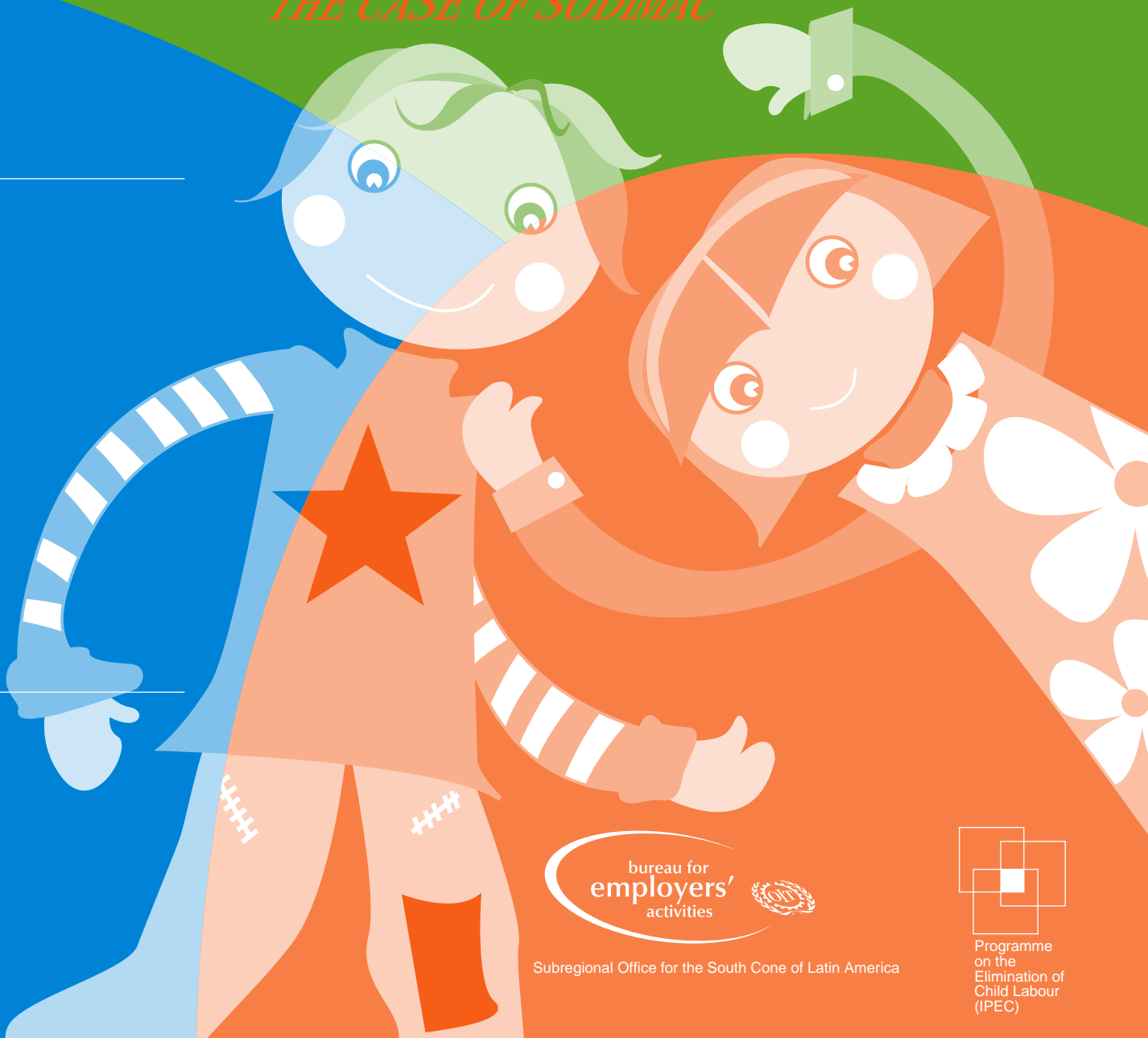
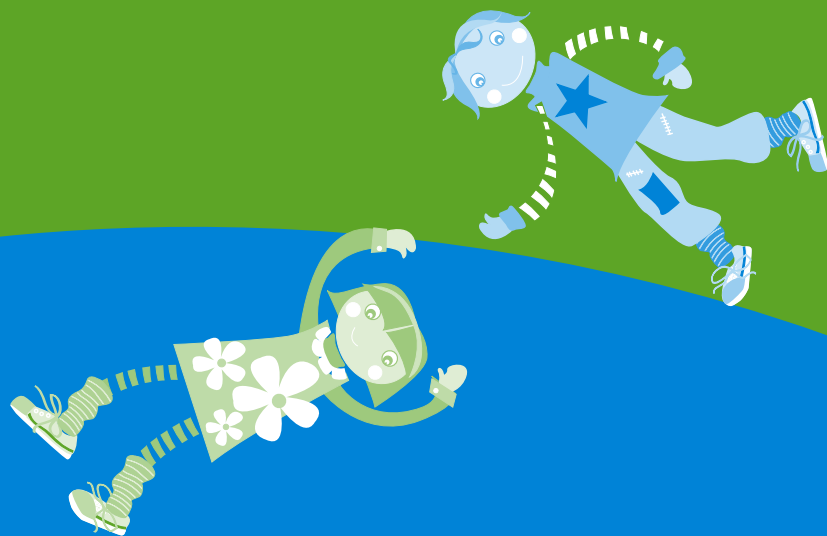




International  
Labour  
Organization

# STRATEGY FOR THE PREVENTION AND ELIMINATION OF CHILD LABOUR IN BUSINESSES:

## *THE CASE OF SODIMAC*



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bureau for  
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Subregional Office for the South Cone of Latin America



Programme  
on the  
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(IPEC)

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*"We must now reassert our conviction that a world without child labour is possible; within reach. The world cannot grow weary of the cause when 215 million children are losing their childhood and the chance of a better future. We just need the will, as the means already exist to do better and to do more."*

*Juan Somavía,  
ILO Director - General*

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# Introduction

*There are more than 200,000 working children and adolescents in Chile, according to the First National Survey of Activities of Children and Adolescents<sup>1</sup>, and about half of them work under unacceptable conditions.*

*Faced with this reality, the country has gradually begun addressing this problem through concrete initiatives targeted at the prevention and elimination of child labour. These initiatives include: creation of a national advisory committee; ratification of the ILO Conventions on the Minimum Age, in 1973 (No. 138), and the Worst Forms of Child Labour, in 1999 (No. 182); development of a National Plan; changes in legislation; public awareness raising; and strengthening of institutions to prevent child labour and assist children who are victims. The elimination of child labour was also included in the Tripartite Agreement on a National Decent Work Programme (2008), signed by the Government, the Central Unitaria de Trabajadores, (CUT) (a trade union) and the Confederación de la Producción y del Comercio, (CPC) (an employer's organization).*

*Despite the progress that has been made, with technical support and collaboration from the ILO's International Programme on the Elimination of Child Labour (IPEC), which has worked in Chile for more than a decade, significant challenges remain.*

*The mere existence of child labour is an impediment to decent work. As long as thousands of children work under hazardous conditions, at great risk to their moral, psychological, social and physical development, it will be impossible to create a labour force of capable, competent adults who can ensure their country's optimal economic development and, as a consequence, a decent standard of living for their families. And as long as child labour exists in Chile, cycles of poverty will be perpetuated from generation to generation, with corresponding social costs for both the state and the private sector. It is therefore necessary to continue moving toward full compliance with national and international commitments, taking increasingly effective public and private measures for the definitive elimination of child labour in the country.*

*In the business sector, to address the challenges and pending tasks, the Joint ILO/CPC/MINTRAB Declaration was signed in 2009, as an agreement to:*

- a) Support public-private initiatives for the elimination of child labour in Chile, particularly reinforcing MINTRAB's support to private enterprise to join the fight against child labour;*
- b) Disseminate and promote the "ILO Guides for Employers" on the elimination of child labour, through the CPC's organizational structure at national and regional levels and among national businesses; and*

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*1. IPEC-Ministry of Labour and Social Welfare and National Institute of Statistics: Child and Adolescent Labour. National Assessment. Executive Summary (ILO, Santiago, 2003).*



*c) Propose as a goal that Chile be the first country in the region to declare the complete elimination of child labour and ensure protected adolescent labour:*

*This key agreement acknowledges that success in the elimination of child labour requires efforts by all sectors. Although the state must take the lead in this fight, the scope of the task requires strong public and private collaboration, especially the participation of the business and trade union sectors, which have a crucial role to play in achieving the elimination of child labour:*

*Businesses not only fulfill this role when they refuse to employ children and adolescents at any point in their supply chain, but also when they play an active role in initiatives for the prevention and elimination of child labour by contributing human and financial resources and ensuring that they are used correctly.*

*There are fundamental motivations for employers to reduce and eliminate child labour. Not only are they based on ethical imperatives, but they also make good business sense.*

*With this in mind, the International Labour Organization (ILO) and SODIMAC signed a letter of intent, the first step of which was to systematize the company's experience with its suppliers, leading to principles, rules and practices that tend to create a child labour-free production chain. This experience contributed to best practices in the business sector and can serve as a model for others in the implementation of strategies for the prevention and elimination of child labour:*

*I would like to express my gratitude to Andrés Yurén, lead expert in the Bureau of Employers' Activities (ACT/EMP), and María Jesús Silva, coordinator of the ILO's International Programme on the Elimination of Child Labour (IPEC) in Chile and Uruguay, who provided technical cooperation for the preparation of this document.*

*Guillermo Miranda*

*Director of the ILO Office for the Southern Cone of Latin America*

# Corporate Social Responsibility in Chile: The experience of SODIMAC<sup>2</sup>

## Background

*As part of the commitment signed between the Chilean Ministry of Labour and Social Welfare and the Confederation of Production and Commerce (Confederación de la Producción y el Comercio, CPC), called "Doing Business for a Chile without Child Labour and with Protected Adolescent Labour," and in recognition of the commitment demonstrated by the company SODIMAC through its policy of creating market chains free of child labour, in September 2009 the International Labour Organization (ILO) and SODIMAC signed a Letter of Intent to work together for the prevention and elimination of child labour in Chile.*

*The ILO, by mutual agreement with SODIMAC, carried out a study that describes, analyzes and recounts the company's experience, in order to illustrate the history of SODIMAC's decisions and actions in the area of Corporate Social Responsibility to eliminate child labour:*

*With this goal in mind, SODIMAC documents were analyzed, including memoranda, the company's sustainability reports for 2007, 2008 and 2009, the regulatory framework for suppliers (SODIMAC Commercial Transparency) and the Code of Ethics. The 2008 Sustainability Reports from eight of its national providers<sup>3</sup> were also reviewed, and information was contributed by the Pontifical Catholic University of Valparaíso's Vincular Center<sup>4</sup>. A national and international literature review was also carried out; one notable document is the publication, "Elimination of Child Labour - Guides for Employers," ILO-ACT/EMP and OIE, 2008.*

*The research also included meetings, interviews and telephone contact with key informants<sup>5</sup>: company managers, the Corporate Social Responsibility (CSR) coordinator, and the president of the Homecenter trade union.*

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<sup>2</sup> SODIMAC has 58 stores nationwide and employs 16,000 people.

<sup>3</sup> Termosole, Millaray, Kraown, Plumaje, Plásticosrd, Gomahogar, Grifesa and TAP.

<sup>4</sup> A consultant that has provided advice to SODIMAC in the development of its social responsibility policy and practices.

<sup>5</sup> Key informants: Juan Carlos Corvalán Reyes, legal affairs and CSR manager; Sergio Dittborn Barros, human resources manager; Rodolfo Kamke, quality control manager; Pablo Urbina, social responsibility coordinator; José Luis Ortega, SODIMAC union president; and Fernando Parada, general manager, Vincular Center for Social Responsibility and Sustainable Development, Pontifical Catholic University of Valparaíso.

## SODIMAC's path toward a policy of corporate social responsibility



*SODIMAC began operations in 1952 as a cooperative that supplied construction companies. In 1982, it was acquired by Empresas Dersa and became SODIMAC S.A.*

*In 1994, the company began to expand internationally, and in 2003, SODIMAC S.A. was incorporated as a subsidiary of SACI Falabella, becoming part of the largest retail chain in Chile and Latin America.*

*Since its founding, SODIMAC has had a clear preference for development based on the values of respect, dialogue, transparency and seriousness in its business commitments and commitment to its customers. Besides sustained growth, its development strategy strives to mitigate, insofar as possible, any actions that could jeopardize the quality of life and survival of future generations. From that perspective, SODIMAC defines its business "as an activity that seeks growth, profitability and revenues, but not at any cost."<sup>6</sup>*

*From its beginning as the SODIMAC cooperative, the company has been characterized by good labour practices, including transparent, constructive relations with its workers and respect for freedom of association. The latter is reflected in the fact that SODIMAC has two national unions associated with a single official identification number (RUT), which had 9,241 affiliated workers at end of 2009 and a unionization rate of 64.1 percent, well above the national average. It also has a record of never having had a strike.*

*The company has a long-term training and education policy that enables workers to establish careers there. Its policy of remuneration, incentives, benefits and compensation provides a fair income, allowing workers to plan for a secure future with the company.*

*SODIMAC has historically maintained strict ethical guidelines and precautionary measures with an emphasis on economic performance. In 2007, however, the company, through its Board of Directors, Corporate Executive Committee and SODIMAC Chile Executive Committee, adopted Corporate Social Responsibility (CSR) as a strategic, crosscutting tool that expanded that approach to the environmental and social spheres.*

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<sup>6</sup> SODIMAC: 2007 SODIMAC Sustainability Report (Santiago, 2007).

*This vision was formally reflected in the sustainability policy or commitment, which calls for attentive listening and response to interested parties. SODIMAC formalized this corporate vision by adhering to international standards, such as the United Nations Global Compact, forming part of the Chilean Mirror Committee - ISO 26000 and using the Global Reporting Initiative (GRI) methodology to report on its CRS management.<sup>7</sup>*

### *Global Compact*

*The ten universal principles at the heart of the Compact, which companies must adopt, are related to human rights, labour norms, environmental protection and combating corruption. The labour norms include the abolition of child labour as a key principle of Corporate Social Responsibility in the fight to protect children from all forms of labour exploitation and to respect the fundamental rights established in the United Nations Convention on the Rights of the Child.*

*Every year, the company publicly reports on its sustainability milestones, describing its management and the progress it has made in its commitment to abolish child labour.*

## Phases of SODIMAC's process of establishing CSR and its commitment to the elimination of child labour

*SODIMAC's Corporate Social Responsibility policy was established in four phases:<sup>8</sup> The phases are not necessarily linear; but have proceeded in synergy with one another:*

- 1. Awareness raising and commitment by top management.*
- 2. Adherence to a CRS model.*
- 3. Promotion and education of suppliers.*
- 4. Creation of instruments.*

*7. SODIMAC: 2009 SODIMAC Sustainability Report (Santiago, 2009).*

*8. Interview with Fernando Parada, General Manager of the Vincular Center, Pontifical Catholic University of Valparaíso. (Valparaíso, 2010).*





## Phase 1 *Awareness raising and commitment by top management*

*CSR got off to a systematic start at SODIMAC in 2005, during a meeting at which the board of directors posed the challenge of "not being the market leader, but being the most-admired company." That challenge implicit in that statement was embraced by top management, and SODIMAC made it a formal commitment through a mandate from the board of directors.*

*In November 2006, the position of Social Responsibility Manager was created as a sign of the issue's strategic importance for the company. The decision responded to the company's conviction that the only way to be truly effective was for the Social Responsibility Manager to report directly to the General Manager, like the managers of other strategic sectors, "because social responsibility should be mainstreamed throughout the company, and that means being able to implement it, which requires a commitment from top management."<sup>9</sup>*

*SODIMAC has developed a comprehensive Corporate Social Responsibility (CSR) policy, which is binding for all its workers and extends to its suppliers of goods and services. With this policy, SODIMAC has committed to respecting the rights of all people and the environment, and it expects its suppliers to share that commitment.*

*Since then SODIMAC has seen itself as playing a leading role in becoming a company that is socially responsible in all areas - in other words, holistically. This concept is integrated into each department's goals and the company's overall growth, extending throughout the various spheres in which it works.*

*9. Interview with Juan Carlos Corvalán, Legal Affairs and Social Responsibility Manager, SODIMAC (Santiago, 2009).*

## Phase 2 *Adherence to a CSR model*

*In 2006, the Board of Directors approved the company's overall and systematic Corporate Social Responsibility strategy, plan and policies, and adopted the six areas of CSR as a management model for identifying its audiences, assessing its performance, organizing its existing programmes, and identifying the most significant gaps, in order to plan new actions and programmes:*

- 1. Corporate governance and business ethic*
- 2. Labour relations*
- 3. Responsible supply chain*
- 4. Responsible commerce and marketing*
- 5. Environment*
- 6. Commitment to the community*

*Within the framework of the policies and activities related to labour relations and a responsible supply chain, the company made a specific commitment to the elimination of child labour in the country. The 2008 Sustainability Report offers the following definitions related to SODIMAC's CSR policy, values and principles:*

- The company's CSR vision is defined as: "A priority tool integrated into our company's planning and management, to strongly enhance all areas of our business, leveraging growth and making it sustainable in the long run."*
- As its symbol of corporate social responsibility, the company chose the human hand, "as a vital tool for the construction of our great house and a fundamental tool for our company's progress and development." Conceptually, the hand symbolizes the core areas of the company's work and the aim of its CSR policies.*
- For SODIMAC, being a socially responsible company means "a commitment and a set of multifaceted policies, sustained over time and mainstreamed throughout all aspects of our business, which constitute a strategic tool for strengthening our growth and sustainability and building relationships of trust with our diverse target audience."*
- The company defines sustainability as: "Implementing and strengthening mechanisms that safeguard ethical values and principles; respect for human rights in every sense, as well as rejection of corrupt practices."<sup>10</sup>*

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*10. Ibid.*



*To implement mechanisms to strengthen ethics and honesty, the company established the SODIMAC Corporate Honesty Programme, which enabled it to improve its procedures and systems, always with the goal of reinforcing ethical management and the company's reputation and long-term sustainability.*

*We have tried to follow our philosophy of being "permanent students," and we strive to persevere in that concept, out of the conviction that we can constantly better ourselves and become a better company.<sup>11</sup>*

## CSR actions in 2010

*In 2010, SODIMAC implemented Corporate Social Responsibility (CSR) policies and activities that put into practice its commitment to the elimination of child labour.*

*One initiative was the broadcasting on prime-time television, on all over-the-air channels, of a company advertisement that, for the first time, included the principles of the company's CSR strategy, and which directly mentioned its desire to contribute to a world without child labour.*

*Reasserting this stance, the company published an informational note about the issue in its product catalogue; 450,000 copies were printed and distributed nationwide through the country's two largest-circulation newspapers.*

*For SODIMAC, the values that guide its social responsibility practices are the basis for its relationships and its way of doing business: "Our values represent our beliefs and blaze the trail that enables us to fulfill our mission."*

<sup>11</sup> Interview with Pablo Urbina, CSR Coordinator, Office of Legal Affairs and Social Responsibility, SODIMAC. (Santiago, 2009).

## SODIMAC's basic values <sup>12</sup>

### *Responsibility:*

- *Care and development of our people*
- *Social responsibility*

### *Excellence:*

- *In service to the customer*
- *Entrepreneurial and innovative spirit*
- *Profitability for shareholders*

### *Integrity:*

- *Honesty*
- *Transparency*

### *Respect:*

- *Diversity*
- *Teamwork*

*In the company's organizational structure, three offices are directly involved in the implementation of CSR policies, connected by common goals that include a production chain free of child labour:*

- *Legal Affairs and Social Responsibility Office*
- *Quality Control Office*
- *Human Resources Office*

*A key principle governing the work of these offices is not having practices, complaints or legal sanctions related to child labour or forced labour, or practices that discriminate on the basis of origin, gender, age, physical disability or other minority situation.*

### *Legal Affairs and Social Responsibility Office*

*The mission of the Legal Affairs and Social Responsibility Office is especially important. In addition to dealing with legal issues, it must ensure that the company's direction and operations comply with current regulations, and develop, coordinate and implement the SODIMAC Corporate Social Responsibility strategy in conjunction with other offices<sup>13</sup>.*

<sup>12</sup>. SODIMAC: Reporte de Sostenibilidad SODIMAC 2009, (Santiago, 2009).

<sup>13</sup>. SODIMAC: SODIMAC Annual Report (Santiago, 2008).



### *Quality Control Office<sup>14</sup>*

*The mission of this office is to manage and expand best practices and quality control of products and services from various national and international suppliers. The company has incorporated legal provisions on the elimination of child labour into its practices, requiring that its suppliers fully comply with laws on the minimum age for admission to work in Chile, or, in the case of international providers, legislation in effect in the places where they operate, or, if there is no such legislation, provisions of ILO international conventions.*

*To implement that policy, the company constantly carries out preventive and corrective actions in the life cycle of products and services. This is achieved through a process that takes into account quality control in the purchasing process, formalized in a standard operating procedure (SOP) that is mandatory within the company.*

*Preventive quality control actions include:*

- *Visits to factories*
- *Testing*
- *Determination of minimal technical specifications*
- *Verification of product labelling*
- *Inspections with national and international suppliers*

*Corrective quality control actions include:*

- *Early detection of problems in stores (Help Network)*
- *Post-sale and/or technical service*
- *Monitoring and constant enhancement of products.*

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*14. Interview with Rodolfo Kamke, Quality Control Manager, SODIMAC (Santiago, 2010).*

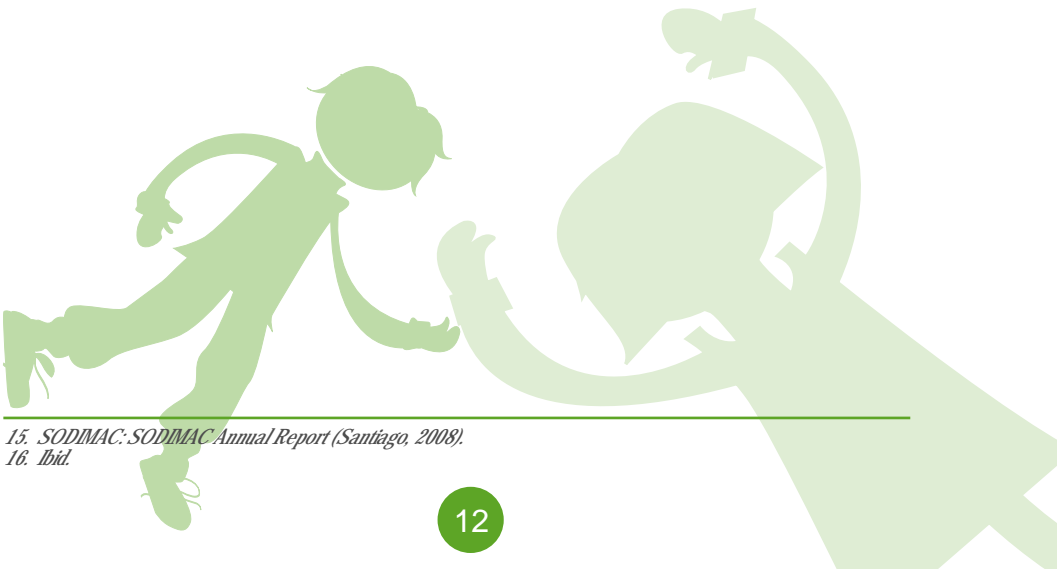
### *Human Resources Office*

*The mission of this office is to develop and manage processes of selection, evaluation, development and training of personnel. It defines the structure of personnel and positions within the company and sets compensation policy. It also manages the compensation and benefits systems, is responsible for relations with trade unions, and manages internal communication within the company.<sup>15</sup>*

*In its policy for internal personnel, the company establishes that workers must be at least 18 years of age. The company does not hire adolescents between ages 15 and 18 because it believes that adolescents who begin working often stop studying. This rule also applies to baggers and freight loaders. Baggers are not allowed to do heavy labour.*

*Regarding its policy for outside workers, in 2006 the company established a Subcontracting Unit with the exclusive task of designing and implementing appropriate policies and ensuring compliance with legal provisions on outside workers and improvement of their working conditions. "Through this unit, we look out for their welfare, exercising control and proactive oversight of outside companies, but also providing access to the use of internal installations and services, such as the canteen, bathrooms, shower, lockers, etc."<sup>16</sup>*

*The Subcontracting Unit is responsible for applying its legal norms on child labour to all outside workers, following the same parameters established for the hiring of internal personnel.*



15. SODIMAC: SODIMAC Annual Report (Santiago, 2008).

16. *Ibid.*



## Phase 3 *Promotion and education for suppliers*

*The Quality Control Office currently carries out two training programmes for domestic suppliers: the Responsible Production Course and the Development Programme for Firewood Suppliers. Both initiatives are directly related to compliance with the company's Social Responsibility policy.*

### *Responsible Production Courses*

*The Responsible Production Courses for small and mid-size suppliers<sup>17</sup> began in 2008. The course allows SODIMAC to meet three important goals:<sup>18</sup>*

- 1. To transfer and deliver tools for Corporate Social Responsibility and for improving the business to SODIMAC's suppliers, to move toward increasingly responsible production.*
- 2. To listen, take note of opinions and prioritize the small and mid-size suppliers' concerns, identifying the most sensitive aspects of their relationship with SODIMAC, so as to develop a plan to gradually improve the areas in which shortcomings are detected.*
- 3. To provide objective criteria for ranking suppliers, with clearer parameters.*

*Participants received the following concrete benefits:*

- Knowledge and tools acquired, as well as a strategic vision shared with their customer, SODIMAC.*
- Benefit of a more stable relationship with a higher level of trust.*
- Suppliers received preferential payment of their invoices at 30 or 15 days, with no discount for prepayment.*

*The participants noted various impacts on the management of their businesses as a result of their participation in the course:*

- Better relationship with SODIMAC 100 percent*
- Learned from other people's experience 100 percent*
- Better-organized business management 87 percent*
- Better product quality 78 percent*
- Helped them be more competitive 84 percent*
- Helped them with their Corporate Social Responsibility strategy 94 percent*
- Helped them define their mission and vision 89 percent*

*17. Implemented by the Vincular Center, Pontifical Catholic University of Valparaiso.*

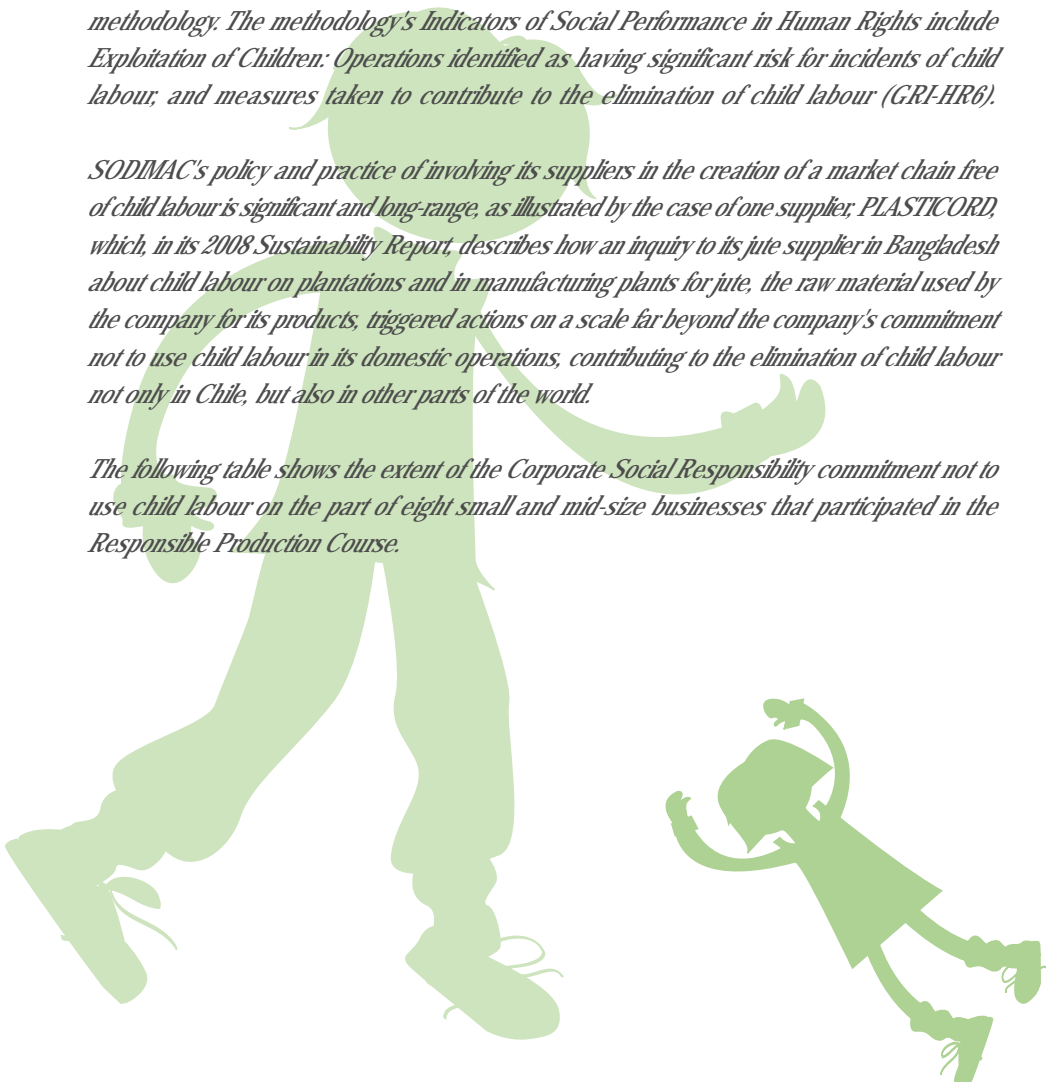
*18. SODIMAC: 2008 Sustainability Report (Santiago, 2008)*

*The course held in 2009 included, for the first time, a module on child labour, aimed at increasing participants' knowledge about the scope of the problem in Chile (causes and consequences) and identifying types of work that are hazardous and unacceptable for children and adolescents.*

*The second phase of the course took place together with the participants from the 2008 and 2009 courses. One important outcome was the development of Sustainability Reports by eight suppliers. The small and mid-size businesses reported on their progress in complying with Corporate Social Responsibility indicators, using the Global Reporting Initiative (GRI) G3 methodology. The methodology's Indicators of Social Performance in Human Rights include Exploitation of Children: Operations identified as having significant risk for incidents of child labour, and measures taken to contribute to the elimination of child labour (GRI-HR6).*

*SODIMAC's policy and practice of involving its suppliers in the creation of a market chain free of child labour is significant and long-range, as illustrated by the case of one supplier, PLASTICORD, which, in its 2008 Sustainability Report, describes how an inquiry to its jute supplier in Bangladesh about child labour on plantations and in manufacturing plants for jute, the raw material used by the company for its products, triggered actions on a scale far beyond the company's commitment not to use child labour in its domestic operations, contributing to the elimination of child labour not only in Chile, but also in other parts of the world.*

*The following table shows the extent of the Corporate Social Responsibility commitment not to use child labour on the part of eight small and mid-size businesses that participated in the Responsible Production Course.*







2008 SUSTAINABILITY REPORTS  
DOMESTIC SODIMAC SUPPLIERS

<i>COMPANY</i>	<i>Social Performance in Human Rights - Exploitation of Children: Operations identified as having significant risk for incidence of child labour, and measures taken to contribute to the elimination of child labour (GRI-HR6)</i>
<i>CONEXIONES GRIFESA</i>	<i>CONEXIONES GRIFESA does not hire minors and recognizes that every child's rights must be protected against economic exploitation and work that is hazardous to his or her physical, mental or spiritual health, morals or social development. It fully complies with Convention No. 182, ratified by the country before the International Labour Organization (ILO).</i>
<i>Tapia Rebolledo Hnos. Ltda. (TAP)</i>	<i>We categorically reject child labour. Our internal rules stipulate that minors cannot be hired.</i>  <i>With regard to our suppliers, aside from inquiring, there is not much we can do to influence their practices in this area. Since late 2008, however, we have asked our suppliers for a written letter in which they certify that it is their company policy not to use child labour.</i>
<i>GOMAHOGAR</i>	<i>GOMAHOGAR observes all legal provisions in the country with regard to not hiring minors and complies with the International Labour Organization (ILO) conventions ratified by Chile. All company employees are adults.</i>
<i>CLAVOS KRAOWN</i>	<i>Our policies do not include the practice of hiring minors or of forced or non-consensual labour.</i>
<i>PULMAHUE LTDA.</i>	<i>The company does not allow child labour in its operations, does not use forced labour or other forms of exploitation, and does not tolerate the use of corporal punishment, physical or mental coercion, or verbal abuse.</i>
<i>TERMOSOLE</i>	<i>As a formal policy, TERMOSOLE does not allow minors to work in its facilities. To encourage this measure in our sphere of influence, we tell our suppliers that it is important that they not use child labour if they seek to maintain a commercial relationship with our company.</i>
<i>PLASTICORD</i>	<i>Child labour is not accepted in the company. A person must be over age 18 to work in the company. We also do not do business with companies, customers, suppliers or any organization that allows or accepts child labour, either domestically or abroad.</i>  <i>Because of directives affirming that principles, we asked our jute supplier in Bangladesh about child labour on plantations and in jute manufacturing plants.</i>

2008 SUSTAINABILITY REPORTS  
DOMESTIC SODIMAC SUPPLIERS

<i>COMPANY</i>	<i>Social Performance in Human Rights - Exploitation of Children: Operations identified as having significant risk for incidence of child labour; and measures taken to contribute to the elimination of child labour (GRI-HR6)</i>
<i>PLASTICORD</i>	<p><i>Our jute supplier is a broker headquartered in Switzerland, which supplies the entire carpet industry in Europe. They have significant influence on manufacturers in Bangladesh. Our inquiry, as part of the preparation of this report, brought the following reply: "I do not believe it occurs, because children cannot operate the machinery used to produce jute. I have never seen minors in the jute thread factories, but we will look into this matter further and keep you informed."</i></p> <p><i>This made us understand the impact that a simple question can have, although we are very small jute consumers in comparison with the global market and we would appear to have little influence. The question triggered by this report could lead to action on a scale much larger than ours, which we may not fully appreciate. We therefore believe we have made a small contribution to eliminating child labour in the world.</i></p>
<i>MILLARAY</i>	<p><i>Millaray respects labour laws, which establish 18 as the age at which a person is an adult who can be hired freely, although people between ages 15 and 18 can be hired for light work with their parents' permission. In observance of these labour laws, Millaray employs only adults. On occasions when minors have been hired, they have had the express permission of their parents.</i></p> <p><i>Under no circumstances has Millaray used, nor will it use, children (under age 15) in its production operations or any other type of work.</i></p>

*Development Programme for Firewood Suppliers*

*In 2008, SODIMAC launched the Development Programme for Firewood Suppliers, in conjunction with the Santiago Chamber of Commerce, through PYME'21 and CORFO, a programme that seeks to improve conditions, knowledge and skills related to firewood and forest management and compliance with legal, labour and social responsibility standards with suppliers. The programme abides by legal standards on child labour.<sup>19</sup>*

*19. Interview with Rodolfo Kamke, SODIMAC Quality Control Manager (Santiago, 2010).*



## Phase 4 *Creation of instruments*

### *Instrument 1 "SODIMAC Commercial Transparency (SCT)"<sup>20</sup>*

*SODIMAC understands that meeting its customers' growing needs and demands requires a joint effort between the industry and its suppliers, in the conviction that there is a reciprocal relationship between the company's success and that of its suppliers.*

*It also understands that healthy relationships with suppliers require a framework that establishes principles and obligations for both parties clearly and precisely.*

*SODIMAC therefore launched this initiative voluntarily, as a means of self-regulation, creating the SODIMAC Commercial Transparency (SCT) tool and making it available to all its suppliers, understanding that this was a step toward qualitative improvement in best practices in its area of operation.*

*The goal of SCT is to create a regulatory framework based on ethical principles, leading to better commercial relations with suppliers over the long run. It also makes quality control the cornerstone of responsibility towards customers. This means that it requests basic social responsibility practices not only of its providers in Chile, but also in the rest of the world, with emphasis on good treatment, meeting commitments, non-discrimination, proper practices and honesty. SODIMAC established an SCT oversight office to impartially resolve any conflicts that might arise between suppliers and the company's management.*

*When they become part of SODIMAC's supply chain and accept the SCT, suppliers are required not to use child labour<sup>21</sup> in their production operations.*

### *Instrument 2 "Social Responsibility Questionnaire for Domestic and International Suppliers"*

*The company's sustainability depends on establishing and strengthening mechanisms that uphold values, ethical principles, respect for all forms of human rights, and reject corrupt practices. It respects the law in all of its investment agreements, and it believes ethical principles are crucial for business transparency. The company has developed forms in Spanish, English and Chinese, to be read, considered and signed by its partners.*

<sup>20</sup> See Annex.

<sup>21</sup> In this case, the term "child" refers to anyone under age 15, the local legal age for admission to work, or the age for finishing mandatory schooling if there is no law on working age.

*Since early 2006, SODIMAC's suppliers have signed a questionnaire about aspects of social responsibility, such as child labour, occupational safety and health, materials and selection of suppliers, product labelling and advertising, and the environment. Its 2009 Sustainability Report indicates that 61.2 percent of its business agreements with international suppliers included a signed Corporate Social Responsibility form that includes a phrase rejecting the use of child labour:*

*"Hemos logro" We have achieved an understanding and collaboration with our suppliers on this initiative, even in Asia, which translates into the signing of a Declaration of Social Responsibility in Factory form, which was drafted especially in English and Mandarin Chinese."*<sup>22</sup>.

*This document is a tool for on-site factory audits performed by our quality control team. The declaration is signed after an inspection during which every supplier inspected has responded to the questionnaire.*

### *Instrument 3 "Code of Ethics"*<sup>23</sup>

*The company has an internal Code of Ethics and Hygiene and Safety Rules for both internal personnel and outside workers, which includes principles of ethical conduct, rights and obligations, confidentiality, occupational safety, honesty, and relationships with authorities and the community. The Code of Ethics clearly enshrines the rights to be safeguarded and the obligations to be observed by every member of the company, regardless of their position. The code governs the following areas:*

- *General norms of honesty, conduct and responsibility*
- *Management and use of information*
- *Relationship with authorities*
- *Customer relations*
- *Relationships with suppliers and third parties*
- *Relationships among members of the company*
- *Ethical and responsible exercise of authority*
- *Handling of goods and money*
- *Conflicts of interest*
- *Personal finance and investments*
- *Personal conduct*
- *Alcohol and other drugs*

<sup>22</sup>. Interview with Rodolfo Kamke, SODIMAC Quality Control Manager (Santiago, 2010).

<sup>23</sup>. SODIMAC. 2007. SODIMAC Sustainability Report (Santiago, 2007).



All new employees receive the Code of Ethics during their orientation. All of the nearly 16,000 SODIMAC employees have received the Code of Ethics from their immediate managers for reading; a letter is then signed stating that the worker understands the rules and commits to abiding by them.

Although the Code of Ethics does not specifically include the abolition of child labour, implicit in the general rules of honesty, conduct and responsibility is the commitment by all SODIMAC workers to the company's principles of social responsibility. This is reflected in the high level of the workers' understanding of the rejection of child labour, as shown by recent results of the Prohumana Foundation's ranking<sup>25</sup>.

#### 2009 PROHUMANA RANKING OF SODIMAC: HUMAN RIGHTS

Question:	Average SODIMAC 2009	Average SODIMAC 2008	Average All	Average Top 5
Rejecting child labour is a principle for my company.	4,48	4,29	4,51	4,69

Prohumana ranking: Scale of 1 to 5

<sup>24</sup> Interview with Pablo Urbina, Social Responsibility Coordinator, SODIMAC Social Responsibility Office, who stated that the Code of Ethics is currently being updated and revised (Santiago, 2010).

<sup>25</sup> The ranking is a tool developed and implemented by the Prohumana Foundation, which enables a company to compare itself with its peers and objectively evaluate its implementation of CSR. SODIMAC placed ninth in the 2010 ranking, receiving the silver seal for its integral CSR management.

# Conclusions from SODIMAC's experience

*SODIMAC's experience in developing Corporate Social Responsibility policy and practice is an example and a model of how a company gradually becomes committed to adopting measures that effectively facilitate the elimination of child labour as a core business principle.*

*This process, as described above, begins with a commitment from top management, an essential requirement without which it would be impossible to comply with the principles of the Global Compact and establish practices of Corporate Social Responsibility in all areas of production and sales, with the participation of all stakeholders involved: management, shareholders, internal and outside workers, and suppliers.*

*The commitment by SODIMAC's top management translates into practices that are solidly grounded in behaviours and norms of social responsibility, which guide the work of its board of directors, managers, workers, and domestic and international suppliers.*

## Behaviours and norms of corporate social responsibility <sup>26</sup>

*SODIMAC is committed to respecting the rights of all people and the environment, and we expect all our suppliers and/or manufacturers of goods to share that commitment. Upon becoming part of SODIMAC's supply system, a supplier must comply with the SODIMAC Commercial Transparency Policy (SCT) and the following rules:*

- ▶ *Not using child labour in production operations.*
- ▶ *Not exercising coercion or harassment in relations with its workers.*
- ▶ *Non-discrimination on the basis of race, religion, age, nationality, social or ethnic origin, sexual orientation, gender, political opinion or disability.*
- ▶ *Respect for the right of association, in accordance with Chilean laws and international treaties.*
- ▶ *Not using forced or involuntary labour, including prison labour, slave labour and any other form of forced labour.*
- ▶ *Safeguarding its workers' health and safety.*
- ▶ *Achieving the highest standards in environmental protection.*

26. SODIMAC: 2009 SODIMAC Sustainability Report (Santiago, 2009).

# Recommendations for action strategies with SODIMAC



*The strategy is based, first, on the need to sustain the company's commitment, particularly by involving its branches throughout the country in actions to eliminate child labour; and second, on promoting the Corporate Social Responsibility policy on child labour that SODIMAC has implemented, so that it becomes the policy of its affiliate group, SACI Falabella, the largest retail group in Chile and Latin America.*

*The SACI affiliate group consists of SODIMAC/Homecenter; Falabella S.A.; Supermercados San Francisco/TOTTUS; Banco Falabella; Viajes Falabella; and Seguros Falabella Industrial.*

## Objectives

- *Strengthen the Corporate Social Responsibility policy on child labour in SODIMAC/Homecenter branches by distributing information about the causes and consequences of child labour among workers, sub-contractors, suppliers and customers.*
- *Promote SODIMAC's Corporate Social Responsibility policy on child labour with its affiliate, SACI Falabella, both in Chile and in other countries where it operates in Latin America.*

## Actions

- Ⓐ *SODIMAC management distributes the document, "Corporate Social Responsibility in Chile: the Experience of SODIMAC", to its branches throughout the country.*
- Ⓑ *With technical support from the ILO, SODIMAC management identifies at least three branches (prioritizing those in areas with the highest rates of child labour; according to the National Survey) with which to promote awareness-raising among regional/community businesses; in collaboration with Regional Committees for Prevention and Elimination of Child Labour; to encourage Corporate Social Responsibility and public/private initiatives for the elimination of child labour.*
- Ⓒ *SODIMAC (national management and regional branch management), with support from the CPC and ILO, and in collaboration with the regional Committee, will hold a Social Responsibility and Child Labour Forum with businesses and public and private institutions.*

## Basic declaration of Corporate Social Responsibility for suppliers



<i>SUPPLIER NAME</i>	<i>SUP.CODE</i>			
<i>ADDRESS</i>				
<i>CONTACT</i>	<i>OTHER</i>			
<i>TELEPHONE</i>	<i>EMAIL</i>			
<i>BUSINESS ETHICS</i>	<i>YES</i>	<i>NO</i>	<i>N/A</i>	<i>OBSERVATIONS</i>
<i>Does your company encourage and promote compliance with standards for ethical behaviour throughout the entire organization?</i>				
<i>Do your products comply with national and international laws related to TRADEMARKS, COPYRIGHT, CERTIFICATE OF ORIGIN, etc.?</i>				
<i>QUALITY OF WORK LIFE</i>	<i>YES</i>	<i>NO</i>	<i>N/A</i>	<i>OBSERVATIONS</i>
<i>Is there compliance with labour laws regarding labour by minors?</i>				
<i>Are preventive measures taken in processes that could jeopardize the health and safety of your employees (safety shoes, hearing protection, etc.)?</i>				
<i>Does your company have a program for prevention of occupational illnesses and accidents?</i>				
<i>Has your company eliminated forced and mandatory labour?</i>				
<i>Does your company comply with labour laws currently in effect?</i>				
<i>RESPONSIBLE MARKETING</i>	<i>YES</i>	<i>NO</i>	<i>N/A</i>	<i>OBSERVATIONS</i>
<i>Do the products that your company sells cause any potential harm to health or the environment?</i>				
<i>Is there transparency in the information available to the consumer on possible health and environmental risks from the products your company sells?</i>				
<i>Do your products contain any toxic element?</i>				
<i>ENVIRONMENT</i>	<i>YES</i>	<i>NO</i>	<i>N/A</i>	<i>OBSERVATIONS</i>
<i>Has your company identified and controlled its environmental impacts?</i>				
<i>RESPONSIBLE SUPPLYING</i>	<i>YES</i>	<i>NO</i>	<i>N/A</i>	<i>OBSERVATIONS</i>
<i>Do you ensure that your suppliers comply with labour laws?</i>				
<i>Do you ensure that your suppliers comply with environmental laws?</i>				
<i>COMMITMENT TO THE COMMUNITY</i>	<i>YES</i>	<i>NO</i>	<i>N/A</i>	<i>OBSERVATIONS</i>
<i>When hiring, does your company give priority to local (community) labour?</i>				

*I declare that the information provided is true and verifiable.*

\_\_\_\_\_  
*SUPPLIER NAME & SIGNATURE*



## Results of company's social audit



Company information			
VENDOR		VENDOR CODE	
COMPANY NAME			
PRINCIPAL PRODUCTS		AUDIT DATE	
MANAGER			

OVERALL CONCLUSION		MEANING	VERDICT
ACCEPTED	100%	Company complies with SODIMAC's basic principles of corporate social responsibility	
ACCEPTED WITH OBSERVATIONS	99%-55%	Company complies with SODIMAC's basic principles of corporate social responsibility, but some details were noted.	
IMPROVEMENTS NEEDED	54%-25%	Company does not comply with SODIMAC's basic Corporate Social Responsibility principles; corrective measures must be taken.	
REJECTED	24%-0%	Company does not comply with SODIMAC's Corporate Social Responsibility principles; it is rejected and it is not recommended that it work with SODIMAC.	
PERCENTAGE RESULT			

HUMAN RIGHTS AND ANTI-CORRUPTION	1	Child and adolescent labour	
	2	Freedom from involuntary labour	
	3	Personal safety and privacy	
	4	Coercion and harassment	
	5	Non-discrimination and equal opportunity	
	6	Anti-corruption of copyright	
LABOUR NORMS	7	Minimum wage & adequate living conditions	
	8	Overtime pay	
	9	Overtime and free time	
	10	Association & collective bargaining	
	11	Social benefits under labour contract	
	12	Other benefits	
	13	Work place safety and health	
	14	Oversight and compliance	
	15	Dormitories	
	16	Sub-contracting	
	17	Other laws	
	18	Environmental Protection	
ENVIRONMENT			

Principal problems

\_\_\_\_\_  
Signed  
Quality Control  
SODIMAC Group

\_\_\_\_\_  
Signed  
Quality Control  
SODIMAC Group

# Declaration of Corporate Social Responsibility



NAME	
PLACE	
PURCHASE ORDER	
VENDOR	

**WE HEREBY DECLARE THE FOLLOWING:**

1. Do you hire people who have not reached the national (local) minimum legal age for admission to work?	YES	NO
2. Does your company use forced or prison labour?	YES	NO
3. Does your company comply with all national (local) labour and wage laws?	YES	NO
4. Does your company respect occupational safety and health requirements?	YES	NO
5. Do the products your company sells cause any environmental harm?	YES	NO
6. Do your products contain any type of toxic element? What kind? Have you evaluated ways to eliminate this element? How long will it take?	YES	NO
7. Do your products comply with all international laws on trademarks / copyright / certificate of origin?	YES	NO
8. Do you respect the necessary correct country-of-origin labelling on all merchandise acquired?	YES	NO
9. Do you have any statement that constitutes discrimination in your personnel (religious, cultural, language, sexual orientation, etc.)?	YES	NO

\_\_\_\_\_

Authorized signature, title and company name

\_\_\_\_\_

Witnesses (Name and specialized company)