

# Supply Chain Mapping and Traceability Glossary

*This glossary was conceived as a supplement for the FLA Traceability Guidance paper. Recognizing that some FLA affiliates have established definitions that are different from those below, this document is intended to provide guidance and clarity.*

**Agent:** An entity or a person who is authorized to act for, in the place of, or on behalf of another: entity or person. Agents may be called intermediaries.

**Company:** Any business that contracts with another for the manufacturing of products.

**Component:** Materials used to “build” a product: in a garment, components may include fabrics, buttons, zippers, trims and other accessories.

**Direct Sourcing:** A business relationship whereby a company enters into a manufacturing agreement and/or engagement with its supplier (including nominated suppliers).

**Downstream Supply Chain:** A part of a supply chain system or process, or relationship between a company and its final user or customer. "Downstream" looks at the demand side of the supply chain toward the final assembly unit, retailer and consumer.

**Factor Inputs:** Individual resources that contribute to the production of goods and services. Land, labor and capital are considered major factor inputs. Raw materials are not considered as a major factor input.

**Finished Goods:** Outputs that are considered as final goods, which have been completed the manufacturing process. They are in the final form for use and consumption.

**Indirect Sourcing:** A business relationship in which a company sources product (e.g. raw materials, components, finished goods) through an intermediary, agent and/or licensee.

**Integrated Supplier:** A person or organization that integrates the functions of multiple tiers during the process of bringing a product to market. An integrated supplier may perform multiple functions at one location or multiple locations.

*Example:* If a supplier is a finished goods manufacturer (tier one) who also provides a dyeing service (tier two), this supplier is called tier one (the furthest downstream function) – an integrated tier one supplier.

**Intermediary:** A link in the supply chain that facilitates trading among actors in the supply chain but may not alter the physical products itself. "Intermediaries" are also known as agents, traders, distributors, vendors, converters, and middlemen. When using intermediaries, the company does not have a direct contractual relationship with the supplier producing its products, but rather with the intermediary. When the company is using intermediaries, it is one manner of indirect sourcing.

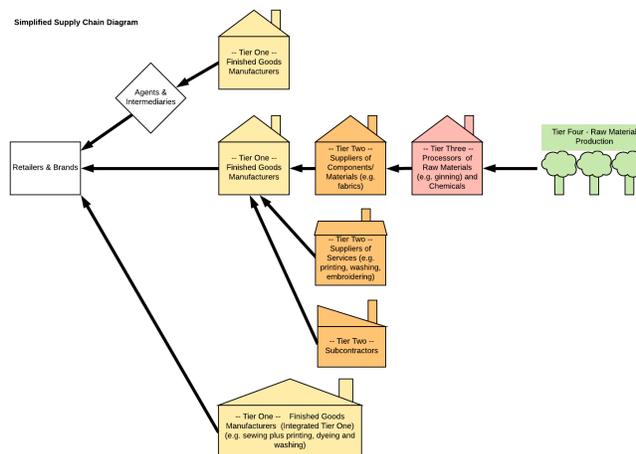
**Licensee:** An entity or person who is licensed to engage in and/or conduct a particular business or activity, granted by another entity or person (licensor).

**Licensor:** An entity or person who gives another a license, such as a business giving someone a license to sell or manufacture its product.

**Multi-Tier Supply Chains:** Supply chains that are comprised of multiple tiers (or layers) of companies, indicating that various materials, components and processes make up finished goods.

Tiers can apply to any industry, referring to a group of persons or organizations performing specific types of service and/or production functions. They are defined in terms of each business' role in physical alteration of products rather than business relationships. For example, a cotton farm, ginning mills, material producers, and garment manufacturers could be different tiers (as they all add value to the final product) while agents, traders and utility suppliers are typically not considered as tiers. FLA defines a supply chain as a 4-tier system specific tiers as follows:

- Tier One is composed of suppliers who produce finished goods for companies. These suppliers may be sourced directly or indirectly.
- Tier Two is composed of suppliers to Tier One, including sub-contractors and sub-suppliers (e.g. sewing, washing, dyeing, embroidering, printing for finished goods and components and materials for finished goods) when they are stand-alone operations and not integrated with Tier One;
- Tier Three is composed of suppliers to Tier Two suppliers, including processors of raw materials (e.g. ginning, spinning) and chemicals; and
- Tier Four is composed of companies that provide raw materials (e.g. cotton, rubber, hide) to Tier Three, including farms (or higher tier suppliers).



<b>Nominated Supplier:</b>	A supplier that supplies goods or specialist services (e.g. fabric) to a company, selected by the company's client and specified as the supplier within the contract documents between the company and the company's client.
<b>Product</b>	Any tangible output of a process and is intended for delivery to a customer or end user.
<b>Raw Materials:</b>	Unprocessed, natural or man-made materials (e.g. cotton, cocoa, rubber, synthetic resins, crude oil, lumber, cobalt) used in the production of the final goods. They are also commonly referred to as commodities.
<b>Stakeholder Mapping:</b>	An exercise that identifies the external and internal actors of a supply chain (i.e. individuals and groups who may be impacted by or have an interest in the businesses decisions made or activities conducted in a supply chain) in order to understand a network of people and groups and their behavior patterns.
<b>Sub-Contracting/ Sub-Contractor:</b>	Outsourcing of part or all of production orders to a third party (often called sub-contractor) by a company that holds the original orders. Sub-contracting fulfills part of the original orders without having a direct contractual relationship with the customer.
<b>Sub-Supplier:</b>	A generic term describing a supplier who provides components and products from different processes to another downstream supplier. It tends to be used more in downstream supply chains (e.g. tier one) than upstream supply chains.
<b>Supplier:</b>	A person or organization that contributes components or services during the process of bringing a product to market but do not own the end products. Suppliers comprise manufacturers, processors, direct logistical providers, producers and farmers.
<b>Supply Chain Mapping:</b>	An exercise by which a company or a third party collects information on its suppliers and their sub-suppliers in order to understand relationships and increase the visibility of the wider supply chain. The information being collected can vary depending upon the purpose of mapping and resources available for the mapping process. It could start from knowing only the name and location of the supplier to volume supplied and processes undertaken. It can be further supplemented by supplier profiling such as supplier's internal management systems, number of workers and other labor and human rights information. Supply chain mapping demonstrates the relationships among the entities in a supply chain through which a product, item or material flows.
<b>Traceability:</b>	The ability to follow a product (and/or its components) or an item through stages of production, processing, manufacturing and distribution and document the flow of goods from origin of the material. More information is available in the <a href="#">United Nations Global Compact Traceability Guidance</a> document. Focusing on a product, item or material, traceability demonstrates a flow of a product, item or material in a supply chain with documented records.
<b>Upstream Supply Chain:</b>	A part of a supply chain system, process or relationship between a company and its raw materials and packaging suppliers. "Upstream" looks at supply side of the supply chain toward the origin of a raw material in the supply chain process.