



# The power of partnership

Ethical Trading Initiative Annual Review 2005/2006

# The power of partnership

At ETI we believe that retailers and brands have a huge potential – as well as a responsibility – to work in partnership with others to help improve the lives of the workers who make their products.

## About us

**The Ethical Trading Initiative (ETI) is a unique alliance. From niche coffee companies to supermarkets and high street fashion chains, from global trade unions and international charities to small campaigning organisations, we share a vision of a world where all workers are free from exploitation and discrimination and work in conditions of freedom, security and equity.**

Together we tackle the tough questions involved in defining how global companies should go about improving conditions for workers in their supply chains. We believe the first, vital step is to adopt the ETI Base Code (see the poster on the reverse of this review). We also provide practical tools and guidance for companies seeking to source ethically and we support other initiatives that promote workers' rights in company supply chains.

## Driving change through collective action

ETI member companies are committed to driving sustained improvements in their supply chains, and their combined efforts are starting to make a real difference to workers' lives. This annual review looks at the performance of individual company members, but also celebrates the growing impact that ETI and its constituents – companies, trade unions and non-governmental organisations (NGOs) alike – have achieved by working in partnership to bring about long-term, large-scale improvements for workers.



PHOTO: KAREN ROBINSON | PANOS

“We're not allowed to work without personal protective equipment. You almost don't see sickness now. A long time ago it was very different, there were lots of problems.”

**BANANA FARM WORKER**  
QUOTED IN THE ETI IMPACT ASSESSMENT

## POSTER POWER



Last year we helped our members explain ethical trade and ETI to their suppliers by creating a poster about the benefits of working towards international labour standards. Nearly 3,000 copies of the poster were distributed to supplier companies. This year's poster (on the reverse of this review) is aimed at staff in buying companies and communicates the imperative – and the business benefits – of supporting workers' rights.

Both posters are available in A4 pdf format on our website at:

■ [www.ethicaltrade.org/d/posters](http://www.ethicaltrade.org/d/posters)

# Why partnerships hold the key to success

## Chair's message

**This year we have had unprecedented insights into our member companies' ethical trade practices. Not only have companies reported to us using our new, more searching annual reporting framework, we have also received the findings of the most comprehensive independent study to date of the impact of codes of labour practice on workers. The ETI Impact Assessment\* was carried out by the Institute of Development Studies (IDS).**

The IDS study revealed that many workers are benefiting from codes – particularly in health and safety and working hours – but that the pace and scale of change is slow and uneven. Some of the most vulnerable workers, such as migrant and contract workers, have yet to see any concrete benefit. And critically, company purchasing practices – for example, lead times and prices negotiated with suppliers – are undermining suppliers' ability to comply with codes.

I am heartened that our members are tackling pressing issues such as developing joint approaches to reaching workers at the margins of supply chains – for example migrant workers, homeworkers and smallholders (see *Going global: supporting suppliers and local initiatives*). I am also encouraged that some members are investigating how to modify their purchasing practices to ease the pressure on suppliers. But despite their efforts, IDS' findings challenge us all to do much more, and on a greater scale.

The way forward is clear. Our work to help bring new legal protection for some 600,000 migrant workers in the UK food industry demonstrates the magnitude of our impact when we create and lead alliances of the organisations that

collectively have the power to bring about rapid and widespread change (see *Creating strategic alliances for change*). This review shows clear evidence of our growing ability to catalyse and drive similar joint action on labour issues that are endemic to whole countries or industries.

“Our work to help bring new legal protection for some 600,000 workers in the UK food industry demonstrates the magnitude of our impact...”

In May 2006 the UK Department for International Development (DFID) awarded us a Partnership Programme Agreement grant of £2.35 million over the next five years. This gives us new confidence to engage with government on policy, to scale up our work and to channel greater resources into using the power of partnerships to help improve working life for millions of poor people across the globe.

**Alan Roberts** Chair

\* Find out more about the impact of our members' ethical trade activities on workers in *The ETI code of labour practice: do workers really benefit?* at:

■ [www.ethicaltrade.org/d/impactreport](http://www.ethicaltrade.org/d/impactreport)

## ETI MEMBER COMPANIES IN ACTION

**Analysing corporate members' annual reports to ETI provides a good indication of the extent of their combined efforts and a flavour of the different activities involved.**

- **Madison Hosiery** sent mandatory, anonymised questionnaires to all its employees to seek their views on the company's ethical trade performance
- **Pentland Group** held a seminar in China where three suppliers shared their experience of health and safety committees
- **Boots** invited trade union and workers' representatives to attend opening and closing meetings of workplace inspections and encouraged their participation in the assessment process
- **Sainsbury's** shared ETI's 2005 awareness-raising poster with 600 of its suppliers
- **Co-operative Retail** posted the ETI Base Code in local languages on workplace notice boards and organised meetings with workers to explain its provisions
- **Levi Strauss & Co.** worked with a supplier in Haiti to promote freedom of association.

**A list of current members is given on the reverse of this review.**

**26**

reporting companies

**£12.4**

million of expenditure on ethical trade activities

**299**

full-time ethical trade staff

**4,500**

hours of training on ethical trade

**9,614**

supplier sites inspected

**3**

million workers covered by company codes

# Creating strategic alliances for change

This year we helped promote systemic change to workers' conditions by playing a key role within alliances: to develop shared approaches to code implementation; to help forge a national strategy for the garment industry in Bangladesh; and to stamp out abuses of migrant workers in the UK food industry.

## Developing shared approaches to codes

There is a pressing need to improve suppliers' understanding of the standards they are asked to comply with, a situation complicated by the use of different codes. This year we continued to work jointly with five other workers' rights initiatives from the EU and the USA to develop a shared approach to implementing labour codes and so provide clarity for suppliers.

The Joint Initiative on Corporate Accountability and Workers' Rights (JO-IN) focuses on the Turkish garment industry, where we have agreed a draft common code and protocol for factory assessments. Pilot factory assessments are due to start by December 2006. The next stage of the project will be working with brands, suppliers and other stakeholders to explore the most effective methods of improving labour practices in the key areas of trade union rights, working hours and wages.

■ Find out more at: [www.jo-in.org](http://www.jo-in.org)

## Forging a national strategy for change in Bangladesh

Bangladesh potentially faces huge job losses in its garment industry as a result of the phase-out of the Multi-Fibre Arrangement (MFA). In 2005, stakeholders agreed to develop a strategy to mitigate its worst effects and improve productivity by driving up labour standards as a means of enhancing international competitiveness. Success will depend on the continued support of all those involved in the sector: government, manufacturers, civil society and companies sourcing from Bangladesh.

This year, ETI played a key role within a wider alliance, the MFA Forum, to help build the strategy, and convened and chaired a group of companies committed to supporting it. Already, all the companies involved have agreed to use the JO-IN Code with their Bangladeshi suppliers.

■ Find out more at: [www.mfa-forum.net](http://www.mfa-forum.net)

## Protecting migrant workers in the UK food industry

In 2002, ETI convened a unique cross-industry alliance, the Temporary Labour Working Group (TLWG), to lobby the Government to introduce statutory licensing for temporary labour providers ('gangmasters') and to create a voluntary code to help improve labour practices ahead of licensing. Our goal of licensing was realised in October 2006 when the Gangmaster Licensing Act came into effect and it became an offence for labour providers to UK food and agriculture to operate without a valid licence.

In early 2006 we steered the TLWG's engagement with policy makers over the extent of the Act's coverage, and after weeks of intensive lobbying, gained agreement from the Government that it will provide comprehensive protection for workers across the entire food industry. We also helped labour providers prepare for licensing. The TLWG carried out 465 audits of labour providers and, as the conditions for licensing are heavily based on the TLWG's voluntary code, the overwhelming majority of these labour providers improved to a level where they satisfied the licensing requirements of the newly-created Gangmaster Licensing Authority.

■ Find out more at: [www.ethicaltrade.org/d/tlwg2006](http://www.ethicaltrade.org/d/tlwg2006)

“ If retailers and brands sourcing from Bangladesh put their collective weight behind these initiatives, they will help sustain the livelihoods of up to 20 million people who directly or indirectly depend on the garment sector as a vital source of income.”

MAGGIE BURNS  
ETI NGO BOARD MEMBER

“ We have been successful in winning stronger legal protection for UK migrant workers because the Temporary Labour Working Group was such an effective alliance. ETI played the key role in facilitating this.”

JACK DROMEY, DEPUTY GENERAL SECRETARY  
TRANSPORT AND GENERAL WORKERS' UNION (UK)

# Going global – supporting suppliers and local initiatives

This year we started to shift our focus to sourcing countries. There is overwhelming evidence that supporting local multi-stakeholder initiatives and helping suppliers understand the importance of workers' rights and how they can benefit are key to achieving sustainable improvements to workers' lives.

## Tackling homeworkers' conditions

Homeworkers play a vital role in the global economy yet are among the most marginalised and vulnerable of workers. In July 2006, ETI members together with Indian suppliers and partners, finalised draft guidelines to show how the ETI Base Code can be applied to homeworkers. Recognising that a collective approach offers the most sustainable and credible way of driving up standards, we also helped the same group establish a national body, the National Homeworkers' Group, whose initial mandate will be to co-ordinate action in Uttar Pradesh's fabric embellishment industry. Inspired by the co-operation and vision of all involved, we helped to establish clear terms of reference and a structure for the Group, and encouraged brands and retailers sourcing from India to participate.

The National Homeworkers' Group is the first of its kind to promote and guide responsible corporate action on homeworking. It is currently establishing a local multi-stakeholder group in Bareilly, Uttar Pradesh, which will tackle the conditions of up to 100,000 local homeworkers. We urge all retailers and brands sourcing from homeworkers in India, and other organisations working with Indian homeworkers, to get involved in this groundbreaking work.

## Promoting fair treatment of workers

Our members tell us that supervisors are often responsible for violations of workers' rights – particularly discrimination and harassment. We believe encouraging them to understand the importance of their own rights and those of others will support suppliers in their efforts to comply with labour codes.

This year we joined forces with the South Africa-based Wine and Agricultural Industry Ethical Trade Association (WIETA) to develop a training course for supervisors in the agricultural sector. WIETA is a multi-stakeholder body which was born out of an ETI experimental project. Now fully independent, it monitors and seeks to improve conditions in the South African wine and agricultural sector. A group of ETI members is now working with WIETA to develop the course, which aims to educate farm supervisors on their rights and build their supervisory skills. The ultimate goals are to improve workers' experiences of supervision and to provide training material that ETI members can adapt for use in other locations across the globe.

“ Before, he who shouted most was the best. Now, he who shouts is not here.”

FARM MANAGER  
COSTA RICA  
QUOTED IN THE ETI IMPACT ASSESSMENT

## ABOUT THE ETI HOMEWORKER GUIDELINES

Developed as part of the ETI experimental project, these draft guidelines show companies, trade unions, NGOs and governments how the ETI Base Code can be applied to homeworkers everywhere.

We invite companies with homeworkers in their supply chains to test the guidelines and give us feedback:

■ [www.ethicaltrade.org/d/homeworkerguide](http://www.ethicaltrade.org/d/homeworkerguide)

“ Supplier companies will benefit from involvement with the National Homeworkers' Group as contractors will be working with homeworkers to improve productivity and quality alongside labour standards.”

ARVIND MISRA  
INDIAN SUPPLIER

# Joint action to support trade union rights

One of the great strengths of our alliance is the weight we can bring to bear to resolve complaints brought to us from trade unions and NGOs in sourcing countries. By brokering negotiations between member companies, factory management and trade unions, we have helped resolve major breaches of trade union rights in several factories. These are two examples from this year.

## Building a coalition to protect union rights: Fortune Garments, Cambodia

In November 2005 we were alerted to allegations of serious interference with trade union rights at this Cambodian factory. In response, we brought member companies sourcing from Fortune Garments to meet with workers, intermediary suppliers, factory management and International Textile, Garment and Leather Workers' Federation affiliates to verify the allegations and to seek a solution to the crisis. In May 2006, months of hard work put in by our members, their intermediary suppliers and ITGLWF affiliates in Cambodia – not to mention the workers and management at Fortune Garments – resulted in an agreement by management to:

- compensate two workers who had been unfairly dismissed
- open its doors to the Coalition of Cambodian Apparel Workers' Democratic Union
- train all managers in human resources
- seek support from the International Labour Organisation and other expert bodies
- accept all trade union demands over pay and conditions.

Find out more about ETI's code violations procedure and our members' experience of using it at:

- [www.ethicaltrade.org/d/codeviolation](http://www.ethicaltrade.org/d/codeviolation)

## Helping promote mature industrial relations: Interstoff Clothing Ltd. Bangladesh

In December 2005 the Interstoff Clothing Ltd. Worker Union and the Bangladesh Independent Garment Workers' Union Federation (BIGUF) asked us to help resolve their grievances with the Interstoff factory management. This centred around the dismissal and harassment of trade union officials and members. After several months of negotiation brokered by ETI, the Interstoff Clothing Ltd. Worker Union and factory management signed an agreement to work together to create a mature system of industrial relations at Interstoff, including:

- training of managers and supervisors in trade union rights
- re-instatement of four dismissed union leaders
- re-writing of company rules, including a disciplinary procedure
- agreement to reinforce the company's human resources department.

“Workers shouldn't have to fear for their jobs or lives when they unionise to negotiate collectively. Building coalitions of buyers to ensure trade union rights, as ETI is doing, is key to decent work.”

NEIL KEARNEY, GENERAL SECRETARY  
INTERNATIONAL TEXTILE, GARMENT  
AND LEATHER WORKERS' FEDERATION

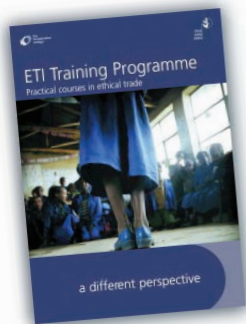
“One of ETI's greatest strengths is that it enables us to work directly with trade unions on fundamental freedom of association issues. This is not only a huge learning experience – it also makes it much easier to find solutions.”

LAKSHMI BHATIA, DIRECTOR OF GLOBAL PARTNERSHIPS  
GAP INC.

# Developing practical tools for business

Retailers and brands increasingly recognise that ethical trade is a core business issue. But how do they actually put it into practice? This year we launched and promoted two major new resources for those starting out in ethical trade as well as more experienced practitioners.

## The ETI Training Programme – skills development in ethical trade



The new ETI Training Programme, developed through a unique partnership with the Co-operative College, was launched in February 2006. Each module distils the combined knowledge of our members, not only of the theory of ethical trade but also of what works in practice.

So far over 100 companies, trade union and non-profit organisations have gained knowledge of the basic principles

of ethical trade, learned how to develop an ethical trade strategy, got to grips with challenging issues like getting supplier buy-in, and built practical skills in engaging with other organisations.

## ETI TRAINING COURSE MODULES

- An introduction to ethical trading and ETI
- Developing and implementing an ethical trading policy
- Managing change in the supply chain
- Interfacing with internal and external stakeholders

Find out more about these courses as well as in-house training opportunities at:

- [www.ethicaltrade.org/d/training](http://www.ethicaltrade.org/d/training)

“The course was an excellent combination of theory and practice which we have already applied to the workplace.”

IAN FINLAYSON, WORLD FLOWERS

## The ETI workbook – a complete toolkit for companies



This year we published a fully expanded and revised version of our manual on ethical trade for buying companies.

*Ethical trade – a comprehensive guide for companies* unpacks the theory of ethical trade and shows how to put it into practice. Crammed with practical tips and insights, it delivers eleven

chapters of best practice guidance, over 50 case studies and 34 checklists and resources in a user-friendly CD-ROM format. As well as showing how to get smarter at workplace inspections, the new workbook contains extensive new material on:

- building support for ethical trade across the company
- working with suppliers to help them improve their practices
- integrating ethical trade into commercial decision-making
- joining forces with other organisations to increase impact.

- [www.ethicaltrade.org/d/workbook](http://www.ethicaltrade.org/d/workbook)

“The ETI workbook is an essential tool for anyone involved in ethical trade, whatever their level of experience.”

DAVID MELLER, SAINSBURY'S

## NEW PUBLICATIONS



### ETI Impact Assessment

*The ETI code of labour practice: do workers really benefit?* presents the results of a study of the impact of our members' ethical trade activities on workers. Published by the Institute of Development Studies.

- [www.ethicaltrade.org/d/impactreport](http://www.ethicaltrade.org/d/impactreport)

### ETI 2005 Conference Briefing Papers

Packed with company case studies, these five papers each tackle a critical issue in ethical trade – from unpicking tricky non-compliances to moving production responsibly.

- [www.ethicaltrade.org/d/briefingpapers](http://www.ethicaltrade.org/d/briefingpapers)

More key resources can be found at:

- [www.ethicaltrade.org/z/resources](http://www.ethicaltrade.org/z/resources)

# ETI Board members

## Corporate representatives

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<b>Lakshmi Bhatia</b>	Gap Inc.
<b>Rob Brown</b>	Boots
<b>Louise Nicholls</b>	Marks & Spencer
<b>Sarah Barlow</b>	(Monsoon Accessorize until July 2006, then co-opted)

## Trade union representatives

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

## NGO representatives

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<b>Maggie Burns</b>	Women Working Worldwide
<b>Sharon McClenaghan</b>	Christian Aid
<b>Peter Williams</b>	National Group on Homeworking and Homeworkers Worldwide

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<b>Alan Roberts</b>	Chair
<b>Lord Tony Young of Norwood Green</b>	Vice Chair
<b>Dan Rees</b>	Director

## Membership co-ordinators

<b>Annie Watson</b>	Trade union caucus
<b>Peter Williams</b>	NGO caucus

## Our finances in 2005/06

<b>Income</b>	£1,214,412 (£600,843 from member contributions and £613,569 from DFID and other sources)
<b>Expenditure</b>	£1,223,349

Our thanks go to DFID for its continuing support. Full financial statements are available on request from the address below or from our website:

- [www.ethicaltrade.org/d/AR2006](http://www.ethicaltrade.org/d/AR2006)