

# Ethical Trading Initiative Driving change

## ETI Board members as at 31.10.2005

### Corporate representatives:

Lakshmi Bhatia, Gap Inc.  
Rob Brown, Boots the Chemists  
Gert ter Voorde, Premier Foods (co-opted, May-November 2005)  
Muriel Johnson, Marks & Spencer (until December 2005)

### Trade union representatives:

James Howard, International Confederation of Free Trade Unions (ICFTU)  
Neil Kearney, International Textile, Garment and Leather Workers' Federation (ITGLWF)  
Ron Oswald, International Union of Food Workers (IUF)  
Simon Steyne, Trades Union Congress (TUC)

### NGO representatives:

David Ould, Anti-Slavery International  
John Sayer, Africa Now  
Sharon McClenaghan, Christian Aid  
Peter Williams, National Group on Homeworking and Homeworkers Worldwide

Chair: Alan Roberts  
Director: Dan Rees

DFID observer: Maria Cushion

## Our finances in 2004/2005

In 2004/2005 we received £1,184,260 in income, made up of £607,628 from member contributions, £114,356 from miscellaneous other sources including project funding, and a grant of £462,276 from the Department for International Development whose continuing support we gratefully acknowledge. Expenditure totalled £1,174,099. The full financial statements for the year ended 31 March 2005 are available on request from the address below or from our website: [www.ethicaltrade.org/D/ar2005](http://www.ethicaltrade.org/D/ar2005)

Ethical Trading Initiative  
2nd Floor, Cromwell House  
14 Fulwood Place London WC1V 6HZ

tel: +44 (0)20 7404 1463 fax: +44 (0)20 7831 7852  
email: [eti@eti.org.uk](mailto:eti@eti.org.uk)

[www.ethicaltrade.org](http://www.ethicaltrade.org)



ETI Annual Report 2004/2005  
and poster for suppliers

# ETI – strength in diversity

ETI seeks to improve working conditions in global supply chains

## What is the Ethical Trading Initiative (ETI)?

We are a unique alliance of companies, trade union and non-governmental organisations (NGOs) that collectively seeks to improve working conditions in supply chains. Our members include global companies with thousands of suppliers; powerful campaigning organisations; and international trade union organisations representing millions of workers. Our diversity is our strength.

## Why do we exist?

Globalisation is not yet improving the working lives of millions of people throughout the world. Many still work excessive hours in hazardous conditions, for pay that barely covers their subsistence needs, are discriminated against and harassed, and are prevented from negotiating collectively for their rights.

## What do we believe?

It is government's job to create and enforce laws that protect workers' rights. When governments do not do their job

adequately, we believe companies have a huge potential – as well as a responsibility - to help all workers in their supply chains to secure their rights by making sure they are treated according to international labour standards.

Clearly there are limits to what a company can achieve alone. We passionately believe that brands and retailers need to work with other companies, their suppliers, trade unions and NGOs, as well as government, to develop effective solutions to the problems that occur in individual workplaces but also affect entire countries and industries. ETI champions this collaborative approach.

## What do we do?

We tackle many complex questions about how global brands and retailers can take steps to ensure that workers in their supply chains have decent conditions. We believe the first, vital step is to adopt the ETI Base Code (see reverse of this report) and we

urge all companies to do so. We provide practical tools and guidance for companies to help them implement the Base Code and so achieve tangible benefit for workers. We support other organisations and initiatives that promote workers' rights in key sourcing countries, including trade unions, NGOs and other credible labour standards initiatives.

## About this annual report

This publication aims to raise awareness of ethical trade and ETI's role in promoting it. It offers a succinct account of our year's work and, on the reverse, a poster which can be used with suppliers and others to inform them about ETI and explain the benefits of working towards international labour standards. We welcome feedback on this experiment – see the back page for contact details. Further information on the year's work can be found on our website: [www.ethicaltrade.org](http://www.ethicaltrade.org)

*Our vision is a future where workers are free from exploitation*



Panos pictures

## Our new strategy - forcing the pace of change

Since our founding in 1998 we have learned a great deal about how companies can meet the challenge of ensuring that workers in their supply chains are free from exploitation. We will continue to define good practice – there is always more to learn. But we will channel more resources into making sure companies implement our learning and drive measurable change in the workplace. This urgency is reflected in our new strategy

Chinese workers making our clothes

### Develop greater capacity in supplier countries to make and sustain improvements in labour practices.

**Rationale** Suppliers, trade unions, NGOs, governments and others all have important, although distinct, roles to play in helping workers realise their fundamental rights. But these organisations can suffer from limited access to the resources and knowledge they need to make this happen.

**What this will involve** We will embark on a new Capacity-Building Programme and aim to support local initiatives in selected key supplier countries by 2008.

### Create more commercial leverage for the implementation of the Base Code.

**Rationale** We need to develop a critical mass of companies committed to putting ethical trade at the heart of their decision-making.

**What this will involve** We will seek to recruit more high-profile brands and retailers as well as suppliers and manufacturers from the sectors we currently operate in. We will also continue to challenge and support existing members to mainstream ethical trade into their core business practices. This will include vigorously pursuing our Purchasing Practices Project, which aims to identify and promote changes to buying practices that will make it easier for suppliers to comply with the ETI Base Code. Ultimately we hope to disseminate best practice guidance on areas such as lead times for orders and buyers' incentives.

### Raise the profile of ethical trade and of ETI.

**Rationale** We need to make sure companies continue to take ethical trade seriously and to get our message across to more key players.

**What this will involve** We will seek greater coverage of ethical trade in the media, in the UK and in key sourcing countries. We will also seek to improve the quality of media coverage by working to improve understanding of the issues.

### Develop and disseminate practical tools to help companies implement the Base Code credibly and consistently.

**Rationale** Companies need more guidance and practical tools to implement our learning on what constitutes good practice in ethical trade. At the same time, there is a pressing need to reach international consensus on what good practice 'looks like'.

**What this will involve** With the Co-operative College, we will roll out a new training programme on ethical trade for buyers, suppliers and others. We will continue to promote and co-operate with initiatives that seek to build international consensus on good practice, including the Joint Initiative on Corporate Accountability and Workers' Rights (see [www.jo-in.org](http://www.jo-in.org)) and the MFA Forum (see [www.mfa-forum.net](http://www.mfa-forum.net))

For more information on our new strategy, go to: [www.ethicaltrade.org/D/strategy2005](http://www.ethicaltrade.org/D/strategy2005)

## Protecting the most vulnerable workers

Our project work tackles some of the most complex yet urgent challenges in ethical trade. Our recent focus has been on workers who are hard to reach, inadequately protected and sometimes virtually invisible in the supply chain. There is no certainty of success but we are starting to see concrete results from our efforts

### UK: preparing labour providers for licensing

As part of the Temporary Labour Working Group (TLWG), ETI has been working to stamp out growing exploitation of migrant and temporary workers in the UK food industry. Last year the Group realised its aim of establishing statutory licensing and registration of temporary labour providers when the Gangmaster (Licensing) Act was passed (July 2004).

This year, we launched a voluntary audit and registration programme to help employers of temporary workers to improve their standards before the new Gangmasters Licensing Authority enforces licensing in 2006. So far we have succeeded in getting over 500 labour providers to publicly register their intent to comply with our code of practice. We have trained 16 auditors, agreed corrective action plans with 125 labour providers and developed our capacity to ensure that these voluntary arrangements support a smooth transition to regulation. Find out more at [www.lpcode.co.uk](http://www.lpcode.co.uk)

### Smallholders: reaching the margins of supply chains

Smallholders and the people who work for them are frequently vulnerable and marginalised, which presents a major challenge for Base Code implementation. This year we launched a groundbreaking set of guidelines that provide practical guidance to retailers, exporters and others on how to implement the Base Code with smallholders. We urge all companies with smallholders in their supply chains to use these guidelines and give us feedback. See the guidelines in full at: [www.ethicaltrade.org/D/smallholderguide](http://www.ethicaltrade.org/D/smallholderguide)

### Bangladesh: collaborating for change

Up to a million workers in Bangladesh could lose their livelihoods now the Multifibre Arrangement has expired. At the same time, the country has a poor record of protecting workers' rights. As a member of the MFA Forum (see box), we helped forge consensus among government, trade unions, NGOs, buyers and

manufacturers on a joint plan of action to help the country compete with its rivals while making progressive improvements to workers' conditions. Work has already started and we will strive to ensure that Bangladesh becomes a model for other countries to follow.

### About the MFA Forum

The Multifibre Arrangement (MFA) provided many developing countries with preferential access to garment markets and shelter from global competition. Its final phase-out on 1 January 2005 means that these countries now have to retain and gain markets by achieving international competitiveness. The MFA Forum is a network including ETI, brands/retailers, trade unions, NGOs and multi-lateral institutions working to mitigate the impact of the end of quotas on workers. Find out more at [www.mfa-forum.net](http://www.mfa-forum.net)

## Our conference and seminars - shaping a new agenda

Our fourth international conference this year provided the ideal opportunity to channel many of the new debates that have emerged over recent years into a new agenda for ethical trade. After two days of intense discussion we saw widespread agreement on two fundamental issues at the heart of this new agenda: that ethical trade must go to the core of business practice and that workers themselves must be actively encouraged to participate in the process

We were excited by the immense variety of organisations from all over the world that sent delegates to our biennial conference. Over 370 people who together have the ability to make a real difference to workers' lives took part, from global sourcing giants like Tesco and Gap Inc. to small garment manufacturers from Sri Lanka and Lesotho, from code initiatives in Zimbabwe and South Africa to investment fund managers in the UK.

### Driving ethical trade to the heart of business

A plenary session on 'marrying the commercial with the ethical' challenged companies, trade unions, NGOs and other stakeholders to look at how companies could integrate ethical trade principles into commercial decision-making. Oxfam and ITGLWF clarified the case for change, providing strong evidence that inappropriate purchasing practices can result in deteriorating working conditions. And Nike demonstrated its recognition of the urgency of this issue by describing how it is putting in place a new strategy for integrating its ethical trade commitments into commercial decision-making. Together, our speakers sparked heated debate, placing the issue firmly at the top of the new agenda for ethical trade. This is a huge step forward and the panel below outlines how some corporate members are starting to make small but significant steps to resolve this issue.

### Putting workers centre stage

Throughout the conference we asked companies to explain how their activities were ensuring workers had the rights and the tools to shape their own destinies. Gap Inc. gave an inspiring presentation on how it helped facilitate a more open approach to union organisation in a Lesotho supplier's factory. And the

presentations by LECAWU, the union involved, and the supplier, Precious Garments, showed that engaging in constructive dialogue with each other, with Gap Inc.'s facilitation, brought rewards for all, not least for the workers involved.

*"On the issue of marrying the commercial with the ethical, ETI is the ideal marriage counsellor."*  
Kate Raworth, Oxfam

### ETI Conference briefing papers

Based on presentations and discussions at the conference, these papers provide new ideas and practical guidance to ethical trade practitioners addressing the challenges of making codes of labour practice effective. Find them at: [www.ethicaltrade.org/D/conf2005](http://www.ethicaltrade.org/D/conf2005)

### Other ETI events

Our events programme encourages the exchange of ideas and experience between key players in ethical trade, and aims to improve their ability to tackle critical issues. Seminars we held over the last year included:

- **MFA phase-out: Who gains? Who loses?** A discussion on how companies should respond to the end of quotas
- **ETI Impact Assessment preliminary findings.** What impact is the Base Code having on workers' rights?
- **Freedom of association and collective bargaining.** What do these principles mean and how can companies help ensure they are respected?

Reports on all these events are available at: [www.ethicaltrade.org/D/rt](http://www.ethicaltrade.org/D/rt)





# Driving change in members' supply chains

Our corporate members report to us annually on their progress in implementing the ETI Base Code in their supply chains. Their reports allow us to assess key trends in ethical trade and to monitor and push for improvements in their performance. Interesting new practice is emerging in two areas at the heart of our new strategy: putting ethical trade at the core of commercial decision-making and providing suppliers with practical support to implement the Base Code

We use a range of criteria to judge the performance of our member companies. For example, we look at what they are doing to assess workplace conditions and to remedy breaches of the Base Code when they find them. We also look at less tangible indicators, such as commitment of senior personnel, what resources are dedicated to ethical trade, how far ethical trade is embedded across the company and what support companies are giving their suppliers. Member companies are committed to demonstrating reasonable performance in all these areas and to making progress year on year.

#### Companies in action – an overview

32 reporting members (listed overleaf)  
22,334 workplaces covered  
9,429 evaluations carried out  
5,067 corrective actions taken, of which  
59% were in health and safety  
47% were in China

#### Integrating ethical trade into core business

Company reports showed that they are starting to align ethical with commercial considerations. Activities included using ethical as well as commercial criteria when assessing new suppliers, issuing contracts with clauses requiring compliance with the Base Code, and adding ethical trade criteria to job descriptions and appraisals of buying staff. More companies have trained buying staff and senior management on the importance of labour standards since last year.

#### Case study: Integrating the Base Code into human resources systems

At Tesco, all buyers must attend *Buying with your eyes open* courses. Their job descriptions require them to understand and reflect ethical considerations in their purchasing practices. Ethical trade criteria are also used in performance reviews.

#### Case study: Integrating the Base Code into commercial relations with suppliers

Sainsbury's contractual relationship with its suppliers requires them to commit to compliance against all Sainsbury's policies and codes. Sainsbury's say: "It is recognised that both the Sainsbury's Socially Responsible Sourcing Code and the ETI Base Code are aspirational codes and therefore suppliers are expected to work towards full compliance at a practical and realistic rate. Our belief is that where possible, it is most beneficial to work in an ongoing relationship with suppliers as part of a continual improvement process to raise employment and working conditions within the supply chain."

#### Helping suppliers put the Base Code into practice

Some of our member companies are increasing their efforts to work in partnership with their suppliers to help them make changes to meet the standards set out in the Base Code. This is based on their view that lasting improvements in workers' conditions will happen when suppliers understand why they are being asked to comply with the Base Code, what steps they can take and what the benefits will be for their business and their workers.

#### Case study: On-the-job training for suppliers

When the ethical trade team from one member company visits factories, they ask the supplier to be present so they can explain to them what they are looking for, why certain issues are important and how improvements can be made. The company has also developed a *Factory Assessment Guidebook* for suppliers which can be used for both assessing conditions and providing guidance to suppliers on what can be done.

#### Case study: Supplier workbook

Co-operative Retail and other key partners including Marks & Spencer have developed a workbook for suppliers which they are progressively introducing throughout their supply chain along with briefing seminars on how to use it. These briefing sessions allow participating suppliers to assess their own level of compliance and identify areas needing attention.

#### ETI's new corporate annual reporting framework

From 2005 onwards, our corporate members will use a new framework for their reports which will allow assessment in two broad areas:

1. **Management** – the efforts companies are putting in
2. **Performance** – actual improvements in labour standards in companies' supply chains. These will of course also be affected by some factors which are outside the control of companies.

We believe the new framework will provide a better mechanism for review of corporate members' progress and for sharing learning across the membership.

For more information about company annual reporting, go to [www.ethicaltrade.org/D/corprep](http://www.ethicaltrade.org/D/corprep)

#### Making an impact - findings from the assessment study

In early 2006 we will publish the results of the first comprehensive assessment of the impact of implementing the ETI Base Code on workers in our members' supply chains. Preliminary findings from five in-depth case studies confirmed our expectations of improvements in some areas (for example, health and safety, working hours and wages), and pointed to the need for greater efforts to ensure codes benefit temporary workers and those contracted through third parties. They also provided evidence that implementation of the ETI Base Code – alongside other labour codes – has played an important role in keeping labour standards on the corporate agenda and in raising suppliers' awareness of national labour law and workers' rights. We will provide practical recommendations based on our findings for all those involved.

*Many women worldwide are discriminated against in pay, promotion, and access to training*

