



Annexure 6

Guidance on Risk Ratings per Principle Category

September 2020

1. INTRODUCTION

SIZA is committed to establishing processes to ensure that SIZA social audits remain credible and comprehensive. As discretion is important to auditors, it is furthermore important that auditors understand international codes and interpretations when allocating a particular risk rating to a finding. This Annexure will assist in this regard.

2. PURPOSE

To guide auditors in the allocation of risk ratings during SIZA Social audits for each principle category. The purpose of providing guidance is to ensure adequate calibration amongst various auditors and audit companies and across the respective categories.

3. SCOPE

This document provides guidance on how to categorise different issues as good practice or minor, major, or critical non-compliances. The list is not exhaustive but should give an indication of how various issues should be considered in light of the reference guidelines and the reference code. These examples are for illustration only; auditors should still use their discretion when classifying non-compliances.

4. GUIDANCE LIST TO ALLOCATING RISK RATINGS

Remember the following before allocating a risk rating:

The auditor should always ask themselves:

- Was there an intention to deviate from the requirements?
- What is the immediate risk for employees?
- What is the root cause behind this finding?

Why?	Remember
Intention to deviate from a code-requirement results in escalation of risk rating.	<i>It is important to always determine the immediate risk to any employee and the business when allocating a risk rating.</i>
Deviation from code requirement, unintentionally, does not necessarily constitute an escalation in risk-rating.	<i>Remember to group findings when several minors raised under one principle code, escalate to one major under management systems.</i>

Management Systems & Business Ethics	
Good Practices	Employment site policies and procedures are regularly reviewed (more than once a year), in consultation with internal and external stakeholders, to ensure that they meet the SIZA Social Standard.
	Management communicates the requirements of the SIZA Social Standard to subcontractors, and requires them to actively work/engage to adhere to them. It must be confirmed that the site and any contractor are aiming towards best practices, instead of just merely complying to the minimum requirements.
	Management have implemented an auditing programme and audit all of their suppliers, Subcontractors, and labour service providers.
Minor Non-Compliance	The employment site's fair labour practice policies and procedures have not been communicated to employees, but the policies and procedures are in place.
	There are no relevant written policies or procedures at the employment site, but working practices are in line with local legislation and the SIZA Social Standard.
	Inadequate systems in place to monitor the site's suppliers against social standards e.g. elements are missing from the monitoring process.
	Inadequate or no system in place to monitor the sites performance against local legislation and Standards (e.g. internal audits/review).
Major Non-Compliance	Management does not keep record of their sub-contractors and suppliers. This includes not having records of the contracts signed between the parties.
	There are no policies and procedures at the employment site, and conditions are not in line with local legislation and the SIZA Social Standard or programme requirements.
	There is no system in place to monitor the site's suppliers against social standards.
	There is no person responsible/appointed for communicating, implementing, and checking compliance against ethical code requirements.
	There is evidence during employee interviews that they were coached beforehand in an attempt to invalidate the truth or information.
	Management is not present during the audit or actively hinders the process of the audit.
	Audit results are not reviewed by management.
Critical Non-Compliance	Management openly flouts the law despite knowledge of their responsibilities.
	Management attempted to bribe the auditors.
	False records were provided to the auditors or management refuse to give true records to auditors.
	Management lied to auditors during the audit scheduling process – and intentionally hid information/data from the auditor in an attempt to divert the audit scope or hide crucial information on the day of the audit.
	Management refused to provide records or access to any records to the auditor on the day of the audit.

Forced & Bonded Labour	
Good Practices	Employees are well informed on the company's policies and procedures pertaining to forced and bonded labour and receive regular refresher training.
	Employee handbooks explain the process for employees to give notice if they wish to leave employment.
	Employees interviewed are able to describe the process for giving notice and understand the concepts of forced and bonded labour.
	Employees have access to no-interest loans. Where used, employees have agreed loan amounts and repayment terms compliant with applicable legislation and in writing, have a copy of their agreement, and employees clearly understand the repayment terms and conditions. Interviews and document review should clearly establish that employees are not entrapped in a debt-cycle and/or that they are protected from further debt.
Minor Non-	The process for employees to give notice is not effectively communicated in a language the employee understands or a mechanism they can access.

Compliance	There is a policy on forced, bonded, or indentured labour in place but it is not communicated to the workforce or otherwise inadequate (does not contain all the required elements)
	A handful of personnel files do not contain evidence of employees' written consent to deductions.
	Monetary deposits are taken from employees (e.g. for accommodation or PPE).
Major Non-Compliance	Employees are charged deposits for work tools and work clothing e.g. PPE and safety equipment.
	The employment site restricts the movement of employees (e.g. employees cannot go to the toilets freely; employees cannot take their rest breaks; gate passes, toilet cards, aggressive prevention of movement, intimidation). This is valid for both the employment site and/or dormitory areas.
	No/inadequate management awareness of the social and ethical standards required/ETI base code.
	Unreasonable notice requirements or financial penalties for leaving. (e.g. the final payment for employees who leave employment is withheld for one month before being paid).
	Deductions not stipulated in law take employees below the legal minimum wage.
	No evaluation systems in place to ensure compliance with laws on slavery and human trafficking including no monitoring of agency employees, temporary/casual/contractor labour.
	No systems in place to identify and prevent forced labour in wage and termination practices.
	Employer punishes or threatens to remove privileges or extra work for employees who do not cooperate.
Critical Non-Compliance	Employees have no choice about whether they work or not.
	Employees are working to pay off a debt to their employer and have no choice about their work and/or feel unable to leave.
	Employees are unable to leave employment because their deposits or other monies they are owed are withheld, or because management refuses to give employees their original identity papers.
	Employees are not paid at all.
	Employees are being fraudulently charged fees for food, clothing, transportation, health checks, work documentation and/or supplies as part of their recruitment.
	Employees have wages paid into someone else's accounts or employees are not in control of own bank accounts.
	Financial penalties for permanent employees who do not complete a stipulated length of service or comply with contractual requirements outside of law.
	Employees cannot leave employment until they have worked to pay off debts owed to the employer.
	Employer inflates employees' indebtedness or ensures they have minimal or no income, or substantial loans held by employees, with excessive interest rates and/or onerous financing schemes and/or unreasonable terms and conditions of repayment.
	Original passports/ID papers of all employees kept by employer.

Child Labour & Young Employees	
Good Practices	The employment site has a robust age verification process, including stringent checks on the validity of documentation and a requirement for two forms of photo ID.
	A well-documented child- or underage labour remediation policy and written procedures in place.
	Management takes steps to ensure suppliers are aware of child labour policies and carries out regular checks on supplier sites to ensure that there are no children employed.
	The employment site has a robust young employee management system in place, which ensures that young employees do not work in hazardous positions, at night or longer than they are supposed to as specified by the law.

Minor Non-Compliance	Some employee files do not contain a copy of appropriate age verification documentation.
	The employee files of young employees do not contain written consent from a parent or guardian.
	The employment site has no formal policy on child labour.
Major Non-Compliance	Management do not know the minimum legal working age in their country and/or how to verify age of employees.
	Isolated incidents of missing records that verify workers' age e.g. in employee files.
	The employment site does not have any age verification process when recruiting new employees.
	Contracts for young workers are not signed by parent or legal guardian as per legal requirements.
Critical Non-Compliance	The employment site consciously employs child labour and is complicit in forging documents.
	Child employees have presented fake/falsified ID cards during the recruitment process and employment site failed to realise or rectify it.
	There are one or more children working at the employment site.
	Young employees engage in hazardous, night or overtime work.
	The employment site refuses to engage in a proper remediation programme for child labourers found on site.
	No records to verify age in employee files.

Freedom of Association and Collective Bargaining	
Good Practice	Management pays representatives for the time they spend carrying out their representative functions.
	Employee representatives are allocated time every month to discuss union matters with union members. This is over and above normal union commitments.
	Management actively engages in day to day conversations with employees to understand their needs and suggestions.
	The union (or parallel means) has been effective in defusing disagreement between employees and management. They have successfully negotiated conditions that are over and above legal and industry norms.
Minor Non-Compliance	Employees do not have a copy of their union dues deduction agreements, but employees report knowing about these deductions and have given their written consent for these deductions to be taken.
	Management sometimes postpones trade union meetings during peak production periods.
	The employment site does not provide union representatives with adequate facilities for them to carry out their activities.
	Employees are unaware of how to raise issues with management or they are unaware of who their representatives are.
	Meeting minutes are kept but are not shared with the employees and/or management.
	Lack of documentary evidence of management action on issues raised.
	Insufficient meetings between management and employee representatives for the meetings to be effective.
	Employees' committees/unions do not reflect the gender balance of workforce, e.g. all-male committee in a majority female workforce.
	A committee exists but employees do not know about the employee committee/its function and/or who their representatives are.
	Employees not aware of their right to join or form any employee committee, trade union or bargain collectively.
	Information relating to collective bargaining agreements is not circulated to employees. Management does not permit union/committee notices to be posted publicly on notice boards.

Major Non-Compliance	Management does not restrict the activities of trade union representatives, but also does not pay them for reasonable time spent on union activities.
	Management does not allow regular trade union meetings to be held.
	The employment site does not comply with collective agreements.
	Collective Bargaining Agreements are not confirmed in writing.
	Employee committee in place, but no action/management response to employees' concerns.
	There is no employee committee or equivalent on site i.e. there is no effective communication channel between management and employees.
	Employee representatives are not democratically elected, they are assigned by management.
	Union fees deducted from employees do not meet legal requirements.
	The union/employee committee is not effective in representing and addressing employees' concerns e.g. misunderstanding employees' concerns, only raising their own concerns etc.
	Penalising employees in any way for seeking to join, being members of or seeking to establish or be represented by a trade union.
Critical Non-Compliance	Management prevents employees from organising themselves.
	Membership in trade unions is prohibited and/or employees are prevented from becoming members of a union.
	Management actively harasses, penalises, or discriminates (directly or indirectly) against union members, unions, or employee representatives.
	Evidence of a critical communication breakdown between employees and employers which may lead to serious conflict or abuse.
	Evidence that employee representatives or union members have been dismissed because of union membership.

Discrimination, Harassment and Abuse	
Good Practice	Employees' contracts of employment confirm that all employees in the same roles are engaged under the same terms and conditions. (e.g. equal pay for roles of equal value).
	Full explanations of all policies are available to all employees in relevant language(s).
	Employees understand the discipline and grievance procedures of the employment site.
	When observing interaction between employees, and between employees and management, there is a supportive atmosphere. Employees are supported to improve their performance in a helpful manner.
	Employees think that promotion is possible and open to all. They can provide examples.
Minor Non-Compliance	The employment site does not have written policies on discrimination, harassment, or abuse.
	There is a discrimination policy in place, but it is not communicated to employees.
	There is an inadequate whistleblowing procedure e.g. not communicated to workforce.
	Discipline and/or grievance procedures are not communicated to the workforce.
	Management and/or supervisors do not understand/follow the discipline and/or grievance procedures.
Major Non-Compliance	Employees feel discriminated against by management and/or other employees.
	Employees are shouted at by management.
	Any evidence of discrimination action against union members or employee representatives in e.g. wages and benefits including training/promotion/remuneration are not fair/equal.

	Different wage rates based on age for employees that do the same work and skill set contrary to local law.
	There is evidence of discrimination based on race, origin, ethnic group, or religion in the company's hiring practices.
	Site requires medical/health tests for employees in recruitment process contrary to law. (Risk rating dependant on context)
	Management uses fines as a disciplinary measure.
Critical Non-Compliance	There is evidence of sexual, physical, or verbal abuse.
	Discrimination is practiced during recruitment e.g. age, caste, disability, ethnic and/or national origin, gender, membership in unions, political affiliation, race, religion, sexual orientation, marital status, family responsibilities, social background.
	During recruitment, employees are tested for medical conditions not required by law or product safety requirements, e.g. pregnancy, HIV/AIDS, hepatitis etc. (Risk rating dependant on context)
	Employees are dismissed when they become pregnant.
	Employees are fined for disciplinary reasons, such as being late for work.
	Employees are subject to different treatment and/or terms and conditions and/or different working conditions based on criteria which do not relate to skill or merit e.g. age, caste, disability, ethnic and/or national origin, gender, membership in unions, political affiliation, race, religion, sexual orientation, marital status, family responsibilities, social background, or other personal characteristics.

Health and Safety	
Good Practice	Management provides health and safety training for all employees, both on the employment site and those engaged in work on other sites on behalf of the employment site.
	Management takes steps to prevent accidents before they happen. Use H&S information to refine systems and take action to improve overall process.
	The employment site has a functioning H&S committee with a high proportion of employees, which meets regularly with management and is very effective in managing.
	Health and Safety training is conducted for all new employees and repeated periodically for all employees to ensure that they are aware of risks, changes to their working environment or new requirements.
Minor Non-Compliance	Fire/Emergency Evacuation: Evacuation plans are not posted for employees to see. Incomplete records or absence of records of fire evacuation drills in facility and/or accommodation. Fire extinguishers are not installed at correct height, or other non-functional requirements are not met.
	Housekeeping: Poor or inadequate lighting in production or other areas. Inadequate and/or unhygienic facilities for washing and/or drying hands. No testing of water potability. Isolated failures to carry out medical examinations. No asbestos assessment / survey conducted on the site.
	Accommodation/Canteen: Isolated failures in maintenance in accommodation. There are minor structural issues at employees' accommodation (e.g. broken windows, small cracks, peeling paint etc.). Recreational facilities are in poor condition e.g. no equipment, no cleaning, unhygienic. Insufficient seating in canteen/dining area. Minor issues with state of repair of employee accommodation e.g. broken windows.

Major Non-Compliance	Chemical Handling: No training on safe use and/or safe handling of chemicals. Unsafe practices when handling chemicals. No process in place to ensure vulnerable employees such as young employees or pregnant women are not working with or in vicinity of chemicals. There is evidence of hazardous asbestos present on the site.
	PPE: Management does not provide the correct PPE to employees. Employees do not have or do not always wear the correct PPE for the work, chemicals, and machines that they are using.
	Fire/Electrical/Evacuation: Emergency escape routes are not clearly signalled. Evidence of unsafe electrical wiring and other electrical equipment on site. Accommodation has inadequate canteen facility/eating area or inadequate appliances for cooking for employees. Unmarked/incorrect signage/labels/instructions for electrical equipment.
	Housekeeping: Inadequate extraction in areas where chemicals are used. Extremely bad ventilation, air conditioning or lighting in any part of the production area. Toilets are not hygienic and/or are not cleaned on at least a daily basis. Unsanitary/unhygienic storage of/handling of waste/rubbish/wastewater. Evidence of unsanitary and unhygienic conditions in sleeping areas/dormitories. There is overcrowding in dormitories. There is no gender segregation in washing and toilet facilities for employees. Toilets do not meet the minimum requirements set out by law (number of toilets, access, gender split etc.). Accommodation building is not weatherproof.
	Canteen: Canteen and/or food storage is unhygienic. Canteen/kitchen employees have not had appropriate health checks and/or obtained appropriate hygiene certificates.
	First aid: First Aid boxes not freely accessible and/or not appropriately/adequately stocked. There is no member of staff trained in administering basic first aid.
	Training: Lack of appropriate training on safe use of equipment or handling of loads. No senior manager designated with responsibility for health and safety.
	Transport: Employees' transport to and from work is unsafe or inadequate.
Critical Non-Compliance	Fire/Emergency Evacuation: There are fewer than two accessible, unlocked, and unblocked fire exits on each floor. There is no evacuation plan/emergency route noted and/or unclear signage including marking of fire assembly points. There is no fire exit signage. Locked firefighting equipment (not accessible). There is inadequate firefighting equipment e.g. bad condition, leaks or otherwise broken.
	PPE/Machinery: Machinery/equipment do not have the required safety guards and pose a direct threat to employees' lives or limbs. The employment site requires non-refundable monetary deposits from employees to get their job, protective equipment, training, or other items. Certain machines that are used on site constitute a danger to a person's life or limbs
	Accommodation: Accommodation is unsafe and poses immediate risk to employees' lives or limb.

	Hazardous: There is no H&S training for employees working in hazardous conditions e.g. working with chemicals/machinery etc.
	Training: There is no ongoing H&S training for all employees.
	Housekeeping: Dangerous storage of production materials causing any risks to employees' lives or health. No access to potable water. No/inadequate availability of clean drinking water (that meets the World Health Organisation standard for potable water).
	Others: Premises are not structurally safe. There are adequate records for injuries/accidents that occurred on site, but no analysis/root cause analysis/no action taken to remediate. There are work premises that are structurally unsafe (e.g. major cracks observed).

Wages, Benefits and Terms of Employment	
Good Practice	Employees are paid regularly, at least once per month and in line with their contract of employment.
	Work outside normal hours (e.g. at night or at weekend) is paid a premium over and above local law and/or industry requirements.
	Employees are paid above legal requirements and industry standards.
	Employees can significantly increase their earning potential through a production bonus or other bonus scheme.
	All employees have a signed copy of their contract of employment and this reflects how their terms and conditions operate in the place of employment.
	The contract is written in employees' native language and details their regular hours, remuneration, notice period and all other applicable terms and conditions.
	Workers are assisted to open bank accounts.
Minor Non-Compliance	Employees are dependent on overtime pay to achieve total take-home pay that allows them to meet their basic needs and provides some discretionary income.
	Employees have a copy of their contracts, but do not understand some of the key applicable terms and conditions.
	There are isolated instances of legally required allowances, bonuses or benefits not being paid for some employees.
	Excessive wage deductions made from employees' salaries, but this does not take employees below the minimum wage.
	Individual payroll records are missing or incomplete (assuming this is due to human error rather than falsification or hiding of records).
	Employees report that mistakes in their pay packages are common, but they are rectified quickly.
Major Non-	Employees on probation or trainees are kept in these positions for prolonged periods to prevent them being paid the same as their permanent or qualified counterparts.
	There are inadequate employment contracts in place (e.g. missing crucial elements e.g. remuneration/hours, working place, legislation applied, terms of employment (permanent etc.) or other ILO minimum requirements).
	Employees are fired and re-hired or kept on temporary or agency contracts in order to avoid providing them with permanent employment rights under the relevant national law.

Compliance	Employment contracts changed without communication to employees (imposing additional terms or requirements on employee after employment contract signed).
	The employment site requires monetary deposits from employees to get their job, protective equipment, training, or other items.
	Employees were not provided with a copy of their contract of employment or are not clear on what their terms and conditions are.
	Wage slips (payslips) do not detail rates payable, number of hours worked (standard and overtime) or any deductions.
	Wage slips (payslips) are not in a language employees understand.
	Legal overtime premiums are not paid to employees.
	Employees are not participating in all benefits schemes required by law.
	Late payment of wages for some or all employees.
	Employees report that mistakes in their payslips are common, and they are difficult to rectify and/or it takes a long time.
	Employees are underpaid for the time that they have worked (e.g. overtime).
	Wages could not be verified due to unknown inconsistencies e.g. no system in place to manage hours.
Critical Non-Compliance	Employees have unauthorised or illegal deductions made from their wages. Wage deductions which are made without employee's written permission e.g. food allowance deductions/accommodation deductions, etc.
	Ongoing instances of legally required leave payments not being paid or insufficient, e.g. annual, maternity, parental leave.
	Continuous instances of non-payment of sick leave.
	Money is deducted from employees for payment of Unemployment Insurance Fund (UIF), but the company does not pay the premiums into the UIF at the Department of Employment and Labour.
	No maternity/parental leave given to employees or other legally required leave (as required by law).
	Employees are not paid at all. Escalate – very serious.
	Inadequate contracts for agency employees resulting in unprotected employment or salary/benefits status for employees
	There is verifiable evidence that records have been falsified.
	No payroll records exist.

Working hours	
Good Practice	The employment site has a robust system for recording working hours and uses this information to monitor and control overtime.
	Employees always receive the legally mandated number of rest days in a period.
	Employees are able to earn above minimum and/or industry standards whilst hours are controlled within legal requirements.
	Despite existing challenges with controlling overtime within legal limits, management is improving productivity and HR systems to begin to reduce working hours.
Minor Non-Compliance	Rest days are occasionally cancelled due to production back-logs.
	There are minor gaps in time records or missing information.
	There is no clear policy on working overtime, however practice is not excessive.
	Overtime exceeds relevant legal limit, in isolated cases.
Major Non-Compliance	Employees ability to take paid leave is restricted or non-existent.
	Employees do not receive the legally mandated breaks during their working shift.

	Improper use of other types of contracts e.g. zero hours contracts/variable hour contracts/part-time contracts to avoid regular employment.
	Working hours (including all applicable overtime) regularly exceed the legal limit or the code of conduct maximum (whichever provides the greater protection).
	Employees are not able to take public or national holidays off work and are not provided with required rest.
	Total inconsistency between working-hours records and other site records, but correct records made available upon request.
	Systemic instances of workers working higher standard hours than legal limit.
	Overtime is not used responsibly i.e. extent, frequency, and level of hours worked by individual workers and/or whole workforce are excessive.
	Insufficient (as per law)/unreasonably restricted leave for some workers, e.g. annual, maternity, marriage leave.
Critical Non-Compliance	Management refuses access to the auditor to true records of hours worked.
	There is verifiable evidence that records have been falsified.
	Overtime is compulsory and enforced without adequate agreements in place.
	Employees work excessive hours that pose a direct risk to their health and safety.
	Employees do not consistently receive the required rest days within a week-period.
	Falsified, duplicate or intentionally incomplete working hour/time records including verified inconsistencies.
	Illegal or improper use of overtime for pregnant/young or specific categories of workers.
	Workers expected to work public holidays without time/monetary compensation i.e. involuntary.