

Annual Report 2005



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About this Report

Globalisation and its Impact on Workers in Export Production

Globalisation manifested in worldwide flows of capital, products and finance has had a tremendous impact upon the nature and structure of the global economy. To persist in a climate of international competition, retail and brand companies have outsourced the production of labour intensive goods to developing countries. Today, most of the products we buy in Europe are sourced from locations in Asia and Eastern Europe.

3 Sourcing countries have profited from an increase in export production, however often to the disadvantage of the workers involved. While comprehensive social laws and policies exist, national governments often tend to be lenient with regard to their implementation and enforcement. Producers hardly face resistance by governmental authorities when neglecting or downsizing their working conditions. The reduction and elimination of trade barriers and quotas intensifies competition among suppliers and among countries and thus creates additional challenges.

Since the mid 90s, working conditions on the factory floor have raised public attention. Civil society in industrialised countries, in particular, has demanded that retail and brand companies assume responsibility for the way their goods are produced. Their profits, so the argument, derive considerably from the exploitation of factory workers. Further, their power position in the supply chain provides them with the leverage necessary to ensure social compliance in the factories.

In this climate, various initiatives have mushroomed defining a multitude of Codes of Conduct and auditing procedures.

While such efforts are invaluable to shape and anchor a public discourse on Corporate Social Responsibility, the complex web of different standards and procedures incurs unnecessary costs for retail companies and suppliers. A cooperative approach with a common standard and a single auditing procedure is of greater benefit.

An Alliance for Labour Standards

The Business Social Compliance Initiative (BSCI) was created in 2003 under the auspices of the Foreign Trade Association (FTA) as a concerted action of retail and brand companies to generate sustainable change at the factory level.

Through joining together in a sector wide solution, Member Companies wish to assume their share of responsibility for the improvement of working conditions in factories where they source their products. They also acknowledge the difficulties suppliers face in meeting labour standard requirements within the intense competitive climate in which they operate.

Today, BSCI is the broadest common approach in Europe for the improvement of social compliance. Its membership comprises over 50 retail and brand companies. Through pooling efforts and resources, these companies are promoting a common monitoring and factory development system.

BSCI Win-Win for All

Improvement of labour standards:

- through the bundling of market forces and concentration of bargaining power which creates positive incentives for suppliers to strive for social compliance
- through dedication to implementation in form of a developmental approach which relies on support and continuous improvements (=> p.9)
- through the initiation of a systematic, industry-wide process, which broadens the efforts towards social compliance

Economic and competitive benefits:

- through the avoidance of multiple auditing
- through the creation of comparative advantages for suppliers
- through the preclusion of distortions of competition which might occur as a consequence of free rider behaviour

Transparency through Reporting

This is the first Annual Report published by the BSCI. Its purpose is to inform on the organisation's activities in the year 2005 and before. Based on issues addressed by internal and external stakeholders in the past, the report highlights achievements and challenges, gives an insight into organisational issues, illustrates the progress made in generating social compliance and presents the goals BSCI has set itself for the future. In particular, the report addresses BSCI members, their suppliers, donors, NGOs, public authorities and interested consumers.

The structure and content of this report has been designed to meet the requirements of the Global Reporting Initiative (GRI). To accommodate recent developments, the new reporting guidelines are already applied. They are published for public comment on www.gri3.org.

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The GRI 3 guidelines are followed as closely as possible, but cannot be respected in all detail, as they focus on the scope, organisation and activities of corporations.

Thus, the report is closely aligned to the GRI 3 disclosure items which define the structure and general content of sustainability reporting. The Core Indicators, which require more detail, have not been considered, as they rarely apply to BSCI's structure, functions and operations.

The Global Reporting Initiative

The Global Reporting Initiative (GRI) is an independent institution based on a multi-stakeholder process. Collaborating with UNEP and the UN Global Compact, its mission is to develop and disseminate Sustainability Reporting Guidelines which are globally applicable.

The Guidelines are for voluntary use by organisations who wish to report on the economic, environmental, and social dimensions of their activities, products, and services. Today, they are a recognised standard on international corporate sustainability reporting.

(www.globalreporting.org)

The Foreign Trade Association

The Brussels based Foreign Trade Association (FTA) is a non-profit organisation of European commerce which has specialized in foreign trade issues. In particular this refers to:

- trade policy
- quantitative restrictions
- tariffs
- anti-dumping proceedings and other trade barriers

The FTA promotes the liberalisation of trade and thereby opposes protectionism and bureaucratic restraints. It provides its Members with regular information on current trade policy topics and new EU regulations and maintains contacts to governments and their representations.

Further, FTA is committed to the improvement of social standards with respect to production in newly-industrializing and developing countries. The Business Social Compliance Initiative has emanated from this commitment.

FTA takes upon a facilitating role towards BSCI and provides the secretariat.

(www.fta-eu.org)

Foreword

Dear Reader,

We are proud to present to you the first Annual Report of the Business Social Compliance Initiative. This report is intended for all those who are interested in our endeavours to improve labour standards at our members' suppliers. I wish to inform you on the progress made and challenges encountered in the year 2005.

Working towards social compliance is a demanding and complex task. Interests concerned are manifold and actors involved multiple. Nevertheless, our members are committed to improving social compliance wherever necessary.

BSCI provides our members with a platform to live their responsibility. Through implementing our management tools, we take action together within the sphere of our influence.

The year 2005 was encouraging in many ways. More than 1000 audits were conducted by the end of the year. We organised a conference on Corporate Social Responsibility in Brussels with over 130 participants. We are on the verge of expanding into the Food Sector and are happy to welcome 22 new members in our initiative.

A handwritten signature in dark ink, appearing to read 'Ferry den Hoed', with a long horizontal stroke extending to the right.

Ferry den Hoed
President

The year 2005 has also been an exciting learning experience. We have had tremendous opportunities to learn about the dynamics of operating a sector-wide initiative. We have seen the power of our common efforts to enhance the standard of working conditions globally, as well as the boundaries set to them by the complexity of the subject.

Our goals for 2006 reflect much of this learning process. A positive change in the factories is our prime interest, we will ensure the augmentation of the number of audits to be conducted. We will also intensify our focus on qualification efforts.



We are determined to accept the challenges in front of us with all our means and strengths as a commerce association. At this point we would like to seize the opportunity to thank all those organisations and individuals who have faithfully supported us on the path we have gone so far. Whether of a financial or moral nature, much of our progress is owed to your support!

Thus, to maximise our impact we want to invite NGOs, trade unions, governmental and non-governmental institutions, and other stakeholders to join us in our endeavours. We are interested in your feedback and suggestions and are open to a constructive exchange of views, cooperation and solid partnerships. Together, we can make a difference!

Brussels, May 2006

A handwritten signature in dark ink, appearing to read 'Jan A. Eggert', with a stylized, flowing script.

Jan A. Eggert
Secretary General

The Year 2005 in an Overview

Enlarging the Circle

BSCI's prime strength derives from its wide circle of membership and the synergies created through the common implementation of a single standard and monitoring system. BSCI is therefore pleased to have welcomed 22 new members amongst its ranks in 2005.

Strengthening Implementation

Since its inception, BSCI members have conducted 1142 factory audits, 446 of these in 2005. This number is encouraging given the cost-driven reluctance of suppliers towards auditing in many markets. For the future, BSCI has decided upon the following target of supplier involvement to be ensured by every member:

2/3rds of their buying volume or a minimum of 2/3rds of soft goods (mainly textiles) suppliers from defined risk countries should be audited within 3 years, starting 6 months upon entering the initiative. (→ p. 11, 18, 20, 29).

Intensifying Support and Qualification

The year 2005 has marked an intensification of qualification measures through which BSCI and its members support their global business partners on their way to sustainable compliance.

Through awareness raising workshops for suppliers, BSCI reached more than 100 companies in Bangladesh, 88 in India, 482 in China (318 in Shenzhen, 164 in Shanghai) and 78 in Turkey (→ p. 18).

Maintaining Quality

To live up to the high standards which are expected of auditors and to provide equal conditions of assessment, BSCI conducted workshops for auditing companies in retail and sourcing markets (→ p. 11, 27).

Global Compact Summit:
China, Shanghai

Exchanging views

BSCI is convinced that communication is crucial to sustainable business development. The BSCI platform already provides its member companies with an opportunity to exchange their views.

Still, BSCI wishes to go further and learn more about the perspectives of others. In this vein, it cherishes the fruitful discussions which took place during its first conference on Corporate Social Responsibility (CSR) on November 23rd-24th 2005. Over 130 participants - amongst others representatives of the European Commission, the ILO, NGOs, member companies, and other stakeholders - convened to discuss issues evolving around CSR (→ <http://www.bsci-eu.org>)

Extending the Scope

The issue of labour standards is not only relevant to consumer goods production. To extend its outreach, BSCI has expanded its process and activities to the agricultural sector (→ p.29).

Joining Forces

BSCI is proud to inform its readers that it has joined the UN Global Compact through FTA and is looking forward to being part of the most exciting global initiative for business responsibility. (www.unglobalcompact.org)



"The work of the Business Social Compliance Initiative gives practical meaning to the Global Compact's principles by helping retailers align their operations with universal values in a spirit of collaboration and transparency. It is my hope that this report will inspire businesses of all sectors to engage in collaborative action to promote corporate responsibility around the globe."

Georg Kell
Executive Director
United Nations Global Compact



The Business Social Compliance Initiative

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The Business Social Compliance Initiative

Our History

The Business Social Compliance Initiative emerged in a period of intense exchange on Corporate Social Responsibility in Europe, notably during the time of the EU Multistakeholder Forum three years ago. Endorsing the EU Commission's understanding of Corporate Social Responsibility as *"a concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis"*, the FTA and member companies founded the BSCI in 2003. By voluntarily committing to the improvement of labour standards, they demonstrated their ability to actively deal with CSR issues from within the industry. Intending to merge existing tools and experience, existing monitoring systems of single companies and associations like the AVE Sector Model Social Responsibility (project with the German Technical Cooperation (GTZ) and support from the German government) [→ p. 18] have served as a basis for the development of the BSCI.

Today, BSCI is a successful business initiative which has recently even become a member of the UN Global Compact.

Our Values

BSCI members take their employees' and customers' concerns seriously and seek to improve the conditions under which their products are produced. The BSCI members wish to develop their suppliers' factories in a sustainable manner and also protect their reputation through ensuring social compliance.

Our Contribution to Sustainability

The BSCI contributes to enhancing the social and ecological aspects of its members' sustainability performance. Through the bundling of efforts and the use of systematic implementation tools the probability and quality of social compliance is increased.

Our Focus of Activities

BSCI procedures have been broadly introduced in its members' primary sourcing countries. In 2005, this concerned Turkey, Romania, Bulgaria,

Bangladesh, India, and China. Future implementation is planned for Vietnam, Thailand, Morocco, Tunisia, Sri Lanka, Cambodia, Laos and Pakistan.

Who we are

Principal decisions are taken by all BSCI members in the **Members' Meeting**. Three to four times a year they convene to discuss issues related to long-term planning and strategic decision making; in particular this concerns activities, procedures structures and budget. Regular decisions are taken with a simple majority, essential issues require a 2/3rd majority.

The **Representative Committee** represents the BSCI externally. Further it is charged with overseeing the realisation of its members' implementation commitments.

Currently, the composition is as follows: Javier Chercoles Blazquez (Inditex), Heinz-Dieter Koeppel (KarstadtQuelle until 31.03.06), Jouko Kuisma (Kesko), Dr. Johannes Merck (Otto Group), Bernhard Moeri (Migros), Anne Le Rolland (Wethica) and Jan A. Eggert (FTA - ex officio).

The **Stakeholder Dialogue** is envisaged as a participatory platform. At present it is still being developed. Once established, the Stakeholder Dialogue will give guidance and advice to the Members' Meeting. [→ p. 17]

The **Secretariat** is provided by the FTA and attends to administrative tasks. Staffed with currently four employees, it organises the system implementation and facilitates the internal flow of communication and information.

The Members' Meeting can establish **Working Groups** (WG) in which company representatives and external experts confer on special issues. In 2005, the focus of discussion lay upon the optimisation of the BSCI system. The following groups were formed:

- Pilot Group
- WG System Implementation
- WG Qualification/Training
- WG Certification Bodies + Accreditation
- WG Food Sector
- WG Members Acquisition
- WG Communication

Vision and Mission

Our Mission and Goals

The BSCI strives to improve working conditions at the factory level and help suppliers to comply with accepted international standards and national legislation whichever provides a higher protection for the workers.

This mission is of a complex nature. It involves dealing with and coordinating a wide range of actors and interests throughout the member companies' sourcing structures.

Our Commitment to Sustainability

BSCI believes that any efforts undertaken to follow through its goals have to be sustainable and contribute towards sustainable development.

Indeed, as workers' economic, physical and psychological wellbeing improves, they are better able to care for their families, provide food and education and pay attention to their dependants' health and nutrition levels. These investments in human capital are an important factor of sustainable development and the opportunity for alleviating poverty is substantial, given the size of current export production.

Our Strategy

Improving labour standards can only be achieved through a strong commitment to implementation. The BSCI recognises the difficulties involved in generating change in different cultures and situations of intense competition and aligns its strategy to these considerations:

We develop: BSCI takes a step-by-step approach to achieve social compliance which builds on monitoring, continuous improvement and support for the factories, rather than on including or excluding suppliers from business on a pass-or-fail logic.

Fulfilling the BSCI Code of Conduct is the primary goal. In addition, the SA8000 standard, developed by Social Accountability International, has been defined as best practice. Suppliers which meet BSCI's criteria are encouraged to apply for SA8000 certification (→ p. 12).

We communicate: BSCI builds on initiating, sustaining and broadening constructive dialogue with a multitude of stakeholders both in the retail as well as the procurement markets (→ p. 15-18).

We cooperate: BSCI attempts to spawn the positive impact of a common approach through entering into cooperation with equivalent systems. Especially cooperation in form of stakeholder dialogue or projects contributes to creating sustainable CSR structures in the procurement markets. This is beneficial to both companies and their suppliers.



Social Accountability International (SAI) and its SA8000 Standard

Social Accountability International is a non-governmental workers' rights organisation founded in 1996 and based in New York, United States. It seeks to improve workplaces and communities around the world by developing and implementing social standards.

To fulfil its mission, SAI convenes all key sectors, including workers and trade unions, companies, governments, NGOs, socially responsible investors and consumers, to operate consensus-based voluntary standards. It accredits qualified organisations to verify compliance with its SA8000 standard which was developed on the basis of experience gained with the ISO 9000 norm on quality management and the ISO norm 14001 on environmental management. SAI systems feature certification of compliance at the facility level and support for all companies seeking to implement its standards.

The BSCI Code of Conduct

Upon becoming member of the BSCI, companies commit to implement the responsibilities set forth in the BSCI Code of Conduct in their supply chain.

Article 7 of the Code covers the social requirements which reflect the following international standards:

- International Labour Organisation (ILO) Core Labour and other Conventions
- United Nations Universal Declaration of Human Rights
- United Nations Convention on the Rights of the Child
- United Nations Conventions on the Elimination of all Forms of Discrimination
- OECD Guidelines for Multinational Enterprises

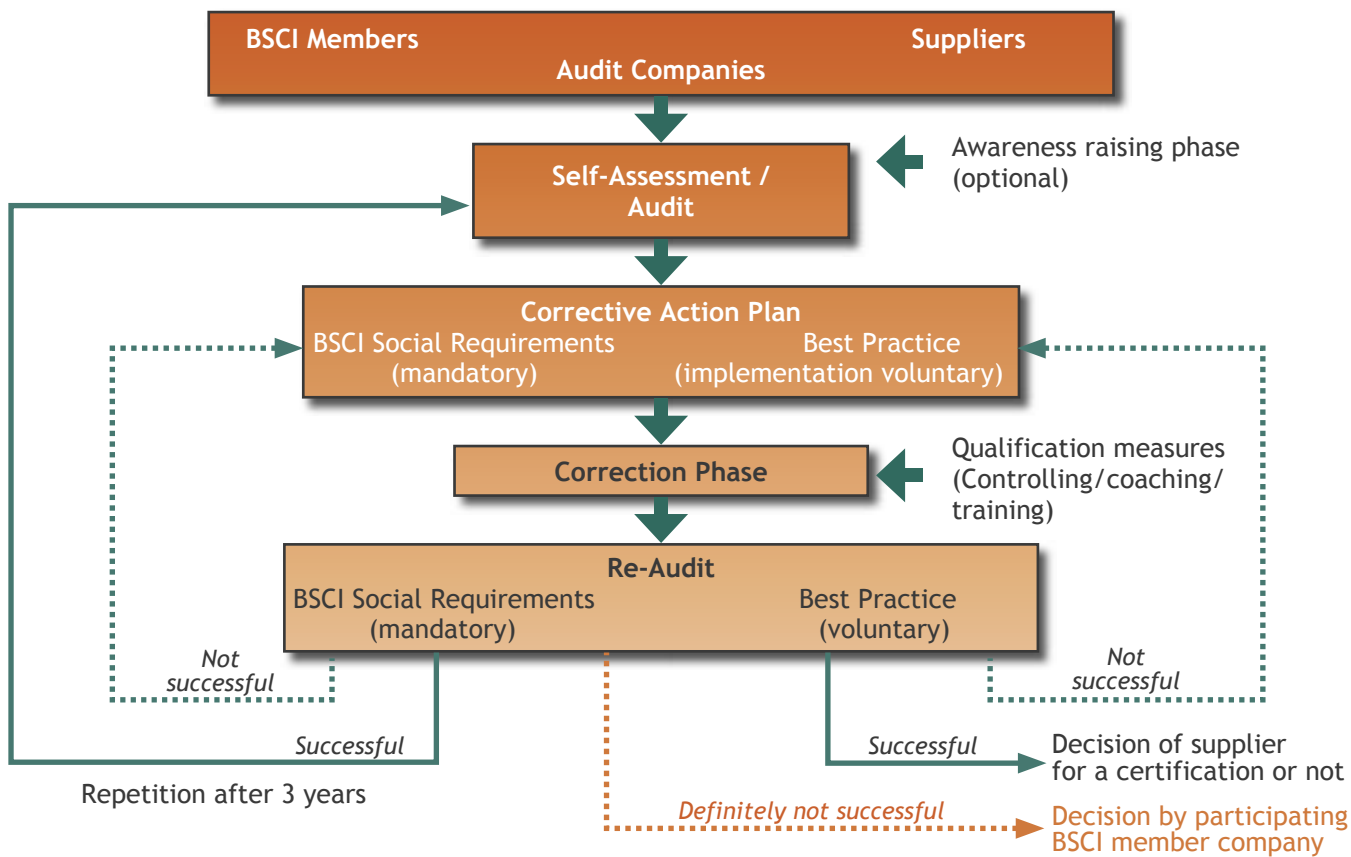
At present, the Code is under editorial review. Please refer to the following website for updates: www.bsci-eu.org/content.php?page=BsciDocuments.

BSCI Requirement

- Legal Compliance
- Freedom of Association and the Right to Collective Bargaining (ILO Convention 87, 98, 135)
- Prohibition of Discrimination (ILO 100, 111)
- Compensation (ILO 26, 131)
- Working Hours (ILO 1, 14)
- Workplace Safety (ILO 155, 164)
- Prohibition of Child Labour (ILO 79, 138, 142, 182)
- Prohibition of Forced Labour (ILO 29, 105)
- Health and Safety Issues
- Environment

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The BSCI Process



Approach and Tools

BSCI advocates a development approach for the improvement of social standards, building on the pillars of transparency and continuous improvements.

Step 1: Transparency – Assessing the Need for Improvement

Raising Awareness

Suppliers undergo a self-assessment prior to auditing which introduces them to the practicalities and modalities of social compliance. In support of this process, awareness raising workshops are held for suppliers, in the event of which BSCI also tries to reach a broader circle, including local governments, trade unions, industry associations and NGOs. The information gained during self-assessment helps BSCI members prioritise their suppliers according to their auditing and qualification needs. Also, a more precise understanding of the supply chain is developed.

Generating Transparency

The BSCI audit procedure is designed to benchmark suppliers' social performance against BSCI requirements. The audit procedure is repeated every three years from the initial audit date onwards. If the initial audit reveals deviations from the BSCI requirements, re-audits are carried out after the qualification phase.

Independent Auditing Bodies ensure Transparency of Supplier Performance

Auditing companies form a crucial part of the BSCI monitoring system. Their appraisal of working conditions in the factories functions as a basis for further qualification measures. For quality purposes, only SA8000 lead auditors of SAI accredited companies are eligible to conduct BSCI audits. High expectations are entertained with regard to their skills: auditors are required to have region- and issue-specific expertise, including command of the

local languages. Cooperation with local NGOs and employee representatives is mandatory. At present, the following auditing companies are entitled to conduct BSCI audits:

ALGI

Bureau Veritas Quality International (BVQI)
Cal Safety Compliance Corporation (CSCC)
Det Norske Veritas (DNV)
Intertek - Intertek Labtest
Registro Italiano Navale Group (RINA S.P.A)
TUV Asia Pacific Ltd.
Société Générale de Surveillance (SGS-ICS)
TÜV Rheinland Group

BSCI leaves it to the members to decide whether or not they pay for the audits. BSCI takes great efforts to maintain and continuously improve the quality of auditing and to deal with the difficulties auditors have in detecting specific breaches, such as discrimination or proper workers' representation.

A working group has been created which exclusively focuses on auditing bodies and auditing procedures.

Amongst others it has been decided that SAI will undertake surveillance audits to monitor factory inspections. The number of employee interviews will be increased, partly conducted outside the factory.

Twice a year, BSCI holds workshops with auditing company representatives at its headquarters in Brussels. The meetings serve as a platform for the exchange of information and the discussion of issues arising from the field.

In the most important procurement markets, BSCI also holds workshops for local auditors. Trainings have taken place in India, China and Turkey. Their goal was to improve the application of BSCI management tools and to sensitize auditors to more subtle breaches of BSCI criteria. Feedback from the workshops was positive and BSCI therefore plans to continue with more trainings in the years to come.

BSCI advocates a development approach for the improvement of social standards, building on the pillars of transparency and continuous improvements.

Employing Systematic Management Tools

Throughout the BSCI procedure a number of management tools and instruments are deployed which aim at guaranteeing a high level of comparability, transparency and consistent quality of auditing:

- **The BSCI Audit Questionnaire** enquires meticulously into the level of social compliance in the areas covered under the Code of Conduct and - as an add-on - into the compliance with "Best Practice for Industry" norms (currently SA8000)
- Audit results are documented in the **BSCI Social Audit Report** and the **BSCI Social Re-Audit Report**.
- The **Corrective Action Plan (CAP)** is a target agreement which prescribes corrective actions wherever a supplier fails to meet the BSCI criteria during auditing. The implementation of corrective actions leading toward compliance with the Code of Conduct is mandatory and set with a deadline. Actions designed to fulfil the Best Practice part are voluntary.

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All supplier profiles and information on their social performance is entered into the **BSCI Database** which is accessible to BSCI members and auditing companies. In order to protect suppliers' and members' core business data, access is restricted. Sharing this information avoids timely and costly multiple audits.

Step 2: Development – Qualifying Suppliers

Audits are valuable for an insight into the status quo of a supplier's social performance. Sustainable change, however, can only be achieved through consistent and continuous development measures. BSCI is therefore shifting its emphasis to qualifying suppliers.

Through monitoring, coaching and training measures, suppliers are assisted in implementing the corrective actions defined during auditing. The **BSCI Management Manual**, currently available in 7 languages, is a valuable source of information for them as to expectations, requirements and tasks to be undertaken.

Suppliers who fully comply with the BSCI requirements are encouraged to apply for SA8000 certification. Upon achievement, they are exempted from BSCI audits as long as their certificate is valid.

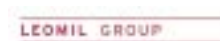
The success of the qualification process is appraised through re-audits. If necessary, additional corrective actions are incurred. Through this interplay of auditing and qualification, BSCI hopes to generate sustainable and effective changes on the factory floor.



BSCI, Workshop for suppliers in China

The BSCI Members

ADOLFO DOMINGUEZ





LINDEX




M&S



de Bijenkorf



METRO Group



MIGROS



MILLS
Etam



NewWave
GROUP



NILSON GROUP
DIN SKO / SKOPUNKTEN / NILSON / RADICAL SPORTS / JERNS



Now



OBI



otto group



Poco Cluppenburg
EISENHÖFF




PKZ



POLARN O. PYRET



promiss



SCAPINO



STOCKMANN



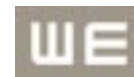
Textilimportörema
Textile Importers' Association in Sweden



TOM TAILOR



V&D



WE



Wehkamp



unibrands

Stakeholders



Involvement of Stakeholders in Retail Markets

BSCI believes in Dialogue

BSCI's attempts to improve social compliance on the factory floor are enhanced by the involvement of a wide range of stakeholders and interest groups. The initiative intends to ensure that as many voices as possible are heard. This chapter describes the way in which stakeholders and interest groups are involved and involve themselves in the mission. In this vein, BSCI invites any individual or group interested to provide constructive feedback on the activities of the BSCI.

Member Companies – The Fundament of the BSCI.

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It is their commitment, financial contribution and implementation of the BSCI process which makes the system work. The BSCI is as successful as its members actively strive to implement what they have agreed upon.

As BSCI is a young initiative, many of the Members' Meetings in 2005 dealt with questions of optimising and developing the BSCI system and its operations.

Issues addressed involved audit commitments, sanction mechanisms for non-complying members, governance structures, planned extensions into the food sector and the CSR conference which took place in November 2005. The Members' Meeting also engaged with the criticism which was expressed by the civil society sector over the past year. Many of the goals for 2006 mirror this reflection process and demonstrate that BSCI is indeed a dynamic organisation which is willing to learn.

Consumers Demand Ethically Sourced Products

Consumers are an important driver of the coalition for improving social compliance. Apart from some companies' intrinsic motivation for taking their share of responsibility for working standards, it is customer demands for ethically sourced products which create considerable incentives for corporations to take action. Additionally, also investors increasingly focus on CSR activities of companies, highlighted by the various rating systems which have emerged in the last years. BSCI Members take these demands seriously; their involvement in the BSCI system testifies to this fact.



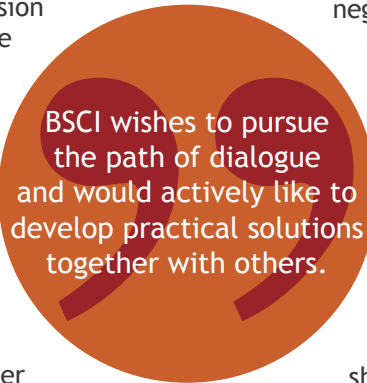
The Stakeholder Dialogue – more Voice for external Perspectives

Unlike in procurement markets, a Stakeholder Dialogue for retail markets is still in the process of development. Its decision-making powers and functions have been subject to discussion amongst external stakeholders and the Members' Meeting. Some of the stakeholders approached have been reluctant to join this body previously for the fear of compromising their impartiality and being relegated to a window dressing position.

The BSCI is eager to resolve these concerns as soon as possible. According to its conceptualisation, the Stakeholder Dialogue has an important function within the BSCI system as an institution competent to address complaints and to give input to the Members' Meeting. To promote this body, the discussion process with stakeholders has been intensified since September 2005.

BSCI hopes that issues evolving around the establishment of the Stakeholder Dialogue will be settled shortly. BSCI's first and foremost aim is to improve the implementation of labour standards, a goal which it shares with many other individuals and organisations. It sees no need to engage in antagonistic discourses which are more concerned with form than with content, when more pressing issues are at hand.

Instead, BSCI wishes to pursue the path of dialogue and would actively like to develop practical solutions together with others. Anyone interested in constructive engagement and cooperation on this matter is sincerely invited to contact the secretariat.



BSCI wishes to pursue the path of dialogue and would actively like to develop practical solutions together with others.

NGOs represent Civil Society Interests

NGOs often belong to the severest critics of business activities which profess to work towards a social or environmental cause.

The Clean Clothes Campaign, for example, has strongly criticized the BSCI for ostensibly focussing on auditing, for lacking transparency, and for neglecting the involvement of stakeholders (www.cleanclothes.org).

BSCI appreciates and gladly includes comments on its performance in its reflection processes. Indeed, this report is probably one of the most tangible manifestations of its conviction to learn and develop as an organisation.

Having said that, external stakeholders should nevertheless take into consideration the nature and scope of the BSCI: the BSCI is a business initiative which is committed to improving its suppliers' compliance. At the same time it has to secure the viable business interests of its members who need to remain competitive. This is why, for example only certain supplier information is shared in this report. The decision is certainly not motivated by a desire to keep issues hidden from the public.

Political Support and Cooperation to broaden the Coalition for Compliance

BSCI is keen to expand its relations with governmental and non-governmental partners. Already it receives support from the European Commission and national governments.

In addition, BSCI is deliberating possibilities of collaborating with other social monitoring systems in order to further minimize the number of multiple auditing.

Involvement of Stakeholders in Procurement Markets

Local Round Tables involve Stakeholders

Round Tables are the principal instruments by which stakeholders participate in supplier markets. In this forum, representatives of retail and brand companies, suppliers, NGOs, trade unions, governments and other interested actors come together to discuss audit findings and ways to improve working conditions. Initiated by the German Development Corporation (GTZ) in conjunction with the AVE Sector Model Social Responsibility, the purpose of the Round Tables is to create a sustainable system of dialogue and to promote a culture of joint discussion and exchange of interests. This strategy aims at embedding the CSR discourse into local contexts.

In 2005, meetings took place in Bangladesh, Bulgaria, China, India, Indonesia, Pakistan, Romania and Turkey and Vietnam. The discussions generally evolved around broadening the support for Corporate Social Responsibility. Moreover, obstacles to the realisation of social standards were reflected. Of particular concern was the level of non-compliance in the area of Health and Safety, Working hours and Compensation.

Winning national Partners to anchor the Commitment for Social Compliance

The year 2005 marked a significant recognition of the BSCI system in China following from intensive exchange with Chinese stakeholders. The EU-China Industrial Policy Dialogue led by the European Commission and Chinese counterparts identifies BSCI as a leading discussion partner for the textiles sector. CSC9000T, a social standard drafted by the China National Textile and Apparel Council (CNTAC), directly refers to the initiative. This move, in BSCI's opinion, is a first step in the right direction.

http://europa.eu.int/comm/enterprise/enterprise_policy/gov_relations/china_indpol_dialogue/eu_china_indpoldialogue.htm

<http://www.csc9000.org.cn/>

Working with our Suppliers

This year, over 750 suppliers attended BSCI Awareness Raising workshops in China, India, Bangladesh und Turkey.

Apart from receiving information on the BSCI monitoring process and core social requirements, participants were asked to evaluate their compliance situation themselves. Emphasis was put on the active discussion of possible improvements and solutions.

Overall feedback to the workshops was positive. Suppliers felt sensitized to the issue of Social Responsibility and the importance of being reliable partners for their buyers on this account. At the same time, however, they were concerned about remaining competitive within an intensifying business climate.

BSCI recognises these concerns. However, positive examples show that improvements of social standards can also benefit suppliers' competitiveness. Further, the intensification of qualification will help suppliers optimise production, thereby generating positive economic effects.

The AVE Sector Model Social Responsibility is an initiative of German retailers under the umbrella of the AVE (Foreign Trade Association of the German Retail Trade). Supported by the German Technical Cooperation (GTZ) and the German Ministry for Economic Cooperation and Development (BMZ) through a Public-Private Partnership project, the Model has been implemented in 11 markets worldwide, covering textiles, shoes, toys and sport articles.

The AVE project is one of the forerunner models of the BSCI and was strongly involved in its development. The two initiatives coexist and have mutually recognised each other.

Progress



General overview

Mapping Progress

The implementation of the BSCI system occurs on a worldwide scale. For an overview, the following pages describe the most important BSCI procurement markets and highlight common non-compliances encountered during auditing.

Implementing the BSCI system

The BSCI system is applicable to all industrially made consumer goods including agricultural primary production. At present, the following products are prioritized: garments, textiles, shoes, toys and sporting goods.

Moreover, members are focusing on certain risk countries and therefore have conducted audits in: Bangladesh, Bulgaria, China, India, Indonesia, Pakistan, the Philippines, Romania, Thailand, Turkey and Vietnam.

Several Member Companies have also commissioned audits in Jamaica and Madagascar.



The inclusion of markets into the BSCI process occurs on the basis of the BSCI members' order volumes. The system is flexible and as BSCI's membership expands or current members reorient their procurement strategies, new markets are

integrated into the system. For 2006, the inclusion of Morocco, Tunisia, Israel, Nepal, Sri Lanka, Malaysia, Cambodia and Laos is planned.

Progress with Auditing

Up to now, 1142 audits have been conducted, including those which took place under the AVE Sector Model Social Responsibility. In 2005, 446 audits were accomplished.

Since this is the first BSCI Annual Report, the calculations and charts of this chapter are based on the total number of initial audits. Re-audits are included for information but will be analyzed in the next BSCI report, as their number per country is too low at present for significant comparison.



Challenges to performing Audits

BSCI has recognized that auditing has not progressed as fast as anticipated. The following factors have acted as an impediment to implementation:

- Resistance of suppliers to undergo auditing (which in some cases has led to their exclusion from further business)
- Lacking capacities of auditing bodies which has created a strong backlog
- Introduction of self-assessments which has delayed BSCI auditing in a few cases
- Lacking commitment of members to ensure that their suppliers are audited

Enhancing the System

To foster the realisation of auditing, BSCI has committed its Members to ensure that a significant proportion of suppliers are audited within a fixed period of time (→ p. 6).

Bangladesh

Due to the low cost of labour, Bangladesh is becoming an increasingly important producer of ready made garments. Strong growth in textile exports and severe competition has proven a challenge to many companies' production capacities, often resulting in extreme overtime work, piece-rate work, salaries below the legal minimum wage and child labour. The expansion of production has led to wild extensions of buildings, especially the construction of new storeys. This is problematic for the buildings' foundations, especially as Bangladesh is prone to flooding and has led to several accidents.

BSCI Activities

Increase of audits, 2 Awareness Raising Workshops for Suppliers (5./6.12.2005, Dhaka)

Stakeholder Discussions

Collapse of Spectrum in Savar, Occupational Health and Safety, Management Practice and Documentation, etc.

Bulgaria

Bulgaria is a comparatively small textile market which is often used for offshore purposes by Romania and Turkey. Its labour standards are comparatively well implemented, though compliance issues prevail with regard to management practice, documentation, and health and safety.

BSCI Activities

Participation of Bulgarian suppliers in the Turkish Awareness Raising Workshops. Manuals in Bulgarian language were provided.

Stakeholder Discussions

Publication of articles on Corporate Social Responsibility in textile magazines; Elaboration of an information brochure, etc.

China

China's export trade is booming since Chinese textiles, garments and shoes have gained nearly full access to European and American markets. Though highly ambitious on paper, Chinese Labour Law is still weakly implemented and often succumbs to regional and provincial struggles of power. The tremendous volatility of the sector, prevailing poverty, and the phenomenon of migrant workers pose a triple challenge to the implementation of social standards.

Critical issues involve excessive overtime, lack of written contracts, no pay slips, long probation times and hardly any social insurance. Field research has further documented profound gender discrimination. In a decade, China has switched for a bustling market economy but the political climate remains the same: workers are deprived of the right to organize freely, to form independent trade unions, and to engage in collective bargaining. The right to strike is not recognised.

BSCI Activities

4 Awareness Raising Workshops for Suppliers (14./15.3.2005 Shanghai, 17./18.3.2005 Shenzhen)

2 Auditor Workshops (16.3.2005 Shanghai, 19.3.2005 Shenzhen)

Stakeholder Discussions/Developments

Development of a coherent CSR strategy; Trend towards a more flexible and holistic social management system; Occupational Health and Safety issues, freely elected worker representations, etc.

The social standard CSC9000T has been drafted by the China National Textile and Apparel Council (CNTAC) with direct reference to the BSCI Manual.

India

Despite a rush of textile production towards China through the elimination of the Multi-Fibre Agreement's quota-system, India remains one of the most important textile markets. It is renowned for its creativity, its dynamic development, and its long democratic tradition. Unfortunately, poverty with all its impacts on society prevails and is highly evident in the export industry.

Major non-compliances encountered are breaches of health and safety regulations, working hours, as well as wages and benefits. Many employees are informally employed and social insurance is rarely paid. Though difficult to detect through audits (→ p. 24), grave discrimination persists in India. Equal remuneration laws have not been adequately implemented and caste and ethnic discrimination remain a serious problem.

BSCI Activities

6 Awareness Raising Workshops for Suppliers (21./22.3 2005 Gurgaon)
1 Auditor Workshop (23.3.2005 Gurgaon)

Stakeholder Discussions

Improvement of support for social contract labour; Reduction of psychological barriers of SMEs with regard to CSR, etc.

Indonesia

Indonesia has severely suffered from the abolition of the Agreement on Textiles and Clothing (ATC). Already within the last years, hundreds of garment factories were forced to shut down. For BSCI member companies, the Indonesian market is only of limited relevance. Nevertheless, existing suppliers are included in the monitoring activities and are audited regularly. Detected breaches usually encompass management practice, documentation, working time, compensation and health and safety.

BSCI activities

No separate BSCI events so far

Stakeholder discussions

Definition of CSR; Indonesia's difficulties of remaining competitive, etc.

Pakistan

Pakistan is well known for its carpet and football production. It is an important export market which has worked hard on social compliance issues during the last years. Several SA8000 certificates have been realized and the general level of awareness is high. The most critical issues detected refer to management practice, documentation, freedom of association, and health and safety.

BSCI Activities

No separate BSCI events

Stakeholder Discussions

Trade Policy Declaration by the Government to subsidize social compliance; initiation of a national CSR strategy; inauguration of the National Institute of Corporate Governance; launch of CSR training courses at Punjab University; inclusion of social compliance as an important part of the National Small and Medium Enterprises (SME) Development policy, etc.

Romania

Due to its future EU membership, the rather small Romanian market has become an important trade partner to the EU, though only of little importance for BSCI members. In December 2005, the government adopted a "National Strategy for Export for 2005-2009". The textile industry, amongst others, was chosen for future branding programs.

BSCI Activities

Participation of Romanian suppliers in the Turkish Awareness Raising Workshops. Manuals in Romanian language were provided.

Stakeholder Discussions

Potential training seminars for suppliers; Future EU membership; Some BSCI members have a project in Romania with the German GTZ to broaden the ability to social dialogue

Thailand

Thai factories demonstrate a good overall social performance and are run by skilled and receptive managers. Nevertheless, breaches are detected with regard to management practice, working hours, compensation, health and safety. The Thai government has developed its own social standard - the TLS (Thai Labour Standard). It is published by the Department of Labour Protection and Welfare and is linked to several ILO conventions and the SA8000 standard.

BSCI activities

No separate BSCI events so far

Stakeholder discussions

No Round Table

Turkey

Given its geographical proximity to Western Europe, the Turkish textile market has traditional significance for European retailers, ranking third in size behind China and India. Turkey's labour laws are sophisticated and comprehensive.

In practice, social audits and qualification measures have revealed problems with health and safety compliance and social provisioning. Often management practices do not comply with legal regulations: to circumvent the high cost of taxes and social insurance, employers often keep two books, officially showing lower wages than employees are actually paid. Overtime work is often paid "off the books". Employees' social insurance is jeopardized through these practices.

In Turkey it is rather common for suppliers to work with subcontractors, this makes auditing rather difficult. The laws and regulations for freedom of association and collective bargaining are very complicated and almost impossible to use. Besides this, the existing unions heavily compete each other.

BSCI Activities

2 Awareness Raising Workshops for Suppliers (11./12.10.2005 Istanbul)

1 Auditor Workshop (13.10.2005 Istanbul)

Stakeholder Discussions

Differences among Codes of Conduct and approaches; Competition with the Chinese market

Vietnam

Vietnam has a long tradition of social standards and a high rate of SA8000 certified suppliers. It is not only a relevant market for European but also for American retailers.

The past decade has marked tremendous growth in garment, textile and shoes exports. Vietnamese garment makers are, however, facing difficulties in meeting growing production demands due to a shortage of labour. The most critical non-compliances occur with regard to working time, documentation, management practice and health and safety. As most companies in Vietnam are foreign owned or joint ventures it is not easy to implement socially responsible behaviour

BSCI Activities

Awareness Raising Workshop for Suppliers (10.04.2006 Ho Chi Minh City)

Auditor Workshop (11.04.2006 Ho Chi Minh City)

Others

In addition to the markets described above, several audits have been conducted in Jamaica, Madagascar and the Philippines. Their results have been summarized for a reasonable statistical basis.

The inclusion of further markets is planned for 2006. This concerns Morocco, Tunisia, Israel, Nepal, Sri Lanka, Malaysia, Cambodia and Laos.

Initial Audit

	Bangladesh				Bulgaria				China				India				Indonesia				Pakistan			
Good ¹	5				1				8				15				0				1			
IN ²	15				15				55				19				6				4			
Critical ³	98				3				250				114				15				9			
Total	118				19				313				148				21				14			
	G ¹	IN ²	C ³	NA ⁴	G	IN	C	NA	G	IN	C	NA	G	IN	C	NA	G	IN	C	NA	G	IN	C	NA
B.1 Management Practice	25	50	42	1	2	17	0	0	130	65	117	1	41	23	82	2	4	5	12	0	4	3	5	2
B.2 Documentation	27	75	15	1	2	17	0	0	30	227	54	2	27	66	53	2	2	16	3	0	2	9	2	1
B.3 Working Time	31	21	65	1	13	5	0	1	65	59	188	1	49	31	62	6	3	6	12	0	8	3	2	1
B.4 Compensation	24	17	74	3	15	4	0	0	50	49	213	1	47	27	70	4	4	5	12	0	6	5	2	1
B.5 Child Labour	100	13	4	1	18	0	0	1	168	112	31	2	112	27	5	4	20	1	0	0	12	1	0	1
B.6 Forced, Prison Labour / Disciplinary Measures	106	4	7	1	18	1	0	0	264	9	38	2	133	11	1	3	20	1	0	0	13	0	0	1
B.7 Freedom of Association / Collective Bargaining	93	21	3	1	11	7	0	1	222	70	17	4	75	55	13	5	8	12	1	0	4	7	2	1
B.8 Discrimination	114	3	0	1	19	0	0	0	301	6	5	1	141	3	2	2	20	1	0	0	11	1	1	1
B.9 Working Conditions	105	8	4	1	18	1	0	0	288	19	5	1	111	26	9	2	19	2	0	0	8	5	0	1
B.10 Health and Social Facilities	36	66	14	2	5	14	0	0	114	178	19	2	57	70	19	2	6	15	0	0	7	4	2	1
B.11 Occupational Health and Safety	19	63	35	1	3	16	0	0	39	192	76	6	35	59	51	3	4	9	8	0	1	7	5	1
B.12 Dormitories	4	1	0	113	1	0	0	18	128	92	12	81	3	12	4	129	4	1	0	16	2	0	0	12
B.13 Environment	71	26	20	1	13	6	0	0	262	41	5	5	80	43	18	7	19	1	1	0	8	5	0	1
	G	IN		NA	G	IN		NA	G	IN		NA	G	IN		NA	G	IN		NA	G	IN		NA
C.1 Policy	1	115		2	0	19		0	17	273		23	6	125		17	0	20		1	0	13		1
C.2 Planning und Implementation	1	114		3	0	18		1	16	273		24	3	127		18	0	21		0	0	13		1
C.3 Management Review	1	114		3	0	19		0	16	268		29	3	128		17	0	21		0	1	12		1
C.4 Control of sub-cons and suppliers	1	115		2	0	19		0	8	276		29	5	127		16	3	18		0	0	13		1
C.5 Control of homeworker	0	0		118	0	0		19	5	13		295	0	13		135	3	2		16	0	0		14
C.6 Compensation	2	113		3	5	14		0	50	237		26	6	123		19	0	21		0	7	6		1
C.7 Child Labour	52	54		12	17	2		0	25	165		31	17	112		19	2	7		12	3	10		1
C.8 Evasion	96	0		22	12	7		0	272	17		24	77	51		20	12	2		7	11	2		1
C.9 Outside Communication	1	115		2	1	18		0	25	263		25	4	126		18	0	21		0	0	13		1

¹ Good = No deviations from requirements or only minor deviations and full protection of employees is given.

² IN = Improvements Needed - Deviations in the minority of requirements and no crucial points.

³ Critical = Deviations in the majority of requirements or/ and in crucial points.

⁴ NA = Not Applicable - Requirements do not match the company structure.

Romania	Thailand	Turkey	Vietnam	Others	Total
0	0	36	1	0	67
1	3	22	16	12	168
5	14	147	27	25	707

6	17	205	44	37	942
---	----	-----	----	----	-----

G	IN	C	NA	G	IN	C	NA	G	IN	C	NA	G	IN	C	NA	G	IN	C	NA	G	IN	C	NA
1	3	2	0	4	3	10	0	71	11	123	0	14	18	12	0	14	8	15	0	296	206	420	6
2	3	1	0	4	7	6	0	55	99	51	0	11	31	2	0	3	22	12	0	162	572	199	6
2	1	2	0	4	3	10	0	70	40	95	0	6	22	16	0	7	10	20	0	251	200	472	10
2	1	3	0	6	3	8	0	87	32	86	0	17	15	11	1	13	6	17	1	258	164	496	11
6	0	0	0	13	4	0	0	138	53	14	0	33	8	0	3	28	5	3	1	620	224	57	13
4	0	2	0	16	0	1	0	187	2	16	0	34	7	2	1	28	0	9	0	795	35	76	8
5	1	0	0	15	0	2	0	162	35	8	0	34	10	0	0	19	10	8	0	629	227	54	12
6	0	0	0	15	1	1	0	203	0	2	0	35	8	1	0	30	0	7	0	865	23	19	5
5	0	1	0	12	5	0	0	180	23	2	0	29	15	0	0	29	5	2	1	775	109	23	6
1	5	0	0	6	5	6	0	108	85	11	1	26	18	0	0	11	18	7	1	366	478	78	9
1	5	0	0	1	6	10	0	51	98	56	0	9	28	7	0	3	15	19	0	163	497	267	11
0	0	0	6	4	4	0	9	2	0	0	203	12	1	0	31	6	4	3	24	160	115	19	641
6	0	0	0	12	3	1	1	195	7	2	1	25	15	4	0	22	6	8	1	691	153	59	17

G	IN		NA	G	IN		NA	G	IN		NA	G	IN		NA	G	IN		NA	G	IN		NA
0	6		0	0	17		0	11	160		34	5	28		11	3	32		2	43	808		90
0	6		0	0	17		0	1	170		34	4	28		12	3	32		1	28	819		93
0	6		0	1	16		0	3	166		36	5	28		11	4	20		3	34	798		99
0	6		0	2	15		0	6	164		35	5	27		12	3	31		3	33	811		97
0	0		6	0	5		12	0	13		192	1	4		39	1	3		33	10	53		878
1	5		0	2	15		0	16	155		34	12	21		11	7	27		3	108	737		96
4	2		0	2	15		0	75	90		40	10	21		13	10	24		3	217	502		130
5	0		1	15	2		0	83	5		117	27	5		12	28	4		5	638	95		208
0	6		0	1	16		0	0	171		34	4	28		12	2	31		4	38	808		95

Re-Audit

Total
92
41
67

200

G	IN	C	NA
148	13	28	5
126	55	15	2
128	30	31	10
124	25	40	10
161	19	3	14
165	2	12	18
167	14	3	13
177	1	0	17
181	5	0	9
152	37	2	7
116	67	11	5
41	2	2	152
164	18	1	12

G	IN		NA
11	173		16
7	174		19
8	171		21
10	172		18
3	9		188
25	154		21
47	129		24
116	16		68
11	170		19

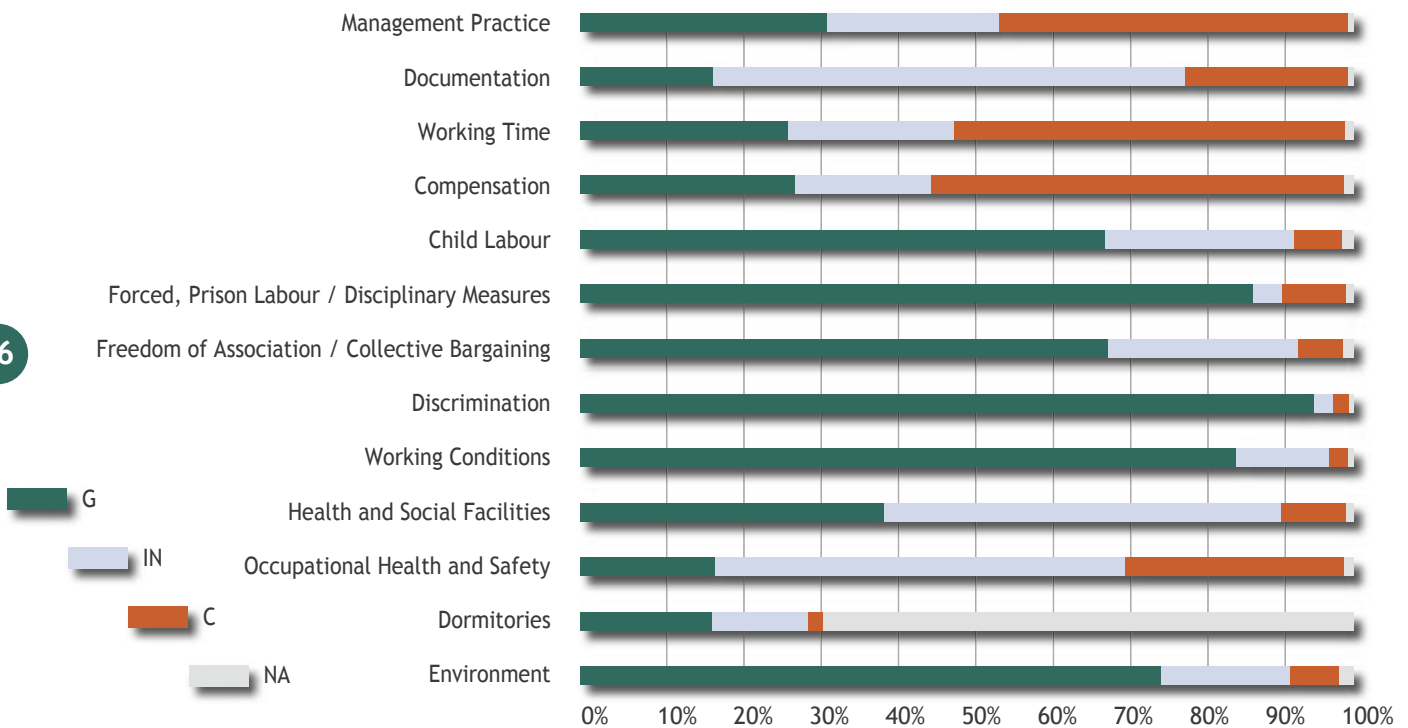
Conclusion

Similar Compliance Problems Worldwide

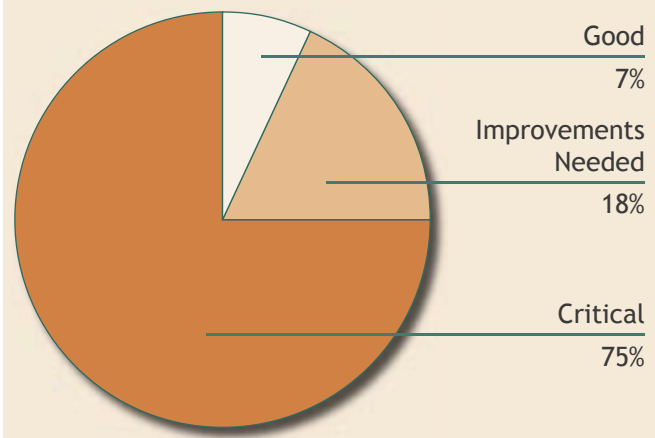
On a worldwide scale, social audits and qualification measures have revealed similar issues of non compliance with regard to the BSCI standard. The tables below show the aggregate audit results for each audited issue on a global level. Management

practice, documentation, working time and compensation are the most common non compliance issues. So are health and social facilities, occupational health and safety, and dormitories. Fairly good assessments have been made with regard to forced labour/ disciplinary measures, freedom of association/ collective bargaining, discrimination, working conditions and environment.

26



Total Results Initial Audit



Limitations of Audits

The audit results might be surprising at first sight, as a great deal of literature demonstrates the pervasiveness of discrimination in export production or violations of the right to freedom of association. The results should not be read as proving the literature wrong. Rather this inconsistency aptly illustrates the boundaries of social auditing in general:

Auditing can well detect obvious breaches of the BSCI standard. These generally emanate from the sections Management Practice, Health and Safety, Compensation, Overtime, i.e. the areas referred to above.

More subtle and subjective breaches, such as discrimination are much more difficult to detect. Auditors only spend a limited amount of time on-site. Their ability to identify discrimination, for example, is highly dependant on their personal and cultural background.

Finally, the implementation of some standards, such as freedom of association and collective bargaining can be of a highly political nature. Exercising these rights is restricted in China, though suppliers have to ensure the existence of parallel means. The implementation of the right to freedom of association will be difficult where the national legislation is restrictive. This issue is better addressed through dialogue and lobbying at a political level.

Working on Solutions

BSCI has recognised the limitations of solely relying on an auditing system, while at the same time acknowledging its importance for generating transparency. It is working on the problem from different angles, and has decided to emphasize more strongly the qualification of suppliers. The rationale behind this step is the recognition that the improvement of conditions for factory workers needs time, intensive support, and close working relationships with suppliers.

Qualification entails changing attitudes and habits through the training of management, specialised staff and employees. It further encompasses

technical advice on the proper installation of safety equipment, or the calculation of wages. Through these measures and a strong focus on creating effective management systems, suppliers are supported in implementing the BSCI requirements.

As conditions on the factory floor are also linked to the political climate, level of development and sociological factors, BSCI seeks the dialogue with local stakeholders.

Through working together with them, BSCI hopes to contribute to a culture which emphasizes the importance of Corporate Social Responsibility (→ 18).

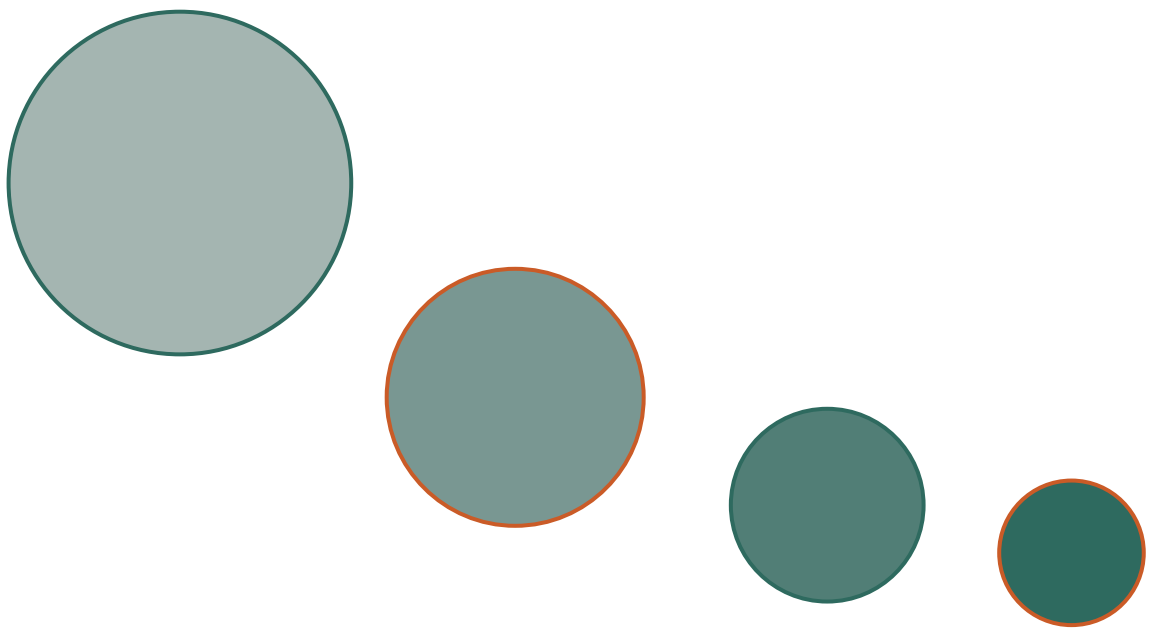
A long time for small Steps

What becomes apparent from the experience accumulated through the qualification measures undertaken so far, is that change does not occur overnight.

Measurable differences take time. They require stamina, patience and BSCI's willingness to revise its system on the basis of the lessons learned from the field. The following chapter on goals and perspectives reflects the conclusions developed during this initial period of operation, and outlines modifications and goals for the future.

BSCI has decided to emphasize more strongly the qualification of suppliers. The improvement of conditions for factory workers needs time, intensive support, and close working relations with suppliers.





Goals for 2006

1. Intensifying Support for Suppliers

Following from its experience with audit numbers and audit results, BSCI will be giving utmost priority to the support of suppliers in their improvements process, for it is the worker who should benefit in the end. BSCI therefore plans to expand its qualification activities in supplier countries.

- Proposal on training and qualification capacities and compilation of all existing programmes in a directory
- Increased involvement of institutions and organisations to expand qualification measures
- Initiation of special qualification projects in China, Turkey and Morocco
- Conduct of awareness raising workshops in China and Vietnam

2. Communication with Stakeholders

One of the lessons learnt from 2005 is the necessity for BSCI to intensify communication with its stakeholders in the retail markets.

- Improvement of transparency
- Employment of a communications officer
- Publishing of an Annual Report
- Conduct of Stakeholder Dialogue on the European level

BSCI wishes to broaden cooperation with stakeholders in procurement markets.

- Strengthening of dialogue between stakeholders
- Intensifying of cooperation with Stakeholder Round Tables
- Working towards initiating projects with various stakeholders, for example in the framework of supplier training

3. Enlarging and Optimising the BSCI System

The BSCI is a living system; it develops and has to be adapted to new realities and necessities.

- Review of the Code of Conduct and other management tools
- Translation of the Code and tools into Tamil, Hindi, Vietnamese, Arabic and Spanish
- Implementation of the food module

BSCI is committed to improving the quality of the auditing procedure.

- Continuation of discussions with SAI on cooperation, as well as on quality control, qualification and surveillance of audit companies

BSCI aims at broadening the number of suppliers involved in its system.

- Control of the implementation of members' commitments

4. Shaping new Alliances

Winning new Members is a permanent goal of the BSCI. The more companies join, the more influence and resources are available to improve suppliers' social performance in a sustainable way. Additionally, BSCI seeks the cooperation with other credible transparent systems or initiatives.

- Acquisition of new members
- Evaluation of the possibilities of cooperating with other social compliance systems
- Intensification of the dialogue with the UN Global Compact and other international organisations and initiatives
- Encouragement of initiatives for the enhancement of social compliance in sourcing countries

GRI 3 DISCLOSURE ITEMS

1: Strategy and Analysis

1.1	Statement from the head of the organization	5
1.2	Description of Key Risks and Opportunities	3, 6, 8, 15-18, 19-27

2: Organizational Profile

2.1	Name of the reporting organization.	CP1
2.2	Major brands, products and/or services	3, 8, 10-12
2.3	Operational structure of the organization and major divisions, operating companies, subsidiaries, and joint ventures	8, 13, 14
2.4	Countries in which the organization's operations are located	4, 8
2.5	Nature of ownership and legal form	3, 8
2.6	Markets served	8, 19-23
2.7	Scale of the reporting organization	partly 8
2.8	Major decisions during the reporting period regarding the location of, or changes in operations, including facility openings, closings, and expansions	Not applicable*

3: Report Parameters

Report Scope / Profile

3.1	Contact point for questions regarding the report or its contents	31
3.2	Reporting period for information provided	CP1
3.3	Date of most recent previous report (if any)	Not applicable*
3.4	Significant changes from previous years in the inclusion of, and measurement methods applied to indicators	Not applicable*
3.5	Plans for future reporting	29
3.6	Nature of GRI reporting framework documents applied	GRI Disclosure Items*

Explanation of Processes

3.7	Process of defining report content	4
3.8	Limitations on the scope of the report.	4*
3.9	Data measurement techniques and the bases of calculations	4*
3.10	Approaches to stakeholder engagement activities for the report	none
3.11	Type of information generated by stakeholder engagement activities implemented specifically for the purposes of report preparation.	none

Reporting Boundary

3.12	Span of the report	4
3.13	Significant changes in size, structure, ownership, or products/services since the previous report.	Not applicable*
3.14	Basis for reporting on joint ventures, partially owned subsidiaries, leased facilities, outsourced operations, and other situations that can significantly affect comparability from period to period and/or between reporting organizations.	Not applicable*
3.15	Explanation of the nature and effect of any re-statements of information provided in earlier reports, and the reasons for such re-statement	Not applicable*

GRI Content Index

3.16	Table identifying the location of the standard disclosures in the report	See above
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Assurance

3.17	Policy and current practice with regard to seeking independent assurance for the report	Not applicable*
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4: Governance, Commitments, & Engagement

Governance

4.1	Governance structure of the organization	8
4.2	Indicate if the Chair of the highest governance body is also an executive officer	Ferry den Hoed
4.3	Number of independent and/or non-executive members of the highest governance body for organizations that have a unitary board structure	Not applicable*
4.4	Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body	8, 17
4.5	Linkage between compensation and the organization's performance for members of the highest governance body, senior managers, and executives.	* Not Applicable
4.6	Process of determining required qualifications and expertise of the members of the highest governance body	*
4.7	Processes of ensuring the avoidance of conflicts of interest in the highest governance body	None
4.8	Internally developed mission and values statements, codes of conduct, and principles	9, 10
4.9	Processes for overseeing the organization's identification and management of economic, environmental, and social performance	Not applicable
4.10	Processes for evaluating the performance of the highest governance body	Not available

Commitments to External Initiatives

4.11	Explanation of whether and how the precautionary approach or principle is addressed by the organization	8
4.12	Externally developed sets of principles or initiatives to which the organization subscribes or which it endorses	6, 8, 10
4.13	Significant memberships	6, 8

Stakeholder Engagement

4.14	List of stakeholder groups engaged by the organization	15-19
4.15	Basis for identification and selection of stakeholders	16
4.16	Approaches to stakeholder engagement, including frequency of engagement	15-19
4.17	Key issues and concerns raised through stakeholder engagement	6, 8, 15-19

CP Cover Page

*3.6	Due to the BSCI's structure as a non-profit organisation the core indicators are not applied. They are too detailed in nature and tailored to a corporate setting.
*3.8	The Annual Report only applies to the activities performed by BSCI or related to its functions. It does not preclude sustainability reporting by its Members.
*3.9	The audit statistics included in the "Progress" chapter have been derived from the BSCI supplier database.
*3.17	BSCI cannot allow external verification of its audit data in the database, as access is restricted to the secretariat.
*4.5	FTA and BSCI are non-profit.

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