

GUIDELINES

– for Labour Rights Assessments
at Shipyards

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Purpose and audience

This document is a guidance note annexed in the UN Global Compact Ocean Platform – Shipyard Guidance Note. The purpose of this guidance note is to provide a practical guidance for addressing relevant risks related to labour rights and working conditions in the sector. The intention is that this guidance will help relevant stakeholders in the sector to

- understand the salient risks,
- provide a framework for classifying the severity of these risks,
- emphasise that responsive actions should be taken to prevent and mitigate these risks and providing examples of corrective actions to address identified risks related to labour rights and working conditions, and
- meet their responsibility to respect human rights under the UN Guiding Principles for Business and Human Rights (UNGPs).

The audience of this guidance is intended to be any person working with or within a shipyard; may it be representatives from ship owners, shipbuilders, shipyards or representatives from the shipyard’s (sub)contractors and suppliers. The guidance can also be used as a reference point by finance institutions for the ESG review of companies in the shipyard sector.



Methodology

Basis for the labour audit

Applicable requirements for the shipyard labour and working conditions audit are based on the ILO labour conventions (ILO Core labour conventions and ILO work time conventions) and internationally recognised human rights (UN Declaration of Human Rights (UDHR)).

The basis for the labour audit guidance is predominantly driven by typical labour rights risks with the most severe negative impacts at shipyards. This is referred to as “salient” risks in this guidance. Relevant labour risks and working conditions at shipyards are listed below.

- Child labour
- Forced /modern slavery and migrant workers
- Health and safety
- Freedom of association and collective bargaining
- Discrimination
- Disciplinary practices
- Working hours
- Remuneration and wages

The guidance sets out requirements to assess and address each relevant salient risk in each section for the relevant labour risk.

The guideline also makes specific requirements as to a shipyard’s management system and control mechanisms to ensure these risks are adequately addressed. This includes (sub)contractor and supply chain risk assessment and follow-up, complaints management and grievance mechanisms, as well as training and development of personnel to ensure consistent implementation of the system and its requirements. The approach builds on the SA8000 standard, which provides a guideline as to management system and control mechanisms.

Other human rights

Shipyards can have other impacts on human rights, in addition to the work force. Those other issues are not covered in this guidance, but Principle 7 of the UN Global Compact Sustainable Ocean Principles, Practical Guidance – Shipyards (shipbuilding) provides some further indication and references to other potential human rights risks at shipyards.

Audit approach

A labour rights related audit must include a verification of a shipyard’s management system and documentation, as well as at least one site visit for observations and interviews of both workers and management at the shipyard.

In a situation where the audit has resulted in a corrective action plan, it will be important for the auditing organisation to verify the progress against the corrective action plan on a regular basis. The verification must include site visits.

Verification Methods

The auditor must verify potential findings identified during an audit. A single site observation or commentary may not be enough to determine the extent of an issue at the shipyard, but the combination of one or more verification methods can provide a better picture of the extent and severity of the potential finding.

Visual Observation

Visual Observations are issues identified by auditors during the site tour. These issues are witnessed observations ranging from improper use of PPE, working conditions, storage of hazardous materials, leakage etc.

Records Review

Reviewing the shipyard records may reveal issues related to management system elements such as documented policies and procedures. It may also reveal issues from other documentation such as contracts, agreements, audit reports, working hours' time sheet registrations, payment records, pay slips, minutes of meetings, on-site boards and displays, as well as brochures/booklets etc. This review also includes the integrity of the shipyard's digital system.

Worker Interview

Worker interviews provide an understanding of the workforce' awareness of relevant labour rights and issues, and can reveal if there are specific issues or non-compliances at the shipyard. The interviews are therefore used to evaluate the performance of the shipyards management system, and their labour practices from a worker's perspective. The interviews form an important part of labour audits.

Management Interview

Management interviews provide an understanding of the management's awareness of and perspective on relevant labour rights and issues. Management interviews are therefore a process to learn in detail about the management's attitude and commitment to labour rights and decent working conditions from the decision maker's point of view.

Third Party Observations

Third party observation is a process to gather information about a shipyard's labour practices from NGO's, unions, associations, similar industry experts, media etc.

Worker Interviews Protocol

Worker interviews are an essential component of labour audits. Understanding the workers' perspective of the working conditions at the shipyard provide insight on how well the management system(s), training courses, grievance mechanisms, anti-discrimination policies, remuneration practices, living conditions, as well as health and safety leadership and good practices are integrated into the daily routines at the shipyard.

Worker interviews must be conducted with a cross section of randomly selected workers from the shipyard workforce, including (sub)contracted workers. The selection of interviewees must be representative of the whole workforce at the shipyard, including men and women, direct employees, agency workers, (sub)contracted workers, local and non-local workers (i.e. migrant workers), and workers performing different tasks at different shifts (where applicable).

The interviews can be sensitive, and the auditor must ensure that the conversations will not result in negative repercussions for the interviewed workers. The auditor must have a cultural understanding, be able to communicate well with the interviewee, as well as explaining the policy of worker anonymity. For the worker interview to be effective, it is important to build trust and set clear expectations.

The auditor should conduct the interviews in a location where the workers feel comfortable. The interview should be without the attendance of management or supervisors, nor should they wait directly nearby or outside the meeting room. The interviewed workers may feel intimidated by this.

Group interviews with workers of same-sex should be considered when there is a case of suspected sexual harassment, or discrimination at the shipyard. The interview must be conducted in a manner appropriate to local cultural context, and prevailing gender norms. Potential issues or findings identified during the interviews should be verified during other parts of the labour audit.

Prior to interviews with representatives of labour unions at the shipyard (if present), the auditor must have talked to, and informed, the shipyard liaison point at management level of the upcoming interviews.

Management Interviews Protocol

The ultimate aim of the labour audit is to check, and if needed, improve the working conditions at the shipyard. The management of the shipyard needs to understand the purpose and scope of the labour audit, as well as their role and responsibility in order to meet labour rights requirements.

The management interviews must therefore seek to understand the underlying weaknesses of the management system, as well as other challenges resulting in labour rights related issues and non-compliances. The results of the labour audit can provide good guidance on better incorporation of labour rights risks and issues in the shipyard's management system and its implementation going forward.

Furthermore, the management interviews provides opportunity to obtain buy-in on identified issues, and potential improvements required. A shipyard's labour rights practices will only be improved, if management understands and supports the purpose of the audit, as well as its findings and conclusions.

If there is a risk of repercussions for the interviewed personnel at management level, the auditor must apply similar principles of caution as for workers' interviews.

Framework for risk classification

The framework enables the user of this guidance to better understand what constitutes a severe and/or systematic risk to labour rights and working conditions at a shipyard, as well as highlighting the definition of good practice.

Table 1. Risk Classification Framework

Criteria and Description:

✘	<p>Severe and/or systematic risks to labour rights and working conditions according to ILO labour conventions and internationally recognised human rights¹, that results in potential or existing severe impact to individual rights, including their rights to health and safety.</p> <p>This can be evidenced through observation(s) and corroborated by interviews or documentation (or lack thereof). Lack of access to company / shipyard information: management system, employees/(sub)contractors and/or records, as well as access to site, can be risk indicators of severe and/or systematic non-compliance.</p> <p>There is a systematic failure of shipyard management system, and lack of control mechanisms, and the leadership has little or no awareness or recognition of relevant labour risks in the organisation and its (sub)contractors on site.</p>
—	<p>Medium to serious risks to labour rights and working conditions according to ILO labour conventions and internationally recognised human rights, that result in potential or existing medium to serious impact to individual rights, including health and safety. These can be systematic risks, but do not have to be systematic in nature, and may also occur as isolated incidences.</p> <p>This can be evidenced through observation(s), interviews or documentation (or lack thereof) provided by the relevant parties.</p> <p>There is a limited implementation of the shipyard’s management system and control mechanisms, and the leadership has limited awareness or recognition of relevant labour risks in the organisation and its (sub)contractors on site.</p>
✔	<p>Isolated observations of risk to labour rights and working conditions according to ILO labour conventions and internationally recognised human rights, however not a systematic reflection of existing management system and control mechanisms.</p> <p>This can be evidenced through observation(s), interviews or record keeping.</p> <p>The shipyard’s management system and control mechanisms are well implemented; however, isolated improvements can be made. Leadership demonstrates good awareness and recognition of relevant labour risks in the organisation and its (sub)contractors on site.</p>
★	<p>The shipyard must have no negative findings from the review, inspection and/or audit of the relevant risk, and it must demonstrate good values and proactive attitudes / practices and mitigation measures that go over and beyond the overall status of “Green” (as defined above).</p> <p>The shipyard may have systems and practices in line with or certified against SA8000 for example, in addition to other good practices.</p> <p>Practices demonstrating “Gold” could also be linked to policies and practices that aim to enhance the Agenda 2030, and/or target the improvement of specific UN Sustainable Development Goals (SDGs).</p>

¹ UN Declaration of Human Rights (UDHR), ILO core labour conventions. ILO work time conventions.




** The assessments will not differentiate the status of a finding into “observation” or “finding”. Non-systematic and isolated findings will be rated according to the “green” definition.*

Corrective actions, report and timeframe

The findings from a review or an audit of a shipyard should be summarised and documented, for example in the form of a report from the assessor. The assessor is ideally a third party consultant with expertise and experience in labour rights reviews or audits in industrial settings. The assessor could also be qualified personnel from the shipyard, the representative from the shipyard’s client, or the financial institution conducting a due diligence as part of their review process prior to providing financing. The labour audit report, along with a Corrective Action Plan (CAP), should be shared with the shipyard for comments and feedback, as well as for the shipyard to be able to address identified issues and findings. Below outlines a possible template for writing the Corrective Action Plan (CAP).

Red risks or findings should be addressed immediately, and mitigated by the shipyard. There should be specific, clearly defined and time-bound mitigation measures or actions addressing identified red risks. Yellow risks are often easier to address, and although they can have a lower priority than red risks, the mitigation measures may be closed-out earlier. Identified yellow rated issues and findings should be followed-up and monitored closely by the shipyard as these can quickly escalate to red if not addressed.

Table 2. Corrective Action Plan (CAP)

	Finding	Corrective Action	Timeline	Department
	Severe risk	Stop negative impact or bad practice immediately, and update management system.	Immediately	Relevant parties may be: Top management at yard, QHSE manager, HR manager, Supply chain management, and/or other involved parties
	Serious to medium risk	Stop potential risk or negative impact. Address faulty control mechanisms and weaknesses in management system.	Case-by-case	Relevant parties would be the management of the areas implicated
	No systematic risks identified, only isolated observations. Overall management system and control mechanisms work well.	Correct isolated observation.	Case-by-case	Most relevant party

Management system and control mechanisms

This section provides an overview of key management system measures and control mechanisms to address salient labour and working condition risks in the shipyard sector.

Shipyard management system

It is important that the labour rights risks and control systems are integrated in the existing management system of the shipyard to ensure its efficiency and implementation. There are some larger and vital parts of the management system addressing labour rights risks such as complaints management and grievance mechanism, (sub) contractor and supply chain management, and training and development of workforce at the shipyard. These elements of a management system are detailed in separate sections within this chapter.

A shipyard's management system(s) should be anchored to leadership values and attitudes, as reflected in the shipyard's mission and vision statements. These are transposed into ambition(s), code of conduct(s) and policies in order to make the shipyard's principles, values and expectations explicit to the employees and workers. A code of conduct guides the behaviour of the people working for the organisation. It would typically address issues such as bribery, corruption, discrimination, as well as the shipyard's overall attitude towards ensuring the health and safety of their workers. It would be appropriate to make the code of conduct applicable to (sub)contractors and suppliers (see section on (sub)contractor and supplier management).

A shipyard must identify appropriate resources and define the roles and responsibilities for ensuring the proper conduct in line with the shipyard's code of conduct and defined policies. It is important that the various roles defined are equipped with the right decision authority, and sufficient capacity for actual implementation of the management system requirements. An example of organisational measures could be establishing a specific worker rights committee that includes management and the workforce, as well as (sub)contracted workforce, or integrating labour rights management in the HSE committee.

A functioning and effective management system should be based on the plan-do-check-improve cycle in line with ISO 9001. The below outlines key activities of the management cycle for labour rights related risks.

Outline of key activities:

Management system cycles:	Plan	<ol style="list-style-type: none"> 1. Labour rights risk identification and assessment 2. Development of management plan(s), standard(s), procedure(s) and/or management tool(s) (such as grievance mechanism)
	Do	<ol style="list-style-type: none"> 1. Implementation and usage of procedures, enforcement of routines and controls, as well as tools. This can be through communication, training of management and workforce, engagement with (sub)contractors and suppliers, development of specific labour rights related contract clauses.
	Check	<ol style="list-style-type: none"> 1. Define relevant KPIs, then monitor activities and performance regularly 2. Report on performance to management, as well as workforce
	Improve	<ol style="list-style-type: none"> 1. Where monitoring demonstrates non-compliances, seek to resolve the non-compliances in a time-efficient manner. 2. Where monitoring demonstrates weaknesses in controls and routines, or in policies and procedures, identify actions to address the weaknesses 3. Seek to identify potential trends and developments that may affect the shipyard’s performance on labour rights and aim to identify pro-active mitigation measures.


The defined targets and KPI’s of a shipyard will drive the organisation’s behaviour. However, KPIs might sometimes have unintended side effects or distort the organisation’s focus too much in one direction. When a shipyard establishes their targets and KPIs for a set period it is important to assess targets and KPIs for potential conflict with measures to ensure compliance with labour rights. The shipyard should focus on developing KPIs that align with the yard’s efforts to ensure labour rights and conditions.

Communication is vital in order to ensure a management system that is “alive” and functioning. The shipyard must engage workers and management on values, performance and on-going mitigation measures. The shipyard should have relevant KPIs and communicate the trends and developments of the KPIs regularly to the workforce. There may be instances where it would be relevant to talk to (sub)contractors, suppliers and even neighbours of the shipyard on labour rights risks to better understand emerging issues and potential re-occurring non-compliances.

Table 3. Management system and risk classification

			
Labour rights policy	Labour rights are not reflected in the shipyard’s policies.	Labour rights are integrated in a non-systematic manner in the shipyard’s relevant policies, and there are several gaps.	Labour rights are adequately integrated in the shipyard’s relevant policies.
Code of Conduct	Labour rights are not reflected in the shipyard’s code of conduct.	Labour rights are integrated in a non-systematic manner in the shipyard’s relevant code of conduct, and there are several gaps.	Labour rights are adequately integrated in the shipyard’s code of conduct.
Organisational resources	There are little or no organisational resources to address labour rights risks at the shipyard and in its supply chain.	There are resources to address labour rights risks, whilst there are several gaps in competencies and/or capacity.	There is adequate resourcing; competencies and capacity, to address labour rights risks at the shipyard and in its supply chain.
Management system	There is no documented management system.	There is a documented management system. However, it is not a “live” management system, and there are several gaps as to what is included and documented.	There is a well-functioning management system in line with ISO 9001 or equivalent.

Best practice demonstration



The shipyard must have no negative findings from the review, inspection and/or audit related to the management system. The shipyard must demonstrate proactive practices that go over and beyond the overall status of “Green”.

The status “Green” is defined as per Table 1 on risk classification, as well as Table 3 above on examples related to management systems and adhering risk classifications.

Best practice demonstration can for example be:

- A fully functioning integrated management systems in line with ISO 14001, ISO 45000 that includes labour rights and issues in line with the SA 8000 standard.

Complaints management and grievance mechanism

Definition of grievance mechanism and outline of minimum requirements

A grievance mechanism is a formalised process and organisational mechanism to ensure a fair and transparent process for raising, investigating and responding to a concern, feedback or a complaint. A worker grievance can be related to the company's treatment of people (employees, contracted or temporary workers) or treatment of workers with (sub)contractors, work site conditions, the work environment, or any other labour rights related issue. The grievance mechanism should however not intervene with or undermine legitimate trade unions in addressing labour related disputes.

Effectiveness criteria for a well-functioning grievance mechanism are summarised below:

- Legitimate; a clear, transparent and equitable process. Personnel administrating the mechanism to have training in addressing disputes and sufficient authority to do so.
- Accessible; informed upon hire/arrival in adequate language(s), and with several ways for providing feedback/complaints, including a workers' representative.
- Predictable; procedure should be simple, clear and with estimated timeframes. Train people in the implementation of the procedure in order to obtain consistent implementation and complaints' management.
- Equitable; the complaint's procedure needs to be fair, and all parties need to have access to information on their rights and obligations.
- Transparent; investigations and outcomes of a complaint to be explained to all parties involved, as well as regular monitoring of the effectiveness of the grievance mechanism.
- Rights-compatible; safeguards to avoid retribution, including options for anonymous communication channels. The grievance mechanism must clearly state that it does not accept retribution towards a potential complainant. There must be mechanisms and processes to protect the complainant from retribution, which includes the possibility to submit anonymous grievances.
- A source of continuous learning; feedback to the management system and aiming to prevent future grievances.
- Based on engagement and dialogue with existing stakeholders including workers and neighbours, if relevant; investigating the grievance should be based on interactions and verifications with relevant people or groups to the complaint-in-question, and discussions with them about their suggested resolution of the complaint. The verification of the mechanism itself should also include interactions with relevant parties.

Grievances, the follow-up and outcomes must be documented in a grievance register, which includes information on date and communication of its resolution, as well as people involved in the case. The outcomes must be freely available to personnel and other parties. Records can be actively used for analysis of trends and risk of systemic issues for subsequent reporting to management.

The UNGP, SA8000 and IPIECA provide further guidance on acceptable grievance mechanisms².

² Link to [UNGPs](#), [SA 8000](#) and [IPIECA](#)

Table 4. Grievance mechanism and risk classification

			
Procedure and mechanisms	Shipyard does not have a grievance mechanism, and the workers do not have a trusted representative for channelling feedback and complaints to management. The shipyard is basing its feedback on “open door policy”.	Shipyard has established a grievance mechanism, but actual use of the mechanism is very limited, which could be evidenced by workers lack of sufficient awareness, trust and/or appropriate channels to use this system.	Shipyard has formalised and documented an accessible and multi-channel grievance mechanism including, for example, complaint boxes, dedicated email, phone line, mobile apps and workers’ representatives.
Communication	<p>There is no communication or explanation of the grievance mechanism, or there are parts of the workforce that do not know of, or understand, the grievance mechanism due to, for example, not speaking the language in which it has been communicated/explained or lack of access to an appropriate communication channel.</p> <p>There is no available information at the yard, the handling of grievances is not based on dialogue, and the outcomes are most often not communicated to the workforce.</p>	<p>The grievance mechanism is not communicated consistently, and some workers may have poor understanding of the mechanism due to for example the language the grievance mechanism is being communicated.</p> <p>There is little information on the grievance mechanism, and the handling of complaints has several weaknesses concerning communication and outcome.</p>	<p>The grievance mechanism is explained to all workers upon arrival at shipyard, and in the language(s) spoken by the workers.</p> <p>There is regularly available information on the grievance mechanism at the shipyard (posters, information screens etc).</p> <p>The handling of complaints is based on dialogue with relevant parties, and outcomes are communicated to the workforce.</p>
Sub(sub)contractor access	There is no grievance mechanism available for (sub)contractor workforce.	The grievance mechanism may be used by subcontracted workforce, whilst this is not well communicated or understood by the (sub)contractor workforce.	The grievance mechanism is extended to (sub)contractor workforce.

<p style="writing-mode: vertical-rl; transform: rotate(180deg);">Record keeping & monitoring</p>	<p>Complaints are dealt with non-systematically, and are not recorded.</p> <p>Shipyard management has no formal monitoring of worker inputs and complaints.</p>	<p>Grievances are semi-systematically registered and documented. There seem to be several gaps in record keeping of complaints.</p> <p>Shipyard management has an informal, infrequent and irregular monitoring of worker complaints and input. KPIs linked to low levels of complaints may deter registration of legitimate complaints and encourage resolving complaints promptly and inadequately rather than registering them,</p>	<p>Grievances are systematically dealt with and documented appropriately in a grievance register.</p> <p>Shipyard management periodically monitors grievance mechanism, workers' inputs and committee meetings such as HSE and/or other committees with worker representation to track labour rights complaints, trends and issues, and to understand whether the grievance mechanism is trusted and used to address grievances.</p>
	<p style="writing-mode: vertical-rl; transform: rotate(180deg);">Non-retaliation & anonymity</p>	<p>The shipyard does not have an explicit non-retaliation policy, nor is there an option to submit complaints anonymously.</p>	<p>There is a non-retaliation policy, but there is no or limited possibilities to lodge complaints anonymously.</p>



Best practice demonstration

The shipyard must have no negative findings from the review, inspection and/or audit related to the grievance mechanism. The shipyard must demonstrate proactive practices and mitigation measures that go over and beyond the overall status of “Green”.

The status “Green” is defined as per Table 1 on risk classification, as well as Table 4 above on examples related to grievance mechanisms and adhering risk classifications.

Best practice demonstration can for example be:

- The grievance mechanism extends to the early recruitment phase in third countries where potential workers can raise a concern bypassing the recruitment agency. These could be concerns such as recruitment fees and other costs charged to the potential worker.
- The grievance mechanism includes regular worker surveys and interviews to proactively identify and address concerns.
- The grievance mechanism is extended to the shipyard’s suppliers e.g. the entire value chain

(Sub)contractor and supply chain management

Definition of subcontractor and a supply chain and outline of minimum requirements

A supplier is an entity that directly or indirectly provides material goods or services (off shipyard premises) to the shipyard, whilst a (sub)contractor is an organisation contracted to carry out work at the shipyard. To address all relevant labour risks for a shipyard it must include labour risks of its (sub)contractors as a minimum, and aim to extend these to suppliers.

The shipyard should have a policy commitment or code of conduct (or similar) clearly stating the labour rights and requirements to manage labour risks. The code of conduct to be distributed among the suppliers and (sub)contractors of the yard, and compliance required. A set of contract clauses on salient labour rights related risks, and measures to address them, are included in the contracts between the shipyard and its (sub)contractors and suppliers.




The shipyard must create an overview of all its suppliers and (sub)contractors, and assess key labour risks and issues in its value chain. Entities identified to represent substantial risks, such as recruitment agencies and (sub)contractors with labour intensive, hazardous work tasks and/or a large portion of migrant workers must undergo detailed due diligence including, but not limited to, review of management systems, results of previous audits, pre-contract audits, site visits and/or similar. If the shipyard has multiple locations or sending some parts of the ship to be built at an offsite (sub)contractor, then these premises should be part of labour rights assessment. The risk assessment of the supply chain is a continuous activity, and all new suppliers and/or (sub)contractors are to be risk assessed.

The shipyard should have a contracting strategy addressing key labour risks in its supply chain. The shipyard must have a clear limit to multiple levels of contracting tiers in order to reduce non-compliance and incidents with suppliers and (sub)contractors. The shipyard must require (sub)contractors (and recruitment agencies where relevant) to include labour risk requirements of the shipyard in the contracts with their subsequent (sub)contractors. Suppliers of key deliveries such as modules to hull construction, where the modules are built at another shipyard are considered high risk, and due diligence must be conducted in line with that of (sub)contractors and recruitment agencies.

The shipyard must integrate (sub)contractors in its systems and processes, including its HSE systems and requirements. (Sub)contractors on site should follow same standards and requirements as shipyard workers, and have the same labour rights.

The shipyard must monitor the on-site working conditions of all workers at the shipyard including (sub)contractors, to ensure compliance with national law and labour standards set out in the shipyard's code of conduct and individual contracts with the yard.

Table 5. Supplier and (sub)contractor management & risk classification

			
Policy and procedures	<p>Shipyard code of conduct, labour policy and procedures do not apply to (sub)contractors, or these are applicable in a very limited scope.</p>	<p>Shipyard has developed a code of conduct, labour policy and procedures that are applicable to (sub)contractors.</p> <p>These are poorly communicated, and subcontracted workforce demonstrate little knowledge of them.</p>	<p>Shipyard code of conduct, labour policy and procedures are applicable to all workers (at the shipyard, including (sub)contracted workers and temporary workers.</p> <p>These are formalised, documented and well-communicated to the (sub)contracted workforce, and the workers have received appropriate training to confirm understanding.</p>
Risk identification & assessment of (sub)contractors and suppliers	<p>The shipyard does not keep overview of (sub)contractors and suppliers, and does not map the labour risks in these.</p>	<p>The shipyard has a partial overview of (sub)contractors and suppliers. The shipyard's risk identification and assessment of these are not systematic.</p>	<p>The shipyard keeps a complete overview of its (sub)contractors and suppliers, identifies & assesses key labour risks, and keeps records of this process.</p> <p>The shipyard aims to reduce risk according to severity and likelihood.</p>
Due diligence of (sub)contractors & suppliers	<p>There is limited or no due diligence done of (sub)contractors and recruitment agencies.</p>	<p>There is a non-consistent approach to due diligence of (sub)contractors and recruitment agencies, and the shipyard has only conducted due diligence of some of these.</p>	<p>The shipyard conducts systematic due diligence, in particular risk identification and assessment of potential new (sub)-contractors and recruitment agencies prior to contract agreement.</p> <p>A pre-qualification process whereby the (sub)contractor/recruitment agency is required to demonstrate its compliance with shipyard labour policies.</p> <p>The shipyard will identify high-risk suppliers and conduct due diligence on these.</p>

<p>Tendering & contract selection</p>	<p>The shipyard does not have a set of labour rights selection criteria for tendering processes for potential (sub)contractors and recruitment agencies.</p> <p>The shipyard does not limit the level of (sub)contractors.</p>	<p>The shipyard has vague or poorly defined labour rights selection criteria in the tendering process for potential (sub)contractors and recruitment agencies.</p> <p>The shipyard does limit the level of (sub)contracting tiers, however lack adequate oversight.</p>	<p>The shipyard has clearly defined labour rights selection criteria in the tendering process for potential (sub)contractors and recruitment agencies.</p> <p>The shipyard also has a (sub)contracting strategy limiting the levels of (sub)contracting tiers.</p>
<p>Supervision, monitoring & reporting of (sub)contractors</p>	<p>(Sub)contractors are acting for the most part independently; Shipyard does not monitor their performance on labour rights.</p> <p>(Sub)contracted workforce is not represented in relevant decision fora.</p>	<p>There is a non-systematic induction and irregular monitoring of labour rights within (sub)contractor workforce.</p> <p>The monitoring is irregular in the sense of infrequent, selection of risks that are assessed, as well as (sub)contractors followed-up. Outcomes are not necessarily reported to management, and non-compliances are inadequately addressed.</p> <p>(Sub)contracted workforce is represented in relevant decision fora. However, the representative is not elected by the workforce.</p>	<p>There is a systematic training (including induction training) and monitoring of labour rights within (sub)contractor workforce.</p> <p>Monitoring must include regular reviews of (sub)contractor compliance with labour rights requirements. Outcomes to be reported to management and non-compliances are adequately addressed.</p> <p>(Sub)contracted workforce is also represented in relevant decision fora. The representative is chosen by the (sub)contractor workforce.</p>
<p>Supervision, monitoring & reporting of recruitment agencies</p>	<p>Recruitment agencies are acting independently; Shipyard does not monitor their performance on labour rights.</p>	<p>There is a non-systematic monitoring of recruitment agencies' compliance to labour rights requirements. Key outcomes are not necessarily reported to shipyard management, and non-compliances are inadequately addressed.</p> <p>Monitoring lacks focus on key risks of the recruitment agencies</p>	<p>There is a systematic and risk based approach to monitoring of recruitment agencies' compliance to labour rights requirements. Outcomes to be reported to shipyard management, and non-compliances to be adequately addressed.</p> <p>Monitoring to focus on risks such as use of local agents in third countries, and their practices around recruitment fees.</p>

Supervision, monitoring & reporting of other key suppliers	<p>Key suppliers are acting independently; Shipyard does not monitor their performance on labour rights.</p>	<p>There is a non-systematic monitoring of compliance to the shipyard’s code of conduct for labour rights. Key outcomes are not necessarily reported to shipyard management, and non-compliances are inadequately addressed.</p>	<p>There is a systematic and risk-based approach to monitoring of compliance to the shipyard’s code of conduct for labour rights.</p> <p>All suppliers are mapped and high-risk suppliers to be prioritised for monitoring, for example, suppliers of key deliveries such as modules for hull production.</p> <p>Outcomes are reported to shipyard management, and non-compliances are adequately addressed.</p>
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Best practice demonstration

The shipyard must have no findings from the review, inspection and/or audit related to supplier and (sub)contractor management. The shipyard must demonstrate proactive practices and mitigation measures that go over and beyond the overall status of “Green”.

The status “Green” is defined as per Table 1 on risk classification, as well as Table 5 above on examples related to supplier / (sub)contractor management and adhering risk classifications.

Best practice demonstration can for example be:

- Shipyard has a (sub)contractor Management Plan that details how (sub)contractors are managed, labour requirements, roles and responsibilities, KPIs etc.
- The shipyard conducts training of personnel at recruitment agencies on labour rights, and actively take part in review of agents in the countries where the agency is sourcing labour.
- The shipyard may include incentives schemes for particularly good performance concerning labour rights with their (sub)contractors, recruitment agencies and key suppliers.
- Shipyard has an agreement with an independent organisation to audit all its premises including (sub)contractors annually to evaluate progress on agreed actions and recommendations for continual improvements.




Training and development

Training and development of management and workforce is an important organisational tool to ensure effective, correct and consistent implementation of labour rights policies, procedures, grievance mechanisms and other measures to reduce labour risks. It provides a common language and understanding throughout the shipyard.

The shipyard should conduct targeted training for personnel in relevant business functions, as well as training the workforce as to their rights and responsibilities. The shipyard’s labour rights training programme should be based on labour risk assessments, as well as on-going monitoring results. The training programme can be summarised in a training plan tailored to the shipyard’s key risks and issues. It is important that the training:

- consider the background and characteristics of the workforce such as language, culture, gender and educational level in order to tailor training material and teaching methods that will be most effective for them, and
- includes all relevant parties such as (sub)contractor workforce.

Table 6. Training & risk classification

			
Workforce awareness and training	The workforce is not trained in the shipyard labour policies and their rights and responsibilities.	Only parts of the workforce have been made aware of their rights in line with a labour policy. Inductions and/or training are irregular. Migrant workers have not received a labour policy at country of recruitment, but upon arrival. There may be risks of the worker not fully understanding the content.	All workers including subcontracted workers have been made aware of their rights in line with a well-communicated labour policy through induction and/or regular training. For migrant workers this includes being adequately informed at country of recruitment, and upon arrival, in a language of which the worker is literate.
Management training	There is no management training on labour rights.	There is non-systematic and/or irregular training for managers and supervisors/foremen on company management systems and requirements concerning labour rights. There are gaps in the training material concerning key risk and measures.	There is specific training for managers and supervisors/foremen on company management systems and requirements concerning labour rights. The training should include how to identify and handle non-compliance.

Record keeping	There is no register of conducted training.	There is non-systematic documentation of training. There is not a method to verify understanding of the training, and representatives from the workforce demonstrate little understanding of labour rights and responsibilities.	There is systematic and diligent documentation of conducted training, and there should be a method to verify the understanding (for example a test).
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Best practice demonstration

The shipyard must have no findings from the review, inspection and/or audit related to training. The shipyard must demonstrate proactive practices and mitigation measures that go over and beyond the overall status of “Green”.

The status “Green” is defined as per Table 1 on risk classification, as well as Table 6 above on examples related to training and adhering risk classifications.

Best practice demonstration can for example be:

- External support from qualified personnel/consultants to develop and hold labour rights training.
- Trade unions and worker representatives are engaged in the training, conducting co-training along with qualified personnel.
- Management training includes exposure to practical experiences such as partaking in risk mapping and assessments, site visits and review of (sub)contractors/suppliers.
- The shipyard has a mentoring or support system on labour rights for key functions and/or roles.
- Labour rights training programme well integrated in to the overall training programme for the employees and workforce at the shipyard. The programme includes skills development and long-term development of the employees.

Specific labour risk management

The below section will discuss key aspects, organisational risks and management measures for each of the eight labour risks outlined in this guideline.

Child labour

Definition of child labour and outline of minimum requirements

Child labour is defined as any person under 15 years of age, unless the minimum age for work or mandatory schooling is higher by local law, in which case the stipulated higher age applies in that locality. Any work performed by a child younger than the age(s) specified in the above definition of a child, except as provided for by ILO Recommendation 146. Hazardous work for anyone under the age of 18 is prohibited.

Use of child labour is not permissible. Workers can be no less than 15 years of age and not younger than the compulsory age to be in school. Shipyards, its (sub)contractors and suppliers will not utilise child labour in any parts of their operations. Development of legitimate workplace apprenticeship programs for the educational benefit of young / juvenile workers (age >15, but <18 years) is permissible as long as the programme does not include hazardous work.

This can be defined as work a) which exposes children to physical, psychological or sexual abuse; b) underground, under water, at dangerous heights or in confined spaces; c) involving dangerous machinery, equipment and tools, or which involves the manual handling or transport of heavy loads; d) in an unhealthy environment which may, for example, expose children to hazardous substances, agents or processes, or to temperatures, noise levels, or vibrations damaging to their health; or e) under particularly difficult conditions such as work for long hours or during the night or where the child is unreasonably confined to the premises of the employer.

Remediation of child labourers:

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




Young/Juvenile worker:

Any worker under the age of 18, but over the age of a child, as defined above. Juvenile workers are accepted in shipyards only as part of workplace apprenticeship programs of technical schools, which are supported and regulated by local government. It is prohibited for the shipyard to expose juvenile workers to hazardous work, as defined above and as per national legislation.

Risk classification of child labour findings

The table below summarises the main management aspects related to child labour, and proposes a scaling (red, yellow, green) of the robustness (or lack thereof) of each management aspect.

Table 7. Child labour and risk classification

			
Child Labour Policy	Shipyard policy prohibiting any form of child labour, but not extended to (sub)contractors, or the shipyard does not have a policy and there is risk of child labour at yard or with (sub)contractors.	Shipyard policy prohibiting any form of child labour, as well as for (sub)contractors. However, the shipyard has not defined who(!) is considered a “child”.	Shipyard policy prohibiting any form of child labour (<15 years of age), that also applies to (sub)contractors and prohibition on hazardous work under 18 years of age.
Age verification	Shipyard has an age verification procedure, but does not include (sub)contractors on site. Or shipyard does not have an age verification procedure at all.	Shipyard has an age verification procedure, but not systematically implemented and documented, including for (sub)contractors. There are no regular checks.	Shipyard has an age verification procedure effectively implemented and documented, and regularly checks both workers and (sub)contractors.
Juvenile workers	<p>There are juvenile workers on site, whilst they are not part of a school’s internship program.</p> <p>The shipyard has juvenile workers perform hazardous work according to the shipyards HSE risk assessments. Or the shipyard lack HSE risk assessments of hazardous work performed by juvenile worker.</p> <p>Juvenile workers are doing night shift on similar basis/need as other workers on site.</p>	<p>Most juvenile workers have agreements with the relevant schools about their apprenticeship</p> <p>The shipyard has poorly defined tasks and responsibilities for juvenile workers, which again are poorly risk assessed.</p> <p>In principle, juvenile workers do not perform night work, whilst the manning list show occasional episodes of juvenile workers doing night shifts.</p>	<p>Juvenile workers at shipyard have internship agreements in place between the school/institution and the shipyard.</p> <p>The shipyard has clearly defined tasks and responsibilities for juvenile workers that has undergone an HSE risk assessment and that is not hazardous work Juvenile workers are actively managed and monitored in terms of support, task orientation, as well as health and safety inductions</p> <p>There are no juveniles working night shift at the shipyard. This is confirmed through yard staffing list and other forms of documentation.</p> <p>An isolated episode of breach to this effect due to misunderstandings or emergency resourcing will still enable a “green” status.</p>

Child Remediation Plan	<p>There is no remediation plan in place, and there is a risk of child labour occurring at the organisation and its (sub)contractors on site. There may have been incidences of this occurring in the past.</p>	<p>There is no remediation plan in place, but incidents of child labour have not historically occurred at the organisation and its (sub)contractors on site.</p>	<p>Shipyard has a remediation plan in place. This clearly outlines the plan for terminating the child’s employment, compensating the family and ensure the continued schooling of the child.</p>
Site visit observations	<ol style="list-style-type: none"> 1. Observation of children on site performing tasks for the shipyard. 2. During spot checks of worker files, many workers and/or (sub)contractor lack ID papers confirming age. 3. Observation of juvenile workers working at height or in confined spaces. 4. During site check of staffing lists, they confirm that juveniles also work night shifts. 5. (Sub)contractors have no policy or statements with regards to child labour, as well as no age verification process. 	<ol style="list-style-type: none"> 1. No children observed, however no systematic checks of (sub)contractors through age verification processes. 2. Conversation with juvenile workers demonstrate lack of awareness of health and safety risks at the workplace and understanding of key HSE mitigation measures. 3. Records show incidences of juvenile workers exceeding working hours and/or working at night. 	<ol style="list-style-type: none"> 1. No observation of children on site 2. Worker/sub(sub)contractor files verified on site include ID papers confirming age of the worker/(sub)contractors 3. No observations of juvenile workers performing hazardous work 4. Staffing lists confirm that juvenile workers do not work night shift



Best practice demonstration

The shipyard must have no findings from the review, inspection and/or audit related to child labour. The shipyard must demonstrate proactive practices and mitigation measures that go over and beyond the overall status of “Green”.

The status “Green” is defined as per Table 1 on risk classification, and Table 7 above on examples related to child labour and adhering risk classifications.

Best practice demonstration can for example be:

- A systematic and proactive follow-up of the shipyards risk of toward child labour at (sub)contractors and suppliers, through upfront leadership engagements and verifications of potential new agreements or contracts.
- Participation in industry initiatives on labour rights in the shipyard sector that includes the risk of child labour and juvenile workers

- The shipyard may have a buddy or mentoring structure for juvenile workers and may have specific platforms for juvenile workers to exchange experience; good and bad.

Forced labour

Definition of forced labour and outline of minimum requirements

Forced Labour refers to situations in which persons are coerced to work by using violence or intimidation, or under the threat of punishment or retaliation. But forced labour can also appear in more subtle or less obvious forms that exist in business operations and supply chains around the world. These more subtle forms of “modern slavery” as the term is sometimes used, is based on exploitation of vulnerabilities, is often financial in nature, and is an integral part of many supply chains.

In particular, the requirement that workers pay fees to get a job (recruitment fees, travel to workplace or accommodation fees) can leave them in situations of debt bondage, an indicator of forced labour, whatever the subsequent conditions of employment is, as well as situations of withholding salary. Other means can be retention of identity papers/passports or threats of denunciation to immigration authorities. All work or service that is demanded as a means of repayment of debt can also be considered forced labour.

Company procurement practices and operating procedures however can increase the likelihood of their goods being produced in ways which may make exploitation, including forced labour, more likely³. Shipyards and/or its (sub)contractors utilising migrant workforce should take due care in the development of their recruitment strategy, including the selection of potential recruitment agencies, particularly agencies in third countries, ensuring that these agencies do not charge workers fees to secure jobs at the shipyard or with (sub)contractors.

A shipyard and its (sub)contractors shall not deploy any form of forced labour and shall pay any necessary employment and recruitment fees themselves – i.e. the “employer pays principle”⁴. Workers shall not be required to pay any form of recruitment fees in whole, or in part, for securing a job. The terms of employment contract (such as position, job description, salary and working hours, deductions, fees and paid leave and travel compensations) shall be the same in the country of recruitment (home country) as the country of employment/work (host country), and shall be in a language understood by the worker.

All workers should have direct, unrestricted and immediate access to their identification papers. Personnel shall have the right to leave the workplace premises after completing the standard workday, and be free to terminate their employment without incurring fines, provided that they give reasonable notice to their organisation.

For good reference with regards to migrant workers and the risk of forced labour one should look to the Dhaka principles⁵.

Risk classification of forced labour findings

The table below summarises the main management aspects related to forced labour, and proposes a scaling (red, yellow, green) of the robustness (or lack thereof) of each management aspect. For this labour risk it is particularly important to have a formalised, well-communicated and well-functioning




³ <https://www.ihrb.org/focus-areas/migrant-workers/briefing-forced-labour>

⁴ <https://www.ihrb.org/employerpays/>

⁵ <https://www.ihrb.org/dhaka-principles>

grievance mechanism, as well as a regular and systematic follow-up and management of (sub)contractors. See separate chapters on these topics under “Management system and control mechanisms”.

Table 8. Forced labour and risk classification

			
Forced labour policy	<p>Shipyard does not have a forced labour policy, and does not address the risk of forced labour.</p>	<p>Shipyard has a policy on the prohibition of forced labour, but the policy may not cover all workers at the yard (including (sub)contractors and recruitment agencies).</p> <p>The policy is not communicated to all workers at the yard.</p>	<p>Shipyard has a policy prohibiting forced labour and all its forms that covers all workers at the shipyard, including (sub)contractors and recruitment agencies.</p> <p>This is communicated to all workers at the yard.</p>
Recruitment process & fees	<p>The shipyard permits the use of recruitment fees. There is no verification of recruitment agencies and (sub)contractors to what extent these fees are exorbitant.</p> <p>Agreements with agents do not specify responsible recruitment measures, and there is no restriction on the use of sub-recruitment agents.</p>	<p>In principle workers do not pay recruitment fees. However, no systematic approach to verify this with recruitment agencies and (sub)contractors is in place.</p> <p>Agreements with agents only specify fragmented responsible recruitment measures on a high level, and there is little to no restriction on the use of sub-recruitment agents.</p>	<p>No workers at the shipyard pay any form of recruitment fees, instead, the shipyard applies the employer pays principle and the shipyard has procedures to verify this which includes due diligence of recruitment agencies and (sub)contractors.</p> <p>Agreements with agents specify responsible recruitment measures, including restrictions on charging workers for recruitment and penalties on the use of sub-recruitment agents.</p>

Terms of employment	<p>There are systematic differences in contracts to the detriment of the worker.</p> <p>The employment fees are exorbitant.</p>	<p>For some of the contracts there are considerable differences in terms specified in country of recruitment (home country) versus country of employment (host country). The worker would not have accepted the conditions of latter if would have been presented to him/her in country of recruitment, and find him- or herself locked in a time-bound agreement.</p> <p>The employment fees are not reasonable or at cost. The fees may constitute a considerable part of the worker salary, or there are “hidden fees” for maintenance, repairs etc.</p>	<p>The terms of employment are the same between country of recruitment (home country) and country of employment/work (host country). The worker demonstrates full understanding of his/her contract, and it is in a relevant language.</p> <p>There are no recruitment fees, and employment fees are reasonable and at cost. The yard services, such as accommodation, food and transportation are provided at or below cost.</p>
Access to ID papers	<p>Identification papers of workers are withheld, and/or there is a safe keeping system with restricted access (i.e. opening hours, approval of supervisor, reason and proof for request etc) to identification papers.</p>	<p>All workers at the yard have unrestricted and immediate access to identification papers through a joint safe keeping system at the shipyard.</p>	<p>All workers at the yard have direct, unrestricted and immediate access to identification papers through the form of a safe or a locker.</p>
Freedom of movement	<p>Workers are restricted, coerced or intimidated to remain at work site or accommodation facilities. For example accommodations may have curfews, and workers are given fines/penalties for breaching these.</p> <p>There are excessive periods of notice for terminating the employment contract or substantial fines or penalties at the yard and/or its (sub)contractors.</p>	<p>There is not a uniform approach to the management of the accommodation facilities i.e. workers subject to various degrees of movement restriction.</p> <p>The yard applies standard periods of notice in order to the terminate employment contract, and do not apply any form of fines or penalties. However, this is not systematically extended to (sub)contractors.</p>	<p>All workers are free to leave the premises and their accommodation as they see fit outside of standard contracted working hours.</p> <p>The yard and its (sub)contractor apply standard periods of notice in order to terminate the employment contract, and do not apply any form of fines or penalties.</p>

Site visit observations			
	<ol style="list-style-type: none"> 1. Workers interviews confirm a systemic lack of awareness of forced labour issues and labour rights. 2. The workers do not tend to receive a copy of their employment contract, and several workers confirm the terms changed from recruitment to arrival at shipyard, such as position, job description and hourly rate. 3. Worker interviews confirm payment of recruitment fees in home country, or exorbitant employment fees. 4. The workers do not have access to personal safe keeping of identification papers. Worker interviews confirm having given their identification papers to the company, and that these are retained. 5. The worker interviews confirm that they cannot freely enter and leave the accommodation at any given time during time-off. 6. There are legal ramifications including loss of work rights in the country or prison for resigning. 	<ol style="list-style-type: none"> 1. Workers interviews confirm that not all workers have awareness of forced labour policies and procedures 2. Some workers confirm they have not been provided a copy of their employment contract, but it does not seem systematic. 3. Worker interviews confirm some workers have paid recruitment fees, ort employment fees that are not reasonable or at cost, but it does not seem systematic. 4. Some rooms or accommodations do not have individual lockers used for safe keeping of valuables such as identification papers, whilst this is not a systemic issue. 5. Some of the workers at the yard have not been equipped with keys/access cards in order to freely enter and leave the accommodation at any given time during time-off, but it does not seem to be systematic. 6. Worker interviews confirm that they are not allowed to take compassionate leave such as caring for sick family members. 	<ol style="list-style-type: none"> 1. Workers interviews confirm their awareness of forced labour policies and procedures 2. Workers have copy of their employment contract in adequate language confirming no change in terms from those presented during the recruitment process. 3. Worker interviews confirm they have not paid recruitment fees, or employment fees that are unreasonable or at cost. 4. The worker accommodation has individual lockers used for safe keeping of valuables such as identification papers. 5. The workers are equipped with keys/access cards in order to freely enter and leave the accommodation at any given time during time-off.



Best practice demonstration

The shipyard must have no findings from the review, inspection and/or audit related to forced labour. The shipyard must demonstrate proactive practices and mitigation measures that go over and beyond the overall status of “Green”.

The status “Green” is defined as per Table 1 on risk classification, as well as Table 8 above on examples related to forced labour and adhering risk classifications.

Best practice demonstration can for example be:

- Shipyard commitment to Employer Pays Principle applicable for all workers at the yard, including subcontracted workers, and with special attention to migrant workers at the shipyard. The shipyard is reimbursing/repaying all workers that can demonstrate they paid recruitment fees.
- Prevention and mitigation measures addressing the risk of forced labour is enforced not just to (sub) contractors, but also throughout the supply chain.
- The shipyard seeks to collaborate with key parties to address the issue of forced labour over and beyond mitigating the risk at the shipyard. This can be collaborations with recruitment agencies, but also entities such as NGOs and research facilities.
- The shipyard has adopted a proactive and transparent approach to managing forced labour, and communicate openly to its stakeholders, including the public.
- Shipyard has developed a grievance mechanism where migrant workers can provide feedback directly to shipyard from their home country during the recruitment process. This feedback can also be provided anonymously.

Freedom of association and collective bargaining

Definition of freedom of association and collective bargaining and outline of minimum requirements

The shipyard must respect workers’ rights to form, join and organise trade union organisations of their choice and to bargain collectively. Shipyards must respect the right to freedom of association and the right to organise and bargain collectively without unlawful interference.




Shipyards should ensure that workers who make such decisions or participate in such organisations are not the object of discrimination or punitive disciplinary actions and that the representatives of such organisations have access to their members under conditions established either by local laws or mutual agreement between the employer and the worker organisations.

In countries where formal worker unions and collective bargaining are restricted, alternative organisational measures should be developed that provide freely elected worker representation in accordance with local laws.

Risk classification of freedom of association and collective bargaining findings

The table below summarises the main management aspects related to promoting freedom of association, and proposes a scaling (red, yellow, green) of the robustness (or lack thereof) of each management aspect.

Table 9. Freedom of association and risk classification

			
Labour Unions	<p>Shipyard actively blocks workers’ right to freedom of association and collective bargaining.</p> <p>The shipyard applies unreasonable searches, police or military force to obstruct workers’ right to freedom of association, or other forms of threats, sanctions or intimidation.</p>	<p>There is no policy acknowledging the workers’ right to form and join organisations of their choice, and to bargain collectively.</p> <p>There is one or more active unions at the shipyard, but it is limited to certain workers (such as white-collar or direct workers) or an article in the worker’s employment contract limits workers to join a workers’ organisation.</p>	<p>The shipyard respects workers’ rights to form and join organisations of their choice and to bargain collectively. Shipyard established a policy acknowledging the workers’ right to form and join organisations of their choice and to bargain collectively, and this is applicable to all workers at the shipyard</p> <p>There is one or more active worker unions at the shipyard.</p> <p>In the case where there is no unions and such is not restricted by local law, the workers have the right and potential to form and join organisations of their choice if they chose to.</p>

Worker's Representatives	Worker's representatives were not chosen freely, and/or was appointed by the yard. The representative(s) do not participate in relevant committee meetings or do participate but committee meetings are not related to labour rights or work place issues.	There are freely elected worker representatives, but they are not invited to join relevant committee meetings, or committee discussions limited to HSE related matters.	Workers chose their representatives freely without any form of interferences by the shipyard. Shipyard accepts these representatives and periodically meet with them to discuss labour rights and work place issues.
Non-retribution	Workers organised in trade unions and/or elected workforce representatives face retribution or are discouraged from joining such organisation on fear of retribution.	Workers organised in trade unions and/or elected workforce representatives, however workers are not systematically protected against potential retribution (either as part shipyard policy and practice.)	Workers organised in trade unions and/or elected workforce representatives are protected against potential retribution as part of shipyard policy and practice.
Communication	Shipyard does not allow for the worker organisations' to disseminate information at the shipyard.	Shipyard would to some extent allow for the worker organisations' to disseminate information at the shipyard, but not fully.	Shipyard provides opportunity for the worker organisations' to disseminate information at the shipyard. This may be informative posters, leaflets or other forms of communication.

Site visit observation	<ol style="list-style-type: none"> 1. There is an article in the contract which limits workers' rights to join a workers organisation 2. No policy of Freedom of Association and workers' organisations. 3. Shipyard dismissed contracts of workers who are joining workers' organisation. 4. Shipyard appointed workers' representatives and influences the activities of these representatives. 5. Shipyard management prevent or intimidate workers to join workers' organisation meetings. 	<ol style="list-style-type: none"> 1. Lack of clarity in contracts regarding permitting workers to join worker organisations. 2. There are worker's representatives in the shipyard but shipyard management does not communicate with them or invite them to committee meetings, or committee discussions limited to HSE matters 3. Workers are not using the grievance mechanism because they are not trained to do so. 4. (Sub)contractor workers are not aware of their rights and they are not trained in freedom of association. 	<ol style="list-style-type: none"> 1. There is an active union in the shipyard. Union and workers' representatives communicate freely with the shipyard. 2. Workers conducted an independent and free worker's representative election. Shipyard officially accepted these representatives and invite them in committee meetings. 3. Workers including (sub)contractor workers were able to raise their concerns and issues via grievance mechanism within the shipyard. 4. Training records showed that all workers including (sub)contractors workers receive training on freedom of association and workers' representative system.
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Best practice demonstration

The shipyard must have no findings from the review, inspection and/or audit related to freedom of association. The shipyard must demonstrate proactive practices and mitigation measures that go over and beyond the overall status of "Green".

The status "Green" is defined as per Table 1 on risk classification, and Table 9 above on examples related to freedom of association and adhering risk classifications.

Best practice demonstration can for example be:

- The shipyard periodically conducts meetings with the representative of workers' organisations and incorporate their perspectives in policy and procedure updates.

Discrimination

Definition of discrimination and outline of minimum requirements

The ILO core convention relevant to manage the risk of discrimination are the Convention on Equal Remuneration (no. 100, 1951) and the Convention on Discrimination (Employment and Occupation) (no. 111, 1958)). In respect of these, the shipyard should have a policy on non-discrimination and equal opportunities for recruitment and employment. This should cover differential treatment due to race, colour, gender, religion, political opinion, national extraction or social origin that results in inequality of work opportunity. This includes discrimination against migrant workers with regard to wages, working conditions and employment terms and discrimination against workers based on their employment status (e.g. part time/full time). This should also apply to discrimination with respect to working conditions, advancements, home leave, etc.

There are particular vulnerable groups at some shipyards that are of risk for discrimination such as (but not limited to) low-skilled labour, short term hires, female and/or migrant workers, and subcontracted workers. For example, this could be the case for women performing catering and cleaning services. There should be particular effort made to follow up these vulnerable groups, and ensure discrimination does not occur or is addressed in a timely and appropriate manner.

In sectors like shipbuilding, where low-skilled workers and/or workers with low level of literacy are hired, shipyards should pay particular attention to their Human Resource planning in operations to ensure all workers are treated with fairness and dignity.

Dignity: The right of workers to be valued and treated in an ethical manner; to be protected from bullying, harassment, or any forms of disciplinary action deemed overly harsh or degrading; and to have their right to privacy respected.




Fairness: The promotion of equality in workplace policies, processes, and forums to ensure fairness in employment and provide opportunities in a non-discriminatory manner.

Harassment: Unwanted conduct that violates an individual's dignity or creates an intimidating, hostile or offensive environment for the individual because of sexual orientation, gender expression or identity.

Risk classification of discrimination findings

The table below summarises the main management aspects related to discrimination, and proposes a scaling (red, yellow, green) of the robustness (or lack thereof) of each management aspect.

Table 10. Discrimination and risk classification

			
Policy	The shipyard does not have any form of anti-discrimination policy and procedures in recruitment and employment. There is not equal pay for equal work.	Shipyards' anti-discrimination policy and procedures do not cover (sub)contractor workers and/ or all aspects of discrimination. Equal pay for equal work is not enforced.	The shipyard has established an anti-discrimination policy and procedures for recruitment and working conditions. The policy and procedures cover all workers including (sub)contractors, and all aspects of discrimination. There is equal pay for equal work.
Facilities & equipment	The facilities and equipment can lead to discrimination of certain groups	The yard lacks some appropriate facilities and equipment.	Facilities and equipment (accommodation, sanitary facilities, changing rooms, and adequate PPE and equipment) are appropriate for all workers. There is particular attention to at risk groups such as female workers.
Recruitment/Benefits	Recruitment practices can lead to discrimination or unequal access to opportunities. The results of medical tests are reviewed by the HR team before selecting candidates.	The non-discrimination and equal opportunity procedure is not clearly understood by or explained to recruitment staff. Advertisements contain clauses that can be discriminatory. Medical testing by the (sub)contractors is not regulated.	The recruitment practice is based on the ability to perform the job effectively. Advertisements for jobs do not include discriminatory clauses. Health tests, if required, are only job related for the safe performance of the tasks are performed by a qualified doctor.
Awareness	Anti-discrimination is not included in the training. There is no procedure in place to deal with discrimination complaints.	The staff and workers are not aware of the issues, or have not received sufficient awareness through training. Discrimination issues, though accepted in the available complaint mechanism, are not well handled.	The staff and workers including (sub)contractor workers are aware of and trained in the shipyard's anti-discrimination policy and procedures. There is a complaint mechanism that is appropriate for discrimination issues.

Site visit observation			
	<ol style="list-style-type: none"> 1. The shipyard does not have an anti-discrimination policy, and the subject is not part of the training. 2. There are no guidelines for recruitment agencies to follow. 3. Recruitment ads specify discriminatory aspects (sex, religion, ethnic origin) of worker candidates. 4. Worker interviews reveal that there are discriminatory practices, but there are negative consequences for reporting these. 5. There is not equal pay for equal work. 6. The facilities provided are clearly discriminatory. 7. Employment contracts include a clause that states the workers will commit to not get pregnant or marry in the first year of employment. 	<ol style="list-style-type: none"> 1. Shipyards anti-discrimination policy applies only its full-time workers. (Sub)contractor anti-discrimination recruitment and payment policies are not checked. 2. The facilities and equipment are not sufficient for all workers. 3. Worker interviews reveal that there is discrimination, but no real way to complain about the issues. 4. There can be difference for equal pay for equal work among workers at the yard, particularly in the subcontracted workers. 	<ol style="list-style-type: none"> 1. The shipyard has a robust anti-discrimination policy and the policy is communicated through training and understood by all workers including (sub)contractors. 2. Shipyard has a workforce that reflects non-discriminatory recruitment. 3. Worker interviews with representatives of vulnerable groups at risk for discrimination confirms that any potential issues are dealt with effectively. 4. Payroll records show that there is equal pay for equal work. 5. There are changing rooms, toilets, food, PPE, etc that are appropriate for all workers



Best practice demonstration

The shipyard must have no findings from the review, inspection and/or audit related to discrimination. The shipyard must demonstrate proactive practices and mitigation measures that go over and beyond the overall status of “Green”.

The status “Green” is defined as per Table 1 on risk classification, and Table 10 above on examples related to discrimination and adhering risk classifications.

Best practice demonstration can for example be:

- The shipyard is working with an external independent NGO to track its performance on anti-discrimination.
- The shipyard is taking active measures (i.e. outreach to school programmes, marginalised groups) to promote a more diverse group of people for its workforce.
- To prevent discriminating against adults with family commitments such as children the shipyard can establish accommodations for the whole family. Similarly the shipyard can establish separate accommodation facilities for female workers to safeguard from harassment off-duty.
- The shipyard takes particular measures to follow-up on vulnerable groups at risk for discrimination, such as but not limited to, female workers performing cleaning or catering services. These measures may include enhanced grievance monitoring, enhanced

sensitivity training for supervisors, dedicated resource trusted by the workers to follow-up these issues.

Disciplinary practices

Definition of disciplinary practices and outline of minimum requirements

There are no clearly set boundaries addressing workplace disciplinary practices. However, general principles pertaining to non-discrimination, prohibition of forced labour, as well as prohibition of cruel and/or inhumane or degrading treatment are applicable in this case.


Companies use disciplinary measures and procedures to maintain orderly and safe operations. Shipyards must however protect their workers and (sub)contractors from inhumane treatment and/or abuse. Shipyards should use incentive schemes to improve overall workplace performance instead of punishing and intimidating workers, or giving financial penalties to workers.

The shipyard can make (sub)contractor companies liable for damages on equipment and similar. However, these liabilities cannot be transferred to personal liabilities for the individual worker.

Risk classification of disciplinary practices findings

The table below summarises the main management aspects related to disciplinary practices, and proposes a scaling (red, yellow, green) of the robustness (or lack thereof) of each management aspect.

Table 11 Disciplinary practices and risk classification

			
Policy	Shipyard does not have any policy on disciplinary practices. Actions and/or behaviour that leads the disciplinary actions are not clearly communicated to workers.	Shipyard has a policy about disciplinary practices, but the sequence of warning levels or the actions and/or behaviour that leads the disciplinary actions are not clear and/ or not clearly communicated to the workers.	Shipyard has a disciplinary practices policy. The sequence of warning levels and the actions and/or behaviour that leads the disciplinary actions is clearly stated and communicated to all workers and (sub)contractors.
Disciplinary Committee	The shipyard does not have a disciplinary committee. Worker contracts are terminated without right to respond to and/or appeal any disciplinary decisions.	The shipyard has a disciplinary committee, but the workers are not given any right, or limited right to respond to and/or appeal any disciplinary decisions.	The shipyard has a disciplinary committee. Workers have an access on the details of the allegations and have right to respond to and/or appeal any disciplinary decisions without any negative influence. Workers have right to be represented by trade union.

Penalties	Shipyard has policy or practice for mandating financial penalties/deductions to workers or sub-contracted workers.	Shipyard does not mandate financial penalties/deductions to workers for disciplinary issues. Eventual fines for legitimate disciplinary action are issues to subcontracting company (where relevant) however procedure do not ensure that penalties are not passed on to subcontracted workers.	Shipyard does not mandate financial penalties /deductions to workers for disciplinary issues. Eventual fines for legitimate disciplinary action are issues to subcontracting company (where relevant) and procedure ensures penalties are not passed on to subcontracted workers.
Records	Shipyard does not have any documentation about disciplinary practices apart from termination of contracts.	Shipyard does not keep records of written warnings in personnel files.	The shipyard systematically records all previous cases about disciplinary actions resulting in written warning. All records of disciplinary actions taken for an individual case can be found in personnel files.
Awareness	No training is provided by shipyard in order to raise the awareness of company's disciplinary policy and procedures.	(Sub)contractor training does not include disciplinary practices. The subcontracting company is operating with a different policy on disciplinary practices contrary to shipyard policy.	All workers including (sub)contractor workers are trained in company disciplinary policy and procedures.

Site visit observation			
	<ol style="list-style-type: none"> 1. Shipyard has no Disciplinary Policy. 2. The shipyard does not keep records of disciplinary actions. Disciplinary actions taken by supervisors are not documented and monitored. 3. Some workers stated that supervisors are using coercive behaviour as a disciplinary measure. 4. Shipyard, or (sub)contractor, is deducting fees from salaries as a disciplinary act not in line with regulations. 5. There is no grievance mechanism on site. Workers cannot report complaints and potential violations of workers' rights. 	<ol style="list-style-type: none"> 1. Shipyard has a Disciplinary Practice Policy however workers are not aware of the details. 2. Shipyard Disciplinary policy does not have clearly defined corrective actions. 3. Financial penalties/deductions to (sub)contractors are passed on to individual (sub)contracted workers. 4. Indirect deductions are made by blocking entrance cards of the worker. 5. There is a complaint/grievance mechanism such as a complaint's box. However, many of the workers are not aware of how to lodge a complaint or feel uncomfortable doing so. 6. There is a lack of consistent communication from management on outcomes from complaints submitted. 	<ol style="list-style-type: none"> 1. Shipyard has a Disciplinary Policy and actively using its components on a daily basis. 2. A sequence of warning starting with oral warning to written warning and disciplinary investigation is actively used at site. 3. Records of disciplinary actions are kept in personnel files. 4. No financial penalties/deductions are made from wages to workers or sub-contracted workers due to non-compliant acts. 5. Two-way open grievance mechanism is actively used at site to report complaints and potential violations of workers' rights.



Best practice demonstration

The shipyard must have no findings from the review, inspection and/or audit related to disciplinary practices. The shipyard must demonstrate proactive practices and mitigation measures that go over and beyond the overall status of “Green”.

The status “Green” is defined as per Table 1 on risk classification, and Table 11 above on examples related to disciplinary practices and adhering risk classifications.

Best practice demonstration can for example be:

- Shipyard uses a sequence of warning starting with oral warning to notify the worker which is clearly stated on Disciplinary Practices Policy and communicated to all workers. If unsatisfactory conduct continues, a written warning is given stating the details of the issue, a request of corrective action and a deadline for correction action clearly defined. At the end of the deadline the shipyard issues a final written warning to worker and addresses the possibility of suspension of working contract upon an investigation held by the discipline committee.
- Shipyard has systematic approach to following up any eventual legitimate financial penalties/fines to (sub)contractors to ensure these are not passed on to workers.

Working hours

Definition of working hours and outline of minimum requirements

ILO standards on working time provide the framework for regulating hours of work, daily and weekly rest periods, and annual holidays. Most countries have statutory limits of weekly working hours of 48 hours or less, and the hours actually worked per week in most countries are less than the 48-hour standard established in ILO conventions⁶. These limits serve to promote higher productivity while safeguarding workers’ physical and mental health. Working time policies enabling both men and women to reconcile work and family responsibilities contribute significantly to achieving gender equality at work.




- a. The shipyard shall comply with applicable laws, collective bargaining agreements (where applicable) and industry standards on working hours, breaks and public holidays. The normal work week, not including overtime, shall be defined by law but shall not exceed 48 hours.
- b. Personnel shall be provided with at least one day off following every six consecutive days of working. Exceptions to this rule apply only where both of the following conditions exist:
 - National law allows work time exceeding this limit; and
 - A freely negotiated collective bargaining agreement is in force that allows work time averaging, including adequate rest periods.

All overtime work shall be voluntary, shall not exceed 12 hours per week and shall not be requested on a regular basis. Reasonable steps are taken to inform workers about the nature and expected duration of extraordinary business circumstances that may necessitate longer working hours with sufficient advance warning allow workers to accommodate this situation.

Risk classification of working hours findings

The table below summarises the main management aspects related to working hours, and proposes a scaling (red, yellow, green) of the robustness (or lack thereof) of each management aspect.

Table 12. Working hours and risk classification

			
Policy	Shipyard does not have a Labour Policy, or a policy that includes reference to working hours and overtime or applicability to all workers at the shipyard.	Shipyard Labour Policy includes some reference to working hours and overtime. However, it does not provide limits for these. The policy may also not clearly specify that it is applicable to all workers at the shipyard, including (sub)contractors.	The Shipyard Labour Policy includes reference to working hours and overtime, including limits for these. The policy applies to all workers at the shipyard, including contracted workers.

⁶ NB: MNEs are encouraged to progressively reduce the normal hours of work from 48 hours to 40 hours, taking into account national conditions and practice, as well as the conditions in the particular sector of operation, in order to avoid any reduction in wages. https://www.ilo.org/empent/areas/business-helpdesk/faqs/WCMS_DOC_ENT_HLP_TIM_FAQ_EN/lang--en/index.htm

<p>Time Keeping</p>	<p>Shipyards have more than one set of time keeping systems.</p> <p>It is difficult to control that all workers are registered.</p> <p>The working hours tracking system is not reliable/transparent and may not reflect the true working hours of the work force.</p>	<p>The shipyards' electronic card system covers most workers.</p> <p>The system is open for modifications, and it is not capable of tracking and logging manual corrections.</p>	<p>The shipyard has an acceptable and single electronic card system to measure actual working hours and break times for all workers, including (sub)contractors, and regardless of whether they are paid by the month, the hour or by piece rate.</p> <p>The system has a secure log system to track manual modifications of working hours.</p>
<p>Rest-Day</p>	<p>The shipyard does not practice one rest-day per week for the workforce. The workers, including (sub)contractors, work for a longer period without a rest-day.</p>	<p>The shipyard has a policy of one rest-day per week for the workforce, including (sub)contracted workers.</p> <p>However, the workforce is frequently, whilst non-systematically, asked to work overtime on their rest-day.</p>	<p>The shipyard policy and practices has, as a minimum, one rest-day per week for the workforce, including (sub)contracted workers.</p>
<p>Overtime Hours</p>	<p>The systems to register and track overtime do not function well in keeping track of all workers, including (sub)contractors, at the shipyard.</p> <p>System checks demonstrate that many workers do work an excessive amount of overtime.</p> <p>There may be indications that the overtime work is not voluntary.</p>	<p>Overtime hours are registered, but there is no warning system for signalling excessive overtime usage.</p> <p>There is no documentation that overtime above the permitted hours is not the norm. There are cases, but not systematic, of excess overtime.</p> <p>There is no system to ensure that overtime is voluntary.</p>	<p>The shipyard has a good system for tracking overtime.</p> <p>There are mechanisms to control excessive working hours and documentation that overtime above permitted hours is not the norm at the shipyard.</p> <p>There are systems in place to ensure overtime work is voluntary.</p>

Site visit observation	<ol style="list-style-type: none"> 1. The shipyard has created an alternative set of time keeping system to reduce its mandatory benefits/ taxes/ social payments to the government. 2. Workers consecutively exceed 12 hours overtime limit. 3. Shipyard block access to time recoding system due to its privacy policy. 4. The shipyard is consistently in breach of specified break times as per employment contracts and/or HSE requirements. 	<ol style="list-style-type: none"> 1. Electronic time keeping system is not capable of tracking manual modification 2. Workers are simply asked verbally to perform overtime just before the shift ends. 3. Shipyard declared that (sub)contractor workers working hours are tracked by (sub)contractor company management and they have no information about those workers. 4. The shipyard often asks the workforce to work through break times. 	<ol style="list-style-type: none"> 1. The shipyard has a robust electronic time keeping system which includes (sub)contractor working hours and visitors duration within the shipyard 2. Electronic time keeping system warns the HR department if a worker is approaching the legal working hours limit. 3. There is a system for documenting and ensuring voluntary overtime. 5. The shipyard is able to track data on working hours and overtime for all workers in the form of actual registration.
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Best practice demonstration

The shipyard must have no findings from the review, inspection and/or audit related to working hours. The shipyard must demonstrate proactive practices and mitigation measures that go over and beyond the overall status of “Green”.

The status “Green” is defined as per Table 1 on risk classification, and Table 12 above on examples related to working hours and adhering risk classifications.

Best practice demonstration can for example be:

- Timecards, an electronic bar card system, or attendance sheets are used to measure actual working hours, overtime and break times for workers, regardless of whether they are paid by hour, piece rate, job, or other form of payment. The measurement system includes in and out times at the start and end of each day. The system applies to all workers at the yard including contracted workers.
- If attendance sheets are used, they include workers’ signatures or thumbprints to confirm (on at least a weekly basis) the accuracy and completeness of the attendance sheets.
- The shipyards have a clear limit on maximum working hours that includes subcontracted workforces. The limit must be in line with local regulations and ILO conventions, and clearly enforced throughout the organisation.

Remuneration and wages

Definition of remuneration and wages and outline of minimum requirements

Remuneration refers to the payment of personnel for a job performed in line with the terms of agreement specified in the employment contract. The social security rights of a worker is an important component of his or her remuneration. The remuneration must be in accordance with local regulations and prevailing regional shipyard industry practice in addition to agreed terms in the individual employment contract or collective bargaining agreement.

The shipyard is responsible for the payment of at least a legal minimum wage and social security rights for all the workers at the shipyard. This pay should enable the worker to cover basic needs and afford a decent standard of living. Payment of premiums for overtime must follow national law or collective bargaining agreement, and where this is not defined it must at as a minimum follow prevailing industry premium.

The shipyard shall not make deductions from wages due to for example non-compliance to HSE regulations, accidental damage to machinery and equipment, as well as provision of (renewed) worker PPE.

All workforce must able to understand their pay-slip structure, wage calculation forms and legally required wage deductions. Shipyards are expected to provide adequate training to workers about their wage and overtime calculations and legal deductions. The pay-slip must be provided in writing or an acceptable digital format, and timely pay-outs to be made in a manner convenient to the worker.




The shipyard must endeavour to use permanent employment contracts for its personnel. The use of consecutive short term contracts and contracting arrangements with labour-only services must be avoided. It is not an acceptable approach to avoid or reduce regulatory obligations to personnel.

The shipyard must be committed to do business with partners who follow the same principles.

Risk classification of remuneration and wages findings

The table below summarises the main management aspects related to remuneration and wages, and proposes a scaling (red, yellow, green) of the robustness (or lack thereof) of each management aspect.

Table 13. Remuneration & wages, and risk classification

			
Legal Minimum Wage	(Sub)contractor companies are systematically paid below regulatory minimum wage, and some workers receive partial payments.	Shipyard is paying the legal minimum wage to all its full-time workers, but the shipyard does not have any control mechanism on (sub)contractor workers payments.	The shipyard meets the legal requirements and is paying its own workers, as well as overseeing that all (sub)contractor workers are paid the at least legally required minimum wage, or the agreed wages.

<p>Accident, Health & Social Insurances</p>	<p>The shipyard, or its (sub)contractors, may systematically avoid paying for accident and health insurance for workers on site, third party liability insurance covering accidents for workers on site or social insurances required by local regulation.</p>	<p>All workers have accident and health insurance irrespective of their form of employment.</p> <p>However, they may lack a complete health insurance, or other social insurances in line with local regulation.</p> <p>The shipyard is not systematically ensuring and/or checking that accident, health and/or social insurances of (sub)contractor workers are covered.</p>	<p>The shipyard ensures that all workers, including all subcontractors, have accident and health insurance irrespective of their form of employment.</p> <p>The shipyard has third party liability insurance covering accidents that may occur at the yard to any worker on site.</p> <p>The shipyard ensures and documents that all workers, including (sub)contractors are paid social insurances in line with local regulation.</p>
<p>Overtime Payments</p>	<p>A shipyard or (sub)contractor not paying overtime at all. Additionally, some (sub)contractor companies may not be paying their workers a premium for their overtime. They systematically pay the normal working hour rate (arguing it is not overtime).</p>	<p>Overtime pay is not consistently paid at a premium rate after 8 hours/day or 48 hours/week (or whether national standard is. The shipyard is paying the normal salary by bank transfer. Overtime payments are done by cash, payments are not verified so it is difficult to know whether paid in line with local regulation and prevailing industry practice.</p>	<p>All workers including (sub)contractor workers are paid a premium in line with local regulation and prevailing industry practice when they work overtime at the shipyard.</p>
<p>Legal Deductions</p>	<p>The shipyard and/or its (sub)contractors are systematically using deductions which are in breach of legal requirements and/or collective bargaining agreements.</p> <p>The yard or (sub)contractor may for example use indirect measures for such deductions through, for example, blocking access to site.</p>	<p>There are cases of deductions not in line with legal requirements and/or collective bargaining agreements. However, these are infrequent and non-systematic.</p>	<p>Shipyard meets the legal requirements for official deductions, as well as requirements from collective bargaining agreements.</p>

<p>Overtime Payments</p>	<p>A shipyard or (sub)contractor not paying overtime at all. Additionally, some (sub)contractor companies may not be paying their workers a premium for their overtime. They systematically pay the normal working hour rate (arguing it is not overtime).</p>	<p>Overtime pay is not consistently paid at a premium rate after 8 hours/day or 48 hours/week (or whether national standard is. The shipyard is paying the normal salary by bank transfer. Overtime payments are done by cash, payments are not verified so it is difficult to know whether paid in line with local regulation and prevailing industry practice.</p>	<p>All workers including (sub)contractor workers are paid a premium in line with local regulation and prevailing industry practice when they work overtime at the shipyard.</p>
<p>Legal Deductions</p>	<p>The shipyard and/or its (sub)contractors are systematically using deductions which are in breach of legal requirements and/or collective bargaining agreements. The yard or (sub)contractor may for example use indirect measures for such deductions through, for example, blocking access to site.</p>	<p>There are cases of deductions not in line with legal requirements and/or collective bargaining agreements. However, these are infrequent and non-systematic.</p>	<p>Shipyard meets the legal requirements for official deductions, as well as requirements from collective bargaining agreements.</p>

<p>Pay slips</p>	<p>The shipyard and/or its (sub)contractor has an informal (cash payments) and poorly documented payment system.</p> <p>The shipyard and/or its (sub)contractors may also restrict access to auditors to control the pay slips and remuneration.</p>	<p>The shipyard and/or its (sub)contractors have a payment system that may in part be difficult to verify due to cash payments, and some pay slips are missing or not signed by the workers.</p>	<p>Elements of a worker's remuneration is detailed on his or her pay slip, and the salary is paid via official bank transfer.</p> <p>All employees and workers should have access to salary information either through electronic systems or written pay slips, as agreed locally. They should have access to printed payslips, even in cases where wages are paid electronically.</p> <p>Payslips should be in workers' native language, and where practical should clearly state rates of pay and overtime pay, as well as the number of hours worked at each rate.</p> <p>Payslips should list all deductions by type and value.</p> <p>There is a system to check that all workers have received the correct payment.</p> <p>Pay slips are signed and kept for 3 years. This includes (sub)contractors pay slips.</p>
	<p>Employment schemes</p>	<p>The shipyard and/or its (sub)contractors make systematic use of non-permanent contracting arrangements in order to avoid costs and responsibilities related to having permanent workers. The shipyard therefore uses short-term labour contracts that are systematically renewed even though the worker-employee relationship is of a long-term nature.</p>	<p>The shipyard has a non-systematic follow-up of its (sub)contractors with regards to contracting arrangements and renewal of short term employment.</p> <p>There is some use of consecutive temporary work contracts at the shipyard. However, it is not systematic.</p>

Site visit observation	<ol style="list-style-type: none"> 1. Workers' salaries and/or benefits are systematically underpaid, and/or delayed. 2. Overtime hours are not paid at a premium when workers cannot meet the daily quota. 3. Workers are only paid a monthly salary despite substantial overtime work. 4. Due to its privacy policy shipyard does not grant auditors access to its remuneration and payment records. 5. Shipyard is blocking workers entrance as a disciplinary practice. 	<ol style="list-style-type: none"> 1. Shipyard does not have a control mechanism for (sub)contractor's payments of wages. 2. Shipyard does not have any verification method for the overtime cash payments. 3. Shipyard does not store pay slip copies. 4. Shipyard has on occasion made deductions from salaries due to damaged equipment, need for new PPE or other reasons. 5. The shipyard deducts payments due to tardiness in an excessive manner. For example for 5 minutes of tardiness, 10% of the daily wage is deducted. 	<ol style="list-style-type: none"> 1. Pay slips demonstrate that workers receive the legally required minimum wage and overtime paid at a premium, and worker interviews confirm this. 2. Payments including overtime are done by official bank transfer. 3. Worker interviews confirm that workers are aware of what are legal deductions that could be made.
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Best practice demonstration

The shipyard must have no findings from the review, inspection and/or audit related to remuneration and wages. The shipyard must demonstrate proactive practices and mitigation measures that go over and beyond the overall status of "Green".

The status "Green" is defined as per Table 1 on risk classification, and Table 13 above on examples related to remuneration and wages, and adhering risk classifications.

Best practice demonstration can for example be:

- All overtime hours, including piece-rate are paid in premium, and systems are in place to ensure this also applies to all workers, including contracted workers.
- Shipyard is working with an independent NGO to measure and determine the living wage for shipbuilding industry for the region the shipyard's workers are located
- Addition to bonus payments for reasonable quotas, shipyard have additional non-monetary bonuses for all workers including (sub)contractors on national holidays. This could include classes or training, or other forms of cultural appropriate gifts.

Health and safety

This document does not provide a detailed overview for how to conduct a Health & Safety (H&S) audit in line with industry best practice and recognised safety certifications. It is however intended to consider health and safety from an overarching organisational perspective linking labour rights and issues to health and safety performance.

Definition of health & safety and outline of minimum requirements

Health and Safety management refers to the systematic approach to preventing accidents and injuries at the workplace, as well as illnesses or damages arising out of, associated with or occurring in the course of work (i.e. exposure to noise, dust, chemical vapours, heavy lifts etc). All workers have the right to work in a safe and healthy workplace environment, and effective steps shall be taken to prevent potential health and safety incidents and occupational injury or illness.

As ILO Code of Practice for Safety and Health in Shipbuilding and Ship Repair states; effective Occupational Health and Safety Systems requires a joint commitment and consultation between the competent authority, ship owners, employers, workers and their representatives. The parties should cooperate in a constructive manner to ensure that the objectives of the Health and Safety Management System are achieved. There shall be a formal health and safety committee with management and worker representation with records of assessments and corrective actions taken.

All personnel at the shipyard shall receive the following

- Health and Safety induction, as well as regular training on health and safety aspects of tasks performed.
- Fully functional worksite amenities such as free access to potable water, clean spaces for meal breaks, and clean toilet and changing facilities.
- Workers that are accommodated by the shipyard have the right to decent accommodation covering basic needs such as individual proper beds, sanitary facilities adequate for the number of people housed, heating and cooling, private storage amenities and canteen or kitchen facilities.
- Every worker has the right to be provided with the correct personal protective equipment (PPE) which shall be appropriate for the risk exposure of the job performed.

All workers at the shipyard including its (sub)contractors must be covered by relevant health, accident and life insurances in combination with what is provided in-country and at home country of potential migrant workers. It is the responsibility of the shipyard to ensure all workers have adequate coverage either through national social security systems, through private medical insurance or a combination of the two.

Risk classification of health and safety

The table below summarises the main management aspects related to health and safety, and proposes a scaling (red, yellow, green) of the robustness (or lack thereof) of each aspect to be managed. For this labour risk it is particularly important to have a formalised, well-communicated and well-functioning grievance mechanism, as well as a regular and systematic follow-up and management of (sub)contractors. See separate chapters on these topics under “Management system and control mechanisms”.

Table 14. Health & Safety and risk classification

	✘	—	✔
H&S culture & policy	There is no written H&S policy.	The shipyard has a written H&S policy but it is not well communicated to the workers at the yard.	Shipyard management has a written, consistent, clear and well communicated and implemented health and safety policy.
	Management does not promote a “health and safety first” culture.	Management has “health and safety first” policy, but practices do not always align with this.	The shipyard practices the principle of “health and safety first” – including a priority of H&S above commercial interests.
	Induction and/or job specific training is not provided to all employees/ (sub)contractors. Poor training records available or training documentation is insufficient to provide legal evidence.	Every employee participates in an induction training before entering the shipyard, and there is job specific training. Some short-term (sub)contractors do not participate in induction training. Training logs are not well kept.	Induction and relevant job specific training is provided to every employee and (sub)contractor before starting work at the shipyard. Training logs are kept as an integrated part of the management system.
	Workers do not feel they can stop work if feeling unsafe, or thinking other workers might be at risk.	All workers understand their right to stop unsafe work, but do not demonstrate that they feel comfortable doing so.	All workers understand their right and responsibility to stop unsafe work.
H&S organisation	H&S manager role is not clearly defined, and/or has too many additional responsibilities that detract from the ability to ensure a focused H&S performance.	There is a dedicated H&S manager, with known roles but lacking documentation. The H&S manager has an influential role, however responsibilities and decision power is not formalised.	The yard has a dedicated health and safety (H&S) manager with documented roles and responsibilities. The H&S manager has recognised and formalised seniority and decision power at the shipyard.
	There is little to no documentation and awareness of the managers’ H&S responsibilities.	Managers of other departments may have H&S responsibilities, but may not fully aware of these.	Managers of other departments have clear H&S responsibilities and are fully aware of these.
	An H&S committee is not present or not functioning. No committee meeting records are available.	An H&S committee is present but lacks either worker or management representative. Committee meeting records show that the committee functioning needs improvement.	An H&S committee, consisting of management and worker representatives, is established, and there are records that demonstrate H&S is anchored in the management of the yard.

HIRA	<p>Hazard identification and risk assessments (HIRA) is not performed or seriously outdated.</p> <p>(Sub)contractors and supply chain are not included in the HIRA process.</p>	<p>HIRA is performed at irregular intervals or not up-to-date with current activities at the yard.</p> <p>(Sub)contractors sometimes participate in HIRA efforts.</p>	<p>HIRA are performed regularly with the participation of relevant parties. (Sub)contractors are included in the process.</p> <p>HIRA is repeated after any system change, and for new activities.</p> <p>Identified risk reduction measures are in place and documented as part of the HIRA.</p> <p>People new to the yard will be trained in potential hazards and required mitigation measures.</p>
H&S specific risks and mitigation	<p>Permit-to-work system is not present or the PTW procedure is not followed.</p> <p>Employees that are not trained for the work are performing Hazardous Works tasks. Risk and mitigation evaluations are insufficient.</p>	<p>Hazardous Works are defined, and employees have relevant training for the work performed. The PTW system is not coordinated by a single authority and risks can be overlooked. Permits are issued for long durations.</p>	<p>Hazardous Works are managed by a permit-to-work (PTW) system that is coordinated from a single authority.</p> <p>Workers performing hazardous work have the necessary qualifications, risks and mitigations have been discussed between worker(s) and supervisor(s) in relevant language(s), and management is active in ensuring the risk and mitigation measures are well understood and followed</p>
<p>There are only sporadic emergency drills. Muster points or evacuation routes are not well marked or communicated with employees.</p> <p>Not all emergency equipment is fully functional. Limited external services capacity.</p>	<p>Muster points and evacuation routes are present but not clear throughout the yard.</p> <p>Full emergency drills are performed less than twice a year. Emergency equipment is not tested regularly. External service capacity is evaluated but not tested.</p>	<p>Muster points and evacuation routes are clear and known by personnel.</p> <p>Emergency drills are conducted at least twice a year. On-site emergency equipment are tested regularly.</p> <p>Response training includes external services (hospitals, fire stations) to ensure sufficient capacity in an emergency.</p> <p>Key emergency services are engaged prior to the start of new projects or undertakings in order to ensure adequate emergency response capacity.</p>	
<p>The yard design is not compatible with good working environments.</p>	<p>The yard has some good working areas, but there are areas that need improvement.</p>	<p>The yard has a good design to ensure acceptable lighting, air quality, temperature, and</p>	

			working positions. The layout facilitates good H&S including safe walkways, energy sources, etc.
	Hazardous Materials are stored in a non-suitable area or incompatible chemicals are stored together. Employees are not trained nor equipped with proper PPE's. Storage areas pose danger to people or environment.	Hazardous Materials are stored in a suitable area but MSDS's are not readily available. Employees are trained and proper PPE's are issued but usage is not reinforced. Storage areas lack some equipment or measures described in MSDS.	Material Safety Data Sheet (MSDS's) for hazardous materials are readily available and in the relevant language(s) spoken at the shipyard. Employees are trained in handling of the Hazmats, and proper PPE's are issued. Storage & workplace areas are equipped in line with risks detailed in the MSDS.
	The housing is not of an acceptable standard (too many people per room, poor storage, bath, kitchen facilities. Poor safety standards, and doors are often locked as workers are not free to come and leave.	The housing provided by the yard is of a generally acceptable quality. There are issues with, for example, blocked walkways, locked emergency exits, insufficient fire alarms or fire equipment.	Housing provided by the yard meets international acceptable standards. There are safe exits, fire equipment, alarms and otherwise of a quality that meets international standards for beds, bath and kitchen facilities.
	Key local health services are not engaged prior to starting new and larger undertakings.	There has been some dialogue with key local health services, whilst adequate local health services for the workforce have not been secured prior to starting new and larger undertakings.	Key local health services are engaged prior to starting new and larger undertakings to ensure adequate local health services for the workforce.
Monitoring & Reporting	Accidents and incidents are reported, but the system is not robust, and not well monitored. (Sub)contractors are responsible for following up their own workers, so the total data for the yard is poor.	There are systems for reporting and monitoring accidents and incidents meets the minimum requirement in the management systems for all workers. Near misses are not systematically reported. The top management is informed of accidents only.	There are good systems for monitoring and reporting of accidents, incidents and near misses of all workers at the yard. This information is utilised for statistics and for the risk assessments, and it is presented at top management meetings.
	The systems for registration H&S related factors is not robust and the information is not utilised in H&S evaluations.	There are systems for registration of various indicators in the shipyard, but the information is not utilised optimally in H&S evaluations.	There are good systems for reporting and monitoring health related indicators such as types of visits to the infirmary, turnover, excessive overtime, sick leave, quality of work, etc.

			These data are integrated into the H&S evaluations.
	Root cause analysis is not used to investigate incidents and accidents.	Root cause analysis is sometimes used for accidents, but often use “human error” as an explanation for the incidents.	Root cause analysis in the case of an incident is performed to understand the systemic cause of accidents, and to avoid hasty conclusions as to human error on the part of the person executing the work.
Continuous improvement	The H&S data is not utilised for continuous improvement systems for the yard as a whole.	The yard uses the H&S data in the quality system continuous improvement plan as required by certification.	<p>The management of the yard utilises the information on H&S to regularly review its own performance, and to plan improvements at the yard. This can include upgrades of tools, machinery or other equipment, changes in processes or procedures, or information campaigns.</p> <p>The H&S data is an integrated part of the quality system improvement plan.</p>
Site observations	<ol style="list-style-type: none"> 1. There is consistent lack of adequate PPE usage. 2. There is consistent lack of adequate mitigation measures for hazardous work activities. 3. The shipyard HSE statistics does not include (sub)contractor workforce. 	<ol style="list-style-type: none"> 1. Observations of different standards on use of PPE among the (sub)contractors in the yard. 2. Site observations show different mitigation measures between yard and (sub)contractors with regards to hazardous work activities. 3. The HSE statistics do not necessarily correlate with the shipyard work environment, and there are non-systematic gaps in HSE reporting. 	<ol style="list-style-type: none"> 1. There is a good culture of use of PPE of all workers at the shipyard. 2. Site observations show good & consistent control of hazardous work activities with the same permit to work system for all workers. 3. Worker interviews confirm a good understanding of worksite hazards and mitigation measures, as well as good communication flow at the shipyard. 4. The impression of the yard is in line with the HSE information & statistics provided by the shipyard.



Best practice demonstration

The shipyard must have no findings from the review, inspection and/or audit related to health & safety. The shipyard must demonstrate proactive practices and mitigation measures that go over and beyond the overall status of “Green”.

The status “Green” is defined as per Table 1 on risk classification, and Table 14 above on examples related to health and safety and adhering risk classifications.

Best practice demonstration can for example be:

- The shipyard coordinate with other industry partners or associations to develop a well-functioning and cost-efficient tracking system for workers’ whereabouts inside the ship when performing work on said ship.
- The shipyard works actively to promote health and safety through culturally appropriate and effective awareness campaigns and incentives schemes.
 - The shipyard may make use of a collective bonus pot on the use of PPE i.e. as a working group if the inspectors do not identify any non-compliances with respect to the use of PPE over a defined period of time, the working group obtains the bonus pay-out.
 - Awards for best health and safety report, or awards for the best improvement suggestions.
 - Health and safety awareness campaign with video-messages from workers’ relatives and loved-ones to the workers on “come home safe”
 - Clear and repetitive leadership messaging that we have time to work safely.
- The shipyard conducts active risk assessment that includes the effect and heightened risks from long working hours and fatigue at work. This is taken into consideration when setting up the shipyard’s working hours, break times, mandated overtime and for the execution of hazardous work.
- The root cause analysis of any given incident to consider the risk of excessive working hours.

Attachments

- 1. Labour Audit checklist – dedicated labour rights audit**
- 2. Sustainability Integrated Assessment checklist – integrated anti-corruption, health & safety, worker welfare, labour rights, environmental and local community assessment**

