

ETI  
Members

# Briefing

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## ETI Corporate Annual Reporting Guidelines 2005

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## **Purpose**

The corporate annual reporting process is designed to:

- Identify what each company is doing to improve labour standards throughout its **scoped supply chain**.
- Investigate whether those efforts are succeeding in achieving sustainable improvements.
- Compare different approaches and outcomes in order to learn what works and to share that learning.
- Assist each corporate member to evaluate its own efforts and how they compare with those of other members.
- Reinforce members' commitment to transparency and public accountability.

## **Format of Reports**

With these guidelines is an Excel Reportbook which sets out all the questions each company must answer and the data it must provide. The completed Reportbook will constitute the company's annual report.

Use of the Reportbook for reporting to ETI is mandatory. Some corporate members may wish to use the Reportbook to compile data during the year. Others will prefer to adapt their existing data management systems to collect the necessary information and then insert the data into the Reportbook at the end of the year. The format of the Reportbook must not be altered. ETI's aggregation and analysis of company data requires every report to follow the same format.

The Reportbook is also available on CD-Rom from ETI Secretariat.

## **Terminology**

Terms used in these guidelines which appear in **red** are explained in the relevant section of the text and the definitions are repeated in the Glossary section of these guidelines. In the Reportbook, further explanation of terms which appear in red text can be obtained by clicking on the cell in which the text appears.

# Reportbook

When opening the Reportbook the macros must be enabled. The Reportbook is divided into a number of sections:

## Blue Section

### Protocols

This sheet of the Reportbook explains the general rules for using the Reportbook; such as where to input data; how to obtain guidance on the meaning of a term used or on how a question should be answered.



### IT Tech Notes

An explanation of the software systems used by the Reportbook and of the need to enable macros to allow the tool to work properly. If in any doubt share this page with your IT department or colleague.

### Company Information

Basic information about the corporate member submitting the report.

### **Sharing Company Reports**

Each company report will be made available on a confidential basis to other corporate, trade union and NGO members of ETI.

ETI will analyse all the reports in order to develop a picture of the performance of the corporate membership, both individually and as a whole, identify trends and compare different approaches and their outcomes.

ETI's evaluation of the performance of individual companies will be shared with that company and, on a confidential basis, with the members of the ETI Board, the ETI Secretariat and any consultants engaged by ETI to assist with that evaluation.

Anonymous information about the performance of all of ETI's corporate members will be made available to the public.

The company information includes a consent for the purposes of the Data Protection Act to the information contained in the company's report being used in this way.

The Reportbook also asks whether the company will make its report to ETI available to the general public.

### **CEO Sign Off**

As in previous years, ETI requires the company's Chief Executive Officer or other main Board member to sign a letter endorsing the report.

## **Targets**

The company is required to:

- Report on progress towards achieving the objectives for 2005 which were specified in the 2004 report.
- Propose three measurable objectives to be achieved by the end of each of the 3 following years 2006, 2007 and 2008.

The targets for 2007 and 2008 may be an extension of targets for earlier years or new objectives intended to replace earlier ones as they are attained.

When submitting its annual report in subsequent years the company may, in the light of experience, wish to propose changes to the targets which have previously been agreed for the next two years as well as a new target for the third year.

New targets and any amendments to existing targets must be agreed by the company and ETI. When providing feedback on the annual report ETI may suggest changes to the targets proposed by the company.

A company's readiness to accept challenging targets and its performance against those targets will be taken into account by ETI when assessing each company's efforts under the Management Progress Review.

## **Feedback**

Key lessons and challenges for the company and for ETI.

## **Workings**

This sheet is not compulsory and has only been provided to assist with some of the subsequent calculations. There is also a scrap pad for your workings.

## **Yellow Section**

### **Management Indicators (M1-M5)**

This section is concerned with how the company goes about achieving ethical standards in its supply chain. It provides an opportunity to report on the resources and commitment applied to the task; the management systems used and the activities undertaken.

Each company is required to provide data for a comprehensive set of indicators relating to its activities. These indicators are organised on five separate sheets of the Reportbook by reference to ETI's five principles of implementation:

**M1. Commitment**

**M2. Monitoring, Verification and Reporting.**

**M3. Awareness Raising and Training.**

**M4. Corrective Actions.**

**M5. Management Procedures, Pricing and Incentives.**

The structured format means that most questions can be answered Yes or No and by inserting numbers or percentages when appropriate.

### **Comments**

The comments section of each question should be used to give an explanation of and/or to comment upon the company's answer. It is important to use this opportunity to share the company's views on why the approach in question is or is not effective and to explain when the company deals with the issue in another manner which has not been anticipated in the question.

### **Continuation Sheet**



If the comments will not fit in the cell for comments on that question the company should type "*see continuation sheet*" in the comments box and then insert the question number and the full comment in the Continuation Sheet which appears in the Reportbook after sheet M5.

It is possible to insert longer answers in the cells which constitute the comments boxes but the full answer will be lost when the document is printed.

### **Transitional Year Arrangements**

The reporting framework for 2005 requires corporate members to provide information that ETI has not sought in previous years. ETI recognises that many companies will not be able to provide all of the data sought for 2005. Nevertheless, it is essential that each company puts in place the systems which will enable it to provide a full report in 2006.

Accordingly, when a company is unable to answer a question or to provide data sought in the performance input or improvement action tables it should give an explanation (in the comments box for that question or in the continuation sheet) of why it has been unable to do so and an assurance that it will be able to provide this information in the 2006 report. If the company is unable to provide that assurance it should explain in detail the nature of the difficulty, the steps it is taking to overcome the problem and when it anticipates that it will be able to answer the question. If the missing information relates to data



While ETI hopes that companies will be able to provide data for the performance input and improvement action tables for the whole of 2005 it will accept data for less than the full year provided it covers at least a six month period in 2005. Data should cover all sites risk assessed or inspected and all relevant improvement actions during the period and should not be limited to a selected sample of sites. This is a concession for the 2005 report only. The 2006 report should contain data for the whole of that year.

### **Self-Assessment**

After completing all the other sections of the report (including commenting on the Performance Analysis- see later) the company should assess its own management activities by marking itself as a beginner, improver, achiever or leader for each of the five principles of implementation. It should assess its performance by reference to the pen pictures for that principle.

The Reportbook contains pen pictures for each of the five ETI principles of implementation. These pen pictures describe what is required for a corporate member of ETI to be a beginner, improver, achiever or leader in each of these areas.

The pen pictures illustrate ETI's vision of how companies should go about addressing ethical trading. As ETI's learning develops so will the pen pictures.

Each pen picture is subdivided into rows for separate components of that pen picture. For example the first principle, Commitment, is divided into Endorsement and Advocacy; ETI Participation; Senior Responsibility; Internal Communication; and Resources. The company should assess itself as a beginner, improver, achiever or leader against each of these rows and should then make an overall assessment of its management progress against that principle as a whole.

### **ETI Assessment**

After it has reviewed the annual reports from all its corporate members ETI will make its own assessment of each company's progress against each of the five principles. This assessment will take account of the company's management indicators, its readiness to accept challenging targets and its performance against those targets as compared with that of other member companies.

This assessment will form part of ETI's feedback to the company on its annual report. Each company will receive a rating of 1-4 (Beginner = 1, Improver = 2, Achiever = 3 and Leader = 4) for each of the five principles of implementation. The feedback from ETI will show how these ratings compare with the company's self-assessment, its previous year's rating and with those of other ETI member companies.

## **Green Section**

### **Performance Input**

An entry should be provided for each **production site** which has been risk assessed or inspected against the ETI Base Code and not against any other code or standard.

A production site is a site where goods are produced or transformed (e.g. packaged) in some way.

If a company purchases from an agent the **risk assessment** or **inspection** will relate to the production site(s) of the supplier(s) who supplied the agent.



Details should be provided of each site which has been risk assessed or inspected during 2005. Details of sites should also be provided where improvement actions have been implemented during 2005 to remedy a major breach or breaches identified before 2005. In subsequent annual reports new site entries should be inserted and current entries should be updated to reflect the most recent risk assessment, inspection or improvement action. Site entries should only be removed from subsequent annual reports if the company has ceased to trade with that site.

The following notes (numbered by reference to the [columns] in the Reportbook) explain the information required:

**[B] and [D]. Supplier and Site References**

These references should be unique to the supplier or site concerned and the same reference should be used for that supplier/site in all future reports. A reference that has been used for a lapsed or deleted supplier/site should not be reassigned.

**[E]. ETI Site References**

This column will be completed automatically once the company has entered its name in the Company Information Sheet and the site reference in column D. The Reportbook will then generate an ETI site reference consisting of a prefix unique to that company and the site reference from column D to prevent the use of identical references for different sites from different companies.



If a company sources goods from another ETI corporate member it should endeavour to use as its site reference for the production site the ETI site reference used by that other ETI member.

**[C] and [F]. Name of Supplier and Site**

The Reportbook includes columns in which corporate members can, if they wish, insert the supplier and site name (and other information) for their own ease of reference and internal use. This information can then be password protected or deleted before the completed Reportbook is submitted to ETI.

**[I]. Tier of Supplier**

1 = First tier = A production site at which the goods are finished ready for supply to or sale by the member company.

2 = Second tier = A production site which supplies goods or materials to a first tier site for incorporation into the finished product.

3 = Third tier = A production site which supplies goods or materials to a second tier site for incorporation in goods or materials that site supplies to a first tier site.

**[K]. Sector**

Choose from the drop-down list one of:

- Accessories
- Cosmetics
- Electronics
- Food and Fresh Produce
- Footwear
- Furniture
- Garments
- Homeware
- Non-Sellable Product (e.g. hangers, plastic bags)
- Toys
- Other

**[L]. Length of Relationship in Years**

If the supplier has been used intermittently but with an expectation that further orders will be placed within twelve months the relationship should be considered continuous i.e. count from the date the relationship first began.

**[M]. Share of Total Production**

The corporate member's estimate of the value of its business with that site expressed as a percentage of the total value of that site's production.

**[N], [O] and [P]. Approximate Number of Workers and Gender Mix**

Part-time temporary and seasonal workers should be counted as the appropriate fraction of a full time worker. E.g.: two part-time workers who each work half time should be counted as one full time worker.

**[Q]. Negotiation - Trade Union**

The percentage of the total number of workers at the site covered by **collective bargaining** with one or more **recognised trade unions**. Count all workers for whom at least some of their wages and/or their other terms and conditions of work are collectively bargained. If a trade union represents workers on other matters such as grievances, welfare, health or safety concerns but does not bargain any of their terms and conditions of work they should not be counted.

**[R]. Negotiation - Non-trade union**

The percentage of the total number of workers at the site covered by negotiation with **workers' representatives who are not representatives of one or more recognised trade unions**. Count all workers for whom at least some of their wages and/or their other terms and conditions of work are negotiated in this way. Do not count workers who are represented on other matters (e.g. grievances, welfare, health or safety) unless the representatives also negotiate at least some of those workers terms and conditions of work.

**[U]. Risk Category**

The risk category in which the company places this site – using the risk categories in the company's answer to M2.5. *It is necessary to complete M2.5 or the relevant section under Workings before making entries in this column.*

**[W]. Type of Risk Assessment**

A **risk assessment** is a method of identifying and assessing risks in the corporate member's supply chain. Typically it is based on either generic data, questionnaire information from the supplier or short site visits. The results give some initial idea of a site's status but they do not have equal weight as the results of a site **inspection**.

There are three categories of **risk assessment** to select from:

X. Desk Based – assessment does not include a site visit.

Y. Short Visit – assessment includes a site visit which does **not** follow ETI methodology for one day risk assessment.

Z. One Day Risk Assessment – assessment includes a site visit which complies with ETI methodology for one day risk assessment.

### **[X]. Major Breach Identified?**

If following a **risk assessment** the company has identified a major breach of the ETI base code (e.g. use of child labour or excessive working hours) it should answer Yes to this question and insert a rating of "1" in the relevant column AB-A J for that element of the base code. But the company should not insert ratings or change existing ratings for other elements of the base code identified during previous risk assessments or inspections. The company should then provide details of the improvement actions that have been implemented to remedy that breach in the relevant Improvement Action Table – Provision 1 to Provision 9 (e.g. P4 for child labour or P6 for excessive working hours).

### **[Z]. Type of Inspection**

An **inspection** must be against the standards set out in ETI base code. Corporate members should not include data relating to inspections against any other code or standard.

An inspection is a method of assessing the extent of a site's code compliance which includes a presence on site of sufficient duration and unobstructed access to all relevant facilities to carry out an audit. It can be carried out by internal staff from the company, by staff from one of its suppliers inspecting a site of one of that supplier's own (lower tier) suppliers or by external third parties (commercial or non-profit).

There are seven main categories of **inspection** to select from;

- A. Internal Limited Inspection - A member of the company's staff conducts an **inspection** limited to a focus on specific issues or provisions.
- B. Supplier Limited Inspection - A member of the staff of one of the company's suppliers has conducted an **inspection** of a site of a lower tier supplier limited to a focus on specific issues or provisions.
- C. External Limited Inspection - An external assessor conducts a limited **inspection** focussed on specific issues.
- D. Internal Full Scale Inspection - A thorough **inspection** of the labour standards at a supplier's site against the full code by a fully trained member (or members) of the company's staff.
- E. Supplier Full Scale Inspection - A fully trained member of staff of one of the company's suppliers has conducted a thorough **inspection** of the labour standards at a site of a lower tier supplier against the full base code.
- F. External Full Scale Inspection - A thorough **inspection** of the labour standards of a site against the full code by an external assessor (commercial or non-profit).
- G. Full Multi-Stakeholder Inspection - An **inspection** process in which other stakeholders (such as trade unions and NGOs) are involved from the design stage and share decision-making on **inspection** methods and results.

A **self-inspection** is an inspection in which one or more members of a corporate member's staff inspects one of its own production sites or a supplier's member(s) of staff inspects one of that supplier's sites.

A self-inspection should only be treated as an inspection if;

- (a) the inspector(s) carrying out the inspection have been properly trained and use appropriate methodology;
- (b) the inspectors are not based at the site being inspected; and
- (c) the inspectors are independent of and are not answerable to site management.

If a self-inspection does not fulfil each of these conditions it should be treated as a risk assessment and not as an inspection.

If an inspection involves a self-inspection by a company's own staff the appropriate category relating to internal inspections should be marked with an asterisk i.e. A\* or D\*.

Similarly, if an inspection involves a self-inspection by a supplier's own staff the appropriate category for supplier inspections should be marked with an asterisk i.e. B\* or E\*.

**[AA]. Was Inspection Announced?**

An inspection was announced if the site was warned in advance that an inspection was going to be carried out. A general statement that the company reserves the right to carry out inspections without notice does not constitute an unannounced inspection.

**[AC] to [AK]. Current Inspection Rating against Base Code**

Ratings should be based on the most recent inspection that has taken place against that element of ETI Base Code. Sites which have been risk assessed but have not been inspected should not be rated unless that risk assessment identified a major breach (see guidance notes above re [X] *Major Breach Identified?*).

Sites which have been inspected should be rated for compliance with each of the nine elements of the base code using the following scale:

**No data** – The **inspection** did not cover this aspect of the base code. Leave the cell blank or showing a rating based on a previous inspection which did cover this area .

1. **Major breaches** - A **major breach** may be a **systematic breach** and/or a **serious breach** of the base code.

A **systematic breach** is a problem which is institutionalised in the supplier's systems. **Systematic breaches** are found when the 'normal way of doing things' contravenes one of the base code provisions or is insufficiently robust to prevent contraventions. Some examples of systematic breaches include routine use of bonded labour, management prohibition of union membership, inadequate arrangements for provision of protective clothing, no proper checks on ages of young workers, etc. **Systematic breaches** will generally require a new investment or change to management practice (not something which is simply the enforcement of an existing practice).

A **serious breach** may occur only very occasionally but it will be serious if it could have serious consequences for workers' health e.g. the removal of a safety guard from machinery, or it infringes on basic rights e.g. physical punishments of workers or victimisation of a union representative.

A **serious breach** may also be systematic (e.g. it may require more robust systems in place to ensure workers do not and are not under pressure to remove safety guards in order to increase productivity).

2. **Minor Breaches** - A **minor breach** of the base code occurs when there is a failure in a system which is generally in line with the base code. It is an isolated or occasional

'mistake' which indicates that, while the general system is acceptable, the enforcing or policing of the system should be improved. Some examples of **minor breaches** are; generally good health and safety systems but the **inspection** found that some fire extinguishers were missing or some training was overdue; a policy stating an appropriate maximum number of overtime hours and a system for managing this but **inspection** discovered that there were occasional cases when more than the maximum number of overtime hours were worked; a management system which ensures that all workers carrying out permanent jobs are given permanent contracts but there are occasional instances where this has been overlooked or where a worker was moved from a seasonal job to a permanent job and has yet to receive a permanent contract.

3. **Appears Compliant** - This round of **inspection** found no evidence of a breach. However the site has not been inspected before, is not well known to the company and/or has not been involved with other independent third party organisations. The company has no cause for concern, but does not have total assurance.

4. **Considered Compliant** - No evidence of breaches have been found by more than one **inspection** or audit. The site may have worked with the company over several years to implement changes or may have been audited by different organisations to cross-check the results. The company has total assurance.

### **Improvement Action Tables P1 –P9**

These tables are to be used by the company to report all improvements actions implemented during the year under report to remedy major breaches of the ETI base code.

There are separate tables for each element or provision of the base code.

### **[H2 – M2] Sub-Tables of Improvement Actions**

Companies are likely to find that they will often institute the same or similar **improvement actions** at different sites where there has been a breach of the same element of the base code. For example **major breaches** at different sites of code provision 1: "Employment is Freely Chosen" may each require the return of identity documents.

Each of the Improvement Action Tables includes a sub-table headed "Improvement Actions" with a few examples of the type of **improvement actions** which companies may have instigated. By inserting in the sub tables a description of the **improvement actions** which it employs in respect of that provision of the base code each company will be able to insert that description in the main improvement action table without typing the full description for each entry.



In order to report individual improvement actions a company must first ensure that type of improvement action is inserted in the sub-table.

The Reportbook will automatically show for each site the current inspection rating for that element of the base code. Where the rating is "1" (signifying a major breach) the company should enter details of the improvement actions that have been implemented.

Even where the current inspection rating is "2" or above there may have been a major breach giving rise to improvement actions earlier in the year. This could arise as a result of a risk

assessment or an earlier inspection in the same year or an inspection prior to 2005. Companies should enter details of all such improvement actions.

A site where a **major breach** has been identified in earlier years should continue to be included in the Improvement Action Table of future annual reports until the problems giving rise to the risk of further **major breaches** have been resolved or when the relationship has ceased to exist.

### **[H], [I], [J] Improvement Actions**

An **improvement action** is an action which makes a significant change in the conditions at the site. Requests to a supplier to address an issue or arranging further **inspections** are **not improvement actions**. General training on the requirements of the base code or the company's reporting requirements will not constitute **improvement actions** but training designed to address a specific problem in the workplace (e.g. how to operate non-discriminatory hiring and promotion) may be an appropriate **improvement action**.

A company should only report on **improvement actions undertaken** during the year under report. If the **improvement action** is relevant to breaches of more than one element of the base code the company should choose the provision to which it considers the action was most directly related.

A company should not report more than three **improvement actions** for a site against any one element of the base code. If necessary it should choose the three it considers most important.

### **Performance Analysis – Spider and Key Performance Indicators (KPIs)**

When the Performance Input table has been completed the Reportbook will automatically generate an analysis of site ratings for each element of the base code. When three years' data becomes available this will include analysis of the current position of sites which three years earlier were rated as having insufficient data or **major breaches**.

In the light of that analysis the company is asked to comment, in respect of each element of the base code, on changes over the last year (and when appropriate last three years), particular problem areas and its plans to tackle those areas.

### **Performance Ratings**

The analysis of each company's supplier performance data will generate ratings for each element of the base code. The ratings for different companies cannot be directly compared because of possible differences in methodology and rigour in selecting sites to be inspected and carrying out those **inspections**.

ETI will take account of the methodologies employed; the unresolved **major breaches**; and the performance analysis to rate each company's **scoped supply chain** 1-4 against each of the nine elements of the base code:

No data

1 = Serious and/or systematic problems with the supply chain as a whole

2 = Isolated, non-systematic problems

3 = Appears generally compliant

4 = Good evidence that generally compliant

That rating will represent ETI's understanding (based on the contents of the annual report) of conditions in the supply chain as a whole. It will not take account of the efforts being put in by a company to improve conditions because those efforts will be taken account of in ETI's assessment of the company's management efforts.

By comparing these supply chain ratings year on year ETI should be able to build up a picture of the progress being achieved. ETI does not propose to rank companies by reference to the performance ratings because it is not satisfied that data from different companies will be directly comparable.

**Validation of Reports**

ETI reserves the right to call for additional information and documentation and to inspect the management and data systems on which the information in the report is based. The purpose of this process will be to find out whether the information presented in the annual reports is meaningful and accurate, and whether it is based on data collected through robust management and record-keeping systems.

## Glossary

**appears compliant:** This round of inspection found no evidence of a breach. However the site has not been inspected before, is not well known to the company and/or has not been involved with other independent third party organisations. The company has no cause for concern, but likewise does not have total assurance.

**collective bargaining:** A process by which one or more of the terms or conditions of work are determined by negotiation between the employer(s) (or employers' organisations) and representatives of the workers concerned.

Collective bargaining may take place pursuant to a formal written agreement or less formal unwritten arrangements. It may take place at departmental, site, company, group, regional, national or international level.

**considered compliant:** No evidence of breaches has been found by more than one inspection or audit. The site may have worked with the company over several years to implement changes or may have been audited by different organisations to cross-check the results. The company has total assurance.

**EPZ:** An Export Processing Zone. This is a special economic area designated solely for export processing activities. For the purpose of ETI's reporting, this also includes Special Economic Zones and Free Trade Zones.

**improvement action:** An improvement action is an action which makes a significant change in the conditions at the site. Requests to a supplier to address an issue or arranging further inspections are **not** improvement actions. General training on the requirements of the base code or the company's reporting requirements will not constitute improvement actions but training designed to address a specific problem in the workplace (e.g. how to operate non-discriminatory hiring and promotion) may be an appropriate improvement action.

**inspection:** An inspection is a method of assessing the extent of a site's code compliance against ETI base code which includes a presence on site of sufficient duration and unobstructed access to all relevant facilities to carry out an audit. It can be carried out by internal staff from the company, by staff from one of its suppliers inspecting a site of one of that supplier's own (lower tier) suppliers or by external third parties (commercial or non-profit).

**major breach:** A major breach may be a systematic breach and/or a serious breach of the base code (see more under *Serious* and *Systematic breaches*).

**minor breach:** A minor breach of the base code occurs when there is a failure in a system which is generally in line with the base code. It is an isolated or occasional 'mistake' which indicates that, while the general system is acceptable, the enforcing or policing of the system should be improved. Some examples of minor breaches are; generally good health and safety systems but the inspection found that some fire extinguishers were missing or some training was overdue; a policy stating an appropriate maximum number of overtime hours and a system for managing this but inspection discovered that there were occasional cases when more than the maximum number of overtime hours were worked; a management system which ensures that all workers carrying out permanent jobs are given permanent contracts but there are occasional instances where this has been overlooked or where a worker was moved from a seasonal job to a permanent job and has yet to receive a permanent contract.

**no data:** The inspection did not cover this area.

**production site:** a site where goods are produced or transformed (e.g. packaged) in some way.

**a recognised trade union:** A democratic organisation of workers which is separate and independent from the employer(s) and whose purpose is to protect and enhance workers' terms and conditions of work.

**risk assessment:** A risk assessment is a method of identifying and assessing risks in the corporate member's supply chain. Typically it is based on either generic data, questionnaire information from the supplier or short site visits. The results give some initial idea of a site's status but they do not have equal weight as the results of a site inspection.

**scoped supply chain:** At the time of joining ETI a company may stipulate that its membership of ETI and its commitment to implement the base code only applies to certain types of products or to the activities of part of the company. The scoped supply chain consists of all those suppliers who supply products to which the company has agreed to apply the base code.

**self-inspection:** A self-inspection is an inspection in which one or more members of a corporate member's staff inspects one of its own production sites or a supplier's member(s) of staff inspects one of that supplier's sites.

A self-inspection should only be treated as an inspection if;

- (a) the inspector(s) carrying out the inspection have been properly trained and use appropriate methodology;
- (b) the inspectors are not based at the site being inspected; and
- (c) the inspectors are independent of and are not answerable to site management.

If a self-inspection does not fulfil each of these conditions it should be treated as a risk assessment and not as an inspection.

**serious breach:** A serious breach of the base code may occur only very occasionally but it will be serious if it could have serious consequences for workers' health e.g. the removal of a safety guard from machinery, or it infringes on basic rights e.g. physical punishments of workers or victimisation of a union representative.

A serious breach may also be systematic (e.g. it may require more robust systems in place to ensure workers do not and are not under pressure to remove safety guards in order to increase productivity).

**systematic breach:** A systematic breach is a problem which is institutionalised in the supplier's systems. Systematic breaches are found when the "normal way of doing things" contravenes one of the base code provisions or is insufficiently robust to prevent contraventions. Some examples of systematic breaches include routine use of bonded labour, management prohibition of union membership, inadequate arrangements for provision of protective clothing, no proper checks on ages of young workers, etc. Systematic breaches will generally require a new investment or change to management practice (not something which is simply the enforcement of an existing practice).

**tier of supplier:** The level of production site at which goods are produced or transformed.

Thus:

A first tier site is a production site at which the goods are finished ready for supply to or sale by the member company.

A second tier site is a production site which supplies goods or materials to a first tier site for incorporation into the finished product.

A third tier site is a production site which supplies goods or materials to a second tier site for incorporation in goods or materials that site supplies to a first tier site.

**workers' representatives who are not representatives of one or more recognised trade**

**unions:** Any workers or groups of workers who seek to represent workers' interests but who are not elected or appointed by a recognised trade union. These will include works councils, workers' committees, staff associations and other forms of worker representation.

Representatives of organisations which do not consist of workers and their representatives e.g. churches, NGOs, pressure groups and political parties are **not** workers' representatives.