



**Ethical Trading Initiative**  
Respect for workers worldwide

# Annual review 2011/12



# Leading the way to improve workers' lives



Only through collaboration  
can we change the lives of  
the world's poorest workers



**Alan Roberts**

**Chair** (stepped down June 2012)

*Nearly 3 billion people have to survive on less than \$2 per day, and workers are still persecuted*

The Ethical Trading Initiative (ETI) is a ground-breaking alliance of companies, trade unions and non-governmental organisations (NGOs), working together to improve the lives of workers around the world.

As I look back over 14 years at the helm of ETI, I believe this bold claim is fair. ETI was formed in the 1990s, when conditions became ripe for the establishment of such an organisation. Consumers were actively campaigning to improve the working conditions in garment factories supplying major retail brands. There was also political appetite as the UK government recognised how crucial trade was to poverty alleviation. The journey has not been easy, but there have been real successes along the way. Some that I particularly like to recall include:

- › ETI developed a Base Code of labour practice that is now used as a social compliance guide by tens of thousands of companies worldwide.
- › Our members produced the first comprehensive set of guidelines to tackle the conditions of homeworkers in India.
- › We worked with horticulture producers in Kenya and South Africa, providing training to supervisors on the equal treatment of vulnerable workers.

- › We championed the rights of workers in Bangladesh's garment sector, helping support a rise in the minimum wage twice in the last six years.

But there is still more to do. The effects of globalisation continue to create very real challenges for those working to make a difference. There are more than 200 million child labourers in the world, and this number is growing. Nearly 3 billion people have to survive on less than \$2 per day and workers are still persecuted in too many places.

These issues are complex and often endemic, deeply embedded in the cultural, political and economic fabric of countries. It can be difficult to trace supply chains, and outsourcing is a common practice, but we can make a difference by working together.

Businesses need to take up the mantle of ethical trade, and do more, even in these testing times. Both trade unions and NGOs play important roles in this, bringing insight and experience of protecting workers' rights.

It is only through collaboration that we can bring about change in the lives of the world's poorest workers. ETI is uniquely placed to facilitate that collaboration, and as I step down from the Board, I wish ETI continued success for the future.

# A year of challenge, a year of change



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## *It's time to take a more strategic approach to ethical trade*

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This past year has been a very challenging period around the world. Economies have stuttered or slowed, with even the Asian giants showing some vulnerability.

Within this context, the conditions for workers often come under pressure. Margins continue to get tighter, people start to seek work further afield, and businesses focus on simply staying afloat.

These are very real challenges for those committed to ethical trade. But exciting things are taking shape, as I believe this review will show. We launched our new programme approach this year, which aims to drive sustained change for workers by tackling the underlying causes of poor working conditions. ETI and our members have made real progress in identifying key supply chains, understanding them, and starting to develop programmes in countries including China, India, Thailand, Vietnam and Peru. The commitment members have demonstrated in this process is truly commendable.

ETI continues to benefit from the diversity of our membership base and the valuable perspectives of our company, trade union and NGO members. We have strengthened our ability to support member companies in delivering their commitments.

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**Peter McAllister**  
**Director**

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We developed clear monitoring, evaluation and learning guidelines and put in place a new reporting mechanism to drive companies toward taking a more strategic approach to ethical trade. These new frameworks help us all remain focused on creating positive impact for workers, even in difficult times. As ever, we are grateful to the Department for International Development (DFID) for their support in this exciting change process.

In June 2012 we said goodbye to Alan Roberts, who has been an incredible champion for ethical trade in general, and ETI in particular, over the past 14 years. Looking forward, we welcome our new chair, Suzanne McCarthy, who brings excellent skills and experience to ETI.

This next year is crucial. We aim to see our new programmes start on the ground, with workers' rights at their heart. We will also tackle new issues, such as embracing the UN Guiding Principles on Business and Human Rights, sourcing from emerging markets and providing practical guidance on freedom of association. We look forward to sharing this important work with you as it progresses.

# Taking the first steps in our new programme approach



## We address the root causes of workers' rights abuses

Photo: istockphoto.com/Guang Niu

We believe that in order to truly make a difference in workers' lives, we don't just need to tackle the symptoms of poor working conditions. We need to address the social, political and economic factors that create these conditions, if we really wish to see sustainable change.

This belief is at the core of our new programme approach, which we launched in 2011. It builds on the positive work that has gone before, and the strides that ETI members have made in promoting better working practices and addressing workers' rights abuses.

It is hard for an individual company to bring about change in the parts of its supply chain where it has little direct contact. Our programmes aim to drive greater collaboration between businesses, trade unions and NGOs, harnessing their collective ability to positively influence workers' rights.

We are focusing on a series of global supply chains, from raw material to point of sale, in order to understand and address the root causes of exploitation. We seek to learn lessons that can be applied more broadly, for the benefit of workers in other sectors and countries.

### Focusing our efforts

Garnering support across our membership base has been essential. During the past year, we worked closely with our members to understand how best to focus our programmes. We created a new programme structure that mirrored the three key sectors our members work in: apparel and textiles, food and farming, and hard goods and household.

The next step was to prioritise supply chains within which we could collectively bring about the greatest positive change for workers. We considered many factors including number of workers in the supply chain, vulnerability or level of harm experienced by workers, our ability to leverage change, and the potential to replicate what we learn.

### Our programme takes shape

The following supply chains will form the cornerstone of our programme work.

#### Hard goods and household

- › Costume jewellery from India
- › Plastic toys from China
- › Wooden furniture from Vietnam
- › Sandstone from Rajasthan, India

#### Apparel and textiles

- › Garments from Bangladesh
- › Footwear and garments from China
- › Garments from southern India

#### Food and farming

- › Farmed shrimp from Thailand
- › Edible horticulture from Peru



**500,000 people work  
in the Tamil Nadu  
garment industry**

This programme approach is an exciting new direction for ETI and our members. It allows us to get closer to the issues, learn more about working conditions, and share these insights across our membership base.

Each supply chain is different, and those working within them face different issues. Our programmes will take different shapes

and forms, to help meet these needs. However, the ETI Base Code of workers' rights remains the touchstone. Work is already progressing well within our Rajasthan sandstone and southern India garments supply chains.

For more information on these programmes and other projects, visit our website [www.ethicaltrade.org](http://www.ethicaltrade.org)

## Supply chain in focus: Garments from southern India

Critical groundwork has been laid to bring about positive change in the textile and garment sector of Tamil Nadu, in southern India. This sector has grown exponentially since the 1980s; it exports globally and employs 500,000 workers, 60% of whom are women.

Our programme initially focuses on the Sumangali scheme, an Indian employment scheme whereby some mills and garment factories provide a three-year apprenticeship to young women from rural areas, promising a lump sum payment at the end. We are concerned about exploitative practices that take place within some parts of the scheme, which in the extreme, amount to bonded labour.

ETI firmly believes that in order to effect real long-term change that protects these young women, all

stakeholders need to work together collaboratively. We are leading this work, and co-hosted an event in Tamil Nadu in March 2012 that was well attended by companies, trade unions, NGOs, as well as local government and suppliers, and for the first time, mill owners. Crucially, workers also participated and voiced the challenges they face, as well as their aspirations.

Over this past year, ETI, its members and many local partners, have made the first steps towards addressing this complex and sensitive labour rights issue. We are now developing a full multi-stakeholder programme of work, which you can read about in our Tamil Nadu Programme Update, at [www.ethicaltrade.org/tamilnadu](http://www.ethicaltrade.org/tamilnadu)



## Mary's story

Mary (pictured) spends eight hours of her day bent double over green bean bushes in temperatures of up to 40°C.

Although the Tanzanian climate makes for ideal growing conditions, for workers out in the fields all day, the unforgiving heat adds to the physical strain of agricultural labouring.

"It gets very hot out in the field, and I often get headaches," says Mary. "My back hurts a lot from having to bend down all the time to pick the beans, and I get pains in my legs sometimes."

Mary works on a plot of land rented by a smallholder, who supplies a big Tanzanian horticulture farm, which in turn ships the beans to our supermarkets. "I have three children and it is very difficult to pay for food for the entire month. It's very hard to save money too."

All the workers are told to stay away from the farm for a few days while the pesticide spraying is going on.

"But sometimes when I come back to work I can feel that the pesticide hasn't quite gone away - I start sneezing and coughing."

Mary says she has had some training about her rights. "We were told things like we have a right to be paid, what amount we're supposed to get paid, and that we shouldn't be forced to work."

Although she has always worked in the field, Mary has other plans for the future. "I would like to be able to earn more money so I can send my children to school. Maybe I could start a business."

ETI encourages all its member companies to help workers fully understand their rights and to enable freedom of association. Download our Freedom of Association briefing at [www.ethicaltrade.org/FOAbrief](http://www.ethicaltrade.org/FOAbrief)



*“I would like to be able to earn more money so I can send my children to school. Maybe I could start a business.”*

# What's happening in ethical trade

Ethical trade is influenced by a wide variety of political, social and economic factors. Our programmes, projects and events seek to bring about positive change for workers in the countries and sectors outlined here.

## General trends

- › The Organisation for Economic Cooperation and Development (OECD) and the European Commission embrace the UN Guiding Principles on Business and Human Rights: Implementing the 'Protect, Respect and Remedy' Framework (also known as the Ruggie Framework). Businesses start to look at what this means for them in the long-term (see page 10).
- › The demand for short-term results puts pressure on the ethical trade agenda. Many workers' rights abuses can only be addressed by tackling the underlying causes, which requires long-term engagement.

## Sector specific trends

- › Significant shifts take place in the horticulture sector, as suppliers look to Africa, Asia and the Middle East as the new business development frontiers. This may impact ethical sourcing, as emerging markets may not yet have the same set of social standards or legal frameworks as existing markets, or workers' representatives and civil society organisations that tackle exploitation.
- › Industry becomes increasingly aware of the ethical sourcing of sandstone from countries such as India. Some sandstone importers claim adherence to global ethical trade principles, though many claims are uncorroborated.

## Peru

Peru consolidates its status as a global competitor in agriculture, following a decade of growth in the sector. This has opened up work opportunities for women in rural areas, although gender discrimination remains a common workers' rights issue.

## India

India remains a key sourcing country for many UK companies, across a variety of sectors including textiles, garments and sandstone. The UK and Indian governments are working together to support growth through trade, not aid, with a particular focus on some of India's poorest states. The employment of underage workers remains a very real issue, despite recent progress at the political level.



## UK

UK businesses face continued economic pressure, with corporate social responsibility (CSR) departments working hard to keep ethical trade and sustainability on the agenda. Workers often shoulder the burden when margins are squeezed, particularly those with temporary or short-term contracts.

## Turkey

Turkey is increasingly popular as a sourcing country for European fashion brands, with its close proximity offering many benefits including reduced delivery times. However, reports continue to highlight significant labour rights concerns, including gender discrimination and a lack of freedom of association.

## China

Minimum wage increases in China signal a shift towards a higher wage economy, although significant variations exist within the country. This opens the field to competition from newer sourcing countries, such as Myanmar (Burma). Chinese factories start to invest in labour-saving technologies in response to these pressures, but will also need to invest in people. Freedom of association remains severely restricted in most areas.

## Vietnam

Vietnam continues to hold its position as one of the most attractive destinations for foreign investment in Asia, with relatively low labour costs and government incentives. The right to freedom of association and collective bargaining is, however, substantially restricted. Other workers' rights issues include excessive hours and lack of overtime payments.

## Bangladesh

Bangladesh's political scene remains volatile, which affects the country's ability to make progress in ethical trade. The textile and ready-made garment sector is a major source of economic growth, but continues to see unrest over a number of labour rights issues, including wages.

## Myanmar (Burma)

Myanmar, one of Asia's poorest countries, has started to open up after five decades of military rule. There is increased interest in sourcing from and investing in this country, although its opposition party and many commentators advise a cautious approach. Trade unions warn of workers' rights abuses, including forced labour.

# What the Ruggie Framework means for business



There has been much talk about the UN Guiding Principles on Business and Human Rights: Implementing the 'Protect, Respect and Remedy' Framework, also known as the Ruggie Framework. So what does it mean for business?

In 2008, UN Special Representative, Professor John Ruggie proposed the 'Protect, Respect and Remedy' Framework to the UN Human Rights Council. He followed this with the Guiding Principles on Business and Human Rights in 2011, which outline how businesses should implement the framework, and how states should play a part in this.

The guiding principles aim to establish a common global standard for preventing and addressing the adverse human rights impact of business activity. They also help provide definition for the role of business in relation to the state. The OECD and the European Commission have both embraced the framework and principles, as have some private sector organisations.

As the framework and principles gain traction, their impact on business is becoming clearer. For instance, there will be an increased expectation on businesses to understand their supply chains in greater depth, undertake the necessary due diligence, and actively protect the rights of those producing their goods and providing services. Importantly, the framework recognises the primary role of the state in protecting its citizens and establishing relevant laws.

ETI's work supports the framework. We urge businesses to understand it and start putting in place measures that will help them meet its requirements. We are holding a series of events to help members understand and engage with the principles.

## The guiding principles' three pillars

### **Protect**

The state has a duty to protect human rights against abuse by third parties, including businesses.

### **Respect**

Companies have a responsibility to respect human rights, which means to act with due diligence to avoid infringing the rights of others and to address adverse impacts that occur.

### **Remedy**

Both the state and businesses have a responsibility to provide workers with greater access to effective remedy, both judicial and non-judicial.

The due diligence element of the guidelines makes new and significant demands of companies, including:

- Conducting human rights impact assessments
- Integrating human rights concerns into company practices
- Monitoring and assessing the implementation of human rights policies and mitigation plans
- Establishing grievance mechanisms

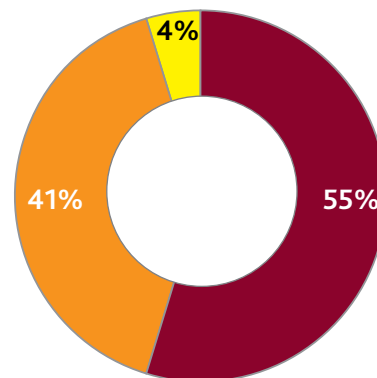
You can find a selection of useful resources about the principles at [bit.ly/eti-ruggie](http://bit.ly/eti-ruggie)

# Our finances

## Income

Our total income was £1,644,264 for the year ending 31 March 2012. Our main source of income was membership fees and individual project funding from our members. We're also very grateful to DFID for their continued support of ETI and to Comic Relief for their grant to support supervisor training in South Africa.

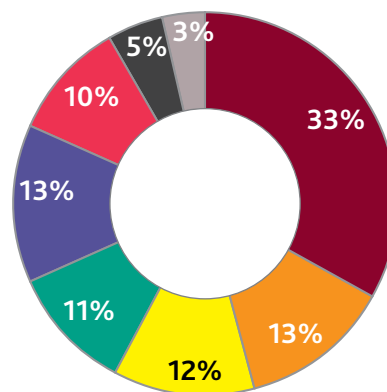
<span style="display:inline-block; width:15px; height:15px; background-color:#800000; border:1px solid #000;"></span> Membership fees	£901,001
<span style="display:inline-block; width:15px; height:15px; background-color:#FF8C00; border:1px solid #000;"></span> Grants	£668,484
<span style="display:inline-block; width:15px; height:15px; background-color:#FFFF00; border:1px solid #000;"></span> Training	£74,779



## Expenditure

Our total expenditure was £1,637,504.

<span style="display:inline-block; width:15px; height:15px; background-color:#800000; border:1px solid #000;"></span> Programmes	£545,381
<span style="display:inline-block; width:15px; height:15px; background-color:#FF8C00; border:1px solid #000;"></span> Membership services	£207,205
<span style="display:inline-block; width:15px; height:15px; background-color:#FFFF00; border:1px solid #000;"></span> Communications and partnerships	£194,354
<span style="display:inline-block; width:15px; height:15px; background-color:#008080; border:1px solid #000;"></span> Knowledge and learning	£174,879
<span style="display:inline-block; width:15px; height:15px; background-color:#483D8B; border:1px solid #000;"></span> Operations	£216,615
<span style="display:inline-block; width:15px; height:15px; background-color:#FF0000; border:1px solid #000;"></span> Support costs	£163,156
<span style="display:inline-block; width:15px; height:15px; background-color:#333; border:1px solid #000;"></span> Governance	£79,338
<span style="display:inline-block; width:15px; height:15px; background-color:#999; border:1px solid #000;"></span> Restructuring costs (one-off)	£56,576



This financial information has been extracted from the full published financial statements, which have been audited by haysmacintyre Chartered Accountants and tax advisers. The presentation above differs from previous years, due to our revised organisational structure. The full financial statements are available on our website at [www.ethicaltrade.org/accounts2011-12](http://www.ethicaltrade.org/accounts2011-12)

## Our Board

The ETI Board is derived from our members and has overall responsibility for our policy, strategy and resource management.

Board members are elected to represent companies, trade unions and NGOs respectively. In turn, Board members elect an independent Chair.

### Chair

Alan Roberts (outgoing)  
Suzanne McCarthy (incoming)

### Vice Chair

Lord Young of Norwood Green

### Corporate representatives

Pam Batty, Burberry  
Jane Blacklock, Mothercare  
Chris Harrop, Marshalls  
Chris Gilbert-Wood, Finlays Horticulture Holdings

### Trade union representatives

James Howard, International Trade Union Confederation (ITUC)  
Scot Walker, International Union of Food Workers (IUF)/Unite  
Ben Moxham, Trades Union Congress (TUC)  
Ashling Seely, IndustriALL Global Union

### NGO representatives

Maggie Burns, Women Working Worldwide  
Rachel Wilshaw, Oxfam GB  
Meena Varma, Dalit Solidarity Network UK  
Elaine Jones, WIEGO (outgoing)  
Aidan McQuade, Anti-Slavery International (incoming)

### DFID observer

Karen Johnson

### Many thanks

Our thanks to outgoing Chair, Alan Roberts and NGO representative, Elaine Jones.

# Our members

75 COMPANY MEMBERS

£179 bn  
TURNOVER

MORE THAN 10 MILLION WORKERS REACHED BY MEMBER COMPANIES' ETHICAL TRADE ACTIVITIES

CORPORATE MEMBERSHIP AT ETI CONTINUES TO GROW, WITH 16 NEW COMPANIES JOINING US. NEW COMPANY MEMBERS INCLUDE TEA SUPPLIER **KEITH SPICER**, LUXURY OUTFITTER **DAKS**, OFFICE SUPPLIES COMPANY **COMMERCIAL GROUP**, NATURAL STONE SUPPLIER **CED**, HOUSEHOLD NAME **THE WHITE COMPANY** AND ICONIC BRITISH BRAND **STELLA McCARTNEY**

## Corporate members\*

### Foundation members:

Allport  
Beltrami  
C&A  
CED  
Commercial Group  
DAKS  
Eileen Fisher  
John Lewis Partnership  
Matrix APA  
Melrose Textile  
MR International  
Olympicpromo  
Regatta  
Ringtons  
Rockford  
Stella McCartney  
Strata Stones  
The White Company

### Full members:

Arco  
Asda  
ASOS  
BBS Granite Concepts  
Boden  
Brett Landscaping  
BTC Group  
Burberry Group  
Co-operative Retail  
Debenhams Retail  
Dewhirst  
DNS Stones (UK)  
Ethical Tea Partnership  
Fat Face  
Finlays Horticulture Holdings  
Foster Refrigerator  
Fyffes Group  
Gap Inc  
Greencell  
Hardscape  
Icon Live  
Inditex  
Jack Wills  
Jaeger  
Keith Spicer  
London Stone Paving  
London Underground  
Mackays  
Madison Hosiery

Marks & Spencer  
Marshalls  
Mens Wearhouse UK  
Monsoon Accessorize  
Mothercare  
N Brown  
Natural Paving Products  
New Look Retailers  
Next Retail  
Pacific Brands  
Pavestone  
Pentland Brands  
Primark (ABF)  
River Island  
Rohan Designs  
Ruia Group  
Sainsbury's  
Stone Masters  
SuperGroup  
Supremia  
Tchibo  
Tesco  
The Body Shop International  
Typhoo Tea  
Union Hand-Roasted  
WH Smith  
William Lamb Footwear  
Winfresh (UK)

\*As at October 2012, new members shown in orange



## Trade union members

Our union members represent nearly 160 million workers around the world in every country where free trade unions can operate. They are the Trades Union Congress (TUC) — the national trade union federation in the UK — and the world body of national union federations, the International Trade Union Confederation (ITUC). Workers in industrial sectors are represented through the Council of Global Unions\* which includes IndustriALL Global Union (uniting workers in mining, energy and manufacturing sectors), and the IUF (uniting food, farm and hotel workers worldwide).

### \* Members of the Council of Global Unions:

Building and Wood Workers' International (BWI)  
Education International (EI)  
IndustriALL Global Union  
International Federation of Journalists (IFJ)  
International Transport Workers' Federation (ITF)  
International Union of Food Workers (IUF)  
Public Services International (PSI)  
UNI Global Union

## NGO members

Our NGO partners operate in more than 40 different countries and reach millions of the world's poorest and most vulnerable people. They include large international development charities and specialised labour rights and fairtrade organisations.

Anti-Slavery International  
CAFOD  
CARE International  
Christian Aid  
Dalit Solidarity Network UK  
HomeWorkers Worldwide  
Oxfam GB  
Partner Africa (formerly Africa Now)  
Quaker Peace and Social Witness (Religious Society of Friends)  
Save the Children  
The Fairtrade Foundation  
Traidcraft Exchange  
TWIN Trading  
Women in Informal Employment: Globalising and Organising (WIEGO)  
Women Working Worldwide (WWW)



## What our members say

*“We have benefitted enormously from networking and collaboration with other more mature ETI members over recent months, and are already working on collaborative projects as a result.”*

Carly Bilsbrough, Assistant Senior Manager - Technical Standards, Arco

*“We’re very proud at the TUC of the links that we have with ETI. From training worker representatives in Chinese factories to improving the lot of homeworkers in India, ETI has been delivering practical, effective change where it matters most.”*

Brendan Barber, General Secretary, TUC

*“We continue to benefit from the networking opportunities provided by the various UK-based collaborative working groups. We look forward to the China toys programme getting underway, so that we can contribute and use the learning to shape our own ethical trade work.”*

Sarah Heath, Head of Communication and Corporate Responsibility, WH Smith

*“The Rajasthan Stone Working Group (RSWG) has led the way in moving forward ETI’s new programme approach. Progress in this sector is a huge challenge, since so many of the workers at the bottom of the supply chains are invisible. But I am optimistic that however difficult the task, the RSWG will address the rights of workers in every tier of the industry.”*

Meena Varma, Director, Dalit Solidarity Network UK

*“We have always found in ETI a space for constructive engagement and collaboration with others. We are confident that this will continue to be the case, as we move forward in all the important work we pursue with ETI and its constituents.”*

José Arguedas, Senior Manager, Global Partnerships and Public Policy, Gap

The Ethical Trading Initiative is a ground-breaking alliance of companies, trade unions and NGOs. We work in partnership to improve the working lives of poor and vulnerable people across the globe.

Our vision is a world where all workers are free from exploitation and discrimination, and work in conditions of freedom, security and equity.

## ETI Base Code principles



1. Employment is freely chosen

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2. Freedom of association and the right to collective bargaining are respected

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3. Working conditions are safe and hygienic

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4. Child labour shall not be used

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5. Living wages are paid

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6. Working hours are not excessive

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7. No discrimination is practised

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8. Regular employment is provided

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9. No harsh or inhumane treatment is allowed

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