surveyed the Social Compliance function predominately fits into the Legal, Finance, Human Resources, or Sourcing/Supply Chain/Production divisions of their corporate structures. A number of buyers have moved around the organizational structure over the years, often among these listed divisions. Seventy percent of the buyers stated that Social Compliance provided updates to senior leadership either monthly or quarterly and to the Board at least annually. A third responded that there was a risk or governance committee of which they were a part and to which they provided input. A quarter of the buyers currently publish some type of scorecard, which includes social compliance, that is shared internally for making business decisions and measuring improvements.

# Partnership Criteria

This section includes an overview of factors that buyers consider, according to all respondents, when evaluating third-party service providers, including monitors and consultants. It also covers whether and how buyers accept certification programs and/or audits from other buyers.

## Third-Party Service Providers

Virtually all the buyers are using third-party service providers (as defined in this paragraph) for a variety of reasons and in some portion of their programs. Most are using the well-known large firms and a few are using smaller, local/regional firms, and/or a mix of larger and smaller firms. The primary purpose for using third-party service providers is auditing, but remediation and assistance in developing or improving the code of conduct or the social compliance program, were also mentioned. Many buyers are looking for objective validation of compliance and help with improvement of their programs, which an external partner can provide.

**When looking for a partner, cost is an important consideration, but it often is overridden by the importance of reputation, ethical behavior, reliability, customer service, quality, relationships, geographic reach... A few buyers feel that the individual auditor is more important than the audit firm.**

When looking for a partner in these areas, there were several common desired attributes. The primary response revolves around reputation, ethical behavior, reliability, customer service, and quality. Buyers also take into account relationships—who they have worked with before, who they trust and have a history with, or who is recommended by other respected sources. Coverage at both the local and global levels is important (depending upon geographic spread of suppliers), along with the capacity and capabilities of the partner. Buyers are looking for in-country staff, knowledge of local issues, having the same language capabilities as those of the workers, and knowing the issues the workers and facilities face. Advisory and remediation expertise is also a factor, which sometimes ties to using specific auditors who have certain skillsets, experience, trustworthiness and/or training. In fact, a few buyers feel that the individual auditor is more important than the audit firm for whom they may work and review and approve the individual.

Cost is an important consideration, but for a number of buyers it often is overridden by the importance of one or more of the other factors mentioned above. While some may negotiate package rates for multiple services, most buyers do not want bundling of services where they are adding product testing and quality to the social audits; they want more targeted capabilities. What some are finding of value is audit tool automation. Increasingly, a database with the ability to manipulate information was also mentioned as a factor to assist buyers in their focus for measuring impact and improving their efforts.

## Certification Acceptance & Report Sharing

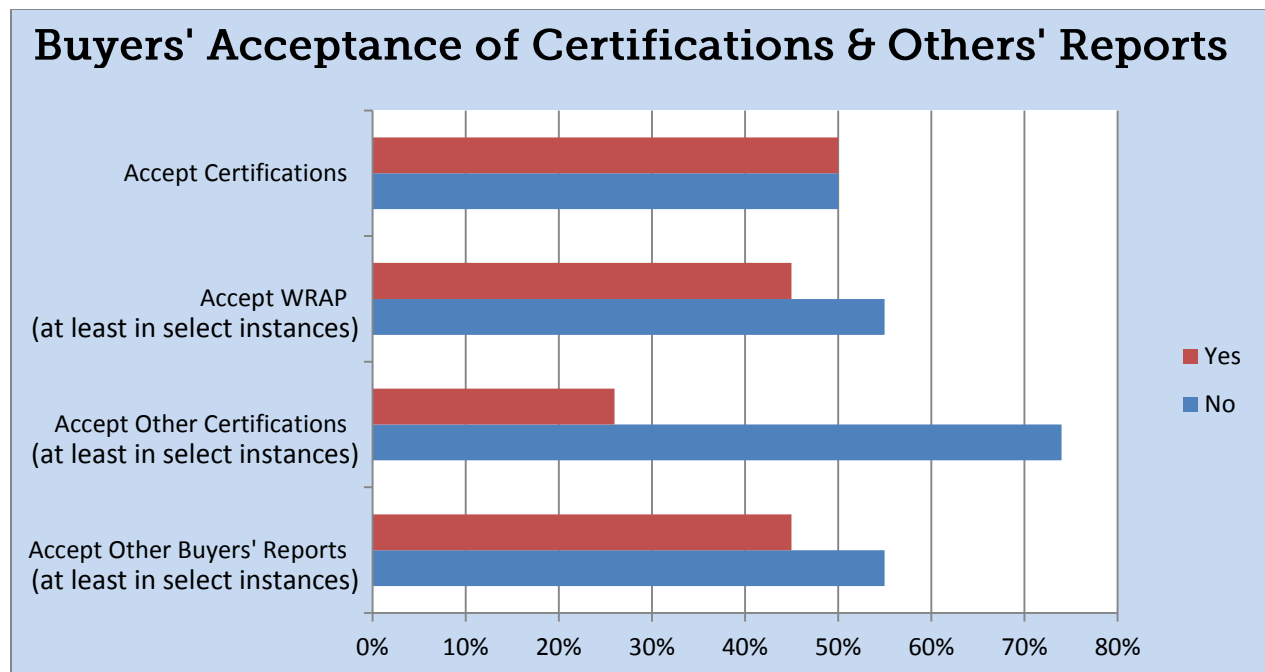
When asked about accepting certification programs, 50% of the participating buyers accept certifications. The certification most mentioned was WRAP (45%); other well-known programs were mentioned 26% of the time. Almost all the respondents that do accept certifications want the full audit report, not just the certificate in order to have a more realistic understanding of the issues at the facility.

**Many buyers are trying to collaborate and share audits when possible, but those that do not share are concerned about compatibility with their own program.**

Many buyers are trying to collaborate and share audits when possible with 45% of respondents conditionally accepting another buyer's audit, most on a case-by-case basis with some type of review of the buyer,

their program and audit report. For several, how they view transparency issues and follow up with facilities is a determining factor in accepting someone else’s audit as their own. Those that do not share mentioned that different areas of focus or some of the same reasons they do not accept certifications (e.g., they do not have control, it is not their own program, it is not sufficiently thorough) as their rationale.

Even though Better Work, an International Labor Organization and International Finance Corporation partnership, is not a certification program, 37% of the buyers do accept its assessment and/or participate in the program in various countries because they like the fact that it is a respected organization that offers facility assessment, advisory and training services. It was also recognized that Better Work is limited in what they do and cover; this could provide opportunities for collaboration with certification programs.



Some of the buyers that used to accept certification currently do not. This is due to concerns that some of the certified facilities should not have been certified and to finding facilities with false records or audit results that did not meet their own. Among some, there is doubt about the working methods behind the audits to achieve certification. The certification audits are viewed as not as thorough as their own team’s, who generally is local, experienced, and knowledgeable about the buyer’s own practices and the conditions in their sourced facilities. Such buyers also may wish to maintain control of the whole process in order to maintain confidence in and integrity of their own system. While 50% of buyers do not accept certifications, they generally still recognize that the process to become certified implies the facility has been evaluated, received counseling and training to become a better facility; therefore the resulting audits may be used to supplement their own audits or to gain a reading on facility conditions prior to conducting their own audits.

For some, the fires in Bangladesh and Pakistan in recent years have undermined the confidence in certification programs because some of those fires occurred in previously certified factories. For several, it is as simple as they do not believe in certification—how can a moving target be certified with any degree of confidence?

## Feedback about WRAP

This section reviews feedback respondents gave specifically about WRAP; how familiar they are with its programs; and recommendations they gave for strengthening/improving and/or adding to those programs and service offerings.

The majority (66%) of the respondents has known of WRAP since the early days (2000), some were involved in its development and worked for buyers or other stakeholders that had input. There were mixed responses on how WRAP was viewed, some positive, some negative.

There were respondents that used WRAP Principles as the basis of their own programs, and to them the Principles were clear. The Principles have since evolved and several respondents have stated that when reading them one knows what they involve and what to expect. The balance of the respondents have learned of WRAP in the past few years from meeting Avedis Seferian (WRAP CEO and President) and/or other WRAP staff in collaboration efforts, at trade shows, or through other stakeholders. During numerous conversations it was pointed out how positive it is that WRAP is reaching out and asking for feedback (something some felt was overdue). The timeliness of the discussions for many buyers who were in the process of reviewing their own programs was acknowledged. The re-connections made to the updated WRAP, to staff, and to information sharing were viewed positively.

At the same time, some respondents that did not support the program felt early presentations did not make a good impression. They were left with no compelling reason to participate. There were also those with the impression in the early years that the systems were weak and provided poor oversight of audits; and because they have not interacted with WRAP since then, this remains their impression.

WRAP's training and expertise of the staff and auditors are seen by many as the major strengths. The training programs include the Five-Day Lead Auditor Training, Two-Day Internal Auditor Training, and the Fire Safety Training. It was recognized that all the training is done in the local languages and is very interactive. WRAP particularly has been credited with the timeliness of the fire safety training initiative, which was launched in Bangladesh in September 2011 and subsequently rolled out to Pakistan (2012), China and India (2013), and Vietnam (2014). The Fire safety training is a three-phase program that focuses on both prevention and action. The positive impression of training has precipitated respondents to encourage WRAP to consider expanding training topics and locations. In numerous conversations the increased relocation of production to Southeast Asia—namely Vietnam, Cambodia, and Indonesia—and the adjustments required were emphasized. In that context, the fact that WRAP is putting more full-time representatives in the region was received very positively.

Many respondents mentioned that they felt WRAP's new leadership has been responsive. WRAP's willingness to listen to all issues, being open, and its caring attitude is appreciated. It was especially emphasized that the new leadership has been more visible, seen as more collaborative, more willing to share information (specifically the expertise on Bangladesh) than before. The information sharing approach, as opposed to an attempt to hard sell WRAP, is appreciated. In this respect, this stakeholder conversation initiative also was viewed extremely positively.

Again, some see the Principles as fairly comprehensive, and WRAP's adoption of the full C-TPAT guidelines into Principle 12 on Security was acknowledged. The comprehensive audit process, facilities-based and management approach systems, as well as CAP (corrective action plan) management were viewed positively, with a few likening it to continuous improvement. A few of the respondents have suggested a variety of enhancements to the Principles such as strengthening safety, adding

sustainability, and being more open to auditing to industry standards versus local law, especially for social insurance and working hours.

Two of the biggest opportunities identified by respondents, and where WRAP has already begun focusing, are trust in the results and improved communication. Fifty-five percent of the respondents feel WRAP can improve the level of trust in the results and 31% felt communicating the changes, improvements and greater brand awareness could be done. There were frequent comments made during the conversations on the poor or insufficient communication by WRAP in the past, including 28% that could not answer or did not know enough about WRAP currently to respond to what WRAP does well, or does not do well. Examples of that include:

- Lack of knowledge of what WRAP is doing and changes made
- Lack of awareness of the types of training
- Lack of awareness of the Newsletter
- Lack of understanding of what WRAP's definition of certification is; how WRAP is making certifications and audits more credible
- Lack of awareness of WRAP's methodology
- Lack of interaction with WRAP; some respondents had not spoken to anyone from WRAP in up to 10 years
- Lack of detail of data from the audit reports
- Lack of reports or data mining
- Desire for more transparency of audit findings, suggesting potentially posting on the website or including on the certificate
- Lack of awareness that WRAP advises buyers when there are issues or a facility is decertified

Some respondents who have a level of familiarity with WRAP shared that the WRAP methodology does not fit with their models. There are challenges and skepticism with certifications in general (29%), and WRAP in particular. A few of the reasons cited are concerns of inconsistent audit results and discrepancies on records issues, seemingly of facilities getting a certificate that should not, and rumors that a facility could buy a certificate. It boils down to the level of trust and confidence in the certificate as to whether or not it provides adequate assurance that a buyer's facilities are socially compliant. Those who do accept WRAP have confidence in the certification, but for some who do not there is not the same confidence. Some do not support a multi-year certification and/or accepting government waivers (e.g., on working hours). These are not desired methodologies for many of the respondents. In addition, certifications can be an easy target when there is an incident or issue, which can be particularly challenging in today's ever-present media environment.

Another area of discussion was on the audits themselves. While a few respondents feel there is not sufficient depth in the audit reports, a few others feel the reports are too lengthy, often with blanks and no narratives or explanations. There have been comments about the integrity of WRAP's audits, the audit firms, and auditors themselves—how they are approved and using the same auditors in the facility over multiple years. In essence, who is watching the auditors? Several suggested considering doing buyer shadow audits to validate the WRAP auditor and audit, and to build trust in the program. WRAP is perceived by some as simply doing an audit, being in and out of the facility, and as not providing remediation services. This is seen as particularly important as many buyers are increasing remediation on a continual basis, sharing tools with the facilities for continuous improvement and encouraging facilities to take ownership themselves. Some buyers are using their agents/vendors for follow-up audits, CAP's and remediation. Grievance mechanisms and giving the workers a voice were also raised as pieces that are being added and that should be of concern to WRAP.

Additional opportunities can be found with second and third tier suppliers, which have been defined as fabric and trim suppliers or facilities broken out by levels of production volume and importance depending on the buyer. The facilities in these tiers have been virtually untouched by social audits. With several initiatives, such as restricted substances and conflict minerals, these second and third tier vendors and facilities will need more visibility, training, and support. Another possible opportunity for WRAP is conducting pre-production audits; audits on small, seasonal facilities and the buyers' non-owned brand products to help ensure their supply chains are compliant.

While some respondents see WRAP as devoted to social compliance and as specialists in the field, there are those who view WRAP as pro-business, too closely associated to industry (e.g., buyers, AAFA) and not sufficiently engaged with multi-stakeholder organizations. It was suggested that WRAP should consider having more NGO's on the board of directors, not just educational institutions, and should consider union representation. Greater collaboration with NGO's and other stakeholders is encouraged. Given the many challenges facing buyers today—being understaffed, having limited funds, needing specialized expertise, and having the ability to manage the evolving issues—WRAP should focus efforts on greater collaboration and leveraging tools to assist in worker empowerment and continuous facility improvement. It was pointed out that WRAP has a wealth of data and intelligence from the audits conducted as well as from interactions in the field. This information can be helpful for all involved stakeholders; from identifying patterns and emerging issues to recognizing improvements. In addition, WRAP could complement existing training with expanded topics that focus on continuous improvement and helping facilities understand why social compliance is important.

## Summary

This report is based on the feedback shared with WRAP by participating social compliance stakeholders. It provides benchmarking information that can be applied by buyers to their own organizations and that will help enrich other stakeholders' knowledge of how various elements of social compliance programs are viewed and implemented in actual practice. This project also has provided WRAP with constructive critiques of its activities and interactions with social compliance stakeholders. WRAP is analyzing the information gathered and recommendations shared and is developing plans for applying this feedback to its programs. These resulting initiatives may lead to the augmentation or expansion of certain activities and/or development of some completely new programs and relationships. WRAP will seek to strengthen what it does best and continue to be a responsive and effective partner for supply chain social compliance management.

## Trends for the Future

While the preceding sections outlined feedback shared with WRAP by the interviewed stakeholders, what follows are some trends for the near term future (2014-17) that WRAP leadership are projecting based on what is being seen and heard in the larger world of social compliance and supply chain management

### Sourcing:

- Continuing labor and input cost escalation, particularly in Asia (e.g., China, Bangladesh, Cambodia, Indonesia, Vietnam)
- Continued movement of production from China to Bangladesh, Cambodia, Indonesia, & Vietnam
- Evolution of Sub-Saharan Africa and Myanmar as new lower cost alternatives
- With cost escalation, an increase in Free Trade Agreement (FTA) sourcing—TPP, including Vietnam & Malaysia, and CAFTA—to gain duty advantages (16%-30% of FOB)

- China textile cost increases will prompt significant textile investment in Vietnam (TPP), USA, and Central America/Mexico
- An increase in responsible sourcing, which includes a variety of themes (e.g., social compliance, chemical and product safety compliance); this will require partnerships and relationships with facilities who are experienced, well financed and well established
- Risk assessment will grow in importance, owing to multiple concerns regarding transparency, traceability, and accountability, as emphasized by demands from NGO's, consumers, and governments; additionally the evaluation of quantities by country will continue to trend as very important in order to ensure no over dependence on any one country
- Fewer suppliers to maximize impact, also to ease development costs in fashion sensitive buyers and cost management will be the new norm due to rising labor, material, and energy input costs

### **Social & Environmental Compliance:**

- Increased transparency in supply chains, evidenced by recent events on the safety side (i.e., Bangladesh) and the creation of the Alliance and Accord
- Increased engagement with facilities in training, particularly in health and safety
- Increased movement to attain sustainability in the supply chain is occurring and will intensify, for example:
  - Increased remediation efforts with buyers and facilities
  - Increased collaboration with trusted partners (e.g., facilities, NGO's, government players)
  - Reduction of auditing for trusted long-term suppliers/facilities and emphasis on smaller, initial short-term partners or potential partners
  - Increasing movement to outsource functions to service providers who provide value-added services, have the capabilities to deliver at a cost; pay more for trust in capabilities to gain sustainable results
- Engagement with facilities with development of management systems
  - Efficiencies
  - Assistance in remediation
  - Configuration of flexibility in process (cells, modular) systems
- Technology investment to drive data for KPI's
- Increased engagement with NGO's as partners (e.g., IFC- ILO/Better Work)
- Reduced or redefined engagement with certification models
- Increased emphasis on environmental issues, particularly in Tier 2 & 3 suppliers e.g., product safety, conflict minerals environmental integrity

### **Corporate/Government/NGO/Media:**

- Growing and more sophisticated use of media
- Increasing availability and technological sophistication of social media
- Increasing importance and clout of SRI's to influence buyers in order to raise awareness and prompt change
- Increasing calls for shareholder resolutions to influence buyers in order to raise awareness and prompt change
- Increasing involvement of buyers' boards of directors, with supply chain risk management being key
- Increasing demand for multi-stakeholder initiatives

## Next Steps

WRAP undertook this project to better understand how to adapt to the ever changing social compliance landscape and to help determine how it can better serve its stakeholders and meet the needs of the broader social compliance community of which it is a part. It has given WRAP much constructive feedback about its activities and interactions. While the analysis of the information shared is ongoing, WRAP already is actively developing plans to utilize the feedback. WRAP is applying this information to a thorough strategic planning process, re-evaluating all areas of its programs and relationships. This will lead to augmentation of certain activities, as well as development of some completely new programs and relationships.

Two key issues highlighted as requirements for ensuring future success were trust (as in being able to trust WRAP audit reports and being able to trust WRAP as a social compliance partner) and communication (as in WRAP doing a better job in communicating the very things WRAP is doing in order to gain, and maintain, that trust).

WRAP has been making many changes over the past couple of years as the organization seeks to further improve the program. In fact, WRAP had already been addressing some of the issues mentioned as shortcomings in the feedback section, such as monitoring the auditors (but clearly had not done a good enough job of communicating this to the larger stakeholder community). As a result of this project, more enhancements are planned, including:

- Increasing WRAP's own internal audit staff further and doing even more post-certification follow-up audits (at no cost to the factories)
- Adding more full-time local staff in key sourcing destinations
- Expanding efforts to support factory transparency, such as increasing after-hours observations in certain countries and regions to verify that factories actually are operating according to the hours that they reported, thereby holding them accountable and helping them to realize the benefits of being transparent

In addition, WRAP is actively seeking out more engagement with a diverse mix of partners in the larger stakeholder community, to develop beneficial partnerships and find effective ways to help workers and factories, as well as address other concerns and issues in the social compliance arena. For example, grievance mechanisms, worker empowerment, and giving the workers a greater voice have all been raised as areas of concern by many stakeholders (both buyers and others), and WRAP is exploring ways by which it can make meaningful contributions in these areas through collaboration with others. In addition, WRAP will be working with stakeholders to help take social compliance deeper into the supply chain to second and third tier suppliers.

**WRAP's next steps will be concentrated on further enhancing the level of trust that can be placed in it and on doing a better job of communicating and engaging with the greater stakeholder community.**

WRAP also will be doing a better job at communicating to stakeholders all the things that the organization is doing, taking better advantage of modern communication methods to do so. For

example, a series of articles and videos around the issuance of this report will be forthcoming. Utilization of WRAP's recently updated and re-launched website will be enhanced through posting of useful reports, blogs, white papers, and other materials. WRAP will continue making its increasingly popular weekly newsletter a trusted source of information. Greater sharing of expertise on key topics (e.g., Bangladesh, fire safety) will be pursued. Improved communication also will include more and continued listening through regular face-to-face and telephone conversations and connections with the many WRAP stakeholders, existing and new.

As mentioned, WRAP is examining how to make best use of the information that the audits and interactions in the field provide and how to turn that into intelligence that is meaningful to a broad range of social compliance stakeholders. This may include trend analysis on factories, countries, and regions and other data that will support continuous improvement efforts. Some of the changes already have been implemented, some will be seen in the coming weeks and months, and WRAP is committed to keeping the community informed.

In conclusion, returning to those central themes of trust and communication, WRAP's next steps will be concentrated on further enhancing the program and, consequently, the level of trust that can be placed in it, and on doing a better job of communicating and engaging with the greater stakeholder community to better advance WRAP's mission of fostering social compliance.

# Addendum 1

## WRAP Overview

### Who WRAP Is

Worldwide Responsible Accredited Production (WRAP) is an independent, objective, non-profit team of global social compliance experts dedicated to promoting safe, lawful, humane and ethical manufacturing around the world through certification and education. WRAP is headquartered in Arlington, Virginia, USA, and has branch offices in Hong Kong and Bangladesh and representatives in India and SE Asia (Thailand & Vietnam). WRAP certification is accepted by numerous well-known brands and retailers around the world.

WRAP's Certification Program seeks to independently monitor and certify compliance with the 12 WRAP Principles, which are based on the rule of law within each country and include the spirit or language of relevant International Labor Organization conventions. The first nine Principles cover child labor and forced labor, health and safety, harassment and abuse, discrimination, hours of work, compensation and benefits, and freedom of association. A Principle on environment serves to demonstrate a facility's commitment to environmentally responsible business practices. The final two Principles, on customs compliance and security, ensure that the shipment of goods complies with applicable customs laws, and that no non-manifested cargo (drugs, bombs, etc.) is transported along with finished products. WRAP certified facilities can demonstrate compliance with US C-TPAT Guidelines for Foreign Manufacturers.

Facilities that demonstrate proper adoption, deployment and monitoring of all 12 Principles receive certification for six months to up to two years. The certificate applies to the individual facility, not a parent company or brand, which allows our auditors to get an on-the-ground perspective of each facility's operations to ensure that they are maintaining compliant practices. All certifications require periodic renewal depending on the level, and all certified factories are subject to unannounced follow-up visits during their certification periods.

Compliance with these Principles is checked via audits carried out by professional third-party monitoring firms that have been accredited by WRAP. The individual auditors who conduct WRAP audits have to meet rigorous accreditation requirements and undergo a five-day training course conducted by WRAP and also attend refresher training courses once every two years.

WRAP's commitment to objective review is reflected in the make-up of its independent Board of Directors. Although the apparel industry is represented on the Board to provide insight and perspective, by charter the majority of the Board is comprised of individuals not affiliated with the industry. Further, structurally, WRAP is not set up as a membership organization. Despite receiving no income from dues, memberships or government grants, WRAP is financially sound, with its revenue being generated entirely through facility registrations, training and monitor accreditation fees.

WRAP also is an IRCA (International Register of Certificated Auditors) accredited training organization and runs social systems and auditor training courses and related seminars (including a very popular fire safety training course) in countries around the world to educate workers, facility managers, government inspectors, and others about issues related to socially responsible manufacturing.

WRAP's comprehensive facility-based model has made it the world's largest independent social compliance certification program for the apparel/textile industry (according to a 2010 UNIDO Study, *Making Private Standards Work For You*, WRAP is the "standard most often cited" for social compliance certification in the textile sector). In 2013 alone, over 2300 facilities from 50 countries participated, and there are currently 1800 WRAP-certified facilities around the world, employing over 1.6 million workers.

## How WRAP Certifies a Factory

Becoming a WRAP certified facility involves much more than simply passing an audit. WRAP takes a collaborative approach to social compliance certification in which the facilities are worked with to ensure that they remain in compliance with the 12 Principles. This requires that all facilities actively engage in the process themselves and maintain effective management systems to ensure compliance requirements are met. This means real commitment from top management and specific individuals are assigned compliance responsibility for each of the 12 Principles. The facility must demonstrate how the principles are adopted, deployed, and monitored and maintain supporting documentation or other relevant evidence. There also must be continuous education of all employees in order to ensure ongoing (not just one-time) compliance.

### ***Step 1 – Application***

The production facility submits an application form to WRAP and pays a registration fee of US\$1195.

### ***Step 2 – Self-Assessment***

The facility completes a self-assessment to show that they have been utilizing socially-compliant practices for a minimum of 90 days (for new facilities; facilities seeking re-certification are expected to have been compliant throughout their preceding certification period). The Self-Assessment Handbook can be found on the website under Certification and is written in English, Spanish, Chinese, and Bengali and explains WRAP's principles and procedures. When satisfied that it has complied with the requirements in the Handbook, the facility notifies WRAP that it is ready for monitoring.

### ***Step 3 – Monitoring***

After submitting its self-assessment, the facility selects a WRAP-accredited monitoring organization to audit the facility against WRAP's 12 Principles. The audit must be successfully passed within six months of paying the registration fee to avoid having to re-register.

### ***Step 4 – Evaluation***

WRAP will review the monitor's audit report and decide whether or not to certify the facility. If WRAP decides not to issue a certification, the facility will be notified of the corrections that need to be made and the monitoring firm will conduct an additional inspection. If the facility does not satisfactorily implement the recommendations within the original six-month period, it must renew its application and pay the registration fee again.

### ***Step 5 – Certification***

There are three levels of WRAP certification – Platinum, Gold and Silver. The certificate issued to a facility is determined by WRAP and depends on the extent to which the audit indicates full compliance and management commitment to the WRAP Principles.

***All certified facilities are subject to random, unannounced Post-Certification Audits during their certification period.***

## Certification Levels

WRAP has a three-level factory certification program. The purpose of this program is to award participating factories with the appropriate level of recognition for their progress in achieving full compliance with the WRAP Production Principles over a period of time. The details are as follows:

***Platinum Level Certificate (Valid for 2 years)*** – Platinum certification is awarded only to a facility that maintains a Gold certification for at least three consecutive years. All Platinum-certified facilities must successfully pass each audit with no corrective actions and maintain continuous certification in order to remain Platinum (a facility whose certification lapses for any reason must hold a Gold certification for at least three consecutive years before it can regain Platinum status).

***Gold Level Certificate (Valid for 1 year)*** – Gold certifications are awarded to facilities that demonstrate full compliance with WRAP's 12 Principles during an audit. **Any facility that cannot show complete and accurate records regarding wages and/or working hours during ANY audit (initial, re-certification, or post-certification) will automatically lose eligibility for Platinum and Gold certification for their current period. This includes any violations of Principles 5 or 6 where WRAP monitors indicate issues with record keeping or cannot verify them due to inconsistencies.**

***Silver Level Certificate (Valid for 6 months)*** – A facility may request a Silver level certification if an audit finds that it is in substantial compliance with the WRAP principles, but has minor non-compliances in policies, procedures or training that need to be addressed. Facilities seeking certification through this route must request a Silver certificate in writing from a WRAP office at the conclusion of their first formal audit as a certificate will not be automatically issued. Important points to note in this regard are:

- Facilities may not have any "red flag" non-compliances such as child labor, egregious health & safety or environmental issues, prison labor, forced or involuntary labor, or harassment or abuse of employees.
- Facilities must demonstrate that their employees are paid at least the minimum wage and any required overtime compensation.

Alternatively, the WRAP Review Board may issue a Silver certificate if any of these criteria are met:

- The facility is a first-time applicant and has demonstrated difficulty in achieving full compliance or has shown non-material non-compliances in one of these areas:
  - Working hours
  - Training and communications with employees
  - Payment of regular wages and overtime premiums
  - Any other factors that would bar the facility from being granted a Gold certificate
- The facility is applying for a re-certification, but non-material non-compliances are found during the audit

### ***Special Notices for Silver Certifications:***

All Silver-certified facilities wishing to renew their certification must reapply prior to the expiration of their certificate, pay a reduced registration fee of \$895, and demonstrate improvement toward achieving Gold certification at the subsequent audit. A facility may be awarded no more than three consecutive Silver certificates. If a facility fails to achieve full compliance within this time period, its certification will be revoked; however, the facility may reapply for certification using its original registration number following a waiting period of six months. Facilities that have two successive "clean" audits will be eligible for a Gold certificate.

## Monitoring Partner Selection & Control

All WRAP monitoring partners must put into place documented policies, procedures and work instructions, as established by ISO17021, which is the accreditation standard for conformity assessment bodies certifying quality management systems and environmental management systems. A quality assurance system needs to be in place to control audits and includes the monitoring partner's policy and commitment to the WRAP program, a system of internal audits, and a formal process of periodic shadow audits of each WRAP auditor by a more senior/experienced auditor within the monitoring partner to check competency and quality of work.

Audits are done in accordance with ISO19011, and all auditors must be individually accredited. They must undergo and pass WRAP's IRCA-approved five-day social systems auditor/lead auditor training course, including a two-hour exam. All WRAP auditors must undertake a refresher training course every two years in order to maintain their accreditation status.

In order to ensure quality control, WRAP uses multiple tools, aimed at different aspects of individual auditor competency. WRAP conducts office visits and audit file reviews, and WRAP personnel on travel may conduct surprise visits to local offices of monitoring partners. Staff also conduct unannounced visits at certified facilities. Shadowed/witnessed audits may be required prior to allowing an auditor to perform solo-audits and will be required as part of any internal review.

In addition, there are consequences for not performing up to standards, which may include suspension of WRAP accredited status of either the individual auditor or entire monitoring firm. That suspension can be either temporary or permanent, and there are instances of each case.

## Training

As noted above, WRAP is a highly respected leader in the training arena, with IRCA accredited offerings. These include a **Two-day Internal Social Systems Auditor Training Course** that provides both in-depth understanding of social systems auditing and ethical trading as well as an understanding of how to implement a compliance program.

WRAP also offers a **Five-day Auditor/Lead Auditor Social Systems Training**, which satisfies the training requirements for those who wish to register as a lead auditor with IRCA. Delegates successfully completing the course, including examination, will be awarded an IRCA registered certificate.

In 2011 WRAP launched its increasingly popular **Fire Safety Training** course, now being offered in Bangladesh, China, India, Pakistan, and Vietnam. The program is aimed not just at evacuation but also at prevention. Since the inception of this course, over 2000 people have been trained.

All training courses are conducted in local languages by full-time, experienced trainers and IRCA-registered social system auditors with a wealth of practical knowledge. Courses use a variety of accelerated learning techniques, including case studies, role playing, interactive activities, and virtual factory tours.

## Continuous Improvement

Additionally, WRAP can provide custom solutions to brands and retailers that support continuous improvement and remediation initiatives within their supply chains. These may include a combination of factory assessments and issue-specific training (e.g., health and safety), topic-specific training (e.g., factory supervisor training), or brand-level training to help the company's own staff increase their knowledge and ability to identify issues at the factory. WRAP will collaborate with the brand to form an effective solution that ensures a socially compliant supply chain.

## Addendum 2

### WRAP Conversation Questions—Companies

1. What motivates the company to have a Social & Safety Compliance program? For example:
  - a. Need to conduct audits, to ensure facility compliance?
  - b. Need to ensure consumer expectations?
  - c. Need to ensure shareholder/investor expectations?
  - d. Need to protect brand integrity?
  - e. Corporate philosophy?
  - f. Other

2. How are you performing social/safety audits?
  - a. Internal? Why do you feel you need to do yourself?
  - b. External? Who?
  - c. Unannounced, announced?
  - d. Do you charge?
    - i. Who pays?
    - ii. How much?

3. What path does an audit report take to reach the decision maker’s desk? For example:

a. Through agents?	d. Own team?
b. Direct from factories?	e. Other?
c. Trade Good Database (clearing house)?	

4. What factors do you consider when looking for a compliance partner?
5. What factors do you consider when evaluating a 3<sup>rd</sup> party company for auditing or program support?
6. What issues are included in your audits? What program elements currently are missing or need more focused support? For example (some provided by WRAP, some are not) :

a. Building safety	e. Foreign Corrupt Practices Act
b. C-TPAT	f. Product Safety
c. Environmental	g. QA
d. Fire safety	h. Other

7. How is social/safety compliance structured in your company?
  - a. How do you evaluate social/safety compliance audits in your company?
  - b. Who are the decision makers regarding social/safety compliance?
  - c. Is it a priority for management?
8. Do you accept certification programs?
9. Do you accept another brands audit in lieu of your own audit? If so, what did it take to achieve this?
10. What do you know about WRAP?
11. How were you introduced to WRAP?
12. What do you believe WRAP does well?
13. Where do you think WRAP can improve?
14. Is WRAP a part of your program? Why or why not?
15. What would it take for you to accept WRAP certification for your audit?
16. What services should WRAP provide that we are not providing currently?

## Addendum 3

### WRAP Conversation Questions—Other Stakeholders

1. What motivates companies to have a Social & Safety Compliance program? For example:
  - a. Need to conduct audits, to ensure facility compliance?
  - b. Need to ensure consumer expectations?
  - c. Need to ensure shareholder/investor expectations?
  - d. Need to protect brand integrity?
  - e. Other
  - f. Corporate philosophy?
2. How are companies performing social/safety audits?
  - a. Internal? Why do they feel the need to do themselves?
  - b. External? Who?
  - c. Unannounced, announced?
  - d. Do they charge?
    - i. Who pays?
    - ii. How much?
3. What factors are considered when looking for a compliance partner?
4. What factors are considered when evaluating a 3<sup>rd</sup> party company for auditing or program support?
5. What issues are included in most audits? What program elements currently are missing or need more focused support? For example:
  - a. Foreign Corrupt Practices Act
  - b. Fire safety
  - c. Building safety
  - d. Environmental
  - e. Product safety
  - f. C-TPAT
  - g. QA
  - h. Other
6. What do you know about WRAP?
7. How were you introduced to WRAP?
8. What do you believe WRAP does well?
9. Where do you think WRAP can improve?
10. What services should WRAP provide that we are not providing currently?

## Appendix 4

# Thought Leaders Who Participated

WRAP wishes to thank the many thought leaders who contributed their time and knowledge to this project. The following is an illustrative list of those who participated:

**Susan Baker**, Vice President, Shareholder Advocacy & Corporate Engagement, *Trillium Asset Management*

**Margaret Bishop**, Global Textile & Apparel Consultant and Adjunct Instructor, *Fashion Institute of Technology*

**Daryl Brown**, Social Compliance Consultant, *Kate Spade & Company*

**Leslie Burns**, Professor, School of Design & Human Environment, College of Business, *Oregon State University*

**Daniel Cleland**, Senior Manager, Social Compliance, *Target*

**Anthony Curtis**, Director, International Social & Environmental Affairs, *J. C. Penney Purchasing Corporation*

**Carolyn Duffy**, Owner and Executive Director, *Insite Compliance Services*

**John Eapen**, Vice President, Environmental, Health & Safety/Sustainability, *American & Efird, LLC*

**Francisco Fuentes**, Vice President, Global Compliance & Risk Management, *Chico's FAS, Inc.*

**Adam Greene**, Vice President, Labor Affairs & Corporate Responsibility, *U.S. Council for International Business*

**Sittichoke Huckuntod**, Director of Health, Safety & Environment, *Nike, Inc.*

**Michael Kabori**, Vice President, Sustainability, *Levi Strauss & Co.*

**Allison Kohll**, Director of Human Rights, *PVH Corp.*

**Gregory Maggio**, Deputy Coordinator, Economic Policy and Public Diplomacy, *U.S. Department of State*

**Joanne Martorelli**, Head of Global Social Compliance and Product Safety, *Brooks Brothers*

**Jennie McCarthy**, Senior Director of Vendor Compliance, *Donna Karan International Inc.*

**James McMichael**, Partner, *Elevate*

**Greg Priest**, Head of Sustainability Policy and Compliance, *Ikea Group*

**Andre Raghu**, Chief Strategy Officer, *TradeGood*

**Randy Rankin**, Vice President, CSR Services, *Bureau Veritas Consumer Products Services*

**Carol Rice**, Director Global Compliance, *Sears Holdings Management Corporation*

**Ruth Rosenbaum**, Executive Director, *Center for Reflection Education and Action*

**Laura Rubbo**, Director, International Labor Standards, *The Walt Disney Company*

**Pat Sandstrom**, Quality Assurance Manager, *Red Wing Shoe Company*

**Rev. David M. Schilling**, Senior Program Director, *Interfaith Center on Corporate Responsibility*

**Margot Sfeir**, Director, Compliance and Social Responsibility, *J.Crew International Inc.*

**Genevieve Taft-Vasquez**, Manager, Global Workplace Rights, *The Coca-Cola Company*

**Michelle Tarry**, Sr. Manager, Supply Chain Responsibility, *American Eagle Outfitters, Inc.*

**David Uricoli**, Vice President, Global Human Rights Compliance, *Ralph Lauren*

**Laura Wittman**, Vice President, Corporate Compliance and Human Rights, *Jones Apparel Group, Inc.*

**Shelly Zimmerman**, Assoc. Vice President, Global Audit, *L Brands Inc./Independent Production Services, Inc.*, with **Leigh Schmid**, Sr. Vice President, Global Compliance, *L Brands Inc.* & President, *Independent Production Services*