

NCE Standard for Ethical Trading Practices and good Governance for Exporters

The National Chamber of Exporters of Sri Lanka (NCE)

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ACRONYMS

For the purpose of this standard the following acronyms have been used:

NCE	The National Chamber of Exporters of Sri Lanka
CET	Certificate of Ethical Trading
ILO	International Labour Organization
ETMS	Ethical Trading Management System
ETPT	Ethical Trading Performance Team
ETSE	NCE standard for Ethical Trading Practices and Good Governance for Exporters
NGO	Non-Government Organization
HSC	Health and Safety Committee

INTRODUCTION

The National Chamber of Exporters of Sri Lanka (NCE) is the only private sector trade Chamber in Sri Lanka with the registration number: GA 384.

The Membership of the Chamber represents exporters of all product and service sectors in Sri Lanka. They range from different scales, Extra Large to Small export-oriented enterprises. The Chamber services are primarily focused on its Members to promote and sustain international markets and be global brand leaders. Due to this commitment and working towards archiving goals of the Membership the Chamber is nationally identified as 'VOICE OF THE EXPORTER'.

The NCE launched Certificates of Ethical Trading (CET) in 2019 as a special service to its members to help demonstrate their commitment to ethical business practices and to enhance their reputation in the global marketplace. The CET is based on ten core principles, outlined in Clause 04, which are developed and reviewed by special committee (Annexure 01) to ensure that members adhere to high standards of ethical conduct in their operations. These principles guide members in areas such as Ethical business practices, fair labour standards, good governance, environmental practices, to the overall goal of fostering sustainable and ethical trade practices.

Principle 1: Trading practices

Principle 2: Payment of statutory wages

Principle 3: Child labour and forced labour

Principle 4: Non-discrimination and Gender Equality

Principle 5: Freedom of Association and collective bargaining

Principle 6: Occupation Health and Safety

Principle 7: Working Conditions

Principle 8: Capacity Building

Principle 9: Promotion of Good Values

Principle 10: Environment

The above principles have been derived from ILO convention and other globally accepted standards for ethical trading.

The need for advance of this service with third party accreditation of the present scheme has been identified during its use. NCE has therefore decided to upgrade the present services obtaining accreditation for the certification scheme used for granting certificates.

This standard fulfils the need for availability of recognized auditable standard which can be used by member organization as well as NCE for implementation of ethical trading practices based on the aforementioned principles.

This is a sectoral standard prepared by NCE for the benefit of its member organizations which are seeking certification against ethical trading practices adopted by the respective organisations. However, use of this standard by any organization for guidance is not restricted, but encouraged.

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1. SCOPE

This standard specifies requirements for ethical trading practices and good governance that can be adopted by organizations engaged in export of products and services from Sri Lanka. This standard can be used by organizations to enhance their ethical conduct and also for certification of the organizations by NCE for compliance with ethical trading practices. Claims of conformity to this standard, however, are not acceptable unless all its requirements are complied, without any exclusion.

All the requirements of this standard are generic and intended to be applicable to any organization, regardless of its type or size, or the products and services it provides.

Note 1: This standard is intended to provide an auditable, voluntary standard, based on the UN Declaration of Human Rights, ILO and other international human rights and labour norms and national labour laws.

[see https://www.ohchr.org/documents/publications/guidingprinciplesbusinesshr_en.pdf]

Note 2: This standard is expected to empower and protect all personnel within an organization's control and influence who provide products or services for that organization, including personnel employed by the organization itself and by its suppliers, sub-contractors, sub-suppliers and home workers.

Note 3: Where the organization is already certified to (or claim compliance with) an existing standard, which has requirements identical, similar and/or more stringent than those specified in this standard the organization can use the valid pertinent records to demonstrate effective implementation of the standard the organization is certified to, for full/or partial compliance with this standard.

2. TERMS AND DEFINITIONS

For the purpose of this standard the following definitions shall apply:

2.1. **Shall:** In this Standard the term “shall” indicates a requirement.

2.2. **May:** In this Standard the term “may” indicates a permission.

2.3. **Child:** Any person under 16 years of age, unless the minimum age for work or mandatory schooling is higher by local law, in which case the stipulated higher age applies in that locality.

2.4. **Child labour:** Any work performed by a child younger than the age(s) specified in the above definition of a child, except as provided for by ILO Recommendation 146.

2.5. **Collective bargaining agreement:** A contract specifying the terms and conditions for work, negotiated between an organization (e.g. employer) or group of employers and one or more worker organization(s).

2.6. **Corrective action:** Action to eliminate the cause(s) and root cause(s) of a detected non-conformance.

Note: Corrective action is taken to prevent recurrence.

2.7. **Preventive action:** Action to eliminate the cause(s) and root cause(s) of a potential non-conformance.

Note: Preventive action is taken to prevent occurrence.

2.8. **Forced or compulsory labour:** All work or service that a person has not offered to do voluntarily and is made to do under the threat of punishment or retaliation or that is demanded as a means of repayment of debt.

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2.9. **Home worker:** A person who is contracted by the organization or by its supplier, sub-supplier or subcontractor, but does not work on their premises.

2.10. **Human trafficking:** The recruitment, transfer, harbouring or receipt of persons, by means of the use of threat, force, deception or other forms of coercion, for the purpose of exploitation.

2.11. **Interested parties:** An individual or group concerned with or affected by the ethical performance and/or activities of the organization.

2.12. **Living Wage:** The remuneration received for a standard work week by a worker in a particular place sufficient to afford a decent standard of living for the worker and her or his family. Elements of a decent standard of living include food, water, housing, education, health care, transport, clothing, and other essential needs including provision for unexpected events.

2.13. **Non-conformance:** Non-compliance with a requirement.

2.14. **Organization:** The entirety of any business or non-business entity responsible for implementing the requirements of this standard, including all personnel employed by the organization.

Note 1: For example, organizations include companies, corporations, farms, plantations, cooperatives, NGOs and government institutions.

2.15. **Personnel:** All individuals employed or contracted by an organization, including but not limited to directors, executives, managers, supervisors, workers and contract workers such as security guards, canteen workers, dormitory workers and cleaning workers.

2.16. **Worker:** All non-management personnel.

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2.17. Private employment agency: Any entity, independent of the public authorities, which provides one or more of the following labour market services:

- a) Matching offers of and applications for employment, without the agency becoming a party to the employment relationship(s) which may occur;
- b) Employing workers with a view to making them available to a third party entity, which assigns their tasks and supervises the execution of these tasks.

2.18. Remediation of child labourers: All support and actions necessary to ensure the safety, health, education and development of children who have been subjected to child labour, as defined above, and whose work has been terminated.

2.19. Risk assessment: A process to identify the health, safety and labour policies and practices of an organization and to prioritise associated risks.

2.20. ETPT worker representative(s): One or more worker representative(s) freely elected by workers to facilitate communication with the management representative(s) and senior management on matters related to ETPT.

2.21. Ethical performance: An organization's achievement of full and sustained compliance with ETSE while continually improving.

2.22. Stakeholder engagement: The participation of interested parties, including but not limited to the organisation, trade unions, workers, worker organizations, suppliers, contractors, buyers, consumers, investors, NGOs, media and local and national government officials.

2.23. Supplier/subcontractor: Any entity or individual(s) in the supply chain that directly provides the organization with products or services integral to, utilised in or for the production of the organization's products or services.

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2.24. **Sub-supplier:** Any entity or individual(s) in the supply chain that provides the supplier with products and/or services integral to, utilised in or for the production of the supplier's or the organization's products or services.

2.25. **Worker organization:** An autonomous voluntary association of workers organised for the purpose of furthering and defending the rights and interests of workers.

2.26. **Young worker:** Any worker under the age of 18 but over the age of a child, as defined by the national and international regulations and/or any work that may be considered as worst forms of child labour as per the ILO Convention No. 182 performed by a child or a young person.

[see "Employment of Women, Young Persons and Children (Amendment) Act, No. 2 of 2021"]

2.27 **process:** Set of interrelated or interacting activities which transforms inputs into outputs

3. ETHICAL TRADING MANAGEMENT SYSTEM [ETMS]

The requirements of this element - Management System - are central to the correct implementation, monitoring and enforcement of the following requirements of this standard (see Clause 4). The Management System is the operational map that allows the organization to achieve full and sustained compliance with this standard while continually improving ETMS.

Note1: When implementing the Management System element, it is a required priority that joint worker and management involvement be established, incorporated and maintained throughout the compliance process with all the Standard's elements. This is particularly critical to identify and correct non-conformances and to assure continuing conformance.

4. ETHICAL TRADING PRACTICE REQUIREMENTS

4.1 Principle 1: Trading practices

4.1.1 Senior management of the organization shall demonstrate leadership and commitment with respect to the Ethical Trading Management System (ETMS) stipulated in this standard by ensuring that the ethical trading management system is achieving its intended results (see 4.11)

4.1.2 The organization shall plan, implement and monitor processes for communicating unambiguously and agreeing with the customer on requirements for products and services including;

- a) Agreed specifications for products and services;
- b) Legal and regulatory requirements applicable to products and services;
- c) As appropriate, customer complaints and feedback management;
- d) Where relevant, good hygienic practices and preservation during transportation; storage and delivery;
- e) Maintaining traceability of products and services together with appropriate records to demonstrate effectiveness of traceability;
- f) Timely payments to suppliers as contractually agreed.

4.1.3 The organization shall ensure that processes are in place to control externally provided products and services.

4.1.4 The organization shall have processes for hazard identification and management including control of critical points to eliminate or mitigate identified and/or potential risks. Procedures for control of chemical, biological and physical contaminations shall be in place with recorded evidence as appropriate.

4.1.5 Control of Safety of food and food related products during transport production, storage and delivery shall be maintained. Control of critical points of hazards, as appropriate, shall be implemented and monitored and relevant current records retained.

4.2 Principle 2: Payment of Statutory Wages

4.2.1 The organization shall respect the right of personnel to a living wage and ensure that wages for a normal work week, not including overtime, shall always meet at least recommendations of the wages board or pertinent industry minimum standards, or collective bargaining agreements (where applicable).

4.2.2 The organization shall not make deductions from wages for disciplinary purposes. Exception to this rule applies only when both of the following conditions exist:

- a) Deductions from wages for disciplinary purposes are permitted by national law; and
- b) A freely negotiated collective bargaining agreement is in force that permits this practice.

4.3 Principle 3: Child Labour and Forced Labour

4.3.1 The organization shall not engage in or support the use of child labour. The organization shall establish, document, maintain and effectively communicate to personnel and other interested parties, written policies and procedures for remediation of child labourers, and shall provide adequate financial and other support to enable such children to attend and remain in school until no longer a child.

4.3.2 The organization shall not engage in or support the use of forced or compulsory labour, including prison labour, as defined in Convention 29, shall not retain original identification papers and shall not require personnel to pay 'deposits' to the organization upon commencing employment.

4.3.3 Neither the organization nor any entity supplying labour to the organization shall withhold any part of any personnel's salary, benefits, property or documents in order to force such personnel to continue working for the organization. Personnel shall have the right to leave the workplace premises after completing the standard workday and be free to terminate their employment provided that they give reasonable notice to their organization.

4.3.4 Neither the organization nor any entity supplying labour to the organization shall engage in or support human trafficking.

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4.3.5 The organization shall treat all personnel with dignity and respect. The organization shall not engage in or tolerate the use of corporal punishment, mental or physical coercion or verbal abuse of personnel. No harsh or inhumane treatment is allowed.

4.4 Principle 4: Non-Discrimination and Gender Equity

4.4.1 The organization shall not engage in or support discrimination in hiring, remuneration, access to training, promotion, termination or retirement based on race, national or territorial or social origin, caste, birth, religion, disability, gender, sexual orientation, family responsibilities, marital status, union membership, political opinions, age or any other condition that could give rise to discrimination.

4.4.2 The organization shall not interfere with the exercise of personnel's rights to observe tenets or practices or to meet needs relating to race, national or social origin, religion, disability, gender, sexual orientation, family responsibilities, union membership, political opinions or any other condition that could give rise to discrimination.

4.5 Principle 5: Freedom of Association and Collective Bargaining

4.5.1 All personnel shall have the right to form, join and organise trade union(s) of their choice and to bargain collectively on their behalf with the organization. The organization shall respect this right and shall effectively inform personnel that they are free to join a worker organization of their choosing without any negative consequences or retaliation from the organization. The organization shall not interfere in any way with the establishment, functioning or administration of workers' organization(s) or collective bargaining.

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4.5.2 In situations where the right to freedom of association and collective bargaining are restricted under law, the organization shall allow workers to freely elect their own representatives.

4.5.3 The organization shall ensure that union members, representatives of workers and any personnel engaged in organising workers are not subjected to discrimination, harassment, intimidation or retaliation for being union members, representative(s) of workers or engaged in organising workers, and that such representatives have access to their members in the workplace.

4.6 Principle 6: Occupational Safety and Health

4.6.1 The organization shall provide a safe and healthy workplace environment and shall take effective steps to prevent potential health and safety incidents and occupational injury or illness arising out of, associated with or occurring in the course of work. It shall minimise or eliminate, so far as is reasonably practicable, the causes of all hazards in the workplace environment, based upon the prevailing safety and health knowledge of the industry sector and of any specific hazards.

4.6.2 The organization shall assess all the workplace risks to new, expectant and nursing mothers including those arising out of their work activity, to ensure that all reasonable steps are taken to remove or reduce any risks to their health and safety.

4.6.3 Where hazards remain after effective minimisation or elimination of the causes of all hazards in the workplace environment, the organization shall provide personnel with appropriate personal protective equipment as needed at its own expense. In the event of a work-related injury the organization shall provide first aid and assist the worker in obtaining follow-up medical treatment.

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4.6.4 The organization shall appoint a senior management representative to be responsible for ensuring a safe and healthy workplace environment for all personnel and for implementing Health and Safety requirements of ETSE.

4.6.5 A Health and Safety Committee (HSC), comprised of a well-balanced group of management representatives and workers, shall be established and maintained. Unless otherwise specified by law, at least one worker member(s) on the Committee shall be by recognised trade union(s) representative(s), if they choose to serve.

Note 1: In cases where the union(s) does not appoint a representative or the organization is not unionised, workers can appoint a representative(s) as they deem appropriate.

4.6.6 The members of the committee (HSC) shall be trained and retrained periodically in order to be competently committed to continually improving the health and safety conditions in the workplace. It shall conduct formal, periodic occupational health and safety risk assessments to identify and then address current and potential health and safety hazards. Decisions taken by HSC shall be effectively communicated to all personnel and records of these assessments and corrective and preventive actions taken shall be retained.

4.6.7 The organization shall provide to personnel, on a regular basis, effective health and safety training, including on-site training and, where needed, job-specific training. Such training shall also be repeated for new and reassigned personnel, where incidents have occurred, and when changes in technology and/or the introduction of new machinery present new risks to the health and safety of personnel.

4.6.8 The organization shall establish documented procedures to detect, prevent, minimise, eliminate or otherwise respond to potential risks to the health and safety of personnel. The organization shall maintain written records of all health and safety incidents that occur in the workplace and in all residences and property provided by the organization, whether it owns, leases or contracts the residences or property from a service provider.

4.7 Principle 7: Working Conditions

4.7.1 The organization shall provide, for use by all personnel, free access to: clean toilet facilities, potable water, suitable spaces for meal breaks, and, where applicable, sanitary facilities for food storage.

4.7.2 The organization shall ensure that any dormitory facilities provided for personnel are clean, safe and meet their basic needs, whether it owns, leases or contracts the dormitories from a service provider.

4.7.3 All personnel shall have the right to remove themselves from imminent serious danger without seeking permission from the organization.

4.7.4 The organization shall comply with applicable laws, collective bargaining agreements (where applicable) and industry standards on working hours, breaks and public holidays. The normal work week, not including overtime, shall be defined by law but shall not exceed 48 hours.

4.7.5 Personnel shall be provided with at least one day off following every six consecutive days of working. All overtime work shall be voluntary.

4.8 Principle 8: Capacity Building

4.8.1 The organization shall determine the competencies required for personnel to implement ethical trading practices in the organization in compliance with ETSE standard.

4.8.2 The organization shall ensure that all personnel including subcontractors and personnel engaged casually and home workers are considered for determination of competencies as appropriate.

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4.8.3 The organization shall provide training and/or other suitable means to ensure awareness of personnel are developed and maintained to make them aware of requirements of ETSE standard.

4.8.4 The organization shall periodically measure the effectiveness of training given to persons identified for development and retain appropriate records.

4.9 Principle 9: Promotion of Good Values

4.9.1 Senior management shall promote and/or raise awareness of ethical trade principles internally as well as to the trade partners and the public according to the scope of the organization.

4.9.2 Senior management shall ensure ethical trading practices are followed along the value chain.

4.9.3 Senior management shall identify and document responsibilities of personnel who are assigned with authority and functions for the promotion of ethical trading practices.

4.10 Principle 10: Environment

4.10.1 In keeping with the Global Sustainability Goals, the organization shall establish, implement, maintain and continually improve an environmental management system including the processes needed for the operation of that system.

4.10.2 Senior management shall clearly lay down and demonstrate commitment to the policy of the organization with respect to the achievement of goals identified in the environmental management system.

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4.10.3 Senior management shall ensure the efficient implementation of the policy through an action plan for the achievement of objectives set in line with the environmental policy. The resources required to achieve the policy commitments shall be provided and a mechanism to monitor the effectiveness of the Environmental Management system shall be implemented and maintained under the direct supervision of top management.

4.10.4 In identifying objectives for the environmental management system, the senior management shall ensure at least the following are considered as appropriate:

- a) Conservation of water;
- b) Use of energy including use of alternative and/or renewable energy;
- c) Resource use with measures to Reduce, Reuse and Recycle of resources;
- d) Process for management of Waste generated by the organization;
- e) Minimizing land, water and air pollution; and
- f) Eliminating or mitigating any actions that adversely contribute to climate change.

4.11 Management system requirements

4.11.1 Leadership and commitment

Senior management shall demonstrate leadership and commitment with respect to the Ethical Trading Management System (ETMS) stipulated in this standard by;

- a) Taking accountability for the effectiveness of the ethical trading practices;
- b) Ensuring that the ethical trading policy and objectives are established for the ETMS and are compatible with the strategic direction of the organization;
- c) Ensuring that the resources needed for ETMS are available;
- d) Communicating the importance of effective ETMS and conforming to the requirements of this standard; and
- e) Ensuring that the ethical trading management system is achieving its intended results

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4.11.2 Policies, Procedures and Records

4.11.2.1 Senior management shall write a policy statement to inform personnel, in all appropriate languages, that it has chosen to comply with ETSE.

4.11.2.2 This policy statement shall include the organization's commitment to conform to all requirements of ETSE Standard and to respect the international instruments as listed in the previous section on Normative Elements and Their Interpretation. The statement shall also commit the organization to comply with national laws, other applicable laws and other requirements to which the organization subscribes.

4.11.2.3 This policy statement and ETSE Standard shall be prominently and conspicuously displayed, in appropriate and comprehensible form, in the workplace and in residences and property provided by the organization, whether it owns, leases or contracts the residences or property from a service provider.

4.11.2.4 The organization shall develop associated policies and procedures to implement ETSE Standard.

4.11.2.5 These policies and procedures shall be effectively communicated and made accessible to personnel in all appropriate languages. These communications shall also be clearly shared with customers, suppliers, sub-contractors and sub-suppliers as appropriate.

4.11.2.6 The organization shall maintain appropriate records to demonstrate conformance to and implementation of ETSE standard, including the Management System requirements contained in this element. Associated records shall be kept and written or oral summaries given to ETSE worker representative(s).

4.11.2.7 The organization shall regularly conduct a management review of its policy statement, policies, procedures implementing this Standard and performance results, in order to continually improve.

4.11.2.8 The organization shall make its policy statement available in an effective form and manner to interested parties, upon request.

4.11.3 Ethical Trading Performance Team

4.11.3.1 An Ethical Trading Performance Team (ETPT) shall be established to implement all elements of ETSE. ETPT shall include a balanced representation of:

- a) Worker representative(s); and
- b) Organization's management.

Compliance accountability for ETSE shall solely rest with the Senior Management.

4.11.3.2 In unionised facilities, worker representation on ETPT shall be by recognised trade union(s) representative(s), if they choose to serve.

Note 1: In cases where the union(s) does not appoint a representative or the organization is not unionised, workers may freely elect one or more ETPT worker representative(s) from among themselves for this purpose. In no circumstances should the ETPT worker representative(s) be seen as a substitute for trade union representation.

4.11.4 Identification and Assessment of Risks

4.11.4.1 ETPT shall conduct periodic written risk assessments to identify and prioritise the areas of actual or potential non-conformance to this Standard. It shall also recommend actions to the senior management that address these risks. Actions to address these risks shall be prioritised according to their severity or where a delay in responding would make it impossible to address.

4.11.4.2 ETPT shall conduct these assessments based on their recommended data and data collection techniques and in meaningful consultation with interested parties.

4.11.5 Monitoring

4.11.5.1 ETPT shall effectively monitor workplace activities for:

- a) compliance with this standard.
- b) implementation of actions to effectively address the risks identified by ETPT; and for the effectiveness of systems implemented to meet the organization's policies and the requirements of this standard.

4.11.5.2 ETPT shall have the authority to collect information from or include interested parties (stakeholders) in its monitoring activities. It shall also liaise with other departments to study, define, analyse and/or address any possible non-conformance(s) to ETSE standard.

4.11.5.3 ETPT shall also facilitate routine internal audits and produce reports for senior management on the performance and benefits of actions taken to meet the ETSE standard, including a record of corrective and preventive actions identified.

4.11.5.4 ETPT shall also hold periodic reviews to review progress and identify potential actions to strengthen implementation of this standard.

4.11.6 Internal Involvement and Communication

4.11.6.1 The organization shall demonstrate that personnel effectively understand the requirements of ETSE and shall regularly communicate the requirements of ETSE through routine communications.

4.11.7 Complaint Management and Resolution

4.11.7.1 The organization shall establish a written grievance procedure that is confidential, unbiased, non-retaliatory and accessible and available to personnel and interested parties to make comments, recommendations, reports or complaints concerning the workplace and/or non-conformances to ETSE Standard.

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4.11.7.2 The organization shall have procedures for investigating, following up on and communicating the outcome of complaints concerning the workplace and/or non-conformances to ETSE or of its implementing policies and procedures. These results shall be freely available to all personnel and, upon request, to interested parties.

4.11.7.3 The organization shall not discipline, dismiss or otherwise discriminate against any personnel or interested party for providing information on ETSE compliance or for making other workplace complaints.

4.11.8 External Verification and Stakeholder Engagement

4.11.8.1 In the case of announced and unannounced audits for the purpose of certifying its compliance with the requirements of this standard, the organization shall fully cooperate with external auditors to determine the severity and frequency of any problems that arise in meeting ETSE Standard.

4.11.8.2 The organization shall participate in stakeholder engagement in order to attain sustainable compliance with ETSE.

4.11.9 Corrective and Preventive Actions

4.11.9.1 The organization shall formulate policies and procedures for the prompt implementation of corrective and preventive actions and shall provide adequate resources for them. ETPT shall ensure that these actions are effectively implemented.

4.11.9.2 ETPT shall maintain records, including timelines, that list, at minimum, non-conformances related to ETSE, their root causes, the corrective and preventive actions taken and implementation results.

4.11.10 Management of Suppliers and Contractors

4.11.10.1 The organization shall conduct due diligence on its suppliers/subcontractors, private employment agencies and sub-suppliers' compliance with ETSE. The same due diligence approach shall be applied when selecting new suppliers/subcontractors, private employment agencies and sub-suppliers. The minimum activities for the organization to fulfil this requirement shall be recorded and shall include:

- a) effectively communicating the requirements of this standard to senior leadership of suppliers/subcontractors, private employment agencies and sub-suppliers;
- b) assessing significant risks of non-conformance by suppliers/subcontractors, private employment agencies and sub-suppliers.
- c) making reasonable efforts to ensure that these significant risks are adequately addressed by suppliers/subcontractors, private employment agencies and sub-suppliers and by the organisation where and when appropriate, and prioritised according to the organisation's ability and resources to influence these entities; and
- d) establishing monitoring activities and tracking performance of suppliers/subcontractors, private employment agencies and sub-suppliers to ensure that these significant risks are effectively addressed.

4.11.10.2 Where the organization receives, handles or promotes products and/or services from suppliers/subcontractors or sub-suppliers who are classified as home workers, the organisation shall take effective actions to ensure that such home workers are afforded a level of protection substantially equivalent to that afforded to the organization's other workers under the requirements of this Standard.