

From social auditing to human rights due diligence

Brussels, 11 December 2018

Social auditing has become a mainstream business practice to monitor labour rights conditions in global supply chains. Companies, especially large multinational brands, carry out their own social audits and/or commission private auditors to assess whether their suppliers comply with specific social standards and codes of conduct. In some cases, lead firms require social or sustainability certificates from supplier factories or commodity producers, which are granted upon passing an audit procedure.

The UN Guiding Principles on Business and Human Rights have established human rights due diligence as the global standard of practice to ensure companies respect human rights throughout their operations. However, companies continue to rely on social audits, some citing them to demonstrate human rights due diligence. This trend is worrying given the growing body of evidence that suggests social audits are ineffective in identifying, detecting or remediating human rights abuses in global supply chains, and in their current form are ultimately failing workers. For instance, shortly before the Rana Plaza collapse in Bangladesh and the Ali Enterprises fire in Pakistan, (parts of) these textile factories had been audited or certified several times.

The aim of this workshop was to share experiences of social auditing pitfalls in different sectors, and to develop recommendations on how to move beyond auditing towards genuine human rights due diligence. Workshop participants included experts from academia and non-governmental organizations (NGOs).

Social auditing pitfalls

Discussions during the workshop shed light on social auditing practices in textile production, leather, food & beverage, and shipbreaking sectors.

Concerns about social audits ranged from inadequacies in properly identifying and documenting on-the-ground human rights risks and abuses to the doubtful role audits may play in helping laggard companies conceal endemic human rights abuse, as some participants noted. Patterns that were highlighted across sectors:

- There is a **systemic dimension** of social auditing risks and deficiencies according to participants, as

the market creates incentives for companies and their suppliers to ignore worker issues to cut production costs and time. A lack of accountability for human rights abuses by buyer companies/brands was quoted as part of this systemic challenge. Auditors are also subject to market pressures as they compete for clients. This is particularly problematic if they are hired by the very same company/factory who or whose supply chain they are supposed to audit. One participant noted that auditors often have to operate for a low price. This raises the question of how thoroughly audits can be conducted under these conditions.

- The discussion also made clear that the **scope** of social audits is limited in several ways. For instance, in certain sectors and regions, audits may *mostly cover 1st tier production*, thus missing out on precarious conditions further upstream, e.g. at the subcontractor and home-based level of apparel production. Also, there is an inherent limitation of scope as most social audits verify compliance to a closed, pre-defined and (to varying degrees) subjectively interpreted set of social standards or criteria. In many instances this has led to *a tick-box approach that risks missing out on contextual factors*, such as culture- and religion-based discrimination at the workplace, according to participants. The standards against which are audited may not be comprehensive enough or simply be too low, e.g. a national legal minimum wage that falls much too short of living wage levels.
- **Worker engagement** by auditors is often low or superficial, as some participants argued. Even though freedom of association and collective bargaining are core labour rights, found in most if not all codes of conducts, evidence of a worker's committee or worker's council is sometimes presented only on paper and accepted as a union alternative, according to several examples given. A [report](#) presented at the workshop found that 95% of surveyed workers on Ghanaian cocoa plantations were unaware whether or not their site was part of an ethical certification (and thus auditing) scheme.
- Some participants provided examples of active audit **cheating**, where workers were hidden from auditors, or told to temporarily alter their working practices to meet standards during audits.

- These and other factors can lead to **severe human rights risks and abuses going unnoticed** by auditing. The aforementioned report found that these can include forced labour risk factors (debt, no savings, earnings withheld by management).

Social auditing reforms and alternatives to improve respect for human rights

The workshop addressed a number of social auditing reform options and (emerging) alternatives. A cross-cutting concern in the discussion was the need to **empower local NGOs, workers and vulnerable groups**. Participants agreed that local NGOs play an important role in providing *capacity building trainings*, including for union leaders, women and informal sector workers, as well as in *facilitating lead firm engagement to mitigate abuses at the supplier level*. Such kind of engagement is still difficult to achieve, according to workshop discussions. In terms of *empowering female workers*, gender committees at factories as well as connecting strong feminist organizations with workers were reported as effective short-term practices. The discussion highlighted the importance of *safe spaces for women* inside the factory, but also outside in worker information centres, where workers feel more comfortable about speaking out. (Mother-)care centres could also provide an alternative space to address labour rights issues jointly with other issues especially relevant to female workers, such as child care and domestic violence.

The subsequent debate focused on the following social auditing reform options and alternatives:

- **Worker-driven Social Responsibility (WSR)**: Initiatives under this category are all based on six principles. They are (1) worker-driven, (2) binding and enforceable, (3) afford suppliers the capacity and financial incentive to comply, (4) mandatory, (5) measurable and timely, and (6) subject to rigorous and independent monitoring. Participants considered this the most effective model to move ‘beyond social auditing’ and towards genuine human rights due diligence but also argued that it may be difficult to implement if there is limited worker power and low presence of trade unions. The question remains as to what can be done in these situations, and whether there are different points of leverage. Translating WSR into investment principles was discussed as one option to encourage promotion and engagement by investors.
- The introduction of ambitious transparency regulation for auditing was considered key in terms of strengthening **auditor accountability and**

liability. Audit results are generally not published, nor are they accessible to workers. Participants therefore agreed that brands should be legally required to publish audit reports, including negative outcomes, which could be justified on the basis of public interest. Considering the length, cost and barriers of legal proceedings, there should also be alternative ways to seek compensation from brands and auditors for harm resulting from false certification and auditing, e.g. through an ombudsman system, as was suggested during the discussion (see also below).

- Participants were supportive of **mandatory human rights due diligence legislation** as this was seen as key to improving respect for human rights in the supply chain. They stressed that such kind of legislation should make sure that worker voices are heard throughout, starting from the risk assessment stage of the due diligence process. The discussion also addressed possible unintended side-effects, such as service providers specialising in writing law-compliant ‘due diligence statements’ for companies. Participants raised concerns that mandatory due diligence could lead to a multiplication of audits and certification (and corresponding shortcomings) if companies outsource rather than internalise their greater (legal) responsibility to respect human rights. Brand consultations with local NGOs, long-term supplier relationships and a smaller supplier base were highlighted as possible constructive due diligence steps, including under mandatory legislation.
- **More effective judicial and non-judicial grievance mechanisms** were considered a key ‘beyond social auditing’ strategy. However, effective remedy continues to face numerous barriers, such as difficulties in establishing responsibility of the top brand. Participants suggested that governments should work towards regulations that reverse the burden of proof in lawsuits and increase discovery access, mandating the defendant company to disclose evidence relevant to the case. Brands should support the development of bottom-up grievance mechanisms that truly engage workers.

More information: [‘Beyond Social Auditing’ portal and blog series](#), curated by BHRRC & CCC

The workshop, portal and blog series were made possible thanks to funding from Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) and the German Federal Ministry for Economic Cooperation and Development (BMZ).