The Strive Towards Ensuring Compliance with Codes of Conduct

-a multiple case study of social audits used by food retailers in Sweden and Norway to asses working conditions in their global food supply chain

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Abstract

The global food supply chain is known for facing problems related to workers' conditions at the stage of processing and production. A shift of governance towards the private sector has at the same time taken place among industries. This is seen among food retailers who implement Codes of Conduct in international operations in order to improve social conditions at the level of suppliers. However, the complexity of global food supply chains results in restraints in achieving compliance to Codes of Conduct.

The purpose of this thesis is to gain a deeper understanding of food retailer's monitoring processes and how they work towards ensuring compliance with their Codes of Conduct and working conditions throughout the supply chains, through the application of social auditing. Companies selected for this study included one Norwegian and three Swedish food retailers. A qualitative approach was applied and a multiple case study took place.

Findings indicate that the extensiveness of monitoring activities in the supply chain varies between actors when it comes to assessing working conditions in their global food supply chains through social audits. Auditing activities focused on own branded products and where audits were often conducted at the level of the subcontractor. Some variations still exist and one food retailer conducts social audits at the level of production. The extensiveness of monitoring activities is as a result of the resources available and the perception of how far down or up the supply chain that the responsibility should be levied. Social audits are conducted by retailers themselves, by suppliers or outsourced to an external auditing consultancy firm. Furthermore, the food retailers conduct a typical social compliance audit.

Violations against Codes of Conduct result in the food retailers carrying out follow up activities through the creation of a correction action plan and beginning discussions with the supplier. Ending the business relationship is another follow up activity that is applied when severe infringements have taken place or no improvements at the level of supplier have been achieved.

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1 Introduction

"In its function, the power to punish is not essentially different from that of curing or educating." - Michel Foucault

1.1 Problem background

The evolution of the food industry has resulted in numerous of social dilemmas in the global community which governments, Non Governmental Organizations (NGOs) and Multinational Companies' (MNCs) are trying to solve. Insufficient working conditions for workers in developing countries, such as long working hours, dangerous working environment and lack of existing labor unions are only a few examples which impregnate global food supply chains. Further, MNCs who are located in the Western world are powerful actors who exercise power over the supply chain. Typical examples of such companies are brand-name firms, multinational manufacturers or big retailers and ways for them to exercise power are through the choice of supplier and the ability to influence production as well as the course of action taken by actors in the supply chain (Gereffi, 1994; in Andersen and Skjoett-Larsen, 2009). These actors take the form of large food retailers e.g. supermarkets in the global food supply chains. By being the link between producers in developing countries and consumers in the western society power is gained. Food retailers are able to make demands regarding cost and quality of products which they source (Dicken, 2007, pp. 370-372). However, cost and quality are not the only areas which food retailers have requirements. Reaching certain levels of social standards is also necessary for suppliers in order to get access to the supply chain. This is verified by Vorley (2001) who state that the agricultural food supply chain's structure is closed, which means that the agro food industry's established rules and institutions have to be followed by those who want to participate. In addition, institutional pressures from governments are limited on the private sector. This is partly a result of ongoing deregulations and liberalizations of country's food sectors which has led to a shift of governance towards the private sector. (Ibid) Hence, food retailers have increasing possibility and therefore responsibility of governing the food supply chain.

1.2 Problem discussion

Hysing (2009, p. 322) mentions that private governance take place when non-governmental actors *"initiate, negotiate and implement a capacity to govern that was based on voluntary self-regulation rather than government authority"*. Private governance will in this thesis be seen as voluntary self-regulation by non-state actors. This leads us to the question of what

type of expression private governance can take among companies. Codes of Conduct are a typical tool for companies to exercise private governance in the food supply chain (Van Tulder and Van Der Zwart, 2006, p. 231). Companies are, in an increasing number, applying Codes of Conduct in their operations as a CSR strategy and these codes express values that companies want to be related to (Kaptein, 2004; Andersen and Skjoett-Larsen, 2009). Another reason for companies to implement Codes of Conduct can be a lack of regulations in developing countries which results in an increasing need among companies to draft and implement Codes of Conduct when they increase their outsource activities to suppliers in these regions (Kostova & Zaheer, 1999; Locke, Qin and Brause, 2006). Further motives for companies to create Codes of Conduct and implement in their business can be to use them as a strategic instrument to influence, shareholders, regulators, customers and to control business partners (Kolk and Van Tulder, 2005) A perfect example is when Codes of Conduct provide companies with the possibility to control production across the globe without a direct ownership (Jenkins, 2001). Hence, Codes of Conduct can be applied by companies to market its "sustainable" business, to support its international business operations when international regulations are lacking and as a strategic tool to influence or control stakeholders.

Large MNCs do frequently face problems when implementing and assessing their Codes of Conduct since these are complicated processes and tend to result in that Codes of Conduct are drafted but ends up unfulfilled (Roberts, 2003, cited in Andersen & Skjoett-Larsen, 2009; Barrientos and Dolan, 2006 p.19; Leigh & Waddock, 2006). ILO's (2003) in-depth study indicated that retailers' incorporation of CSR in the organization together with the responsibility to fulfill Codes of Conduct was especially poor due to their large supplier base (ibid). This raises the question of where the issue of assessing Codes of Conduct emerges and one stage seems to be when audits are conducted. O'Rourke (2000) did for example find out, from studying the consulting company PricewaterhouseCoopers (PwC)'s monitoring methods, that auditors either failed to recognize or consciously overlooked issues at the work places. Hence, social audits are a complex activity and may result in a false picture of reality and accordance with Codes of Conduct can be omitted. It is therefore relevant to study how and by whom social audits are carried out. Andersen and Skjoett-Larsen (2009) do interestingly call for a study that investigates whether companies should audit suppliers by themselves or outsource it to a third part.

Companies' role and responsibility on the global stage regarding social conditions are central in this thesis. Kolk and Van Tulder (2005) call for a study which looks into what role companies' Codes of Conduct have in solving issues of global concern such as violations of individual rights i.e. human rights and job security. Companies may take part in creating unstable social conditions in the food supply chain but they may also be part of the solution. Finally, companies claim to conduct sustainable business and ethical sourcing and it is therefore of interest to study how far companies' responsibility in the supply chain reaches in order to ensure that an acceptable standard for working conditions at suppliers are achieved. This is in line with Barrientos' and Dolan's (2006 p.21, 182) request for a study that examine the extension of CSR practices in the supply chain and the number of *tiers of suppliers* (levels of suppliers and subcontractors backward in the supply chain where manufacturers and producers are operating) that are involved.

1.3 Purpose and research questions

The aim of this thesis, based on the problem discussion, is to gain a deeper understanding of how different actors within a retail industry are structuring their management control systems regarding Codes of Conduct in order to ensure compliance. Retailers in the global food supply chain have gained increased power and influence over suppliers and actors that want to participate in the food supply chain have to follow rules for social standards that have been set by retailers. The global food supply chain is also known for facing problems with workers conditions at the stage of production and processing. The study will therefore describe and analyze food retailers' monitoring processes and how they are striving to ensure the fulfillment of their Codes of Conduct, through social audits, in terms of conditions at the workplace throughout their food supply chains. In order to fulfill the purpose of the study following questions will be answered;

Rq1   *How extensively, in terms of how many tiers (depth) and type of suppliers included e.g. branded goods and own branded goods (width), do food retailers through social audits try to ensure that their Codes of Conduct regarding working conditions are followed in their food supply chains?*

Rq2   *How do food retailers monitor working conditions through social audits in their food supply chains in order to ensure compliance with their Codes of Conduct?*

Rq3   *How do food retailers conduct following up activities when compliance with the Codes of Conduct for working conditions has not been achieved?*

1.4 Delimitations of the study

This study will focus on large retailers in the grocery retail business in Sweden and Norway who are responsible for the sales of food products in each of the markets. Due to time constraints, this thesis will focus on a headquarter perspective and exclude perspective of suppliers or workers. In addition, Codes of Conduct among food retailers tend to refer to issues such as legal requirements, bribery and corruption, conditions at the workplace, conditions outside the workplace, environment and animal welfare. It was therefore necessary to narrow down the focus to those codes that referred to conditions at the workplace. This area is of interest to the study due to the numbers of problems related to it. In addition, this study will not investigate the implementation process for Codes of Conduct but rather the monitoring activities.

1.5 Outline of the thesis

The thesis is composed of seven chapters and the first chapter, the introduction which was presented above, contains a problem background and a problem discussion which leads to the purpose and three research questions. This chapter is then followed by a literature review which goes through main theories related to the research topic. The third chapter, the theoretical framework, concludes relevant areas in the literature review from which the analysis will be built on. The methodology chapter, the fourth chapter, will explain how the study was conducted and provide reasons for decisions taken during the study. Thereafter is the empirical data of four food retailers provided in chapter five followed by chapter six in which the data is compared against the theoretical framework and analyzed. The study ends with a seventh chapter which highlights findings and conclusions, managerial implication and suggestions for future research.

2. Literature review

This chapter will provide a general literature review that is linked to the field of study. Theory related to purchase and supply chain management is followed by literature which discusses CSR and CSR in the supply chain. A general description of Codes of Conduct is thereafter provided together with a detailed literature discussion of management systems for fulfilling Codes of Conduct and following up activities.

2.1 Purchasing and Supply Chain Management

A brief description of purchasing and supply chain management will be provided to the reader since the study focuses on food retailers' monitoring activities of actors in the global food supply chain from which they are purchasing products.

Purchasing and supply chain management is according to Van Weele (2005, p. 23, 29) an important feature in business since outsourcing activities to suppliers are an emerging trend. The increased focus on purchasing and supply management has in return led to a raised need for strategies in the fields of global sourcing, environmental problem resolution and business reliability. A well administered purchasing and supply management system enables companies to enhance its performance and purchasing is define as everything that a company obtains an invoice for and is considered as a cross-functional task since it involves different departments in a company. Van Weele (2005, p 79, 82-83) further discusses the importance of possessing a wide knowledge base of supplier's markets and understanding of its own buying power in order to purchase efficiently. This is of importance since the purchasing departments strive towards minimizing costs. A typical example of a sourcing strategy is when buyers conduct contract evaluation, stimulates bidding between existing and new suppliers and improves the existing relationship with those suppliers that are showing satisfactory performance (Van Weele, 2005, p 163-164).

Supply chain management is wider in its definition in comparison to purchasing. Van Weele (2005, p. 208) explains that supply chain management involves purchasing, supply management as well as logistics with the focus on how supply processes are managed and structured within and outside a company. Skjøtt-Larsen et al. (2007), cited in Andersen and Skjoett-Larsen (2009), argues that supply chain management has increased in importance due to intensive international competition among companies, raising outsourcing activities to emerging economies and shorter product life cycles. Andersen and Skjoett-Larsen (2009)

further discuss the work of Christopher (2005) which clarifies that competition is not only taking place between companies but between entire supply chains. Hence, supply chains are, according to Jain and Benyoucef (2008), more complex than ever before. The definition of a supply chain is provided by Maloni and Brown (2006) who state that it is constituted by companies, suppliers, customers and logistics that supply goods and services to consumers. Jain and Benyoucef (2008) explain that supply chains consist of multiple flows of information, finances and material items. The purpose is to get the right amount of products and services with the correct quality transferred to the right place with a cost efficient approach. (Ibid)

2.2 Business relationships

Central themes in this thesis are the business relationships, which food retailer have with their supplier, and monitoring activities which purchasers practice in the supply chain. It is therefore relevant to briefly discuss power and trust in business relationships between actors in the supply chain.

Dapiran and Hogarth-Scott (2003) refer to the work done by Cartwright (1959) who defines power as when one actor has the capacity to manage or influence another actor's actions. A functional view of power argues that one actor possess power over another actor if the latter is dependent on the former. (Ibid) However, Knights and McCabe (1999) provides a different view of power and states that power is shaped, changed or reproduced from social interactions. The owner of power is not important but rather how power is expressed and practiced. They see power as a dynamic, and changing process where both parties in a relationship can exercise it. (Ibid) This leads to what is relevant for this study; power in the supply chain. Dapiran and Hogarth-Scott (2003) define power in the supply chain as when one actor is able to control decisions and actions which other actors in the supply chain take. Actors involved in the supply chain may be purchasers, suppliers, retailers and producers. (Ibid)

Kumar (1996) studied the relationship between retailers and manufactures and noticed that trust was an important factor and therefore discussed among actors in management positions. The management argued that trust takes place when actors in a business relationship are honest and dependable. The *"leap of faith"* was mentioned and Kumar (1996) explains that this refers to the situation where actors in the business relationship consider the other actor's

success as important and respect this during decision making. The involvement of trust in the relationship between retailers and manufacturers may result in enhanced performance for both parties since they share information and adapt company activites to each other. Trust in a business relationship reduces the necessity to monitor and control the other actors' activities and this statement is of particular relevance for this study. The opportunity to increase trust in a relationship is reduced when power is exercised over the other actor in a relationship. (Ibid) Walgenbach (2001) reinforces this statement by mentioning that trust can serve as an alternative to control and that long term relationships are based on trust. Dapiran and Hogarth-Scott (2003) do interestingly state that power and trust does not necessarily exclude the other. These factors should instead be viewed as interdependent where cooperation is created on the procedures of power and influence. (Ibid)

2.3 CSR

The purpose is to study how food retailers' monitor workers conditions in the food supply chain through social audits and this can be viewed as a typical CSR activity. Therefore will definitions, dimensions and understandings of CSR will be provided in this section.

CSR is a concept that has existed throughout the 20th century but took an intense development after the 1950s. Habisch, Jonker, Wegner and Schmidpeter (2005, VII) point out that CSR is widespread throughout Europe these days and companies, states, NGOs, consumers and the academic world are involved in the discussion of CSR, globalization and sustainability. Crane et al (2008, p. 20) further argues that ongoing academic research, CSR conferences, consultancy activities and incorporation of CSR in strategic management and corporate governance are evidence of the increasing popularity of the subject of CSR in Europe. Despite the widespread use of CSR, no single established definition or understanding has emerged but several exist (Dahlsrud, 2006; Carroll and Buchholts; 2008, p. 40). Carroll and Buchholts (2008) mean that one definition of CSR is not enough since companies are different in so many aspects such as business, size and resources. Hence, one global definition would result in complicated managerial consequences when implementing it in practice. (Ibid)

CSR is by academic literature described as a wide concept which involves external stakeholders such as customers, workers, states, NGOs, suppliers and media. Companies are socially and ethically responsible for their activities towards these stakeholders and this result in that companies tend to work with the society and environment. (Andersen and Skjoett-

Larsen, 2009; Maloni's and Brown's, 2006) CSR is a tool which also, according to Morimoto, Ash and Hope (2005), can be applied in order to enhance companies' legitimacy through increased communication and transparency towards stakeholders. CSR can lead to enhanced reputation, improved products and services, better working conditions, environment and management of suppliers. (ibid) Dahlsrud's (2006) did interestingly find in his study that all the different definitions of CSR are in reality relative harmonized and therefore compensate for the lack on one global definition. The different definitions of CSR can be coded into five different dimensions of CSR. The *social dimension* refers to the link between corporations and the society while the *economical dimension* focuses on the financial features of a company. The *environmental dimension* refers to the link between CSR and environmental aspects whereas the fourth dimension of CSR is the *stakeholder dimension*. The final dimension, the v*oluntary dimension,* refers to activities carried out by an organization that are more extensive than what existing laws require and this level are often defined through referring to the stakeholder dimension and what these actors demand. (Ibid)

2.3.1 CSR in supply chains

The literature review will now go deeper into the field of CSR by discussing CSR in the supply chain and the importance for companies to implement CSR when operating on an international level. The section will end with a discussion around ethical sourcing which is seen as a CSR management tool that companies can apply in the supply chain.

Jain and Benyoucef (2008) explain that companies' increasing outsource activities to developing countries results in an increased need to create supply chains that are well-organized, responsive and that have a focus on close relationships based on long term cooperation. In addition, external stakeholders have today an increased focus on MNC's and their environmental and social activities. (Ibid) Andersen's and Skjoett-Larsen (2009) and Dahrud (2006) argues that stakeholders interest in ethical consumption, production and what is called green, sustainable and ethical supply chains has increased partly because of increased outsourcing activities to developing nations.

Dahlsrud (2006) further explains that CSR in the global supply chain is carried out through governance systems where companies are linked together by sourcing and contracting arrangements. Andersen and Skjoett-Larsen (2009) confirms this by stating that CSR does not only involve single companies but entire supply chains. This goes in line with Maloni's and

Brown's (2006) statement which says that CSR involves companies' supply chain partners. However, the management of CSR becomes complex when incorporating entire supply chains due to increasing comprehensiveness. The nature of supply chains differ depending on industry and product and each of these contains unique issues which CSR models needs to be adapted to. (Ibid) The implementation of CSR has, according to Carter and Jennings (2002), been a slow process and CSR strategies are today considered to be an obligation rather than an option.

Ethical souring can be applied when companies have to deal with multifaceted CSR issues in the supply chain (Roberts, 2003). Blowfield (1999) explains that ethical sourcing refers to the responsibility of social and environmental activities in the supply chain. Ethical sourcing is, according to Roberts (2003), a risk reducing tool since the potential of discovering social issues further down in the supply chain are avoided and therefore companies' brand names are protected. External stakeholders often hold companies in the west responsible for production elsewhere, even if these companies have no direct control over the production process. Companies apply Codes of Conduct that refer to ethical sourcing in order to fulfill environmental and social standards. (Ibid)

2.4 Codes of Conduct

The literature review has so far aimed at providing the reader with a basic foundation of theories which serve as a background to the field which is studied. As from now, the literature review more closely relates to the research questions and information of Codes of Conduct will be presented followed by a section which discusses labor codes since the study focuses on conditions at the workplace.

Jenkins (2001) recognizes five types of codes in his study. *The trade association code* is a code that several companies in a certain industry implement, *the multi-stakeholder code* is an outcome of a discussion between companies and its stakeholders, *the model codes* are guidelines and represent organization's perception of good practice. *Inter-governmental codes* are discussed on a global level and signed by national governments while *the company code* is agreed upon by single companies.

Kolk and Tulder (2005) explain that these codes are either created by non-profit actors or profit actors. Kaptein (2004) explains that non-profit actors may be governments, social interest groups such as consumer or environmental organizations, international bodies and

organizations such as the United Nation, European Union, ILO and Transparency International. While profit driven actors are represented by corporations or support groups such as trade associations or chambers of commerce (Kolk and Tulder, 2005; Kaptein, 2004) International responsibility codes are a type of code that includes guiding principles, recommendations or regulations which concerns entities in the society. Codes are established in order to control and regulate MNCs' actions and improve companies' corporate social responsibility profile (Kaptein, 2004; Kolk and Tulder, 2005; Getz, 1990). By implementing an accepted set of standards, according to Kaptein and Wempe (2002, p. 273-277), companies can benefit from the fact that these probably have been developed in a dialogue with society and authorized by autonomous organizations. In addition, it is likely that there are developed management systems and processes in place. However, this cannot be a complete replacement for a company's own policy since each company is unique which means that external standards need to be adapted so that company's values, norms and mission can be fulfilled. External standards may fail to incorporate issues that arise or new stakeholder groups that emerge together with gaps of what is actually needed in practice. By implementing company created codes, companies will enhance their alertness and be more able to integrate them in their business activities. (ibid)

Kaptein and Wempe (2002, p. 272) define a company code as a document that clarifies the company's responsibilities to its stakeholders and that point out its qualities and main beliefs. A code which is of special interest for this study is the Code of Conduct and Sobczak (2006, p. 171) define a Code of Conduct as "*a written document containing the commitment by the management of the supply chain's head company to respect certain fundamental social rights.* Van Tulder and Van Der Zwart (2006, p. 241) explain that corporations began to draft codes as a response to the stricter codes set up by Non-governmental organizations. These codes do according to Kolk and Tulder (2005) work as tools for voluntary self-regulation. Sobczak (2006) do on the other hand state that private governance and Codes of Conduct are a result of companies' needs to meet the demand of stakeholders instead of an internal need for regulating its own business. Furthermore, companies' Codes of Conduct according to Kaptein (2004) refer to guidelines for the quality of products, commitment to local laws, avoidance of environmental harm, honesty and transparency, the treatment of employees and attitudes towards corruption and fraud.

2.4.1 Labor Codes

OECD conducted a report in 2001 in which the organization analyzed approximately 250 Codes of Conduct within different industries and these Codes of Conduct tended to focus on labor standards, together with environmental aspects, which reflect the importance for companies to create sound working environments. A typical example of a labor standard is the International Labor Organization's (ILO) guidelines. (OECD, 2001) ILO prepared these voluntarily guidelines for MNCs in the 1970s and these referred to employment issues in the least developed countries (Robinson, 1983 p. 6-7) Barrientos and Dolan (2005 p. 67) argues that the incorporation of labor standards in the Codes of Conduct tends to be a trend among actors in the food industry. Labor codes ensure that the lowest level for labor standards is fulfilled among companies and issues that the standards refer to are child labor, discrimination of workers, bounded labor, low wages and long work hours and health and safety aspects. (ibid)

2.5 Management systems for fulfilling Codes of Conducts

ILO (2003) explains that control systems are of great importance when working with Codes of Conducts in order to achieve improved results and therefore will management systems for ensuring compliance with Codes of Conduct be discussed. Further, supply risk and reputational risk will be discussed since these describe reasons for the need of managing supply chains with Codes of Conduct. This will be followed by a section which discuss width and depth of monitoring the supply chain through social audits.

2.5.1 Supply risk and Reputational risk

Manuj and Mentzer (2008) state that international activities comes along with higher risks which result in a demand for securing the supply chain to avoid disturbances in the flow of products. The authors borrowed Zsidisin's (2003, p 222.) definition of *supply risk*; *" the probability of an incident associated with inbound supply from individual supplier failures or the supply market occurring, in which its outcomes result in the inability of the purchasing firm to meet customer demand or cause threats to customer life and safety".* Postponement, speculations, hedging, control/share/transfer, security and avoidance are risk management strategies which the authors pointed out in their study. Control and avoidance will be further discussed due to the relevance of these strategies for this study. Control as a risk management strategy can be exercised through vertical integration, contracts and agreements. (Manuj and Mentzer, 2008) This is relevant since the Codes of Conduct can take the form as a contract which suppliers must sign. Further, avoidance as a strategy is taken when unacceptable risks

are related to a product, geographically area, industry or certain supplier. All types of companies implement avoidance as a risk management strategy at different levels. (Manuj and Mentzer, 2008)

Bebbington, Larrinaga and Moneva (2008) argue that *reputational risk* arises when almost any area or operation that the company is involved in has failed or has the risk of failing. Managers in companies highlight five areas which the company's reputation is built upon and one of them is social and environmental responsibility. (Ibid) The issue of interest to this study and one which is brought up by Manuj and Mentzer (2008) is that actors in the food industry have started to apply CSR and ethical responsibility in the supply chain to enforce reputation of the brand and therefore minimize and protect companies from brand damaging situations which leads to financial risks. Manuj and Mentzer (2008) highlight the importance of implementing appropriate measures when risks emerge and at the same time to be proactive and avoid risks through securing the supply chain. However, Barrientos and Dolan (2005 p. 14-15) mention that the amount of resources for supporting and monitoring activities varies between companies and industries and this is seen in how companies communicate their codes with actors in the supply chain. This is a critical concern for retailers due to the high number of suppliers (ILO, 2003).

2.5.2 Width and depth for monitoring Codes of Conducts

Barrientos and Dolan (2006, p.21) explains that retailers in the food supply chain implement Codes of Conduct to different degrees. Codes differ in terms of who is included and the number of tiers of suppliers at which the codes are implemented. Burch and Lawrence (2005) provide an example of food retailers in the UK and these retailers tend only to ensure that ILO's standards are followed in terms of their own branded goods. This may be explained by Roberts (2003) who states that retailers with branded goods have a higher public visibility which results in more attention from stakeholders who tends to expect high levels of social responsibility. Hence, retailers with own branded goods are held responsible for activities which they carry out in the supply chains of own branded goods and therefore needs to have a higher socially responsibility for these products in order to protect their reputation.

Furthermore, food retailers have a tendency to control the first and second tier of suppliers where larger producers or packaging companies are positioned. This can be explained by the fact that monitoring activities are difficult to carry out in the complicated food supply chains. (Ibid) This is verified by Andersen and Skjoett-Larsen (2009) who explain that the majority of

companies are only setting demands on the first tier of suppliers which are not enough in order to create a sustainable supply chain. Instead CSR demands that Codes of Conduct should be passed forward from the first tier of suppliers all the way back to the producers. (Ibid) Barrientos and Dolan (2006, p.182) imply that actors at the first tier of suppliers tend to hire regular workers and the application of Codes of Conduct often further improves the situation for these types of workers. However, one can see when going further down in the supply chain, where production takes place, that benefits which stem from Codes of Conduct does not tend to reach casual workers. (Ibid)

2.5.3 Audits

Zadek (1998) explains that companies develop audit plans through combining Codes of Conduct and implementation plans. The monitoring process is therefore based upon the main guidelines that are used for measuring and monitoring the actual implementation of a company code. Social auditing is considered to be a procedure in which companies integrate financial and environmental information and statistics. (Ibid)

Conducting audits brings multiple advantages to companies. O'Rourke (2000) and Kaptein and Wempe (2002, p. 285) state that companies gain increased knowledge of suppliers activities through evaluating their performance and conditions. Companies create strategies in order to enhance certain conditions when inconsistency of practices are found and thereby enhance the integration of codes. Kaptein and Wempe (2002, p. 285) and Zadek (1998) further explains that audits enable companies to become more open towards different stakeholder groups, respond to external expectations, evaluate the outcome of audits and discuss whether external expectations are met in order to avoid criticism. Zadek (1998) explains that audits provide companies with marketing opportunities and the potential to increase their trustworthiness. (Ibid)

O'Rourke (2000) does however warn that defective monitoring activities may result in destructive outcomes for those involved. Focus might be wrongly directed and highlight inaccurate reflections of the actual situation. There are no best practices for conducting audits and monitoring activities but some are considered to be more suitable than others. Zadek (1998) proposes that instead of finding one best practice, should companies aim at adapting the audit process to each situation since different issues need to be handled with different tools. (Ibid) The report from ILO (2003) also mentions issues related to the field of audits

and argues that companies tend to emphasize issues which the external environment calls for. These are often child labor, forced labor or long working hours while other areas such as discrimination or equal opportunities have been neglected. The result of this is that improvements within the fields which the external environment focuses upon have taken place. Workers as a result, in some cases have benefited from these stricter measures of oversight by obtaining higher wages. (Ibid)

Audit processes may be criticized endlessly but it is important to recognize that monitoring suppliers and conduct audits are an ongoing learning process. This is verified by Zadek (1998) who states that monitoring as well as social auditing is a continuous learning process where companies are implementing changes in the monitoring process when needed. This is the reason why companies need to continue investing in its social and auditing processes. (Ibid)

2.5.4 External and internal auditing

Barrientos and Dolan (2005 p. 131) points out three types of audits; first party auditing, second party auditing and third party auditing. *First party auditing* takes place when a company conducts self evaluations. A company may also conduct audits of its suppliers and compare them against its Codes of Conduct or external standards and this is called s*econd party auditing. Third party audit* implies that companies are audited by an independent external organization. Typical first party auditing practice is to control suppliers before an external party conducts its audit and in some cases companies accept that suppliers are evaluating themselves against the company code. (Ibid) Barrientos and Dolan (2005, p. 22) explains that this type of auditing occurs in the food supply chain where food retailers provide suppliers with an opportunity for self-evaluating labor conditions. Second and third party audits are foremost conducted by global buyers or by an auditing company. (Ibid)

Kolk and van Tulder (2002) discuss the same matters but refer to them as internal monitoring or external monitoring. Internal monitoring by itself is not seen as a reliable method since there might be conflicts of different interests within the company. Internal monitoring is however considered to be acceptable when it is complemented with external monitoring. (Ibid) Barrientos and Dolan (2005 p. 131) argues that companies take responsibility when keeping the monitoring activities in-house. However, Kolk and van Tulder (2002) point out that companies in general believe that outsourcing of monitoring activities to independent third parties, such as companies specialized in auditing, is an appropriate strategy. It is

considered to increase the trustworthiness of conducted audits and results in more reliable reports. This enhances the reliability of company's achieved results and improvements. (Ibid) This is verified by Barrientos and Dolan (2005 p. 131) who state that third party audits result in an externally acceptable verification of a company's performance in fulfilling the code of conduct. However, O'Rourke (2000) points out the risk of letting companies that are financially bound to the company which they audit due to a risk of being biased. Typical examples of such companies are consulting companies with auditing specialization. (Ibid)

2.5.5 Compliance focused social auditing
Barrientos and Dolan (2005 p. 128-133, 145) explain that a typical standard for social auditing is the compliance focused social audit which also is called the "snap shot audit". An industry has emerged where retailers, purchasers or external auditors are controlling compliance of the code through a quick one time visit at the level of suppliers or producers. Details of the visits vary between actors and depend on the type of audit framework as well as the customer's prerequisites. A typical tool that social auditors apply during visits for social auditing are checklists and these can have been given to them by the clients or created by the auditors themselves. The checklist is based on the Code of Conduct which the auditors go through during the visits and grade the supplier's performance. A compliance focused social audit has a tendency to become focused on control and regulation. Hence, minimum changes are implemented by suppliers since the aim is just to fulfill requirements of the audit. (Ibid)

Barrientos and Dolan (2005 p.129) further explains that compliance focused social auditing is appreciated by companies since they are less demanding on time and are simple to carry out. In addition, companies get reports with factors that can be quantified and measured. Barrientos and Dolan (2005 p.129) do however criticize these types of audits since the main aim with these are not to support the process of achieving development regarding labor conditions at the level of suppliers. Physical issues are easily detected through these types of audits while factors such as discrimination or freedom of association are more problematic to discover. Furthermore, auditors have a tendency to spend too much time with managers during these types of audits and allow them to pinpoint workers for interviews. The managers' opinion is in focus while workers' opinions are involved only to a basic extent. Another issue is that auditors sometimes fail to describe their reasons for being there and there may be cases where employees are intimidated by the situation. In addition, the high frequency of visits has resulted in some companies learning how to avoid their inadequacies being discovered during

social audits. For example, suppliers can give casual workers vacation during days when audits take place or through threatening workers. (Ibid)

2.5.6 Participatory social auditing
The participatory social audit is another type of social audit model. Barrientos and Dolan (2005, p. 133- 134) explains that this type of audit aims at improving workers situations and guarantees that human rights are fulfilled in the supply chain, just like compliance focused social audits do. However, the participatory social audits control supplier's compliance to a checklist in order to ensure that minimum levels are fulfilled. It focuses on engaging workers and organizations in the auditing process. Hence, the focus lies on the growth of relationships between actors such as companies, NGOs, labor organizations and trade unions. The approach transfers the management regarding observation of codes from top of the supply chain towards the bottom of the supply chain. Hence, workers and their representatives become strengthened in the process of enhancing working conditions. The participatory model aims at creating a forum for workers and managers where sensitive and complex situations such as discrimination, sexual harassment and other types of issues are discussed, the aim of which is to enlighten participants to the problems. In addition, the process of learning and change is of importance rather than checking off a list. Barrientos and Dolan (2005, p. 140) explains that the next step would be that the auditors revisit the suppliers and have a meeting with managers, worker organizations and employees in order to go through the process again and provide responses as well as advice for corrective measures. Barrientos and Dolan (2005, p. 133- 134) say that the outcome will hopefully build stronger relationships between managers and workers so a joint planning and decision making can take place through this interaction. (Ibid)

Barrientos and Dolan (2005, pp. 129-130) explain that a participatory social audit can be carried out on different levels. The lowest level is fulfilled when participatory tools have been applied in order to ensure that workers points of view have been noted during the audit process. A more extensive use of a participatory audit involves engaging external organizations. The company can achieve a greater liability by involving external stakeholders such as NGOs, trade unions, industries and governments during the monitoring process. Furthermore, Barrientos and Dolan (2005, pp. 141) explains that it is important to let local trained auditors participate in these types of audits. The auditors should be trained in using participatory tools, talk the language, understand the local culture and issues and have an

understanding of the country's institutions. However, the process of finding a local auditor that possesses experience of participatory social auditing is a problematic process for companies. (Ibid)

2.6 Following up activities
This section will be provided so that the last research question can be analyzed. Hence, information will be provided regarding companies follow up activities when compliance to Codes of Conduct has not been reached.

Kolk and Van Tulder (2002) explain that companies may apply sanctions when Codes of Conduct are violated by suppliers. However, this is a harsh measure and usually applied when extreme infringements of Codes of Conduct takes place such as violations against child labor laws. (Ibid) Barrientos and Dolan (2005 p. 131) explain that another measure that companies apply when suppliers deviate from the Code of Conduct are action plans. Action plans are considered by Kolk and Van Tulder (2002) to be a mild measure. Barrientos and Dolan (2005 p. 131) further explains that the action plan is based on a timeframe which the involved parties agree upon and these measures should be implemented within the given timeframe. However, certain violations are considered by to be more severe than other type of infringements and the timeframe for correcting such actions tends to be longer in comparison to violations that are perceived to be more acceptable. Another mild measure is to give suppliers fines while more severe actions involve ending a relationship or cancellation of a contract. (Ibid)

2.7 Summary of the literature review
The literature review has now come to an end and this chapter managed to discuss many of the theories which are relevant to the research area. Purchasing and supply chain management was first discussed and how entire supply chains are competing against each other on the global market and the fact that supply chains are more complex now than ever before. This led to a review of literature regarding business relationships, control and trust where it was argued that trust can substitute the need for monitoring a supplier. The next section of the literature study brought up the subject of CSR and that the increasing need for CSR in the supply chain is partly a result of pressure from external stakeholders. CSR activities carried out by a company need to involve actors in the entire supply chain which further contributes to the complexity of managing these issues. Furthermore, ethical sourcing is used in order to reduce risk and is a typical tool applied is the Code of Conduct. This led to the next section in

the chapter which discussed Codes of Conduct. Retailers and actors in the food supply chain tend to incorporate ILO's guidelines in their Codes of Conduct. In order to fulfill the Codes of Conduct, companies monitor and support their Codes of Conduct but do so to different extents since the amount of resources allocated to these activities differs. Retailers also focus more on own branded goods and social audits tend be conducted at the first or second tier of suppliers by food retailers. This led to the next section of the literature review which discussed social audits. Social audits are helpful for companies when they want to evaluate the performance of suppliers and take measures in order to correct inconsistencies with their Codes of Conduct. The pitfalls and existence of defective monitoring activities were alluded to along with the fact that no best auditing practice exists but that some practices are more suitable than others in different situations. A discussion was thereafter provided regarding who should conduct social audits in order to guarantee that the results of such audits become more reliable. There are external, internal, first party, second party and third party social audits and it was deduced that a combination of both second and third party audits seems to be the optimal combination in order to enhance the trustworthiness of findings during visits. Furthermore, two different approaches which can be applied when conducting a social audit were given. The compliance focused social audit is preferred by companies but criticized as it does not have the potential to uncover intangible problems such as discrimination. The participatory social audit focuses on engaging workers in the audit process and therefore is suitable when discussing sensitive matters i.e. discrimination and sexual harassments.

3 Theoretical Framework

A theoretical framework which pinpoints main theories from the literature review relevant for each of the research areas will be provided in this chapter. Some theories will be used for more than one research question since the questions overlap each other to some extent. The chapter starts with a process map depicting the relevant subject areas and activities.

3.1 Process map

A process map, which is created from the author's understanding of the literature review, visualizes the procedure of how food retailers can achieve compliance with Codes of Conduct. Food retailers source products from suppliers on the international market. They can be suppliers that provide the retailer with own branded goods or suppliers that sell branded goods i.e. Nestlé and Kellogg. Suppliers for branded goods are of various sizes, from large multinationals to small suppliers without an established brand on the market. Food retailers usually have drafted Codes of Conduct in use and need to ensure that they are followed and adhered to. They confirm adherence through conducting social audits of their suppliers. The food retailer decides if the monitoring process should be kept in-house or outsourced to a third party and whether it should be conducted through a participatory or compliance focused approach. As a final decision, the food retailer decides on appropriate follow up activities should violations against the Codes of Conduct be encountered. The entire process can be studied in figure 1.
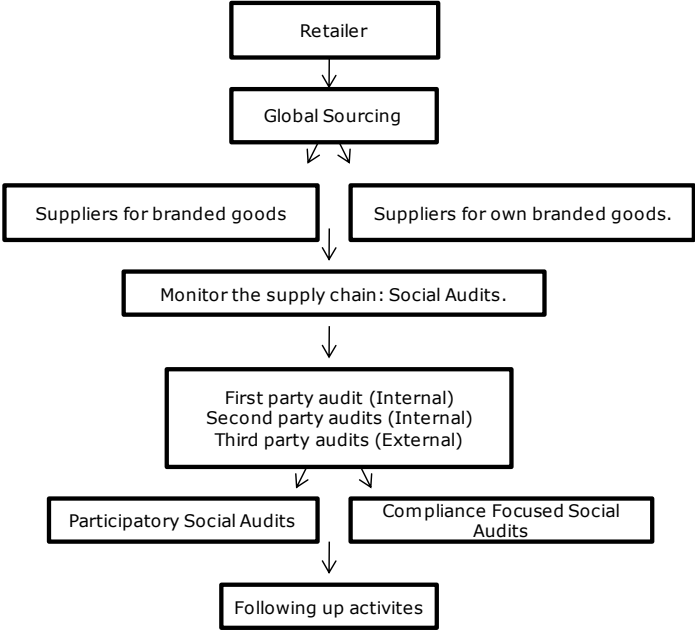

Figure 1: *A process map of achieving compliance with Codes of Conduct*
Source: Author's own creation.

3.2 The theoretical framework divided by questions

The main concern in this thesis is to describe food retailer's monitoring process for assessing working conditions in the supply chain in terms of social auditing practices. Hence, three different areas are studied covering the width and depth of ensuring Codes of Conduct in the supply chains; the monitoring activities in terms of social audits and the following up activities when compliance has not been achieved.

3.2.1 Depth and width

As mentioned earlier, food retailers control the supply chain by setting up demands through Codes of Conduct. In terms of *depth* (the tier down to which the retailer conducts social audits) does Andersen and Skjoett-Larsen (2009) argue that Codes of Conduct should be passed forward from the first tier of suppliers all the way down to the producers. Barrientos and Dolan (2006, p.21) propose that monitoring activities for ensuring that suppliers follow these codes are included in the *first tier* and *second tier* of suppliers. In terms of width (suppliers for branded goods and suppliers for own branded goods) does Lawrence (2005) and Roberts (2003) discuss that food retailers are focusing on their own branded goods regarding implementation and follow up on ILO standards. Lawrence (2005) and Roberts (2003) believe that the reason for this is that failure of *own branded products* may damage the food retailer's reputation more severely than other products. Further, ethical sourcing is considered to be a typical risk reducing tool where issues in the supply chain are revealed. (Ibid) Hence, the theory regarding *reputational risk* and *ethical sourcing* will be added to this discussion.

Theory that concerns business relationships and the variables *power, trust* and *cooperation* will be used in order to discuss why companies have decided to monitor the supply chain to various extents in terms of width and depth. Hence, literature proposed by Hogarth-Scott (2003) who discuss power in the supply chain and by Kumar (1996) who talks about trust in business relationships and how this reduces the necessity to monitor and control other actors' activities will be taken into consideration when answering the first research question

3.2.2 Social audits as monitor tools

Kolk and van Tulder's (2002) discussion related to e*xternal and internal monitoring* will be applied for the second research area in a combination with Barrientos's and Dolan's (2005 p. 131) theory regarding *first party auditing*, *second party auditing* and *third party auditing*. In addition to this do several different approaches of social audits exists. Barrientos and Dolan (2005 p.129, 141) refer to *compliance focused social auditing* which is an appreciated strategy

by companies. Physical issues are easily detected through this type of audit while discrimination or freedom of association is more problematic to discover. The author does instead point out an alternative approach named a *participatory social auditing.* This type of audit *engages workers* and *worker organizations* in the auditing process can be carried out at *different level*s and demand *local trained auditors* to participate.

3.2.3 Following up activities
Companies respond to violations against their Codes of Conducts through follow up activities. The grade of violation affects the type of measure taken by the controlling part as well as time frame for correction to be taken. Hence, Literature from Barrientos and Dolan (2005 p. 131) and Kolk and Van Tulder will be applied and these refer to hard actions such as sanctions, ending of relationships and cancellation of contracts and mild measures e.g. action plans and fines. This will once again be combined with theory related to business relationships in the supply chain, power and trust argued by Hogarth-Scott (2003) and by Kumar (1996) .

3.2.4 Summary of the Theoretical Framework
The frame of reference is summarized and depicted in the model 2 below. Theories are divided and related to each of the research questions.
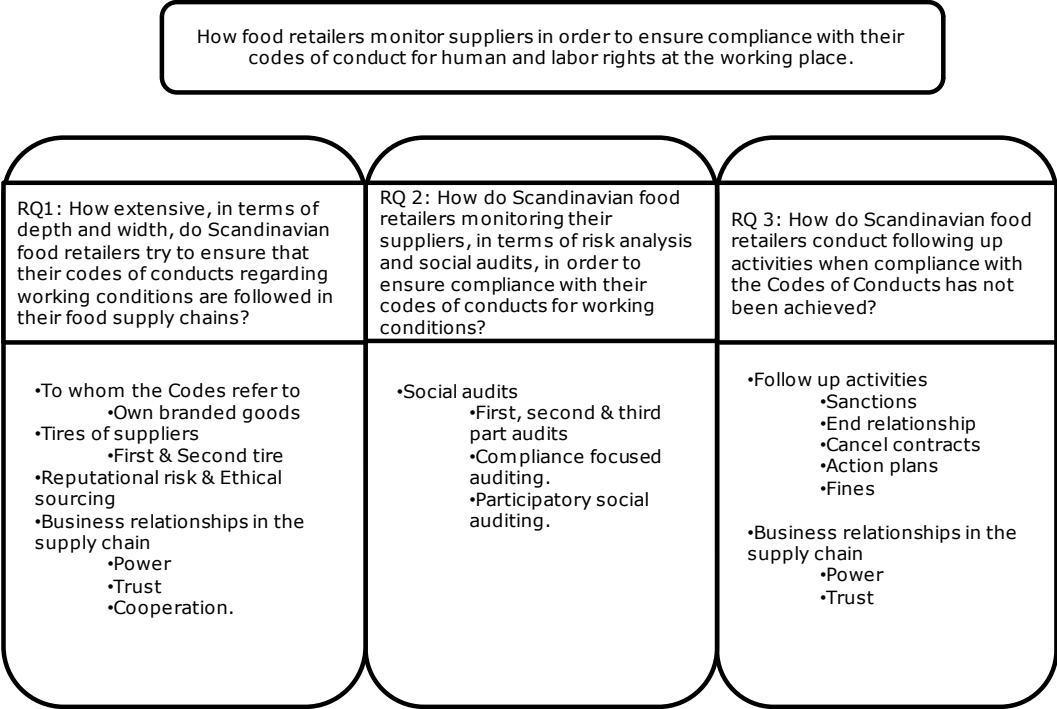
Figure 2: *Frame of reference*
Source: Author's own creation.

4 Methodology

This chapter will describe the research methodology which was applied in this study. The chapter begins with explaining the research design and research approach, followed by the literature survey, research methods, data collection, data analysis and the limitations of the study.

4.1 Research design and research approach

The purpose of this study is to provide a deeper understanding, describe how and analyze food retailers' monitoring process and how they are striving to ensure the fulfillment of their Codes of Conduct, through social audits, throughout their food supply chains. It was therefore of great importance to investigate processes and activities taken by food retailers to get a better understanding of their monitor systems and work with social audits. Hence, an exploratory design was taken in order to develop a comprehensive understanding of the situation. In addition, an explanatory element was integrated into the research design with the purpose of explaining why similarities and differences between actors' monitoring and following up activities regarding Codes of Conduct exist.

The research questions have been constructed so that the process of food retailer's stride towards compliance to Codes of Conduct could be best described and explained. A qualitative research approach was adopted since it provided the opportunity to gain a deeper and more comprehensive understanding of information within the field which was studied. This is verified by Merriam (1994, pp. 32-33) and Denscombe (2009, pp. 321-322) who discuss that a qualitative study provides the researcher with the opportunity to gain a versatile and holistic result and is appropriate when the researcher wants to describe, discover and understand a process or situation.

4.2 Literature survey

Literature applied in this study originates from four different fields; Purchase and Supply Chain Management, Business Relationships, Risk Management, CSR and Codes of Conduct. The first four fields provide information of areas that impact companies work with CSR and Codes of Conducts. The literature was then narrowed down by focusing on Codes of Conduct and management systems, in terms of social audits and follow-up activities, for fulfilling the codes. The literature survey provided an opportunity to get a deeper understanding within the field, gaps in literature was discovered and previous studies were explored.

Literature in the form of academic articles has been gathered through the search engine Google Scholar and Gothenburg University's library website where Emerald Insight and Business Source Elite (EBCSO) were frequently used. Typical examples of search words employed in the study within different fields were; purchasing management, supply chain management, supply risk, business relationships, power, trust, monitoring the supply chain, control management, CSR in the supply chain, CSR, social audits, implementation of Codes of Conduct and labor codes. Furthermore, professors at the University at Gothenburg's School of Business, Economics and Law were approached during the process of creating a literature survey. The professors have a background in the field of CSR and provided relevant sources of information which were employed in this study.

4.3 Research methods
4.3.1 Multiple Case Studies
Issues discussed in this thesis represent the current attitudes, activities and opinions of researchers, academics, industry professionals and experts. One new area requiring further study was identified by Kolk and Tulder (2005). According to the authors, retailers tend to be unable to fulfill ethical standards that have been expressed in their Codes of Conduct and requested future studies within this area in order to increase the understanding of companies work with Codes of Conduct. A case study was a suitable tool since it opened up for the opportunity to investigate the field in order to explain and describe the process of how deep and wide retailers assess working conditions in the supply chains and how they conduct social audits and follow up activities. This goes in line with Yin's (2009, p. 18) statement who said that a case study is appropriate when there is a need for the researcher to conduct an in-depth empirical examination of a real-life event that take place in a current situation. A multiple case study was carried out in order to get a more comprehensive understanding of food retailers regarding the activities mentioned above.

4.3.2 Case selections
The case selection began with a literature study in order to see in which industries retailers possess control over the supply chain. One industry where this can be observed is the grocery retail industry. Dicken (2007, p. 368) and Barrientos and Dolan (2005, p 2) verifies this through stating that production of food products are controlled by larger supermarket chains. Supermarkets are according to Vorley (2001) typical examples of retailers in Europe that are controlling food supply chains and production.

The next step of the study was to explore how these actors were implementing control in the supply chain and a typical tool that came up was the use of Codes of Conduct. For example, Barrientos and Dolan (2005, pp. 1-2) stated that food retailers are using voluntary initiatives such as Codes of Conduct when working with ethical trade. An important criterion when narrowing down the choice of cases for the study was therefore that companies should have a Code of Conduct. However, limited resources restricted the selection of base and therefore only actors operating in the Norwegian and Swedish market were mapped. This is what Denscombe (2000, pp. 44-45) refer to as pragmatic reasons. Companies located on the Swedish market are ICA, Coop Sweden, Axfood, Lidl and Netto while actors situated on the Norwegian market are NorgesGruppen, ICA, Coop Norway and Reitan. (United Nordic, 2010) These actors sell a wide range of products such as food, clothing, white goods etc. However, the focus will be on food products.

The larger food retailers on the Norwegian and Swedish market have Codes of Conduct implemented in their business activities which led to a further study of these actors. In this background in mind it is interesting how Jenkins (2001) explains that there is a tendency for grander supermarkets to have implemented Codes of Conduct in their business since these are more visible in the community compared to smaller actors. This is a result from higher external pressures which enhances the importance for brand building and maintaining the company's reputation. (Ibid) The next step of the case decision was to study which one of the food retailers that had a product range of own branded goods. This would supposedly make them more active in the supply chain since the responsibility tends to be higher for own branded goods. Ica, Coop Sweden, Axfood and NorgesGruppen fulfilled these demands and all of them agreed to participate in the study.

The food retailers entire product range, branded products and own branded products were taken into consideration during the study. This decision was based on several reasons. First, own branded products represent only a part of food retailer's entire turnover. Second, an assumption was made that the extensiveness of monitoring activities, in terms of depth and width in the supply chain, for Codes of Conduct would differ between own branded goods and branded goods. In addition, a decision was made that each case company would be given the opportunity to depict the companies monitoring activities for branded goods and own branded goods regarding one food product. The reason behind this was to get an example of how a process can look like.

4.4 Data collection

Data collected for this thesis was from a combination of interviews in the form of primary data and documents as secondary data. The reason for using multiple sources of references was to obtain a clear picture of the cases so that an accurate portrait of reality could be provided. This is what Yin (2009, p. 114, 116) describes as multiple sources of evidence and triangulation. The author further discusses that researchers obtain a greater opportunity by applying different types of data since conclusions drafted have a tendency to be more reliable and precise. (Ibid)

4.4.1 Primary data

Primary data was partly gathered by visiting the Swedish food retailers' stores. The purpose was to structure a table with fair trade products, own branded food products and branded food products in order to gain an overview of the supply. In addition, a Norwegian person was consulted in order to get a perception of the company's stores, the own branded goods and the general product range which NorgesGruppen provides to its customers. The table was complemented with data from the four companies' website. This gave an understanding of the food retailers' product range before interviews with the companies were conducted.

There was limited access to information regarding the food retailers' monitoring activities, risk analysis, audit process and follow up activities on the companies' website, the annual report and sustainability report and on the internet. Hence, interviews with people at each company that possessed this knowledge were required. Denscombe (2000, p. 133) state that interviews can provide the researcher with privileged information if this person has contact to those who possess this knowledge. The purpose of the study was explained to the companies' switchboard who then directed the matter to personnel charged with dealing these issues. These persons seemed to be the ones who were most likely to have an overview of the monitoring process regarding codes of conduct, audit processes and following up activities. Persons that were approached were;

- Åsa Domeij is, since 2008, the manager for Environment and Social Responsibility at Axfood and has participated during several social audits. In addition, Åsa Domeij has eight years of experience from being responsible for environmental questions in the Swedish parliament.
- Mikael Robertsson is the Environmental manager at Coop and has worked more than 20 years within the company. Mikael Robertsson has today the main responsibility for

creating strategies for the Code of Conduct and ensures that the Code is implemented in Coop's business activities.

- Lisbeth Kohls has worked at ICA for more than 30 years and was the company's Environment and Social Responsibility manager before she retired in the beginning of 2010. Lisbeth Kohls has taken part in developing ICA's social responsibility activities and has experience from participating in social audits. She is the chairman for ICA's ethical project I CARE and was a chairman for ICA's directorate of business ethics.

- Halvard Hauer is the manager for Environment and Ethical Trade at Norgesgruppen. Hauer are educated with the fields of economy and environment and has worked a lot within the field of natural gaz. At NorgesGruppen is Hauer responsible for working with systems and solutions regarding ethic and environment in the supply chain. Hauer focus on being updated with ongoing discussions and information provided by media and work to keep a close relationship with journalists.

Interviews according to Yin (2009, p. 102, 106) are one of the most important sources of information for case studies since they provide the researcher with detailed information of the research area. However, it appeared during some interviews that there was limited information to be obtained regarding social audits and it was necessary to get in contact with those who had participated in social auditing. Halvard Hauer referred to Lena Landen since she has, as a project manager at Axfood, managed and conducted social audits which NorgesGruppen has participated in. Coop provided contact information to Maurice Lee at Intercoop;

- Lena Landen is Axfood's Project Leader for Social Accountability since 2005 and has experience from conducting and managing social inspections. Lena Landen is an educated auditor and responsible for discussing improvements with suppliers and setting up corrective action plans. This is Lena Landen's role when participating in this study. However, Lena Landen has also worked as a quality assurance manager at United Nordic since 2000.

- Maurice Lee, Social Compliance Manager at Intercoop (E-mail contact). Maurice Lee started to work with Intercoop in 2010, when the department was established, and is responsible for the development of InterCoop's Social Compliance Program. The unit consists of 13 team members located in Hong Kong, China and India. Maurice Lee is responsible for the team to perform social audits according to InterCoop's program and ensure that methodology and standard are as similar as possible. Maurice Lee also

represents the connection to Coop's Ethical representatives and to develop constructive programs to meet Coops requirement on ethics.

The interview process

An interview guide, written in Swedish, was constructed and e-mailed to Domeij, Robertsson, Kohls and Hauer a couple of days before each interview was conducted. The interviewees were asked to choose a food product which they considered to involve difficulties for ensuring employees' rights in the supply chain. The persons were thereafter asked to explain what type of products they had in their food stores. The reason for this was to get a picture of what activities and processes that the companies' carry out regarding branded goods and own branded products. It turned out during the interviews that the focus became too narrow when focusing on only one product and the interviewees gave instead more general answers. However, the majority of the companies gave one example of a product which they had worked with and some general information of what type of activities that was carried out. Coop and ICA referred to tuna while Axfood described the work with bananas. NorgesGruppen did interestingly provide an example of a non food product, barbeques, and experiences gained from working with this product turned out to be relevant for this study. Moreover, the interview guide consisted of 11 questions and an English translation of the interview guide can be studied in appendix 4. An additional interview guide that contained follow-up questions regarding Axfood's and NorgesGruppen's activities was handed over to Lena Landen (appendix 5.)

Furthermore, a case description was created of each of the companies before the interviews were conducted. This was in order to get an understanding of the companies' organizational structure, purchase activities and the work with Code of Conducts and ethics in the supply chain. Gathered information was used in order to answer some of the interview questions and prepare relevant follow-up questions to the participants before the interviews. The follow-up questions were however not handed out to the participants before the interview since the aim was to keep the interview guide simple. One example of a research question which was given to the participants of the study was; *where in the supply chain are you working with social audits?* Follow up questions could then be; *why are you looking at certain areas in the supply chain? How does the result differ depending on where you investigate? Why are there differences?*

Interviews were conducted face to face, except for the telephone interview with Lena Landen and the email contact with Maurice Lee. The interview guide was used in all interviews as a tool to guide the conversation but the questions were not followed in an exact order. This resulted in a flowing and structured conversation where space was given to the interviewees so that these could develop their answers. This is described by Denscombe (2000, p.135) as a semi structured interview. Each Interview took between 60 to 90 minutes at a location selected by the managers. A recorder was utilized in order to enable the interviewer to focus on the discussion. In addition, Maurice Lee was contacted through email and information regarding Coop's social audits was handed over. The email contact involved follow up questions which resulted in some clarifications of Coop's monitoring and following up activities.

4.4.2 Secondary data

Secondary data applied in the study was retrieved trough annual reports, sustainability reports and information from the companies' home pages. There was additional information provided from Norgesgruppen, Coop and ICA such as power point presentations for internal purposes and examples of correction action plans.

4.5 Data analysis

The data analysis began by compiling all gathered information into four different cases. The answers were categorized and structured to follow the research questions as well as to describe the process. The empirical data chapter ends with a matrix which gives the reader an overview of each actor's activities next to each other. Yin (2009, p. 128) explained that this is an appropriate presentation and simplifies the analysis of the data. The next step in the process was to analyze data and find potential patterns and variations between the four cases regarding their work with Codes of Conduct, social audits and follow up activities. These trends and variations led to the possibility to create a process of how the Swedish and Norwegian food retailers stride towards assess Codes of Conducts as well as compare findings against the literature.

4.6 Research quality and limitations

The reliability of the study has been increased through the adoption of a detailed method chapter that described the process of how the study was to be conducted. This enables another person to conduct the study once again in order to obtain similar findings and conclusions. During the data gathering, face to face interviews were conducted which enabled the researcher to build a feeling of trust with the interviewees so that they opened up and shared

information freely. Four out of five interviews were conducted in Swedish which reduced the risk for eventual misinterpretations. However, one of the interviews was conducted with a Norse participant. This resulted in that the interviewee answered in Norwegian while the interviewer asked questions in Swedish which led to an increased risk for misinterpretation. Through asking follow up questions and making each other aware when the comprehension was weak did however reduce the risk for potential misunderstandings. Clarifications were sought during all the interviews in order to get an accurate picture of the companies' activities and a recorder was utilized which simplified the transcription process and reduced the risk for misunderstandings or loss of important information.

What seemed to have an impact on the quality of data gathering was how prepared the interviewees were for the interview and what resources in the form of time they could offer. This varied between the cases which probably also affected the quality of the data. However, the detailed and accurate picture of the company's work with Codes of Conduct was enhanced by contacting additional people for information. In addition, fulfilling Codes of Conduct involves a many different actors across the food retailers' supply chains which might have affected the attempt to create a complete picture. By involving additional participants could have given improved descriptions and explanations. However, the access to concerned persons at each company was time consuming and not always possible.

The topic selected for this thesis has been expressed among several companies to be of a sensitive nature. This could most likely be explained by companies' cautiousness to avoid negative attention within the field of ethics and social responsibility since it affects the companies' reputation. This did probably influence the interviewers will to share information. Some documents that were provided by the companies and utilized in the study were confidential and therefore not possible to add as appendix in the thesis. It was noticed during the interviews that the participants' own perceptions, in combination with their personalities, resulted in a picture of the reality that differed between each other. By asking additional persons the same questions and studying data in order to triangulate information enhanced the validity of data collected.

The interview guide was an important tool during the data collection process and questions were posed in an unbiased manner. The structure and content of the interview guide was reviewed by a supervisor to avoid potential mistakes and to ensure that the questions could provide answers so that the purpose and research questions could be answered. It was

constructed so that the interviewees had the opportunity to add additional information if something was left out during the interview. A more extensive interview guide was constructed for the researcher with a number of follow up questions. The reason for this was to provide the interviewees with an overview of the subject instead of bombarding them with detailed questions.

The purpose of this study is not to draw conclusions or generalizations for the entire food retailing industry. The purpose is rather to add more knowledge to the field regarding food retailer's work with monitoring activities and compliance to Codes of Conduct. The study of only Norwegian and Swedish cases limits the potential to make generalizations even further since companies in the Scandinavian countries have developed systems which are adapted to their companies and to the Scandinavian market.

It could have been interesting for the study to conduct more interviews with people from other departments of the companies as well as with external actors, i.e. suppliers and NGOs, in order to triangulate the results and get a more comprehensive and accurate picture of the process. For example, it would be interesting to include the perception of the supplier as well as their employees regarding social audits and how these are carried out. Purchasers at headquarters have a high level of interaction with suppliers and are often responsible for negotiations and discussions regarding Codes of Conduct. It would therefore have been interesting to interview these persons due to their high level of involvement with Codes of Conduct. Furthermore, interviews with external consultancy auditing companies were not conducted and would have been of interest since this most likely would have given a more complete description of the monitoring process. There was potential to ask each company what their opinion was regarding the competitor's activities. However, this would most likely have resulted in biased responses or statements based on their own conclusions or loose assumptions due to too little information regarding the competitors' activities being immediately available.

5. Data presentation

This chapter is structured according to case studied, starting with a brief presentation of each company. A description of the width and depth for monitoring compliance to Codes of Conduct in the supply chains is thereafter provided, followed by a report of how the monitoring activities in terms of social audits are conducted. The chapter ends with information regarding the actors' follow up activities when violations against the Codes of Conduct have taken place.

5.1 Company presentations

A brief presentation of each case company will be provided regarding size, location, food chains, own branded goods and Codes of Conduct.

5.1.1 Axfood

Axfood was established in 2000 through a fusion of Hemköp, Spar Inn, Dagab and Spar Inn Snabbgross (LivsmedelsSverige, 2010). The company is today listed on the stock exchange in which following companies are included; Hemköp, Willys, PrisXtra, Dagab och Axfood Närlivs. Axfood is considered to be the third largest actor on the Swedish grocery retail market and reached a market share of 19.3 percent in 2009. The netsale reached 32 378 million SEK and the company possessed 225 stores within the three store chains Willys, PrisXtra and Hemköp. Each chain has a management team which takes care of the business, marketing, supply and price strategies. (Axfood, 2009b; Axfood. 2010) The centralized purchasing function in Stockholm is responsible for providing each chain with ordered products (Axfood, 2009a). Domeij (2010) explained that the company has some purchasers who are responsible for own branded goods while others take care of branded goods. Axfood's own branded goods are Garant, Garant Ecological Products, Aware, Hemköp, Willys and Eldorado. (Axfood, 2009a) Moreover, Axfood implemented a new Code of Conduct in 2009 (Axfood, 2009a). This code was developed through cooperation with NorgesGruppen ASA and resulted in the two food retailers having identical codes (Domeij, 2010). The purpose of Axfood's Codes of Conduct is to clarify their position towards all stakeholders. The code is based on the UN's and ILO's conventions and refers to social aspects such as human rights and labor conditions at the working place. (Axfood, 2009c)

5.1.2 Coop

Coop was established around 100 years ago and is owned by its members (LivsmedelsSverige, 2010; Coop, 2010a). The Swedish Co-operative Union, KF, is

constituted of an alliance of 47 co-operative societies in Sweden. Coop became once again wholly owned in 2007 and is now the largest subsidiary within the KF group and operates in the grocery retail industry. (Coop, 2010b; Coop, 2008) The turnover reached 31 billion SEK in 2009 and possessed 21.4 percent market share of the Swedish grocery retail sector. This market share turns Coop into Sweden's second largest grocery retailer. (Coop, 2010b; Coop. 2010c) Coop Forum, Coop Extra, Coop Konsum, Coop Nära and Coop Bygg are retail chains owned by Coop (Coop, 2008). In total, there are 760 stores within the different retail chains where half of them are managed by Coop while the other half are driven by consumer associations. (Coop, 2010c) Coop Trading, centralized in Denmark, are responsible for purchasing activities of products that are sourced outside of each country's border. Coop Trading is also responsible for purchasing the own branded goods, Änglamark, for the Co-operative Unions in Norway, Sweden and Denmark. (Coop, 2010d)

When Coop once again became a wholly owned subsidiary in the KF group it implemented KF's new guidelines on following up and accounting activities for sustainability activities. (Coop, 2008) Within this document is a code that emphasizes the support for UN's Global Compact principles and OECD's principles for MNCs. (Coop, 2009) Coop has from KF's principles, adopted new policies regarding trade, supplier relationships and social development and these are referred to as "coops policy for a good business". (Coop, 2008) Furthermore, Intercoop is a sourcing office for the Co-operative Unions in Italy, Spain, Denmark, Sweden, Norway and Finland. Intercoop's social compliance team was established to overview and monitor ethical trade. (Lee, 2010) Intercoop has its own codes of conduct which are basedon different international laws, treaties and conventions covering social accountability. These are for example ILO Conventions, The Universal Declaration of Human Rights, and the SA 8000 standards (Coop, 2009). Intercoop, who is an authorized BSCI auditor, prepares and control suppliers before Coop conduct business with them (Robertsson, 2010).

5.1.3 ICA
ICA was established in 1917 and is the largest retailing company on the Scandinavian market with a turnover that reached 91 billion SEK in 2008 and a Swedish market share of almost 49 percent. (ICA, 2010b; LivsmedelsSverige, 2010) Hakon Invest AB possess 40 percent ownership of ICA while the remaining 60 percent is owned by Royal Ahold NV from the Netherlands. Furthermore, Hakon Invest AB is registered on the Scandinavian stock market and 67 percent of the shares are owned by ICA's member organization. (ICA, 2010a) ICA

possess four store chains in the grocery retail business on the Swedish market and these are ICA Nära, ICA Supermarket, ICA Kvantum and MAXI ICA Stormarknad and all together accounts for more than 1350 stores. (ICA. 2010c) ICA's headquarter serves the role as a wholesaler for the stores. (LivsmedelsSverige, 2010) ICA's own branded goods, e.g. ICA Ekologiskt, Ica gott liv and Ica Selection, consist of a variety of products with different qualities so that customer's demands can be met. (ICA, 2010e; ICA, 2008)

ICA has worked with community questions since the 80'ths and has developed values regarding social responsibility which the company expresses in"ICA's Good Business". (ICA, 2010d; ICA, 2009) ICA, according to Kohls (2010), took their first stand regarding social demands around 1996 and suppliers mentioned that ICA was the first company which began to ask these types of questions. Kohls (2010) continues to explain that ICA's Codes of Conduct is wider than typical Codes of Conduct. In terms of human rights, the codes are based on UN's Global Compact principles for issues related to human rights and working environment as well as ILO's guidelines *(*ICA, 2010d). Linked to each value in ICA's Good Business are policies with recommendations for implementation of the codes in the daily operations (Kohls, 2010). Icas good business and social responsibilities in production can be further studied on the website (ICA, 2010g)

5.1.4 NorgesGruppen ASA
NorgesGruppen AS was established in 1994 and became registered in 2000 as the corporate group NorgesGruppen ASA. NorgesGruppen ASA is the largest actor within the Norwegian sector for grocery retailing. (Norgesgruppen, 2010a) The turnover in 2008 reached 49 billion NOK and the company own more than 1900 stores within the chains Meny, SPAR, Kiwi, Ultra and Joker (Norgesgruppen, 2008). The company possesses 39.8 percent of the Norwegian food retailing market (Norgesgruppen, 2010a). Eldorado and First Price are the own branded goods in which 200 different product types can be found (Norgesgruppen, 2010b). Main competitors on the Norwegian market are Reitangruppen, Coop Norge and ICA Norge (Norgesgruppen, 2008).

Furthermore, NorgesGruppen has created their Code of Conduct through cooperation with Initiative for Ethical trade (IEH). Domeij (2010) mentioned that Axfood and NorgesGruppen collaboratively drafted their Codes of Conduct which explains the great similarities between them. The company aims to implement the Code of Conduct throughout the entire value chain and work towards ensuring and improving working conditions in production, processing and

distribution. (NorgesGruppen, 2010c; NorgesGruppen, 2010d) Landen (2010) explains that NorgesGruppen's code address suppliers that provide branded goods such as Nestlé, Kellogs and smaller suppliers. UNIL, wholly owned by NorgesGruppen ASA, is responsible for the development, purchase and distribution of own branded goods. (Norgesgruppen, 2008) Landen (2010) explains that UNIL is responsible for setting up contracts with suppliers regarding own branded goods and has its own Codes of Conduct. The two codes look different but contain the same conventions. (Ibid) Hauer (2010) mentioned that UNIL developed a new Code of Conduct is which contains Norgesgruppen's own codes. This simplifies the cooperation for UNIL and Norgesgruppen with other Scandinavian actors. (Hauer, 2010) NorgesGruppen's codes are based on the UN and ILO conventions (NorgesGruppen, 2010e).

5.2 Empirical findings

Each section that has a headline with "*The width and depth*" will discuss the number of social audits conducted by the food retailers. This gives an understanding of how comprehensively the food retailers apply monitoring activities in the supply chain. Furthermore, a discussion regarding which suppliers the company's Codes of Conduct and social audits refers will be provided in order to explain how widely Codes of Conduct are applied by food retailers. The number of tiers of suppliers that are included in the company's monitoring activities will also be discussed in order to describe how extensive in terms of depth, food retailers try to ensure compliance with their Codes of Conduct in the food supply chains.

The following sections under the headline *"Monitoring process - social audits"* will provide a detailed portrait of how social audits are conducted by describing certain factors related to how these audits are conducted i.e. participants and the type of tools applied. The purpose is to illustrate how the food retailers assess worker's conditions in the supply chain. This is necessary in order to be able to answer the second research question.

Empirical findings posted under the headline *"Following up activities"* will discuss how food retailers respond when compliance with Codes of Conducts have not been achieved. Hence, food retailers' communication with suppliers and measures taken in order to achieve compliance will be mentioned.

5.2.1 Axfood

Information provided in the following sections are data gathered from interviews with Åsa Domeij (2010) and Lena Landen (2010).

The width and depth

Axfood has so far conducted 30 social audits of products that are sold in the company's food stores. However, the majority of these social audits have not been conducted on food products. Food products that have been audited are for example mandarins, tuna factories, exotic vegetables and bamboo shoots. The company plans to conduct ten social audits in 2010 which is an increase from 2008 when seven social audits was carried out (Axfood, 2009a). The size of supplier has no impact on the decision *where to* conduct social audits since all suppliers should have acceptable working conditions no matter what their size for employees in the supply chain. Hence, large established multinationals such as Dole and small unknown suppliers can be monitored through social audits by Axfood. A limited amount of resources does however result in the company needing to prioritize where to monitor and carry out audits and Axfood focuses their monitoring activities on products and areas which the company and its customers believe is most important. Hence, social audits are foremost carried out among suppliers that provide Axfood with the company's own branded goods. Another factor that impacts on where to focus social audits relates to the level of knowledge possessed regarding suppliers' activities. A High level of knowledge reduces the need for controlling suppliers while a low level of knowledge available may result in further monitor activities being required. In addition, the company tends to focus on areas and products that are known for causing problems in the supply chain and Axfood applies a risk analysis in order to get a pin point of where to focus monitoring activities further. In addition, the company tends to focus on areas and products which are known for bringing problems in the supply chain and Axfood applies a risk analysis in order to get a pin point of where to focus monitoring activities further. Products that have been sourced from a risk country are considered to increase the risk for problems related to the product to arise. Another risk that Axfood considers is whether the product is sourced from an industry which is well known for having problems with working conditions in the supply chain. Additionally, a large turnover of a product is considered by the company to be a risk factor and these products might become prioritized before those that are produced in a risk industry. In addition, Axfood listens to media and NGOs that might have studied a product and highlighted certain issues. The company is also responsive towards the company's own purchasers and may conduct further monitoring activities if a purchaser gets a negative feeling.

Axfood send the company's Codes of Conduct to the first tier of suppliers when the contract is handed over. This tier of suppliers is then responsible to communicate the Codes of Conduct to subcontractors. The choice of where to conduct further control activities is based on where the problems related to workers conditions take place. Hence, the company is in most of the cases not interested to study the first level of suppliers since these are often located in Sweden. A review of a supplier's headquarter in Sweden may however take place. The reason for this can be to obtain information for a product. Axfood tends instead to focus its auditing activities on the location for main production. For some products, it might be the subcontractors that package products and this activity is often located in other countries. For other products it might be the plantation such as when Axfood conducted social audits for tea.

This means that Axfood in terms of *width*, take all suppliers into consideration but the main focus is on actors in the supply chains for own branded goods and in terms of *depth* has a tendency to focus on subcontractors which often is a factory but has in some cases gone further down the supply chain to the plantations.

Axfood's monitoring process - social audits

Axfood hires an external auditing consultancy company named Hifab when social audits are conducted. Hifab International AB is a Swedish project management consultancy organization with international experience of analyzing labor markets and employment guidelines. Hifab applies the SA8000 standard which is a global social accountability standard for controlling working conditions during social audits. Hifab hires a local consultant for each audit who is authorized in SA8000 and possesses knowledge of local conditions, culture, language ect. The local partner works side by side with the consultant from Hifab during the social audit. Furthermore, Axfood's own staff, from the Swedish headquarters or from the local office in Shanghai, has according to Domeij (2010) participated in the majority of them while Landen (2010), said that Axfood's staff participated in 30 percent of them. The participants from headquarter gains a deeper insight into workers conditions at the stage of production and can take a discussion with the management if a discussion arise during the visit at the factory.

Social audits take place through advertised visits where an appointment with the factory is made. This is to get access to the factory and to be able to meet the managers of the factories. Auditors often find problems that could easily have been fixed even though the visit is

announced in advance. Hifab will conduct an audit based on a standard procedure where the consultants create their own private checklist that no one else has access to. This is a typical method in the social auditing consultancy business. Axfood's Code of Conduct is similar to SA8000 and the Hifab consultants can, if it is necessary, add some parts of Axfood's codes if these are missing. The checklist contains measurable criteria such as whether workers get salaries in time or if they work extra without payment. However, there is a tendency for local auditors to become too strict when using a checklist by applying scales of pass and fail. Hence, the Swedish consultancies provide Axfood with extra information, such as managers' attitudes, which is not brought up in the protocol created by SA8000. Furthermore, the visits starts with a meeting with the factory's management team where the auditing team explains the reason for being there, what they are going to do and what documents that the auditors would like to investigate during the day. This has however already been explained through email but needs to be presented again at the meeting. Three activities will thereafter take place either simultaneously or one by one. The first step is to let one person go through documents which for example present wages and working hours. Sometimes problems with false documentation emerge and then auditors have to approach managers and ask for the correct ones. The next step is to investigate the factory and working conditions. The final step is to talk with employees through individual interviews and group interviews, the number of interviews conducted at each audit varies. For example, one auditor at Hifab asks workers simple and straight forward questions at the same time as the factory is reviewed. The Swedish auditor gets a picture of the situation at the factory after having been talked with 20 workers. The auditor is then able to conduct more focused interviews and choose certain persons which the auditor finds relevant. These interviews can be either individual interviews or group interviews with perhaps 5 participants at a time. Each interview takes around 20 minutes. The total audit is a process which takes two days. Local actors such as trade unions may be contacted before or after the visit but do not participate during the visit. These local actors can give Axfood a picture of how the supplier is acting in the local community. Hifab gather information in a report after the audit is conducted where all violations against Axfood's Code of Conduct is listed and handed over to the company.

Following up activities
If Axfood get information that there are variations to the Code of Conduct, a dialogue regarding improvements takes place with the suppliers. Axfood points out which items that the company wants the supplier to improve on and then formulates a correction action plan.

The variations from the code are listed in the corrective action plan and handed over to the supplier. It is then the suppliers turn to explain what measures will be taken within an agreed time frame. The action plan is then returned to Axfood and will be accepted if these actions are reasonable. Support is given to the suppliers through highlighting issues that need to be dealt with and providing them with advised corrective actions and through prolonging the contract with suppliers. However, no financial support is given to suppliers for correcting violations against Codes of Conduct since this must be financed by the suppliers themselves. Revisits are conducted by Hifab within one year if violations to the Codes of Conduct are severe i.e. work times, salaries and discrimination. Axfood may however conduct own revisits when violations are considered to have a milder nature and easy to control without support from external consultancy companies i.e. safety routines in the physical working environment, protective clothing, creation of new factories. Axfood does during these visits look at similar factors to the SA8000 system. Some cases, where there are smaller violations, may result in Axfood demanding photographic evidence to verify improvements and this is based on the fact that revisits are resource consuming.

Axfood explains that the company may have only conducted 30 audits but focuses on achieving real change with those suppliers that they work with. The company has also discovered that there is no good in providing suppliers with chances one time after another and in some cases the contract be terminated. Supplier's development is evaluated during the follow up activities and cooperation will continue if improvements have been made and the management shows a will to change. Hence, there is no demand to fulfill the action plan to a 100 percent since it is important to support suppliers' strive for development and improvement. Important to notice is that one revisit is often not enough in order to enforce change. Revisits and re-audits are conducted a couple of times if a supplier is strategically important for Axfood. The lack of change is sometimes as a result of misunderstandings and a new correction action plan can then be developed. Axfood noticed that the company has a better opportunity to affect change at the level of suppliers if Axfood is a big customer to the suppliers. Most improvements have so far been completed at suppliers from which Axfood buy more than 50 percent of the production. (ibid)

5.2.2 Coop
Information provided in the following section is gathered from an interview with Mikael Robertsson (2010) and through email conversation with Maurice Lee (2010).

The width and depth

Intercoop conducted 700 social audits in 2009 and the majority of these where non-food products. The high number of audits was a rapid increase from 2008 and is a result of InterCoop's new strategy which is to conduct social audits for the entire supplier base. InterCoop established a social compliance department at InterCoop in 2009 and the low level of social audits conducted of food products can be explained by the fact that InterCoop foremost source non food products. However, Intercoop has as an aim to develop social audits for food products during 2010. Food products that InterCoop has sourced are canned food from factories in Indonesia and China.

Control of products and inspections of suppliers are conducted through random sampling. In terms of *width,* all suppliers must sign InterCoop's Codes of Conduct and this takes place when the contract is signed. Coop consider the responsibility for ensuring that Codes of Conducts are followed by suppliers include suppliers for branded goods and own branded goods. However, the responsibility for own branded goods is more extensive. This is because Coop is responsible for the processing and composition of own branded goods which results in it being increasingly important that own branded goods comply with the company's Codes of Conduct. Regardless of this, InterCoop carries out the same type of social audits for all types of food products but it is worth mentioning that Coop has little production of own branded goods (Änglamark) in developing countries where social audits many times are needed.

InterCoop has the right to conduct audits throughout the entire supply chain for all purchased products. Coop's suppliers are, when signing InterCoop's Codes of Conduct, responsible to do their best to ensure compliance with the Codes and to encourage their subcontractors to follow the Codes. Robertsson (2010) mentioned that the social audits, in terms of *depth*, reach at least to the second tier of supplier where the supplier of raw material exists. Lee (2010) at InterCoop mentioned that the Social Compliance reaches down to the actual manufacturer. Suppliers are also responsible to declare to InterCoop which factory that produce InterCoop's products and have to submit relevant documents i.e. business registration and a signed Code of Conduct. The supplier can then apply for a social compliance audit before receiving orders from InterCoop. In addition, Coop work with suppliers that are accepted by Business Social Compliance Initiative (BSCI). BSCI is one of the world's largest company driven platforms that focuses on enhancing social compliance in global supply chains. Suppliers must ensure that their supply chains are following set standards for working conditions in order for

suppliers to get approved by BSCI. Coop keeps itself updated through external reports that discuss and analyze current issues such as child labor. This helps Coop be aware of where to focus their monitoring activities. Additional ways for Coop to identify problems in the supply chain, which helps them to know where to focus social audits, is to be communicative with actors in the external environment such as journalists or NGO's. Rumors are considered to be important sources of knowledge regarding problems that may take place at the level of Coop's suppliers. The sources for this type of reputational feedback needs to be controlled**.**

Hence, Coop's monitoring activities, in terms of *width* refer to all type of suppliers but own branded goods are prioritized. In terms of *depth* does social audits reach at least two tiers back in the supply chain and according to the BSCI index; the entire supply chain.

Coop's monitoring process - social audits
Intercoop conducts audits through using their own auditing team and has local knowledge since the company is in position in multiple countries around the world. Employees from Coop's purchasing organization may participate during these audits for educational purposes. The purchasers will see the conditions that workers in the supply chain are operating in by visiting the risk countries. In addition, external consultancies are hired when needed.

Robertsson (2010) states that InterCoop conducts announced audits when workers from the purchasing department in Scandinavia participate. Robertsson (2010) otherwise states that InterCoop will conduct unadvertised visits since suppliers have a tendency to prepare and correct things before InterCoop shows up. According to Lee (2010), the first step before InterCoop begins a social audit is to let the supplier and factory sign a Code of Conduct (Appendix 1). Those working with social compliance will thereafter create an audit schedule. This audit schedule often begins with a factory audit which means that InterCoop gathers information about the factory and uploads it into their system. Thereafter, a social compliance team is scheduled to conduct a social audit within 30 days. Hence, the supplier will most likely be aware that InterCoop will visit for the purposes of conducting a social audit. Lee (2010) confirmed this by stating that auditors make an appointment with the factory and suppliers before an on-site audit. InterCoop, also sends the suppliers and factories a checklist of documents that needs to be prepared before the actual visit takes place.

Furthermore, the social audit is adapted to the product, supplier and country. In China, for example, the largest problems encountered are violations against working hours and

inadequate compensation and the risk of being given false documentation regarding these issues during social audits is high. These issues are therefore something that auditors need to take into consideration when conducting a social audit. Furthermore, the procedure for each visit varies since each auditor has its own process. A checklist is used as a standard tool which creates consistency between the social audits. The social audit begins with an opening meeting with the factory management. Social compliance representatives, factory managers, HR, and other managers participate in this meeting. The process and activities to be conducted during the day will be described and InterCoop will introduce the company, purpose of the audit, areas where the factory needs to cooperate and the approximate time allocation for each activity. This is followed by a factory floor tour during which a review of the health and safety of areas reviewed and floor production is checked. Furthermore, control of documents takes place based on a document checklist. The social auditor will review all factory related documents including payroll and attendance records, workers contracts, fire safety documents, waste discharge permit, health examination documents, etc. Photos are taken when needed and workers for interview are selected. Photos are taken when needed and workers for interview are selected. Five to fifteen workers are interviewed, this figure depends on how many workers that the factory employs. These workers are selected from the floor and interviews takes place in a separate room. However, what is said during interviews must be handled with caution since untruthful answers can be given. The social audit ends with a closing meeting and people who participate are the same as in the startup meeting. During this meeting, the findings of the audit are discussed and how   corrective action plans should be structured (Appendix 2). The audit ends with the factory signing the Corrective Action Plan and keeping a record for next audit. InterCoop must communicate to the supplier if it wants to invite an external organization during an audit, this can be any type of organization that may contribute to the visit. Findings from the social audit, worker interview questionnaires, violation and payrolls summary, etc. will be sent to Hong Kong head office within 48 hours for final approval.

Following up activities

Performance of suppliers is graded by a scale with four different levels. The most severe level is *Alert (A)* which results in a zero tolerance from Intercoop where the relationship is ended. Examples of such violations are according to Lee (2010) child labor, forced labor, locked fire exits and physical abuse. Robertsson (2010) stated first that Coop stops working immediately with suppliers that use child labor but later mentioned that the company has to put it into a perspective. Suppliers might be unaware of child labor in their supply chain and will therefore

get a warning from Coop where improvements need to be made within a couple of weeks. Suppliers that are graded with a *Major Improvement (MI)* need to correct 60 percent of the violations within three to six months. A revisit will then take place in order to control the improvements and the suppliers will be provided an additional three months to improve the remaining *MI*-violations. If the auditors find that this has not been done during the second factory visit, the supplier will fail and the relationship will be ended. Furthermore, suppliers graded with *Continuous Improvement (CI)* have minor violations against the Code of Conduct i.e. no exit signs, secondary passageway blocking and late compensation. Finally, graded with *Satisfactory (S)* implies that no violations have been found during the social audit and the factory will be granted approval for one year before the next audit is conducted. Information is shared through DocuShare after the report has been approved by the head office in Hong Kong. DocuShare is a website from which InterCoop's and Coop's employees can review the status of the suppliers and read the reports. Coop's ethical representatives will be updated on a monthly basis if there are major violations against the Code of Conduct. Robertsson (2010) explains that it is important that auditors at InterCoop inform managers regarding the rights and responsibilities they have and at the same time refrain from adopting a dictatorial role and stress the importance of changes being implemented voluntarily by suppliers. The company's Codes of Conduct are considered, by Robertsson (2010) as a support for supplier's development since they become aware of violations against Coop's Codes of Conduct and UN's conventions.

InterCoop Social Compliance is responsible for follow up and approves or rejects the factory, Coop in Sweden will be advised of this decision accordingly. InterCoop merchandising must then prepare alternatives of suppliers so that Coop can select another factory or shift current orders to an approved factory. Robertsson (2010) mentioned that the final decision on whether to proceed with a supplier, after information is provided by InterCoop, is taken by Coop's purchasers. These people are located in Denmark and are responsible for providing Coop in the Scandinavian countries with products. Furthermore, Coop will end a relationship with a supplier if improvements are insufficient after a second or third visit since the supplier fails to show a will to change and improve. Robertsson (2010) mention however that the will to change is important and Coop can continue to work with such a supplier even though the supplier has problems with working conditions.

5.2.3 ICA

Information provided in the following section is gathered from an Interview with Lisbeth Kohls (2010).

The width and depth

ICA conducted 85 social audits in 2008, which is an increase compare to previous years. These social audits were conducted for food- and non-food products. The social audits are based on the SA8000 system. ICA's Codes of Conduct can be found as a clear exhibit in their contract and is signed by all suppliers when business is conducted. The company does however focus social audits on own branded goods and does not have the same systematic procedure for branded goods when it comes to controlling suppliers' working conditions. ICA only buys risk products from suppliers with good reputations on the market to avoid potential problems. These suppliers are in return responsible for ensuring that good standards of working conditions are maintained throughout their supply chains and accountable for setting demands on their subcontractors in their contracts. Further, ICA works with a risk evaluation model in order to determine where to focus social audits. The company also conducts social audits of all suppliers of own branded goods that operate in a risk country before working with them. However, a social audit is not necessary if these suppliers are already certified by SA8000 or a similar certification system. Information from a supplier that ICA gathers during a social audit is stored in the company's own database. In addition, ICA's global sourcing board has meetings a couple of times every year where they review the supplier base regarding issues such as working conditions. ICA has recently decided that the company will begin to monitor smaller suppliers who lack an established brand on the market even though they do not produce ICA's own branded goods. The reason for this is that smaller suppliers tend to lack a functioning control system for the supply chain and cannot therefore control worker's conditions in the same extent as large well established suppliers.

ICA's social audits reach to the first tier of suppliers which in ICA's case is at the level of the factories for production. This is so since ICA only conducts social audits for own branded products where the number of middle men is reduced. One example of ICA's work with ensuring workers' conditions in the supply chain is for those who are working with tuna products.

Hence, in terms of *width*, does ICA include own branded goods in the monitor process and will begin with smaller suppliers for branded goods. ICA's monitoring activities, in terms of *depth*, reach to the first tier of suppliers.

ICA's monitoring process - social audits

ICA is a member of BSCI which means that independent actors conduct social audits and these are added to a database which ICA has access to and can use as a source of information. BSCI recognize the SA8000 certification system as the best practice for social audits. ICA also conducts its own social audits when monitoring the supply chain when audits from BSCI are unavailable. Further, ICA let their suppliers to conduct self-assessments and then show evidence i.e. achieved certificates that ensure that the supplier have achieved a certain standard.

ICA audited suppliers already 10-15 years ago by visiting them and asking questions regarding age, work security and working conditions. These visits have developed into developed into the regular audits which ICA conducts today. Social audits are conducted by ICA's staff members that possess education, experience and knowledge of local languages and cultures. One example is a Swedish-African auditor who conducts audits in African countries and establishes a good contact with the local communities. ICA's audits are foremost conducted through advertised visits even though unadvertised visits do take place. The time for conducting a social audit can vary depending on the type of factory but normally requires one day. Auditors follow a checklist that is based on BSCI's model and go through the factory in order to monitor the physical situation, security routines, workers salaries and false documents. Interviews are conducted with management as well as workers inside the factory. The management does not participate when ICA's auditors talk with workers and the company normally conducts around five interviews with employees during one visit. The understanding is that experienced auditors through conducting a series of interviews would be in a position to combine conclusions from each interview to create a complete picture of the situation at suppliers' facilities. Physical attributes are easier to control while social factors such as discrimination might be more difficult. However these issues are avoided by having auditors with experience and knowledge of the local culture and who hopefully sense these problems. ICA's auditors raise issues with the management team that they uncover i.e. when workers seems to be scared of managers and can ask why workers are so quiet. If needed, ICA

involves external parties in order to complement the conclusion with additional necessary information.

Following up activities

ICA has to evaluate measures that need to be taken when violations against the Code of Conduct takes place. This is so, especially if it is a supplier that ICA has had a good relationship with for a long period of time. ICA needs to decide whether to end the contract and find a new supplier or to create a corrective action plan. To find another supplier that can start producing for ICA is a long process that may take six to nine months. Ending contracts is therefore not always the best solution since ICA need products during these months. Hence, a discussion with the supplier takes place in order to solve the problem and ICA thereafter implements a correction action plan.

A typical example of problem areas which ICA includes in the correction action plans are: management practices and documentation, child labor, forced labor, disciplinary measures, discrimination, compensation, working hours, freedom of association and health and safety environmental issues. ICA lists findings within these different areas and adds them together to create an overall rating. The different scales are good, acceptable or need for improvement. Important to notice is that violations against the Codes of Conduct may on some occasions be explained by factors such as a different culture or lack of knowledge. Suppliers are thereafter provided with the opportunity to respond to the findings and explain the cause of the violations. The supplier should thereafter mention measures that will be taken in order to correct the situation. These responses should be put in boxes named "factory feedback" which can be found in the corrective action plan. The supplier or factory is also supposed to set a target completion date for correcting each problem. Moreover, the correction action plan is an important tool for ICA when it comes to the work of supporting suppliers in their development. ICA conducts follow up activities after a couple of months in order to ensure that changes have been implemented. The company has not had methods or systems for working with issues related to intangible factors such as discrimination at the level of suppliers for that long. ICA believes that by continuing to cooperate with the suppliers and address such issues, results will take place. Ending a supplier relationship may occur if ICA notices that no changes have been implemented or that the suppliers' values differ from ICA's.

5.2.4 NorgesGruppen ASA
Information provided in the following section is gathered from Interviews with Halvard Hauer (2010) and Lena Landen (2010).

The width and depth
NorgesGruppen has not worked with social audits to a large extent in the past but the company intends to intensify the work in the future. UNIL has so far conducted controls for approximately 20 suppliers while Hifab has implemented four audits. Products that have been audited are for example tea, barbeques, canned mandarin and exotic vegetables. Less than one percent of the entire supplier base was audited in 2009. The company has limited amount of resources located to this area and therefore must work take place where the risk is considered to be at the highest and where the company has the largest opportunity to influence. To conduct audits for 1400 suppliers would be an immense amount of work and would demand vast amounts of resources, therefore the company emphasize the importance of using a well functioning risk evaluation tool. Risk is considered to be at its highest among the company's own branded goods, suppliers that are operating without an implemented Code of Conduct and suppliers that are active in risk countries. The company perceives certain product categories to bring higher risk due to intense media attention. Furthermore, NorgesGruppen's degree of monitoring the supply chain in terms of *width* depends on the size of the suppliers and whether they provide NorgesGruppen with own branded goods. NorgesGruppen's opinion is that suppliers with strong brands are capable of taking on a responsibility of their own in securing the supply chain practices since they themselves are in a strong financial position. Larger suppliers have a comprehensive knowledge of their operations and have the capability and resources to obtain good insight in the field of ethical trade and tend to keep information regarding their business activities to themselves. NorgesGruppen focuses instead on ensuring that smaller suppliers and suppliers that provide the company with own branded goods are following the company's Codes of Conduct.

Information gathering and risk evaluation, on the first and second tier of suppliers for smaller suppliers and suppliers who provide own branded goods takes place at headquarters. NorgesGruppen's responsibility for monitoring the supply chain in terms of *depth* differs depending on the type of supplier. All suppliers sign a Code of Conduct that makes them responsible for striving towards securing their supply chains from violations against NorgesGruppen's Codes of Conduct. NorgesGruppen's present focus areas are on smaller

suppliers' subcontractors and the entire supply chain for suppliers of own branded goods. Social audits are however only conducted for own branded goods at the level of producers.

To conclude, NorgesGruppen in terms of *width,* focus social audits on own branded goods and, in terms of *depth,* conducts them at the level of producers.

NorgesGruppen's monitor process – social audits

The company conducts annual evaluations of the supplier base by sending eight questions that refer to the work with ethical issues and the Code of Conduct (See Appendix 5 for further studies) (NorgesGruppen, 2010d). These questions enable NorgesGruppen to evaluate and indentify high risk suppliers. The company adds additional information to these self evaluations conducted by suppliers since some tend to provide a more positive picture to cover up a worse reality. The next step is to investigate risk suppliers through social audits. Social audits are conducted either through Hifab, which is the same external auditing organization that Axfood hires, or through UNIL, which is NorgesGruppen's purchasing organization for own branded goods. Actors from NorgesGruppen do not participate when Hifab conduct social audits and Halvard Hauer could not give a detailed description of how these audits are conducted and therefore referred to a person at United Nordic.

The procedure of how Hifab conducts social audits can be studied in Axfoods's case description. NorgesGruppen provides Hifab with a checklist, developed from the Code of Conduct, and auditors at the consultancy company grade producers. Landen (2010) explains that NorgesGruppen is in a developing stage regarding the work with systematizing social audits. Moreover, NorgesGruppen are cooperating with Axfood through the wholesaler organization United Nordic. Each company conducts their own audits but shares information to the other when one retailer visits a supplier which both purchase products from. NorgesGruppen has so far carried out monitoring activities by using UNIL rather than outsourcing them to external actors. The organization's purchasers visit the suppliers for own branded goods and gets a first expression and report the result back to NorgesGruppen. These types of visits are not structured as a typical social audit since the purpose is to provide NorgesGruppen with indications of whether further evaluations within a risk group are needed.

Following up activities

Hifab and UNIL provide NorgesGruppen with a report of the situation when social audits have been conducted. NorgesGruppen is then responsible for starting up a dialogue with suppliers if the Code of Conduct has been violated.

Landen (2010) has a perception that NorgesGruppen's follow up activities are not conducted through a typical office procedure with correction action plans, audits and a follow up activities. This is validated by Hauer (2010) who states that NorgesGruppen does not have a framework for follow up activities at the moment. Still, the company has succeeded with improving conditions for workers and one example is a factory that supplies NorgesGruppen with barbeques. NorgesGruppen's approach was to hire an external audit consultancy company to conduct one audit and then internal actors and the purchasers from UNIL, began to visit the factory two times a year in order to ensure that variations from the Code of Conduct were corrected. These frequent visits resulted in efficiently improved working conditions for employees. Additional drivers that tend to lead to improvements among suppliers are supplier's interest in meeting customer's demands and the size of the customer. Landen (2010) explains that these findings can be generalized for all type of food products.

Furthermore, NorgesGruppen does not terminate a relationship if violations against the Code of Conduct are discovered. This approach is taken since the company focuses on achieving development of the supplier. However, it was stated that NorgesGruppen may stop conducting business with a certain supplier if no improvements are achieved.

5.3 Summary of empirical findings

This section will provide the reader with a summary of all companies' activities in relation to each research question. The data below will be used as a foundation for the analysis as each company's activities are positioned next to each other in order to get a clear and structured overview of their approaches.

5.3.1 Depth and width

Axfood, Coop, ICA and NorgesGruppen's activities can be studied further in table 1 below. Related to the first research question is the number of social audits conducted. A parameter worth mentioning again that relates to all companies is the number of social audits that are conducted for food products as well as non-food products. The width (which supplier social

audits refers to) and depth (the number of tiers that social audits include) in the supply chain is also depicted.

Table 1. Summary of data related to the first research question

	Axfood	Coop	ICA	NorgesGruppen
Number of social audits conducted:	**30 audits** in total.	**700 audits** in 2009, but almost none for food products, only canned food.	**85** of ICA's social audits in 2008.	**4** social audits through Hifab and **20** by UNIL in total.
Width of monitor activities in the supply chain:	Monitoring activities refer to **all types of suppliers**. Own branded goods are prioritized.	Monitoring activities refer to **all types of suppliers** but the responsibility for own branded goods is more extensive.	Monitoring and control activities are focused on **own branded goods**. Will start focusing on smaller suppliers for branded goods.	Has responsibility for own branded goods and smaller suppliers for branded goods. **Social audits only concern own branded goods.**
Depth of monitor activities in the supply chain:	Social audits focus on **where main production takes** place. Main focus is on suppliers' suppliers.	Robertsson; Social audits are conducted at the **Second tier** where the supplier of raw material often can be found. Lee; Social audits takes place where the actual **manufacturer** exists.	Takes place at the company's suppliers; **one step back** in the supply chain.	Social audits are conducted at the level of **producers.**

Source: Author's own creation.

5.3.2 Monitoring process - social audits

The summary of data related to the second research question is provided in table 2 below. This table discusses who is responsible for conducting social audits and it turned out that the food retailers either conduct them by themselves, outsource the audits to a third part or let suppliers conduct self-evaluations. The table also provides key words which describe how social audits are conducted. All suppliers tend to apply the SA8000 system and use tools such as checklists and interviews when monitoring whether suppliers are achieving compliance with the Codes of Conduct.

Table 2. Summary of data related to the second research question

	Axfood	Coop	ICA	NorgesGruppen
Who conducts?	***Hifab.*** *Participants:* One auditor from Hifab in Sweden, a local partner and in some cases people from Axfood and local organizations and trade unions.	***Intercoop.*** *Participants:* Own auditors from InterCopp and in some cases purchasers from Coop trading and local organizations. Intercoop hires ***external auditors*** in some cases such as when local knowledge is needed (third party audits) and use BSCI's database	***ICA.*** *Participants:* Social auditors from the HQ in Stockholm or from the office in shanghai. ***BSCI*** (third party audits) ICA let ***suppliers conduct self-evaluations***	***Hifab.*** *Participants:* One auditor from Hifab in Sweden and a local partner. ***UNIL***. *Participants:* Purchasers from UNIL NorgesGruppen let ***suppliers conduct self-evaluations***
Systems applied, time to conduct and tools applied during social audits	**Announced** standard procedure visits, **SA8000**, takes **2 days** to conduct. **Checklists** created by Hifab's auditors and **interviews** are applied,	**Announced** social audits, **SA8000**, takes **1 day** to conduct. A **Checklist** is used as a standard tool and **interviews** are conducted.	Most **announced** visits, **SA8000**, take **1 day** to conduct. **Checklists** which are based on BSCI's model are applied and **interviews** conducted.	Hifab has **announced** standard procedure visits, **SA8000**, takes **2 days** to conduct. **Checklists** created by Hifab's auditors and **interviews** are applied UNIL has **no framework** of how to conduct social audits.

Source: Author's own creation.

5.3.3 Following up activities

Axfood, Coop, ICA and NorgesGruppen all conduct follow up activities when violations against the standards for working conditions, stated in the Codes of Conduct, have been identified. However, the procedures differ somewhat between the different actors and a summary of how the actors get information and list findings, respond to violations, control improvements and on what grounds decision to end the business relationship with suppliers are taken are depicted table 3 below.

Table 3. Summary of data related to the third research question.

	Axfood	Coop	ICA	NorgesGruppen
Report findings	Hifab list variations against the Codes of Conduct and hand a report to Axfood.	InterCoop upgrade's the webpage Docushare with information where a report can be downloaded. When violations are severe will Intercoop communicate the result with Coop on a monthly basis.	Internal communication since the audit is conducted by ICA's own auditors.	Hifab list variations against the Codes of Conduct and hand a report to Axfood. Unil report findings to NorgesGruppen.
Response to violations	List the variations from the code in the **action correction plan** and handle over the list to the supplier. Suppliers respond with measures that these can take within a given time frame.	Findings of violations are graded at four different levels; Alert (zero tolerance and end the relationship); Major Improvement (**A correction action plan** is used as a tool and violations should be corrected within a given time frame); Continuous Improvement and Satisfactory (no corrections needed and work continues until the next evaluation).	ICA grades the supplies in different scales; good, acceptable or need for improvement. From this is a **action correction plan** created. The strategy is to challenge supplier to come up with plans for improvement.	NorgesGruppen has **no framework for follow up activities**. The company does however provide suppliers the opportunity to respond to violations and explain the cause of them and measures that will be taken in order to correct the violations.
Controlling improvements	Hifab or Axfood conducts revisits **within a year**. In some cases is improvements verified through sending over evidence in terms of pictures.	InterCoop conducts revisits between **4-6 months**.	ICA conduct follow ups activities after **a couple of months** in order to ensure that changes have been implemented	UNIL's purchasers have visit factories **every half year** and carried out discussions with the management.
Stoop cooperation	If **no improvements** have been done or if the **changes are not enough**.	Coop will end a relationship if the supplier was **graded with Alert** or if a supplier has **not done enough changes**.	ICA ends a relationship with a supplier if the company has noticed that **no changes** are implemented or if the **suppliers' values differ** too much from ICA's.	May stop working if **no improvements** are done.

Source: Author's own creation.

6. Analysis

This chapter will present a cross-case analysis of the empirical data provided in chapter five by comparing the four cases against each other. Literature from chapter two and the theoretical framework will support the analysis. Differences, similarities and trends will be discussed and explanations of why these exist will be given. The structure of the chapter follows the research questions and the analysis will end with a model which describes the entire process.

6.1 The extensiveness of ensuring compliance to Codes of Conducts
6.1.1 Numbers of visits

The companies in this study are recognized to be the largest actors on the Scandinavian food market but the frequency of applying social audits as a monitoring tool varies among them. The amount of resources allocated to the field impacts on the number of social audits conducted. NorgesGruppen and Axfood describes that they needed to study risk factors to narrow down the focus of social audits to certain risk areas due to limited resources. This goes in line with the discussion put forward by Barrientos and Dolan (2005 p. 14-15) who explains that food retailers' resources differs when it comes to supporting Codes of Conduct and monitoring supply chains. Furthermore, Axfood and NorgesGruppen both mentioned that they rather focus on fewer audits and achieve improvements for workers' conditions in the supply chain than conduct numerous social audits that result in no improvements. Worth mentioning is that one can not state from this study that ICA or Coop achieve less improvements just because they conduct more social audits. Hence, it is rather a question of resources allocated to the monitor activities.

Furthermore, from this study one can state that the number of years working with social audits is also a factor which affects the number of social audits carried out by food retailers. As an example, NorgesGruppen recently began work with social audits and have not conducted that many for food products. InterCoop created a social compliance department in 2009 and has primarily conducted social audits for non-food products has until now conducted only a few of these audits for food products. ICA has continued to audit suppliers for the last 10-15 years and Axfood had a manager appointed for social accountability in 2005. These two companies seem to conduct more social audits than NorgesGruppen and Coop on an annual basis. Hence, the years of working with social audits impact. Interestingly, InterCoop will increase the focus on food products in 2010 and the number of social audits conducted will probably increase rapidly.

It has during this study been mentioned the complexity of carrying out CSR activities in the supply chain. It further looks like the number of social audits depends by how well the companies succeed in developing an organizational structure that supports the complex process of conducting social audits. Maloni and Brown (2006) argue that managing CSR is more complex when the entire supply chain must be taken into consideration. This issue is intensified by the fact that companies in this study are selling food products and that food supply chains are known for being complex due to the vast amount of suppliers, processors and producers. In addition, retailers tend to have more suppliers than other types of industries. NorgesGruppen, with few conducted social audits, are at the moment at a development stage and trying to find a structure for working with ethics in their food supply chain and to develop systems for systematizing social audits and follow up activities. ICA, in comparison, has during the years of working with social audits been able to develop an organizational structure which has enabled them to keep the process of conducting social audits in-house. Furthermore, all of the companies have recently increased or is about to increase the number of social audits for food products. Maloni and Brown (2005) and Andersen and Skjoett-Larsen (2009) propose that this is a response to external stakeholders (NGOs, media and customer) increasing interest for ethical production. All of the companies mentioned that stakeholders such as customers, media and NGOs as important actors who have influenced their work with ensuring compliance to Codes of Conduct in one way or another.

6.1.2 Width in the supply chain

The food retailers in this study allow all suppliers sign the Codes of Conduct but the monitoring activities imposed on them differs between actors. This was brought up by Barrientos's and Dolan's (2006, p.21) who discuss that food retailers include actors in different degrees regarding their work with Codes of Conduct. It could be distinguished that all companies focus foremost on own branded goods and Burch and Lawrence (2005) explain that this is a trend among UK food retailers as well. The food retailers have a perception that this is where the responsibility is at the highest. Coop's reason was that the company's responsibility is more extensive since they take care of the processing and composition of own branded goods. Another explanation was provided by Roberts (2003) for why companies tend to focus on own branded goods, this is since it results in higher attention from the external environment and ethical sourcing is, according to Manuj and Mentzer (2008), a tool to protect companies from damaging the brand. Several of the food retailers argued that problems within supply chains of the own branded goods resulted in higher risks for the

retailers' brand name. Axfood especially pointed out that one of the reasons for focusing on own branded goods was that the customers believe that this is important. Hence, the high focus on own branded goods stem from the retailers needs to reduce risk and protect the brand reputation.

Furthermore, all of the food retailers either monitor small suppliers of branded goods or are about to start with this process. NorgesGruppen and ICA argues that their responsibility includes smaller suppliers since these often lack a functioning control system for the supply chain and can therefore not control worker's conditions in the same extent as large, well established suppliers. The extensiveness of monitoring activities does vary between food retailers when it comes to large and well established suppliers of branded products. NorgesGruppen and ICA do not include these actors in their monitoring activities and this decision is based on their perception of how far the responsibility reaches. Both of the actors argue that large suppliers should be able to conduct their own monitoring activities in order to ensure that certain levels of workers' rights are fulfilled throughout the supply chains. Coop and Axfood, on the other hand, has another perception of how wide the responsibility reaches and believe that the size of suppliers is not relevant. These actors therefore conduct social audits of large established suppliers who supply them with branded goods e.g. Dole. Furthermore, Kumar (1996) mentions that trust in a business relationship will reduce the necessity to monitor and control other actors' activities which seems to be relevant in these cases. By studying ICA one can see that this actor only buys risk products from well-reputed suppliers which they trust. Dapiran and Hogarth-Scott (2003) express that power in the supply chain is when one actor controls decisions and actions taken by others. NorgesGruppen expresses that monitoring large multinationals can be difficult due to limited access and insight in these supply chains. This can be explained by the power relationships between purchaser and supplier where large suppliers do not give food retailers unlimited access to information while smaller suppliers are easier to control and monitor. It is interesting to see in this study that food retailers' perception of how wide the responsibility reach varies. All of them provide customers on the Swedish and Norwegian market with food products and ensure that the Codes of Conduct is sign by all suppliers. Nevertheless, the controlling activities do not include all actors.

6.1.3 Depth in the supply chain

All companies in the case studies explained that the Codes of Conducts that their suppliers must sign makes them responsible to pass on information regarding the Codes to their subcontractors and encourage them to follow them also. Andersen and Skjoett-Larsen (2009) and Barrientos and Dolan (2006, p.21) requested that these Codes should be passed on all the way to production since food retailers tend to set demands on the first tier of suppliers and neglect subcontractors. Food retailers in this study propagate these codes to at least two tiers back in the supply chain. The actor which operates at this level varies between food retailers and depends on the constitution of the supply chain. It can be the producers, the actor who packages the products or the providers of raw material.

All of the actors have mentioned that they focus social audits on either the first or second tier of supplier. This strengthens Barrientos and Dolan (2006, p.21) statement that food retailers control the first and second tier of suppliers where larger producers or packaging companies are positioned. Whom the monitor activities refer to differs depending on whether the actors monitor suppliers for own branded goods or branded goods. ICA, for example, monitor own branded goods and tends to go to the first tier of suppliers but this can be the same actor which Coop, Axfood and NorgesGruppen monitor at the second tier of supplier for branded goods. Interestingly, the food retailers seem to go further than just the first and second tier. Axfood has conducted monitoring activities where main production took place for tea which was at the stage of cultivation. Coop mentioned that they go at least two tiers back in the supply chain and further down when needed. NorgesGruppen's work distinguishes them from the other actors since these only conduct social audits at the level of producers. The reasons for this can be explained by the perception of each actor's responsibility, available resources and tools. One can discuss whether anyone can state that the supply chain is sustainable if actors only control certain tier of suppliers instead of focusing on different levels throughout the supply chain i.e. producers, processors and manufacturers.

A summary is illustrated in model 3 below which describes how extensive in terms of the number of visits, width and depth that the food retailers conduct monitoring activities in their food supply chains. Each actor is placed in the model where this actor typically conducts monitoring activities. Though the number of social audits mentioned in the model refers to both food products and non food products.
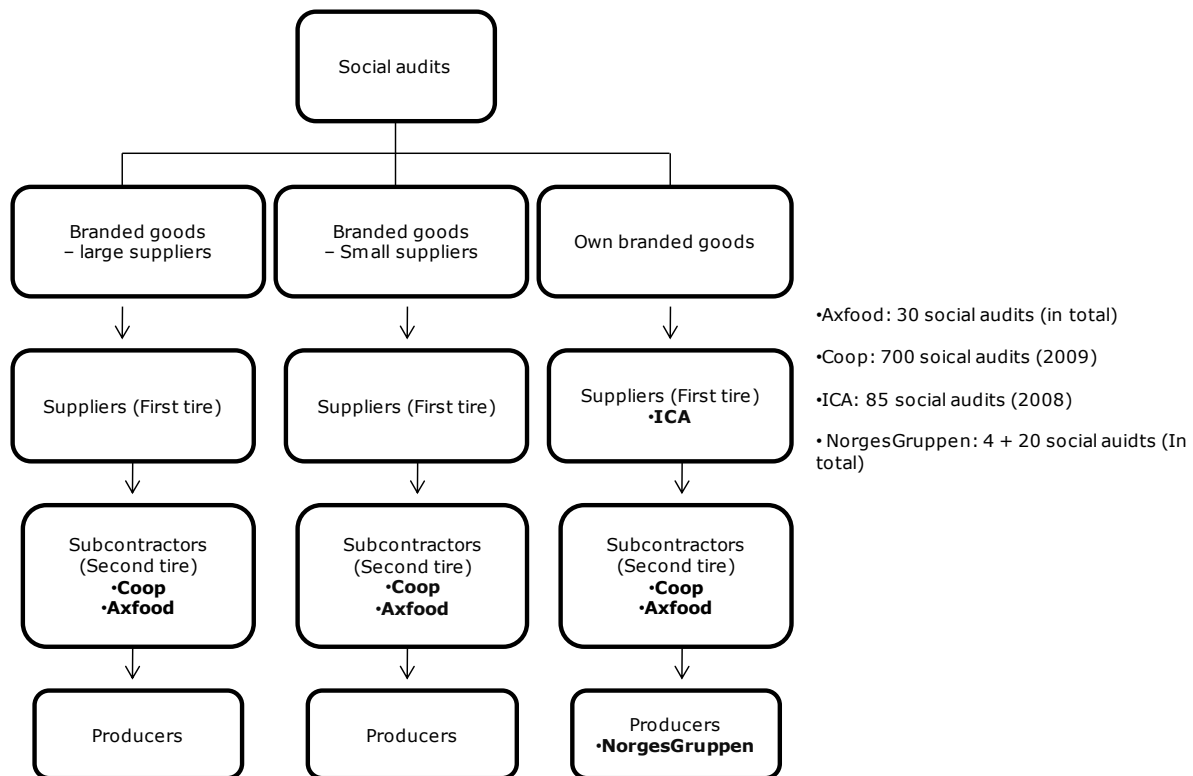
Model 3: *Food retailer's extensiveness of social audits in terms of number, width and depth.*
Source: Author's own creation.

From this picture, one can see that the food retailers tend to adopt different strategies regarding the extensiveness of social audits. NorgesGruppen conduct a few social audits for own branded goods but reach further down in the supply chain, to the level of producers. ICA adopt a completely different strategy by conducting a vast amount of social audits but include only the first level of suppliers for own branded goods. This can be explained by the fact that ICA aims to conduct social audits for the entire supply base of own branded goods while NorgesGruppen conduct a risk analysis and focus the audits where risk is perceived as being highest. Axfood, on the other hand, are placed somewhere in between. The company focuses on all types of suppliers, conducts around ten audits each year and goes to the second tier of suppliers.

6.2 Monitoring process- social audits
6.2.1 Internal and external auditing

NorgesGruppen let suppliers evaluate themselves on a yearly basis through answering eight questions regarding their work with Codes of Conduct and ICA let their suppliers conduct self-assessments. This type of self-evaluating is according to Barrientos and Dolan (2005, p. 22) defined as first party auditing. The authors further discuss that this is a common tool

applied by food retailers to control suppliers in the food supply chain. However, not all food retailers apply the strategy.

InterCoop and ICA conduct their own social audits of suppliers and this is defined by Barrientos and Dolan (2005 p. 131) as second party auditing. Worth mentioning again is that InterCoop has not worked with second party audits on food products to such a large extent before but intends to increase the work during 2010. ICA conduct second party audits when BSCI's database or if those that exist are outdated. InterCoop and ICA have employed and educated social auditors who can conduct these types of audits, Barrientos and Dolan (2005 p. 131) mention that keeping monitoring activities within the company instead of outsourcing it indicates that a company takes on a higher responsibility. ICA puts a lot of resources into ensuring that there is a second or third party social audit conducted. However, Kolk and van Tulder (2002) mention that internal monitoring (second party audits) should not be seen as a reliable method due to internal conflicting interests and that these types of audits should therefore be complemented with external monitoring. ICA and Coop do not complement a second party social audit conducted on a supplier with a third party audits. This can question the trustworthiness of the audits. Another interesting case is NorgesGruppen who let purchasers from UNIL visit suppliers. These visits are not typical structured audits but rather quick visits. These should nevertheless be considered as second party audits since they are aimed at monitoring the suppliers' activities.

The food retailers in this study all outsource social audits to external actors. This is what Barrientos and Dolan (2005 p. 131) define as third party auditing. ICA and Coop apply the BSCI system and NorgesGruppen and Axfood hires the external consultancy company Hifab. Kolk and van Tulder (2002) mentioned that it is generally accepted by companies to outsource these types of monitoring activities to third parties since it increases the trustworthiness of conducted audits and gives companies reliable reports. This view seems to be verified by the companies who all consider outsourcing as an acceptable strategy and plan to increase this activity within the upcoming years. However, O'Rourke (2000) points out the risk of letting companies that are financially bound to the company, such as consultancy companies, conduct audits since it increases the risk for being biased. The food retailers never mentioned this as an issue and most likely do not share O'Rourkes view. Finally, Barrientos and Dolan (2005, p. 22) argued that second and third party audits are foremost conducted by global buyers or by an auditing company which can be verified from the data above.

The perception was that the environmental manager at Coop and the manager for environment and ethical trade at NorgesGruppen lacked knowledge regarding details of how social audits for food products were conducted. This is based on the fact that wrong information was given or that they were unable to provide answers to the interview questions. Zadek (1998) explains that monitoring is an important part for ensuring that suppliers are following Codes of Conduct. It can further be argued that social audits are central when it comes to monitoring. Hence, a lack of knowledge regarding how social audits have been conducted thereby implies that actors at the headquarters do not have a sufficient picture of how they are working towards ensuring compliance with the Codes of Conduct through the supply chain. Further, knowledge of how social audits are conducted increases among managers who participate during visits or conduct their own social audits. This could be seen in the case of Axfood and ICA where the managers provided a detailed picture of the how social audits were conducted. Hence, actors from headquarters should participate during social audits in order to increase the understanding of how to ensure compliance with Codes of Conduct.

6.2.2 Social audits- the procedure

Barrientos and Dolan (2005 p.133- 134) discuss two different types of social audits; the participatory social audit and the compliance focused social audit. The participatory social audit is not applied by any of the food retailers in this study. Barrientos and Dolan (2005 p.129, 141) explains that the compliance focused social audit is a typical social audit applied by companies. These can control compliance to the Codes of Conduct by a short, one time visit. Companies in this study conduct social audits in accordance with the SA8000 system which takes between 1 to 2 days. During these audits, a checklist based on the companies' Codes of Conduct is applied. Hence, all food retailers in this study conduct compliance focused social audits. However, details during these social audits differ between the actors which verify theory. Coop's auditors have their own audit procedure but a checklist provides consistency between all audits. Hifab's consultancies create their own checklist which no one except themselves has access to. Hence, the food retailers let their auditors conduct social audits in an approach which suits them. This according to Zadek (1998) is something positive since the audit process should be adapted by the auditor to every individual situation since different problems demand different approaches. Furthermore, Barrientos and Dolan (2005 p.129) argues that companies prefer to apply compliance focused social audits since these often can be quantified and measured. Axfood, Coop, Ica, and NorgesGruppen all include

factors such as payrolls, physical situation, security routines and false documents in their checklists.

ICA mentions the importance of having auditors with a background in the field of social auditing as well as a profound knowledge of local culture since this can enable them to discover issues which otherwise can be hard to discover at the workplace e.g. discrimination. This type of issue is brought up by Barrientos and Dolan (2005 p.129) who argue that physical aspects are easy to detect while intangible factors such as discrimination or freedom of association can be more problematic to discover. Axfood face the same problem since the SA8000 protocol does not bring up factors such as managers attitudes which have resulted in the company asking people at Hifab to look out for these types of intangible factors during social audits. In order to overcome the problematic issues of having a checklist, which may result in a simplified picture of reality, interviews are included as a part of the checklists. Interviews provide Hifab's, Coop's and ICA's auditors with an opportunity to get a feeling of the factory's atmosphere by talking with workers from different departments and levels. One does however wonder if these types of interviews are enough in order to provide an accurate picture of the workplace. A participatory social audit would probably enhance auditors' possibility to get a more comprehensive understanding of the working situation.

A problem brought up by Barrientos and Dolan (2005 p.129) is that auditors often spend too much time with managers when applying a compliance focused audit and value managers opinions over workers'. Managers of the factories also tend to choose workers which the auditors can talk with and these workers are only involved to a basic extent in the compliance focused model. The companies in this study, except from UNIL's purchasers, conduct interviews with both employees and management. The management of the factories is always involved during the food retailers' social audits since all of them tend to have meetings with the management but the decision of whom to interview is decided on by the social auditors. Moreover, all of the companies in the study mentioned problems with obfuscation or the obscuring of details. Robertsson (2010) especially stated that there is a need for unannounced audits since suppliers temporarily correct potential violations before the visits. This is confirmed by Barrientos and Dolan (2005 p.129) who state that the high number of social audits conducted at suppliers has resulted in suppliers developing a knowledge of how to trick auditors. However, all of the companies in this study conduct announced visits. NorgesGruppen reasoned that unannounced visits may affect the relationship with the supplier

negatively since it shows an unwillingness to cooperate. Axfood say that announced visits are necessary in order to get access to documentation and to meet the managers. InterCoop also mentions that announced visits took place so that suppliers can prepare the documents and information which InterCoop's auditors want to investigate. Food retailers need to take into considerations that unannounced visits, which might give them more findings of violations against the Codes of Conduct, can result in reduced trust and weaker relationship with suppliers. A strong relationship is vital in the work of achieving change at the level of suppliers. This is something that will be discussed further in the following section.

6.3 Following up activities

Companies in this study all conduct following up activities when violations against Codes of Conduct have been discovered. The food retailers following up activities tend to be similar but variations have been revealed.

A typical tool which companies can apply when suppliers are deviating from the Code of Conduct is action plans (Barrientos and Dolan, 2005 p. 131). Coop, Axfood and ICA all implement correction action plans in their operation. NorgesGruppen is an exception from the rule which can be explained by the fact that the company is in a trialing stage of working with social audits and following up activities. The companies' correction action plans have a specified timeframe in which measures should be implemented. The time allocated for carrying out changes is something, according to Barrientos and Dolan (2005 p. 131), which all the involved parties should agree upon. Axfood, ICA and InterCoop hold a dialogue with suppliers in order to create a correction action plan. Axfood and ICA send a corrective action plan and give suppliers the responsibility of filling in measures as well as a target completion date for correcting each problem. These deadlines and measures must then be approved by headquarters. InterCoop sits down with the management at the end of the social audit in order to develop a corrective action plan together. This indicates that both parties are involved in the process of creating a correction action plan among all of the companies but the executive power lies with the food retailers.

Barrientos and Dolan (2005 p. 131) further discuss that some violations are viewed to be worse than others and that the timeframe for correcting such actions tends to be shorter. This is verified by Coop's way to working with different severity levels which directly affects the time for correcting the problems. For example, a supplier only has a couple of weeks to

remove child labor in the supply chain while the time allocated for correcting problems with secondary passageway blocking or late compensation can reach up to six months. Furthermore, a report from ILO (2003) provided data which states that companies tend to focus on issues which media, customers and other stakeholder in the external environment believe are important. This resulted in a higher focus on child labor or forced labor while discrimination or equal opportunities was neglected. Hence, improvements in these fields have been achieved. Coop and Axfood mentioned that certain violations are considered to be harsher than others. These were often where child labor and forced labor resulted in stricter measures being taken regarding follow up activities. NorgesGruppen provided another perspective and argued that all violations should be considered as equally severe. The company at the same time mentions that acts from media and customers influence their work with ethical trade. Media and customers tend, as mentioned, to focus on problems such as child labor and forced labor. One could however discuss how accurate it is, in an ethical sense, that some sections in the Code of Conduct are considered to be more important than others because of the pressure of external stakeholders.

Interestingly, some of the food retailers are stricter in their work with accepting suppliers' violations against the Codes of Conduct. ICA, NorgesGruppen and Axfood do not stop their work with a supplier even if child labor is discovered in the food supply chain. The food retailers are instead open to carry on a discussion with the suppliers so that they can provide explanations of why this has taken place. Intercoop, on the other hand, stops conducting business with a supplier if there are severe violations. ICA gave an interesting explanation for why they continued to work with suppliers despite extreme violations against the Codes of Conduct. The explanation was that it takes time to find new suppliers and ending a contract with a supplier may result in interrupted production or distribution flows. Coop never mentioned discussing these factors which indicate that they might not consider it to be an issue in the same sense as ICA.

All the food retailers conduct follow up visits but the time before these visits takes place varies between the actors. Coop may conduct a revisit after three months while Axfood's revisit's through Hifab can take place up to a year afterwards. Furthermore, different measures are taken by the food retailers when they have figured out that improvements have not been implemented at the supplier level. Axfood, Ica and NorgesGruppen are more tolerant as long as they can see a will to change among suppliers. This can be based on the fact that

some suppliers are of strategic importance for the retailer which was a reason given by Axfood. InterCoop has developed a more structured process where 60 percent of the corrections must be implemented at the second revisit and a complete correction after the third visit. The cooperation will stop if this has not been achieved by the suppliers. Hence, while Coop seems to be more intolerant regarding violations against the Codes of Conduct while Axfood, ICA and NorgesGruppen more flexible and seem to accept and be more tolerant to violations against the Code of Conduct. Axfood mentioned for example that the corrective action plan does not have to be completely fulfilled and that new corrective action plans can be developed. These food retailers provide suppliers with new opportunities since they believe that this leads to towards more development and improvements. Axfood, ICA and Coop mention that corrective action plans are the best tool to guide and support suppliers towards development. This links back to Michael Foucault's quote "*In its function, the power to punish is not essentially different from that of curing or educating.*"

Change does however take place even though no corrective action plans have been implemented. NorgesGruppen has achieved this by letting purchasers from UNIL conduct revisits to factories two times a year in order to ensure that improvements have been carried out. This resulted in a close customer and supplier relationship as well as improved working conditions for employees. Furthermore, change is best implemented when food retailers are a large customer to the supplier since it results in the suppliers being more willing to meet the customer's demands. This gives the food retailer increased power and can therefore influence the decisions and acts taken by the supplier.

None of the food retailers seem to implement sanctions or fines against suppliers, which was mentioned by Kolk and Van Tulder (2002) and Barrientos and Dolan (2005 p. 131) as measures taken when violations against the Codes of Conduct occur. Barrientos and Dolan (2005 p. 131) mention that the ending of a relationship or cancellation of contracts take place and is a measure taken by all of the food retailers. One can see that the food retailers need to take these measures in order to strengthen the Codes of Conduct and avoid that the contract just becomes a paper without a meaning.

6.4 The process of ensuring compliance with Codes of Conduct
From the study and the analysis above, a process of how the food retailers are striving towards ensuring their Codes of Conduct is depicted in the model below. The model consists of seven

steps starting with the process of focusing the monitoring activities to a certain area and the model ends with the seventh step in which the food retailers decides whether to continue the relationship with suppliers or not.

Step 1:
Scandinavian food retailers start the process for compliance by focus monitor actvities to certain areas i.e. own branded goods or branded goods, level of tier of supplier. Factors which may impact where to conduct are risk suppliers, risk countries, risk products and size of turnover for the product.

Step 2:
Social audits are conducted through first party audits, second party audits or third party audits.

Step 3:
Compliance focused social audits are conducted. Announced audits, rhe SA8000 system is followed, managers of the factories are involved, the visit takes 1-2 days, checklist and interviews are applied.

Step 4:
A report is created from the social audit where violation against the Code of Conduct is listed.

Step 5:
Majority of the companies create a correction action plan where suppliers must correct violations within a given time frame.

Step 6:
All companies conduct revisits, within 3-12 months after the first visit, in order to ensure that severe violations have been corrected.

Step 7:
Decision is taken of whether the business relationship should be continued or not. This is based on findings from follow up activities and if the management seems to has a will to change.
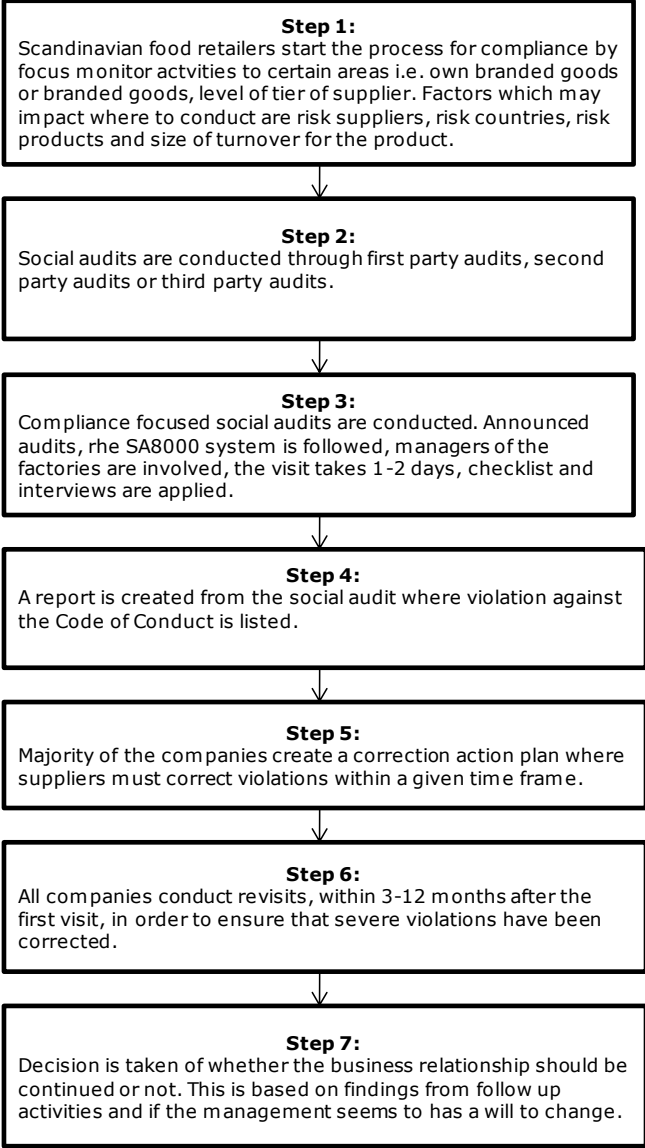
Figure 3: *The process for compliance*
Source: Author's own creation.

7. Findings, conclusions and implications

This chapter brings up findings and conclusions based on the analysis in chapter six. The aim is to provide answers to the three research questions and thereby fulfill the purpose of the study. This is then followed by managerial implications and suggestions for further studies.

7.1. Findings and conclusions

The purpose of this study was to gain a deeper understanding and to describe and analyze food retailers' monitoring process and how they are striving to ensure the fulfillment of their Codes of Conduct regarding conditions at the workplace throughout the supply chains.

The study of the four food retailers from the Swedish and Norwegian market indicates that actors' extensiveness of monitor activities in the supply chain varies when it comes to assess working conditions in their global food supply chains through social audits. It was verified that resources for supporting monitor activities of Codes of Conduct in the supply chain regarding food products varies between the food retailers in this study. This could be depicted through the different amount of social audits conducted by the food retailers. In addition, the variation of extensiveness for monitor activities could also be seen by which type of suppliers the food retailers included in their social audits. Theory have discussed that food retailers tend to focus on own branded products and this was verified by this study. All of them include or will include smaller suppliers of branded products. Interestingly, two companies in the study include large suppliers for branded products while two companies did not. In terms of depth in the supply chain, theory argues that monitoring activities are focused upon first and second tier of suppliers. This study indicates that the focus seems to be on the second tiers of suppliers but there are variations in terms of depth where some retailer reaches to the first tier of suppliers while other goes down to the level of producers. Food retailers monitor activities seems to foremost be a result of available resources, the perception of how far the responsibility reaches and what type of auditing strategy chosen by the suppliers.

All of the food retailers apply third party audits, audits conducted by consultancy firms. This verifies theory which states that these types of audits are perceived as an accepted and trusted method among companies. Second party auditing are used as an approach by some retailers when no third party audit exists. Theory argues that the reliability for internal second party auditing, can be questioned. Despite this, do food retailers not complement second party auditing with an external independent social audit. Theory has also mentioned that food retailers tend to let their suppliers conduct self evaluations. This was conducted by two of the

four companies. Furthermore, the food retailers conduct a typical compliance social audit with short time visits and checklists based on the SA8000 system. Auditors adapt the monitor process to each audit and by applying the same type of checklist is consistency created. Companies do, as literature mentioned, focus on tangible factors during social audits. They overcome the issue with not being able to measure intangible aspects, which compliance focused social audits tend to miss, by conducting interviews during the audit process. By not participating during social audits do environmental and social managers tend miss out of detailed information of how social audits are conducted. This can result in that strategic decisions regarding assessing compliance with codes of conduct are based on insufficient information.

The majority of the food retailers respond to violation against the Codes of Conduct by implement correction action plans or by end relationships when the when infringements are too severe. Some food retailers have a more structured follow up system while others are at an elaborating stage. The tolerance towards violations against the Code of Conduct varies between the actors which directly impact on the type of action taken by the food retailer. Theory state that certain violations should be considered more severe than others and this statement was confirmed by the majority of the companies in this study. When a correction action plan is implemented are violations listed by the food retailers and a time frame is created together with or given to the suppliers. Follow up visits in order to control that changes have taken place is then carried out between three months to one year. Factors during follow up activities that have been important for improved results are frequent revisits, a close customer and supplier relationship, the factory management will to change and the size of the food retailer as a customer to the supplier.

7.2 Implications for managers

One finding in this study is of importance for managers. Knowledge of how social audits are conducted increase among managers who takes part when conducting social audits. Actors from headquarters are advised to participate during social audits as an educational purpose so that these increase the understanding of how the company ensures compliance with Codes of Conduct. Several of the food retailers let purchasers to join during social audits for educational purpose. Purchasers are greatly involved during the process of ensuring Codes of Conduct and so are managers for environment and social responsibility. Hence, knowledge increases among the managers if these participates in the field work. This can enhance the

quality of decisions taken regarding strategies and processes related to assess compliance with the Codes of Conduct in the supply chain.

7.3 Implications for theory and future research

The aim of this study was to describe and analyze food retailers' monitoring process and how these are striving to ensure the fulfillment of their Codes of Conduct regarding conditions at the workplace throughout the supply chains. There are still a lot of studies that can be conducted in order to bring further light to this area. A larger quantitative study of food retailers' monitor and following up activities could help uncover patterns and variations between them. Further, to investigate the knowledge possessed by key persons at headquarter of the process of ensuring compliance with Codes of Conduct would be interesting since these are the responsible. To examine the suppliers' point of perspective would give a new dimension to the research topic and an opportunity to get a more dynamic picture.

This study ended up in a process created by the author which described how food retailers in this study strides towards ensuring compliance with their Code of Conduct. It could therefore be interesting to conduct a similar study that includes actors with headquarter from markets outside of Scandinavia and see if the process is similar or if new trends or variations can be revealed. The study gave indications that outsourcing of social audits can lead to lost knowledge at the level of headquarter. It would therefore be interesting to look deeper into this field and how knowledge of the monitoring process can be enhanced among actors at the level of headquarter. It would also be interesting to study what complications this loss of knowledge can have the food retailers' stride towards ensuring compliance with Codes of Conducts.

In addition, all companies in this study applied a typical compliance focused audit but Barrientos and Dolan (2005) recommend companies to apply participatory social audits. One wonders if this approach can be implemented in a real-life situation and what type of benefits and complication such approach would bring. Finally, studies conducted by companies when violations against the Codes of Conduct are revealed are limited. Hence, more information regarding this area would be interesting and when it comes to benefits and negative consequences with certain following up activities and which one of them that will result in change among suppliers.

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Appendix 1. Intercoop's Codes of Conduct

Received from Maurice Lee (2010)

IV)   *SOCIAL ACCOUNTABILITY REQUIREMENTS.*
1) ***Child Labor.***
   Intercoop Ltd. avoids doing business with any company engaged in the use of "Child Labor" for production of any product of whatever nature.

   We define Child Labor as any work by a child younger than 15 years of age unless local laws in the country stipulate a higher minimum working age for work or mandatory schooling, in such a case the higher age shall apply.

   If however, local minimum age law is set at 14 years of age in accordance with developing countries (exception under ILO Conv. 138, Art. 2.4) then exceptionally, the lower age will apply.

   In any case where a child is found working in any of the factories producing our products, rather than dismissing the child regardless, we will request the factory to seek and find a satisfactory solution taken into account the child's interests, towards bringing about an improvement in the child's personal situation.

   In countries where the law permits apprenticeship programs for children between 12 and 15 years of age, we will accept that children of this age work according to ILO Convention 33 maximum 7 hours of light work and schooling,providing that the factories prove that the work is clearly aimed at training, not interfering in the child's' education. The child shall also be properly compensated.

   We, acknowledge "UN Convention of the Rights of the Child", which clearly expresses that a person is a child until the age of 18. We strongly recommend our suppliers to make sure that employees in the age group of 15 to 18 years are treated as "young workers, setting clear limits for working hours and overtime.

2) ***Forced labor.***
   Intercoop Ltd. will not work with companies engaged in or supporting the use of forced labor (personnel who have not offered their labor voluntarily) or who suffer illegal restriction, by not being free to withdraw from the labor contract. Restriction means being required to lodge "deposits" (not paid wages) or identity papers upon commencing employment with the company.

3) ***Disciplinary Practices.***

   Intercoop Ltd. will refrain from doing business with companies engaged in the use of corporal punishment, mental or physical coercion or any other kind of abuse or humiliation of employees.

4) Health and Safety.

Intercoop Ltd. emphasizes that our suppliers should provide a healthy working environment and appropriate sanitary facilities, the workers' safety being a priority. A system to detect, avoid or respond to potential threats to health and safety of all personnel should be established.

The company shall also ensure that if they provide dormitories and canteens for personnel, these are healthy, safe and in compliance with the local provision on the matter, meeting in any case the basic needs.

5) *Freedom of Association & Collective Bargaining.*
Intercoop Ltd. emphasizes the right to freedom of association and to bargain collectively in compliance with the local laws. In a situation where this right is restricted by law, the supplier will be encouraged to facilitate parallel means of independent and free association and bargaining.

6) *Discrimination.*
Intercoop Ltd. expects their suppliers to avoid engaging in any kind of discrimination on the grounds of gender, religion, race etc. The company shall hire the personnel based on their working capabilities and skills. All workers with the same experience and qualifications should receive equal pay for equal work.

7) *Working hours and Compensation.*
Intercoop Ltd. will refrain from doing business with companies in which wages are not paid in compliance with local laws and meeting at least the legal minimum standards. IC encourages all their suppliers to pay salaries sufficient to meet the basic needs of their personnel and to provide extra discretionary income.

Intercoop Ltd. encourages factories not to have personnel working hours in excess to the legal country limits and that overtime work be agreed voluntarily by the worker and that overtime will be properly remunerated. Personnel shall be allowed at least one free day every seven day period.

8) *Respect for cultural values.*
Intercoop Ltd. highly respects the different cultural values of each country. Therefore, Intercoop does not impose western cultural values in the countries where the business is conducted. However, Intercoop will inform the supplier if there is a conflict in ethical values.

V) MONITORING AND ENFORCEMENT.

a) *Principles: Trust and Cooperation.*
Intercoop Ltd. expects and encourages all and every of its suppliers to respect these social standards. Suppliers should do their utmost to work towards their complete implementation.

b) ***Monitoring.***
Intercoop Ltd. reserves the right to conduct second party audits held by their own auditing team as well as third party audits, to monitor and ensure the proper compliance with this Code of Conduct.

c) ***Non Compliance.***
Intercoop Ltd has the right to consider the termination of the business relationship in cases of gross or repeated violations, failing to comply with these ethical standards. In case of minor non conformance, corrective measures should be taken within and agreed time limit.

We hereby confirm that we understand and fully agree to comply with the terms of the Intercoop Ltd. Code of Conduct.

Confirm and signed by

...

(Full Name & Title)

Date :

...

(Factory Name and Stamp)

Appendix 2. Intercoop's Social Compliance Corrective Action Plan

- Received From Maurice Lee (2010).

Intercoop Ltd

Social Compliance

CORRECTIVE ACTION PLAN

Audit Date: Auditor:

Factory Name:

Factory Address:

Contact Name: Contact
                                                                  Title:

 Supplier Name:

Previous Audit Date and
Rating:

Audit
Type: ☐ Initial   ☐ Annual   ☐ Desktop Audit   ☐ Special Follow
                                                                                           Up

           ☐ 1st Re-audit   ☐ 2nd Re-Audit

Overall Rating: ☐ Pass with S   ☐ Pass with CI

                    ☐ Fail with MI   ☐ Fail with A

Next Re-Audit Date if
necessary:

Auditor Comments:

_____
_____
_____
_____

Auditor Signature and Date   Factory Signature, Chop and Date

For Intercoop Compliance Use:

Reviewed by: _____   Date: _____

☐   Approved
     until   _____

☐   Conditional approved
     until   _____

☐   Disapproved

Section	Findings	Rating	Corrective Action Plan	Target Date
1. Management System				
2. Child & Young Labor				
3. Forced & Prison Labor				
4. Disciplinary Practices				
5. Working Hours				
6. Wages / Compensation and Benefit				
7. Working Condition - Health & Safety				
8. Living Condition - Dormitory (if applicable)				
9. Industrial Safety				
10. Freedom of Association and the right for Collective Bargaining				
11. Discrimination				
13. Self-Assessment				
14. Others				

If the ratings for the findings are different from the default value according to Intercoop Audis Guideline, auditors are required to describe the reasons and enclose the proofs for reference.

X

Appendix 3. Interview Guide 1

Interview guide regarding **XX'**s work with Codes of Conducts

Employees working conditions in the supply chain

Choose a food product which normally brings problems related to workers' rights in supply chains. Focus thereafter on the same food product within your own stores, and where efforts have been invested to work with these problems.

1. How does the supply chain look like for this product?

2. What factors do you foremost *focus* on regarding employers' rights in the supply chain concerning this product?

3. How do you *inform* actors in the supply chain about your Codes of Conduct?

4. How do you *control* that your Codes of Conduct regarding working conditions are followed throughout the supply chain?

5. *Who conducts audits* for working conditions?

6. *Where* in the supply chain do you work with this?

7. Which fundamental methods do you apply during controls of the supply chain?

8. What type of previous *knowledge* do people who conduct controls possess?

9. *What other actors participate* in controls of the supply chain?

10. *What actions do you take* if an actor in the supply chain would not follow your Codes of Conduct regarding workers' rights?

11. Would you like to add something?

Thank you for your participation.

Appendix 4. Interview Guide 2

Interview guide regarding NorgesGruppen's och Axfood's work with Codes of Conducts

Employees working conditions in the supply chain

NorgesGruppen:

1. *Which Codes of Conduct United Nordic working with when the organization conducts controls regarding workers conditions for UNIL and NorgesGruppen?*

2. *Where in the supply chain are you working with this?*

3. What type of previous *knowledge* do people who conduct controls possess?

4. *What other actors participate* in controls of the supply chain?

5. *How is the result communicated* back to NorgesGruppen?

6. Choose a food product which normally brings problems related to workers' rights in supply chains. Focus thereafter on the same food product which you have controlled for NorgesGruppen's account and explain how the process looked like during this occasion.

7. Would you like to add something?

Axfood

8. What role does the purchase department have when Axfood *inform* actors in the supply chain about the company's Code of Conduct?

9. How do Axfood *control* that Codes of Conduct regarding working conditions are followed throughout the supply chain?

10. *How can the process look like* when conducting a social audit at Axfood's suppliers?

Appendix 5. NorgesGruppen's follow up questions

- Examples of following up questions to suppliers regarding their work with ethical trade.

1. Does the business have a documented policy for ethical and social responsibility?
2. Is the business certified according to social responsibility/ethical trade (for example SA 8000)?
3. Does the business follow NorgesGruppen's or UNIL's Code of Conduct?
4. Does the company have contractual requirements regarding ethical trade that are transferred to suppliers that at least correspond to NorgesGruppen's or Unil's Code of Conduct?
5. Does the business have an overview of what country the raw material or products, which are delivered to NorgesGruppen or Unil, are produced in?

Appendix 6. Positive outcomes from Axfood's social audits

The picture above show how workers at a factory worked without protective clothing in 2008 (left picture). Axfood could during a revisit in 2009 ascertain that measures had been taken and improvements achieved (right picture).

These two pictures visualize improvements regarding electricity safety at the same factory as above. The left picture show the conditions in 2008 while the right picture is taken from 2009 when improvements have taken place.