



Ethical Trading Initiative

External Evaluation Report

Prepared for //
Ethical Trading Initiative

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By// IOD PARC

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1. Introduction

1.1. Introduction to the Ethical Trading Initiative

The ethical complexities of international trade have been deepened by globalisation and the rise of transnational supply chains. Several issues pertaining to labour rights remain unresolved to this day. Around the world, labour rights, including freedom of association and the right to a living wage, are routinely disregarded or ignored and pressures for more informal contracting of workers are increasing.

Within the landscape of protecting workers' rights there has been a fundamental transformation in the type of actors involved. In particular:

“...by the early 1990s, virtually all industrialised countries provided a base for numerous multinational corporations, which were fast becoming ‘the dominant form of organisation responsible for the international exchange of goods and services’... ..In the wake of this growth and globalisation, [MNC’s] found themselves in the extraordinary position of outperforming the national economies of states – a dramatic turn of events considering that hitherto nation-states had been considered the primary, if not exclusive, actors within the international order.”¹

A very real risk was that this trend could result in a ‘race to the bottom’, “in which governments seek to attract foreign direct investment by removing policies that, although potentially socially desirable, are viewed as unattractive by firms”.²

It was against this challenging backdrop that the ETI was formed in 1998, by “a group of UK companies, NGOs and trade union organisations”. The aim was to build “an alliance of organisations that would work together to define how major companies should implement their codes of labour practice in a credible way – and most importantly, in a way that has maximum impact on workers.”³ Pursuant to this goal, the ETI developed its ‘Base Code’ – a normative document founded upon the conventions of the ILO, which the Initiative’s member companies voluntarily commit to implement.

The ETI’s membership base has expanded significantly since its inception – from just four companies in 1998 to over 70 in 2015, with combined revenue of over £166 billion⁴, “collectively reaching nearly 10 million workers across the globe”.

In its early days, the ETI registered a number of tangible achievements, chief amongst which was an important contribution to placing the idea of ‘ethical trade’ (a position to which many companies had previously only made vague overtures) firmly in the consciousness and then in the planning of a group of progressive UK retailers. By highlighting issues pertaining to workers’ rights around the globe, and thereby enhancing their visibility in the eyes of companies, governments and consumers, the ETI secured several commitments from international retailers that subsequently translated into qualitative improvements in labour conditions around the world. However, by 2006 it was recognised that despite progress in many of the areas identified in the ETI’s Base Code, improvements remained discrete, insofar as they were confined to specific groupings of workers within company supply chains.

¹ Blitt, R. (no date) *Beyond Ruggie’s Guiding Principles on Business and Human Rights: Charting and Embracing Approach to Corporate Human Rights Compliance* ; *Texas International Law Journal*, Volume 48, Issue 1, Page. 36, available at: <http://www.tilj.org/content/journal/48/num1/Blitt33.pdf> - accessed 09/02/2015

² Davies, R. & Vadlamantti K.C. (2011) *A Race to the Bottom in Labour Standard? An Empirical Investigation*, IIS Discussion Paper no. 385, available at: <http://www.tcd.ie/iis/documents/discussion/pdfs/iisd385.pdf> - accessed 02/02/2015

³ Ethical Trading Initiative (2015) *ETI’s Origins*, available at: <http://www.ethicaltrade.org/origins-eti> - accessed -02/02/2015

⁴ Ethical Trading Initiative (2015) *Our Members*, available at: <http://www.ethicaltrade.org/about-eti/our-members> - accessed 02/02/2015

The benefits of the ETI’s individual programmes and projects did not diffuse across the larger landscape. Furthermore, implementation of the Base Code by member organisations was largely limited to action on its more ‘visible’ principles, including health and safety and child labour, and did not extend to more long term principles such as freedom of association, which would ultimately enhance the capacity of workers to shape their own working environments.⁵

The threat facing the ETI’s vision was clear and at that time it was acknowledged: that the Initiative’s role could become relegated to that of a ‘convenient smokescreen’ – a subscription-based forum through which member organisations could publicise relatively minor improvements in their supply chains, while effectively ignoring the wider picture. The need for a strategic reorientation was evident, and this led to the move in 2011 whereby the Initiative opted to focus on examining supply chains in context; looking at the totality of workers conditions within a supply chain – what is happening and why it is happening – and from this, looking for a course of collaborative action by members which seeks to address issues *systemically* rather than a short-term piecemeal localised response.

The set⁶ of a number of selected supply chain initiatives was developed as the de facto ‘R&D’ arm of the ETI and as part of an overall ‘programming’ vision designed to be complemented by the emergence and strengthening of a knowledge and learning department within ETI – which would seek out lessons and turn this into knowledge for wider use and thereby ETI reach – and the strengthening of an approach that would galvanise the activity and accountability of the membership.

The “supply chain initiatives were aimed at addressing the root causes of poor working conditions in relation to the specific contexts of those supply chains.”⁷ This programming approach was captured within the results framework (extracted below) and reporting to DFID under the ETI PPA agreement.

Immediate Outcomes	Intermediate Outcomes	Higher-level Outcomes
Choice of supply chains is agreed through tripartite discussion	Factors that contribute to exploitation and discrimination in supply chains are understood through joint assessment and comprehensive analysis	Improved working conditions for poor and vulnerable workers, especially women, in prioritised supply chains
Programme of work in prioritised supply chains is designed and agreed through tripartite discussion	Collaborative programmes between businesses, civil society and governments are implemented within priority supply chains	
Robust monitoring and evaluation framework tracks impact and drives results-based-programming	Root causes (rather than the symptoms) of workers’ rights abuses are integrated in/addressed through programmes	
	Learning on key issues and cross-cutting themes is captured and shared widely among membership and beyond	

⁵ Institute of Development Studies (2006), *Report on the ETI Impact Assessment*.

⁶ Between 2010-2012 priority supply chains were identified and mapped using the following criteria: The number of workers in the supply chains; The level of harm or vulnerability to harm experienced by workers; The importance of the supply chain to members; The ETI’s ability to leverage change in the supply chain; The potential to replicate lessons learnt. Additionally, supply chains were classified according to the following ‘product category groups’: Food and Farming (F&F) ; Hard Goods and Household (HG&H); Apparel and Textiles (A&T). A substantial amount of research, investigation and consultation was initiated during this period, aimed at better understanding the root causes of poor working conditions. The result was the mapping of 41 supply chains across the three product category groups.

⁷ Independent Evaluation of the PPA (2012)

Through the direction taken in 2011 which centred on “developing supply chain initiatives aimed at addressing the root causes of poor working conditions in relation to the specific contexts of those supply chains” the ETI Secretariat aimed to become a *convener* and an *influencer*. Facilitating ETI membership to collaborate in a collective endeavour to map and scrutinise complex global supply chains, developing a more comprehensive understanding of why workers’ rights were being abused, and taking suitable action to address those underlying causes.

The new approach was predicated upon a theoretical ‘change journey’ – that is, a logical – though not necessarily linear – process involving several stages through which results would be realised. The first step of this change journey entailed **laying the groundwork**, an iterative process which would consist of:

- 1) **Collaborating for change:** Identifying the key stakeholders and facilitating collaboration to develop innovative solutions to labour rights issues across prioritised value chains
- 2) **Understanding root causes:** Developing a collective understanding of labour rights abuses and where the efforts of the ETI have most influence in creating the basis for lasting change
- 3) **Supporting and challenging companies:** Facilitating member companies in their efforts to address complex labour challenges and ensuring that member companies’ activities reflect the ETI Base Code

Once the foundations had been laid, the ETI would be well-placed to begin **enabling change**, through:

- 1) **Sharing lessons learned:** Disseminating knowledge and experience gained among members, policy makers and other key stakeholders, in a bid to enhance the impact of their ethical trading activities
- 2) **Extending the ETI’s reach:** Supporting member companies in endeavours to ‘roll out’ innovative solutions to labour rights abuses *across* their supply chains
- 3) **Extending Influence:** Using accumulated experience to influence policy makers, leverage funds for transformative action and increase membership

The confluence of the above would then allow the Initiative to begin **achieving results**, to create a better working world in which:

- 1) ETI efforts **contribute** to workers’ rights being upheld and working conditions improved in targeted supply chains.
- 2) Member companies **embed** responsible business practice into the heart of their operations
- 3) Policy makers **remove** the barriers to better working conditions
- 4) Workers have the **skills, confidence, knowledge and structures** to actively shape their working environments.

1.2. Purpose and Scope of the Evaluation

The purpose of the evaluation is to conduct an independent but participatory assessment of the progress which the ETI has registered against its vision and theory of change, and to gauge the extent to which the ETI is organisationally fit to deliver on its new five-year strategy⁸.

⁸ ETI Perspective 2020: A five-year strategy was approved by the ETI Board in March 2015.

Object of the evaluation

The object of the evaluation is the ETI organisation. This is the Membership guided, facilitated and supported and (at times) led by the Secretariat operating within the direction set by the ETI Board. As such the evaluation is looking at the collective ability of ETI to support change and deliver impact on workers conditions.

In conducting the evaluation IOD PARC was also conscious of ETI as; an *initiative* – a membership organisation with the ability to initiate things independently. And a *catalyst for change* – causes or accelerates a change. Enables or inspires others.

It also recognised that the spread of ETI activity extended beyond the priority supply chain initiatives to cover joint initiatives born out of more reactive circumstances, forums, members acting independently, advocacy, accountability, individual member support.

Framing the enquiry

The enquiry was based around the need to offer a credible assessment of:

- The *impact* of the ETI's work on the lives of workers
- The *effectiveness* of the ETI's multi-stakeholder process in its global supply-chain work
- The *efficiency* and *effectiveness* of the ETI's structures and accountability systems
- The *adequacy* of the ETI's funding strategy against its budgetary and human resource requirements to deliver the 2020 strategy.

Throughout the enquiry particular attention was paid to the following sub questions:

- To what extent has the ETI's work enhanced transparency and accountability within supply chains, and enabled workers to challenge employers over abuse of their rights?
- To what extent has the ETI's work catalysed change in the knowledge, attitudes and behaviour of those with a direct influence on workers' lives (employers, industry associations, governments, trade unions and other worker representatives)?

The conclusions and recommendations of the evaluation will inform the shaping of ETI's operational plan as it moves within the direction set by the new Strategy.

1.3. The Evaluation Process

The enquiry and analysis of the evaluation was conducted over a four month period from November 2014 culminating in a presentation of major themes and related questions to the ETI Board in March 2015.

Compared with previous ETI impact assessments (2006) and strategic reviews (2010 and 2012), this evaluation has been a relatively light exercise⁹. Its understanding was significantly deepened,

⁹ A contract for 15 consultancy days from IOD PARC (Julian Gayfer) with some additional document review and logistical assistance provided directly by the ETI in the form of a support consultant (Jacqueline Amankwah). Enrique Wedgwood from IOD PARC provided additional research support to the process.

however, by the active involvement in the evaluation process of a tripartite nine person Reference Group drawn from the ETI's membership, who helped to frame the detailed enquiry, review emerging findings and shape the conclusions.

The evaluation process made use of the following tools:

- Interviews and interactions with the NGO and Trade Union caucuses, company member group meetings and the staff of the ETI Secretariat. Some members (including the Chair) of the ETI Board were also interviewed.
- Review of existing ETI documentation and ETI/member monitoring data on the results of the work of ETI (and its members) and the operating processes of ETI, using the 'Change Journey' (ETI's theory of change) as a reference point.
- Within the interviews and the document review a more detailed look at the supply chain experience and in particular within this the multi-stakeholder processes of the engagement in Tamil Nadu on the practice of Sumangali (TNMS) and the engagement with conditions for workers in the Thai Shrimp industry.
- A review of member reporting; the system and examples of member 'reporting' trajectory.
- A light touch review of documentation and informed opinion on the changing landscape for the respect of workers' rights,
- An electronic survey (with a high response rate) across the wider ETI membership and Secretariat staff, not as a means of assessment, but rather as a means of 'testing' preliminary findings elicited from analysis of data solicited from the sources above.

A vital and much valued role in the evaluation process was played by an active Evaluation Reference Group (drawn from the ETI tripartite membership). Through a series of three meetings aligned to different stages of the process (November, January & February) the group helped in the framing of the detailed enquiry, the review of emerging findings and developing the focus for the member survey, and in the shaping of the conclusions.

Throughout the evaluation process IOD PARC has worked closely with the Knowledge & Learning Unit of the ETI Secretariat, and through this, linking the evaluation to earlier impact assessments, strategic reviews (2006, 2010, 2012) and current analysis and reflection undertaken and/or guided by the Unit.

Through the interviews and in particular within the member caucus and roundtable meetings, the enquiry sought to gather stories of change observed by members from their broader company experience and within this bringing out reflections on whether change is happening, the nature and significance of this change and the role (if any) of ETI processes in influencing this change.

2. Setting: ETI within the Broader Landscape

This section looks at the wider landscape for workers’ rights and where and how the work of ETI is positioned to this bigger picture and dynamic of change.

2.1. Workers’ Rights: Global Trends

A brief overview of global trends regarding the observation of workers’ rights highlights the enduring *relevance* of the principles enshrined within the ETI Base Code. It also demonstrates the problematic nature of evidence and the wider trends that in some cases are likely to be intensifying what is already a deep rooted problem.

Base Code Principle	Evidence
Employment is freely chosen	<p>Measuring the global prevalence of forced labour and contemporary slavery is problematic, due to the ‘hidden’ nature of the phenomenon, which is often sustained by opaque criminal networks¹⁰. ILO data does indicate however that:</p> <ul style="list-style-type: none"> • Up to 21 million¹¹ people remain victims of forced labour • Of these, up to 19 million are exploited by private individuals or enterprises • Forced labour in the private economy generates up to \$150 billion in illegal profits every year • Domestic work, agriculture, construction, manufacturing and entertainment are among the sectors most concerned. • Migrant workers and indigenous people are among those most vulnerable to forced labour¹²
Freedom of association and the right to collective bargaining are respected	<p>The principle international legal instruments on this subject are the ILO’s 1948 “Freedom of Association and Protection of the Right to Organise Convention (No.87)” and the 1949 “Right to Organise and Collective Bargaining Convention (No. 98)”. The extent to which freedom of association and the right to collective bargaining are respected can be superficially measured by looking at the number of states that have ratified these core conventions.</p> <p>To date, a total of 153 countries have ratified Convention 87 and a total of 164 countries have ratified Convention 98¹³. This is out of a total of 185 countries that are members of the ILO. Ratification, however, does not imply recognition. It does though imply a legal commitment on behalf of the ratifying state to</p>

¹⁰ Walk Free Foundation (2014) *The Global Slavery Index 2014*, available at: http://d3mj66ag9ob5fy.cloudfront.net/wp-content/uploads/2014/11/Global_Slavery_Index_2014_final_lowres.pdf – accessed 04/02/2015

¹¹ Anti-Slavery International (2015), *What is Modern Slavery*, available at: http://www.antislavery.org/english/slavery_today/what_is_modern_slavery.aspx - accessed 02/02/2015

¹² International Labour Organisation (2015) *Forced Labour, Human Trafficking and Slavery*, available at: <http://www.ilo.org/global/topics/forced-labour/lang--en/index.htm> - accessed 04/02/2015

¹³ International Labour Organisation (2015) *International Labour Standards on Freedom of Association*, available at: <http://ilo.org/global/standards/subjects-covered-by-international-labour-standards/freedom-of-association/lang--en/index.htm> - accessed 04/02/2015

Base Code Principle	Evidence
	<p>implement the principles stipulated within the respective conventions.</p> <p>A 2012 report by a committee of experts on the application of conventions noted with “deep concern that murders of trade union leaders and members continue to occur in certain countries”, and that “a number of the sectors and groups of workers excluded from the right to organise and related rights are often predominately female.”¹⁴ According to the ETI itself, “tens of thousands of workers lose their jobs every year for attempting to join a trade union.”¹⁵</p>
Working conditions are safe and hygienic	<p>Over the past two decades, the ETI has registered several achievements vis-à-vis this particular principle. Nevertheless, occupational safety remains a key challenge for workers across the globe.</p> <p>The ILO has estimated that:</p> <ul style="list-style-type: none"> • Approximately 2.3 million workers succumb to work related accidents or diseases every year, which corresponds to roughly 6000 deaths every day. • Exposure to hazardous substances in the workplace account for approximately 651,279 deaths per year¹⁶
Child labour shall not be used	<p>Preventing the use of child labour in supply chains is another area of the Base Code in which the ETI has registered previous successes.</p> <p>Globally, the prevalence of child labour does appear to be declining, with the number of children engaged in labour estimated to have fallen by a third since the year 2000. However, the ILO estimates that approximately 168 million children remain in child labour, with more than half of them engaged in hazardous work.¹⁷</p>
Living wages are paid	<p>Wages constitute one of the most important indicators for assessing working conditions. Across the world, many workers receive wages that are barely sufficient to cover their subsistence needs, let alone those of their families. The ILO’s 2014-2015 global wage report noted that:</p> <ul style="list-style-type: none"> • Global wages dropped sharply during the 2008-2009 crisis, and have yet to rebound to their pre-crisis levels • Global wage growth has been driven largely by emerging and developing

¹⁴ International Labour Office (2012) *General Survey on the Fundamental Conventions Concerning Rights at Work in Light of the ILO Declaration on Social Justice for a Fair Globalisation, 2008*, pages 36 and 37 – available at: http://www.ilo.org/wcmsp5/groups/public/---ed_norm/---relconf/documents/meetingdocument/wcms_174846.pdf - accessed 04/02/2015

¹⁵ Ethical Trading Initiative (2015) *Why We Exist* – available at: <http://www.ethicaltrade.org/about-eti/why-we-exist> - accessed 04/02/2015

¹⁶ International Labour Organisation (2011) *World Statistic*, available at: <http://www.ilo.org/public/english/region/eurpro/moscow/areas/safety/statistic.htm> - accessed 04/02/2015

¹⁷ International Labour Organisation (2015) *Child Labour*, available at: <http://www.ilo.org/global/topics/child-labour/lang--en/index.htm> - accessed 04/02/2015

Base Code Principle	Evidence
	<p>economies, where wages are gradually increasing</p> <ul style="list-style-type: none"> In the period 1999-2013, real wage growth has lagged behind labour productivity¹⁸
Working hours are not excessive	<p>Working hours were the subject of the ILO’s first ever convention; the 1919 “Hours of Work (Industry) Convention” establishing the principle of eight hours a day and 48 hours a week for the manufacturing sector. This convention was subsequently supplemented by several others.</p> <p>Reliable information regarding the extent to which these conventions have been implemented is hard to come by. A 2007 study for the ILO however, found that in general, “weekly working hours have been relatively stable for the last ten years in many countries”, and that in “developing countries, the incidence of both long and short hours is high”.¹⁹</p>
No discrimination is practiced	<p>There are several indications that discrimination against women, migrant workers and other minorities is widespread in the world of work. A 2011 ILO report on global working conditions found that:</p> <ul style="list-style-type: none"> On average, women’s wages are 70-90% of men’s Sexual harassment occurs on every continent and across a wide variety of occupations In many countries, migrant workers make up 8 to 20 percent of the labour force, and are often subject to discrimination Work-related discrimination against people with disabilities is deeply rooted
Regular employment is provided	<p>This principle regards protection against fluctuations in earnings due to arbitrary job loss. It also covers protection of those engaged in non-standard and often unpredictable forms of employment such as marginal, part-time work and temporary agency work among others. The ILO has found that over the past two decades, the number of people engaged in alternative contractual arrangements has increased significantly, in both developed and developing countries. In many cases, this has led to increased ambiguities in the relationship between employer and employee, and has hampered efforts by workers to assert their rights.²⁰</p>
No harsh or inhumane treatment is allowed	<p>This principle entails protection against physical, sexual and verbal abuse at the workplace. There is no systematic source of data regarding the global prevalence of harsh, inhumane treatment in the workplace. However, harsh treatment is a concept which cuts across the other eight ETI base code principles, and the extent to which it occurs can be at least partially gauged from the evidence provided above.</p>

¹⁸ International Labour Organisation (2014) *Global Wage Report 2014/2015 Summary*, available at: http://www.ilo.org/wcmsp5/groups/public/---dgreports/---dcomm/---publ/documents/publication/wcms_324839.pdf - accessed 04/02/2015

¹⁹ Lee, McCann, Messenger (2007) *Working Time Around the World*, pg. 61, available at: http://www.ilo.org/wcmsp5/groups/public/@dgreports/@dcomm/@publ/documents/publication/wcms_104895.pdf – accessed 04/02/2015

²⁰ International Labour Organisation (2015) *Non-Standard Forms of Employment*, available at: <http://www.ilo.org/global/topics/employment-security/non-standard-employment/lang--en/index.htm> - accessed 04/02 /2015

2.2. Initiatives Similar to ETI

There is a diverse plethora of organisations ostensibly geared towards improving the conditions of workers’ around the world. Examples of such organisations include the Fair Labour Association, BSCI, the Better Work Programme and Social Accountability International. The plurality of organisations dedicated to enhancing working conditions presents both opportunities and challenges for ETI. It suggests an abundance of both commitment and expertise, which if properly harnessed and coordinated, could be directed towards affecting meaningful changes in working conditions around the world. Although most Codes are based on ILO Conventions, there is the risk of confusing suppliers with competing compliance requirements and possible duplication of efforts. This may have direct implications for the ETI, in that the ‘Base Code’ and its attention to tackling root causes to poor working conditions/ workers’ rights may become ‘lost in the crowd’.

In addition, there are 15 materials sustainability indices (MSIs), which are essentially large databases of suppliers, and the standards (ethical, environmental or otherwise) which they purport to uphold, as well as their actual record of compliance against those standards. Of these indices, six are sector specific, 11 are membership-based and nine promulgate labour codes. MSIs have the potential to constitute a valuable tool that companies can use to assess the ‘sustainability’ of their supplies, and ultimately to help inform investment and/or sourcing decisions. Some of the ETI’s membership indicated in their annual reports that they made use of MSIs in their ethical trade activities. The potential utility of the MSIs, and the fact that some companies are already taking advantage of them, merits their further investigation by the ETI in order to identify opportunities for incorporating them into future programmes.

A ‘market analysis’ recently conducted by the Membership Services Unit of the ETI Secretariat of organisations engaged in the ethical trade agenda found that the ETI was the only organisation which provided for a comprehensive annual reporting process, supplemented by “structured matrix-based feedback and advice on improvement pathways towards best practice”. It further found that across the landscape, the ETI dealt with the greatest range of issues, and was the organisation that was most ‘collaborative’ in its programmes.

The ‘landscape’ of organisations involved in ethical trade is diverse and not fully formed or developed. In this context ETI is well positioned – drawing on its unique tripartite nature - to adopt a leadership role, and contribute to bringing some coherence, direction and clarity on the multiplicity of efforts aimed at improving working conditions around the globe.

2.3. The Role of the ‘Private Sector’ in Development, the UNGPs and ETI

The private sector’s profile in the development agenda has grown enormously over the past decade, with some enthusiasts portraying it as the engine of development and prosperity; a panacea for all the difficulties and challenges faced by the world’s poor. The UK government, for example, has recently declared its commitment to placing the private sector “centre stage” in its efforts to generate “opportunity and prosperity for poor people in developing countries.”²¹

This approach envisions transforming business environments by reducing costs, lowering legislative and regulatory barriers and promoting other conditions that will enable the private sector to thrive. Historical development experience suggests that for the assumption to hold that ‘development’ is an automatic corollary of a thriving private sector requires that governments create an enabling

²¹ DFID (2011) *The Engine of Development: The Private Sector and Prosperity for Poor People*, Available at: https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/67490/Private-sector-approach-paper-May2011.pdf - accessed 10/02/ 2015

environment that supports legal protection for workers, education and health, good governance and infrastructure; and a critical role for civil society in checking the occasional excesses of the private sector to ensuring that the benefits of thriving business are distributed amongst the wider population with a degree of equity. The inherent complexities of a development approach focused on private-sector led growth have been acknowledged by the United Kingdom’s aid watchdog, the Independent Commission for Aid Impact, which noted in 2014 that “references to ‘the miracles’ that companies are able to perform risks underplaying the role that donors like DFID and country governments have in ensuring that economic development provides benefits to the poorest in society.”²²

Notwithstanding the above there can be little doubt that the private sector does have a critical role to play in development. The International Finance Corporation, for example, points out that:

“The private sector is responsible for around 90% of employment in the developing world – including both formal and informal jobs – it provides critical goods and services; is the source of good tax revenue; and is key to ensuring the efficient flow of capital.”²³

The most sustainable approaches to development are ‘holistic’ in nature – embracing the dynamism and energy of the private sector, the duty of government to foster environments conducive to the success of business *and* the protection of rights, and the oversight of civil society and representative trade unions. Such an approach is given substance by the tripartite nature of the ETI, as well as by the **Protect, Respect and Remedy** framework as articulated by the United Nations Guiding Principles (UNGPs) on business and human rights.

The UNGPs on human rights and business – also known as the ‘Ruggie Principles’, after their progenitor John Ruggie - were first articulated in 2008. It is important to point out that the principles are not formal legal obligations. Rather, they attempt to establish another “common global standard for preventing and addressing the adverse human rights impact of business activity²⁴”. The principles rest upon the following three ‘pillars’:

- States have a duty to **protect** against human rights abuses by third parties, including business enterprises, through appropriate policies, regulation and adjudication.
- Businesses have a corporate responsibility to **respect** human rights, meaning that they must act with due diligence to avoid violating the rights of others. They are responsible for respecting human rights within their own establishments as well as those linked to services arising from their business relationships.
- Both judicial and non-judicial mechanisms need to be established to allow for greater access to **remedy** for the victims of business-related abuse.

These principles complement the ETI’s vision. They are of particular relevance insofar as they recognise the crucial role of governments in protecting the rights of workers within their jurisdiction, which entails establishing and enforcing conducive legal frameworks in both ‘producing’ and ‘consuming’ countries. While governments in ‘consuming’ countries should establish regulations controlling ‘their corporations’ activities abroad’, governments in ‘producing countries’ have a responsibility to enact and enforce legislative frameworks which protect working conditions within their own territories.

²² Guardian (2014) *Aid Watchdog Lambasts UK Focus on ‘Miracle’ Private Sector*, available at: <http://www.theguardian.com/global-development/2014/may/15/uk-watchdog-aid-private-sector-development> - accessed 10/02/2015

²³ IFC (2015) *The Role of the Private Sector in Poverty Reduction*, available at: http://www.ifc.org/wps/wcm/connect/topics_ext_content/ifc_external_corporate_site/idg_home/ifc_and_poverty_role_private_sector - accessed 10/02/2015

²⁴ Advocates for International Development (2011) *John Ruggie’s The Guiding Principles: A Legal Guide to ‘The Guiding Principles’ on Business and Human Rights*, available at: <http://a4id.org/sites/default/files/user/Microsoft%20Word%20-%20Legal%20Guide%20-%20John%20Ruggies%20Guiding%20Principles.pdf> – accessed 09/02/2015

Nevertheless, it is important to note that these principles have been the subject of some criticism. In particular, it has been argued that “the principles set a minimal-expectation bar for businesses, promulgating a series of non-binding, lowest common denominator recommendations that arguably neglect a more complex reality.”²⁵ There is also concern that for many companies the default response to the due diligence challenge of the principles will be to contract out an auditing exercise (the numbers) with minimal reflection internally on how the company operations within the supply chain can interact in way that impacts positively on the lives of workers and in doing so identifies and addresses endemic issues that persist.

An important part of the context is the relatively limited resources of the trade union members – globally, regionally and nationally. Going forward it will be important for ETI to have an informed position on the resource needs of their union partners and what needs to happen to meet those needs if union members and their partners are to be able to optimally respond to the demands and opportunities that ETI’s existence presents.

2.4. ETI – the 2015-2020 Five Year Strategy

The Goal of the new Strategy is that by 2020 ETI wants to see that the 10 million workers in ETI company members’ global supply chains enjoy improved protection of the rights described in the ETI Base Code, greater respect of these rights by those they work for and better access to remedy when the rights are abused.

To reach this goal the ETI will concentrate its efforts on five strategic pillars from 2015 to 2020:

- 1) **Lead in the application of the UN Guiding Principles on Business and Human Rights (UNGPs) in the area of workers’ rights:** Mainstreaming the ‘Protect, Respect and Remedy’ principles into ETI programming will supplement the promotion and implementation of the Base Code. The ETI plans to avail practical guidance to its members on implementing the UNGPs, and will undertake independent impact assessments of selected initiatives in order to generate knowledge and learning, which will be disseminated amongst the membership base and beyond. This will enable the ETI to “contribute to a global body of knowledge by sharing the results of practical application.”
- 2) **Ensure workers are represented:** This represents a commitment to placing *workers* at the centre of ethical trade by encouraging respect for freedom of association and collective bargaining. The ETI will engage with trade unions so that the workers’ voices will become integral to the process of identifying problems and risks, and developing sustainable solutions to issues which affect them directly. It is anticipated that the Initiative will work to develop a model of worker-management dialogue in the garment sector which can be replicated across other sectors.
- 3) **Support an emerging international network of local ethical trade platforms:** This involves developing and supporting local tripartite structures in key sourcing countries. These will be equipped to collaboratively approach local challenges with local solutions and knowledge, so that interventions are suitably adapted to regional variations in socioeconomic and political circumstances. Local tripartite structures will be physically ‘closer’ to where workers’ rights issues are found which will open up possibilities for beneficiary participation

²⁵ Blitt, R. (no date) *Beyond Ruggie’s Guiding Principles on Business and Human Rights: Charting an Embrasive Approach to Corporate Human Rights Compliance*; *Texas International Law Journal*, Volume 48, Issue 1, Page. 36, available at: <http://www.tilj.org/content/journal/48/num1/Blitt33.pdf> - accessed 09/02/2015

in the design of interventions. The ETI anticipates that by the year 2020, they will have supported the establishment of at least three local “ethical trading hubs” in key sourcing countries.

- 4) **Increase accountability:** The ETI has acknowledged the need to encourage its member companies to be more transparent about working conditions in their supply chains. To support heightened accountability, the ETI will regularly publish and disseminate policies, objectives and lessons from past interventions among its membership, and will maintain the requirement that corporate members produce concise annual reports on labour rights risks in their supply chains, and the steps that they have taken to mitigate these risks and implement the Base Code. Crucially, by 2020 ETI member companies will have demonstrated the business case for heightened transparency in supply chains, so that compliance to the Base Code becomes both an ethical and commercial imperative.
- 5) **Influence policy and practice:** Working with policy makers to establish and enforce regulatory frameworks geared towards the protection of workers’ rights represents a development of the ETI’s previous approach, and a welcome expansion of the ‘tripartite’ structure of the organisation to capture the crucial role of government. By 2020, the ETI hopes to have “demonstrated and documented the value of policy level engagement in at least three areas.”

In addition to the above ‘pillars’, the ETI has outlined four strategic ‘enablers’ crucial to realising impact. These include further efforts to foster strategic alliances between companies, trade unions and NGOs, developing partnerships with like-minded organisations, enhancing organisational governance through representation and leadership, and establishing a sustainable business model which will complement membership fees with the ETI’s own income generation, direct funding for project activity and third party donor funding. Figure 1 overleaf provides a diagrammatic representation of the 2020 strategy which reflects ETI continuing to look to move beyond an audit and compliance approach (with its well understood limitations) to advancing the conditions for workers’ rights.

The new strategy is ambitious at its core lies the aim for ETI to be:

- Recognised as a global leader in supporting workers’ rights through implementation of the ETI Base Code and the practical application of the UN Guiding Principles on Business and Human Rights.
- Successful in promoting genuine worker representation, improving accountability and advocating for an environment that supports workers’ rights

Achieving Results

- ETI efforts **contribute** to workers' rights being upheld and working conditions being improved in targeted supply chains
- Member companies **embed** responsible business practice into the heart of their operations
- Policy makers **remove** the barriers to better working conditions
- Workers have the **skills, confidence, knowledge and structures** to actively shape their working environments

Strategic Enablers

- Effective alliances
- Strategic Partnerships
- Representation and leadership
- A sustainable business model

Laying the Groundwork

- Collaborating for Change
- Understanding Root Causes
- Supporting & Challenging Companies

Key Strategic Pillars

- *Creating a global network*: creating local tripartite alliances and structures in key producing countries so that decisions are made 'closer to the ground' and interventions are suitably tailored to local conditions.
- *Increasing accountability*: increasing transparency by fully mapping priority supply chains and identifying abuses of workers' rights.
- *Amplifying workers' voices*: ensuring that workers participate in the process of mapping supply chains and identifying issues within them.

Enabling Change

- Sharing lessons learned
- Extending the ETI's reach
- Extending influence

Key Strategic Pillars

- *Increasing accountability*: Moving beyond approach based on self-assessment and intermittent auditing, and developing and communicating new incentives among member companies to heighten transparency within supply chains.
- *Influencing policy and practice*: Recognising the crucial role that governments must play in delineating and protecting workers' rights, and engaging them to that effect.
- *Amplifying workers' voices*: Ensuring that workers actively participate in ETI interventions through constructive engagement with Trade Unions.
- *Supporting local ethical trade networks*: Supporting local tripartite structures in their efforts to improve working conditions in supply chains, and sharing lessons learned with a wider, global audience.
- *Supporting the application of the UNGPs*: raising awareness among the membership and workers, and providing guidance and support to companies and governments in their endeavours to adhere to the principles.

3. The Major Findings

This section provides an overview of what the evaluation enquiry has established in terms of the state of play on ETI results and capabilities as of late 2014/ early 2015. In terms of results it considers the results emerging on a local scale from the priority supply chain work, the achievements looking across wider aspects of ETIs recent work and the effectiveness of ETIs multi-stakeholder processes. It also projects forward to look at how ETIs current configuration of work and pattern of results sits against the longer term aim of achieving a wider impact and in particular the fundamental base code element of freedom of association. In respect to capabilities this section provides an overview of the efficiency and effectiveness of the ETI's structures and accountability systems, including member reporting and the adequacy of the ETI's funding strategy against its budgetary and human resource requirements to deliver the 2020 strategy.

The nature of data available for assessing ETI results

The extent to which it is possible to assess the results of the ETI's programmes on working conditions is influenced by the quantity and quality of available data. The data utilised for this assessment was drawn from four sources:

- *ETI reporting:* These included, but were not limited to: annual reports submitted by the ETI to DFID under the PPA support (see below), previous evaluations of the ETI, internally research documents, minutes from stakeholder meetings, strategy documents and publicly available material.
- *PPA results architecture:* In 2011, the ETI entered into a programme partnership arrangement (PPA) with the Department for International Development (DFID). One consequence of this was the dominance of a reporting framework which allows for a relatively detached assessment of the impact of the various activities encompassed by the programme. This reporting framework consists of a number of quantifiable indicators and targets, which are tracked/measured annually, and can be used as a basis for assessing change.
- *Membership reporting framework:* The ETI Secretariat requires its corporate members to submit annual reports on their ethical trading activities. These reports are constructed around pre-defined management benchmarks and key performance indicators, and to some extent, they constitute a monitoring and evaluation framework in and of themselves. At the very least, they provide a vast 'reservoir' of data which could, in theory, be scrutinised as a means of assessing results in terms of the impact of member organisations on the lives of workers in their supply chains.
- *Interviews:* Information on results obtained from the sources identified above was augmented by and substantiated through interviews with individuals from the ETI's tripartite membership, as well as interviews with members of the ETI Secretariat.

3.1. ETI Results

It is clear that the ETI’s innovative tripartite approach works. This is attested to by indications of qualitative improvements in labour conditions achieved across a variety of sectors and within several national settings and through different entry points.

Changing worker conditions through Supply chain initiatives

Many of these initiatives have been running for a number of years. For example work in Morocco on strawberry production and with homeworkers in the garment industry in northern India. The experience of the priority supply chain initiatives has contributed to those actively involved ETI members getting a better understanding of the challenges within a specific supply chain. For example the process within the Rajasthan Sandstone Working Group was successful in developing collaborative programmes for sandstone sourced from Rajasthan. This involved ETI members “carrying out extensive mapping exercises of their Rajasthan sandstone supply chains, providing a rich picture of the nature of the industry, the key challenges for workers” and the areas in which the ETI was best placed to exert its influence.

In Tamil Nadu and the Sumangali labour practice it has taken three years for ETI working through its tripartite approach to develop a full understanding of the local situation including the key relationships within a complex issue. Whilst frustratingly slow this has built up some trust in areas where previously there was distance and antipathy. Whether this new set of relationships and the emerging local ETI platform supported by a south Indian based team, can now be leveraged in ways that can ultimately lead to a systemic change within the mill operations remains untested. There is a concern that the slow burn ‘project’ nature of such ETI sponsored initiatives (coupled with the associated uncertainties of continued funding and of a predominant development project working style) has led to a position where the sense of ownership – for the PSCs - is often more strongly held by the Secretariat (matched by a strong focus of attention from NGO members) than by the member companies and trade unions.

The above illustrations of change coupled with other findings on ETI results suggest that the basic theory of the ETI’s change journey is valid, although results directly affecting the lives of workers are to date largely limited to the more ‘visible’ (and readily accessible) aspects of the Base Code such as child labour and health/safety.

The Table below draws on available results information held within the ETI reporting framework for the PPA that ETI entered with the Department for International Development (DFID) in 2011 documentation. The figures also illustrate some of the inherent problems and continuing challenge of capturing, interpreting and communicating the results of ETI’s work.

Table 1: Illustration of Results Achieved

Evidence within ETIs work of	Indicator	Target / Result (Yr 3)	Progress Assessment
Fostering partnerships to tackle labour rights issues Finding innovative solutions to labour rights issues arising from companies, Trade Unions and NGOs collaborating	Number of joint programme initiatives in selected workplaces addressing a specific workers’ condition as described in the ETI base code.	30/ 34	Whilst the targets for these indicators have been exceeded, the impact of ‘joint initiatives’ remains unclear. It is evident that the basis for dialogue has been established. However, it is not possible to ascertain the extent to which this has been translated into action. The results registered against indicator 2 are ambiguous – it is not clear how the ETI has succeeded in encouraging ‘active participation’ in joint initiatives beyond its membership base. Additionally, the concept of ‘active participation’ remains open to interpretation, because it does not specify the extent or impact of ‘participation’. Furthermore, the concept of

Evidence within ETIs work of	Indicator	Target / Result (Yr 3)	Progress Assessment
together ETI brokering agreements in disputes and crisis situation	Number of organisations actively participating in selected workplaces [PSC?] in joint programme initiatives.	300/ 501	collaboration does not seem to encompass the crucial role of government in establishing a conducive legislative environment for improvements in working conditions.
	% of improvement actions in prioritised supply chains in which workers independently report positive change	85%/ 79%	The PPA annual report for 2013/14 highlights challenges encountered in collecting data against this indicator. Data here appears to have been collected from three programmes: “South Africa Supervisor Training”, “Moroccan Strawberries” and the “RAGS Programme”. Therefore it does not provide a particularly broad insight into results registered in this outcome area. The report acknowledges that “correlating improvement actions with workers reporting change” is not always feasible, because “capturing reliable data on independent worker reporting is complex”. Bearing this in mind, ETI has agreed with DFID that it will also use ‘outcome mapping’ as a means through which progress in this outcome area can be assessed.
	25,000 workers, especially women, enjoy improvement in one or more of the rights described in the ETI Base Code	25,000/ 367,145	The target for this indicator has been exceeded considerably. However, 345,949 of the workers ‘enjoying improvements’ can be found in only one value chain – Bangladeshi garments – and can attribute improvements to only one joint initiative – the ‘Bangladesh Accord on Fire and Building Safety’. The PPA report for 2013/2014 acknowledges that “this response to an unforeseen disaster explains why we have so dramatically exceeded our target”. If the Bangladeshi garment supply chain is ignored, then the actual number of workers enjoying improvements in their Base Code rights is just 12,775. This is not to diminish the considerable achievements registered because of the Bangladesh accord. However, performance in this outcome area needs to be seen in its proper context.
Poor and vulnerable workers in prioritised supply chains are better prepared to act on their rights	Number of workers reporting knowledge of their rights at work disaggregated by gender	40,000 / 84,317	Drawn from company member reports
	Number of workplaces with	130/	Drawn from company member reports

Evidence within ETIs work of	Indicator	Target / Result (Yr 3)	Progress Assessment
	mechanisms in place through which workers can voice their workplace concerns	161	
ETI members operate in a way that supports improvements in working conditions in prioritised supply chains	Number of changes in business practices adopted by businesses that affect prioritised supply chains	40/ 49	Drawn from company member reports

Policy development and change

ETI has often proven to be an effective actor in the policy space and there are notable examples both in the UK and beyond of where the ETI has brought something distinctive and significant to the staging and content of policy level dialogue. For example: the work in Cambodia on conditions within the garment industry; facilitating the Bangladesh Accords¹ in response to the Rana Plaza disaster which shed light on poor health and safety conditions within the Bangladesh garment supply chains and resulted in several positive transformations, including compensation to thousands of bereaved relatives, frequent factory inspections, and factories deemed unsafe being closed or repaired; the effective lobbying of government and parliamentarians by ETI members and the Secretariat on the UK Gangmasters Licencing Authority Legislation and the Modern Slavery Bill. In such cases the ETI Secretariat has often demonstrated leadership – often in an understated and behind the scenes way – and in some cases forming a position around which members have effectively rallied.

The above cases illustrate the effective way in which ETI can engage with government who play a critical role in delivering on workers’ rights. That said the government dimension has hitherto been comparatively overlooked by the work of ETI. Going forward to engage more strongly in this area will require a Secretariat sufficiently resourced with access points, credibility with government and the expertise to engage.

Developing and strengthening the company business case for ethical trade

Defining and communicating the ‘benefits of ETI membership’ in terms of a member organisations having a business case to fully invest in the practice of ethical trade remains a weak area. The imperative of this for sustainable change is acknowledged on the ETI website - “ETI members have found that the most powerful tool for persuading senior management, staff and suppliers to take ethical trade seriously is to set out the business benefits as well as the moral imperative.”

ETI members are active, both individually and with other tripartite members, outside of the priority supply chains and in doing so are providing test beds for their business case for ethical trade. It is this

¹ The signing of the ‘Bangladesh Accord’ to which over 170 companies have subscribed.

organisational experience that reflects the wider reach of ETIs work and going forward offers an important channel for reflection and learning.

The interviews surfaced a number of instances where member companies have been taking significant steps in terms of member company policy and practice on ethical trade; including structural changes to infuse ethical trade considerations into their sourcing and business practice. The new strategic reporting approach for the ‘leaders and achievers’ allied with good feedback from the Secretariat and related dialogue on the company position should prove a rich source of experience and provide a positive momentum on the moves to a business case, and a lens to capture, report and learn from this. Such gains are in parallel to the achievements in workers conditions captured within the priority supply chain work outlined above, and ultimately from an impact perspective are potentially of greater significance.

The evaluation member survey revealed five main obstacles to member companies addressing ethical trade more robustly within their organisation. This included three that can be construed as resulting from the lack of a convincing business case for ethical trade; (i) competing commercial resources, (ii) insufficient staff resources (staff capacity), (iii) short-term thinking regarding planning and budgeting cycles. Almost a quarter of respondents indicated that their company had not developed a clear business case for ethical trade. Furthermore of the 70% who have developed a business case for ethical trade only just over half have financially quantified it.

The ETI continues to provide a critical and valued ‘safe space’ for dialogue between partners on understanding and jointly exploring and addressing challenging and in particular new issues relating to ethical trade. Over 80 percent of respondents to the survey that was carried out as part of this evaluation expressed agreement with this finding. The tripartite dialogue experience with the associated exposure and access to peers this provides for members, is an important contributor to improvements in members’ ethical trade practice. This includes early exposure and information on emerging issues and helping to drive positive organisational changes that reinforce this.

Professional capacity of members on ethical trade being built

In addition to the ‘exposure’ value to issues that ETI members benefit from the training and capacity building activities led and largely serviced by the ETI Secretariat are valued by the membership (e.g. training on ‘worker voice’). ETI remains well positioned to deliver professional training on the issues and potential solutions relating to root causes affecting workers’ rights, through bringing an understanding of the complexity of the situation and what the requisite multi-stakeholder solutions will demand.

The ETI continues to provide a valuable forum for the sharing of members’ wider experience and for. Efforts continue to be made to foster a stronger climate of sharing on learning between members on their own general experiences. This could be usefully extended to include their experiences in embedding and infusing ethical trade policy and practice within their organisational structure and business operating systems and the effects thereof.

3.2. The Effectiveness of ETI’s Multi-stakeholder Processes

The process of formulating approaches tailored to improving working conditions in selected supply chains has been protracted, and this led to frustration and at times a perception of stagnation across the ETI’s membership. However, delays in formulating a context specific approach were attributed primarily to an appreciation of the need to adopt a ‘measured approach’ in which *all* the relevant stakeholders are brought together to develop consensus – a process which is complicated, sensitive and time consuming, but entirely necessary where systemic issues are being targeted.

Despite the general sense of positive movement – some early results towards the prospect of positive outcomes - within many of the priority supply chain initiatives, challenges to laying the groundwork

for change have been encountered. The understandable ‘slow burn’ of laying the groundwork has been exacerbated by the priority supply chain work proving to be more time-consuming and complex than anticipated. This is often in contrast to other ETI initiatives – short, sharp and opportunistic interventions – that have developed faster and more organically, and developed their own natural momentum such as work with garment workers in Leicester. In both cases gaining a sufficient understanding of local dynamics, movers and shakers has been a critical step facilitated by ETI Secretariat.

There has to date been limited learning generated from the study field of the multi-stakeholder processes within the priority supply chain work and such learning is perceived as relatively small in relation to the amount of effort, time and resources expended. Moreover whilst important progress has been made within the supply chain work the communication of this to member has often not been sufficient and this has helped to feed a sense of frustration and a perception of stagnation.

3.3. Achieving Impact

There is a multiplicity of factors involved in bringing change to workers conditions - as recognised by ETIs Theory of change - and determining and attributing the impact of ETIs work will always remain challenging. Notwithstanding the above the basis for gauging ETIs impact as a membership organisation is constrained by the lack of a coherent, overarching and rounded ‘results framework’ reflecting the totality of what ETI does – its different entry points – and reflective of the multiple paths to impact on workers conditions in the landscape that ETI inhabits. To date the priority supply chain initiatives have – through the DFID PPA – been a significant reference point for gauging and reporting on ETIs impact.

ETI members are active, both individually and with other tripartite members, outside of the priority supply chains and in doing so are providing test beds for their business case for ethical trade. It is this organisational experience that reflects the wider reach of the ETI’s work and offers an important channel for reflection and learning. ETI engagement can help member companies (and involved trade union and NGO partners) extend the scope of such work – pushing on and up-scaling – from the ‘short term project’ approach that is often characteristic of member interventions working with external consultants. This will be an increasingly important channel for achieving impact.

The key issue of freedom of association when looking at impact

Member companies openly acknowledging the constraints and limitations of audit and compliance-based approaches to advancing ethical trade within their own working environments. Members recognise that to make significant advances on workers conditions aspects such as purchasing practices and weak trade unions and other forms of association (which members struggle to singularly address themselves) need to be more purposefully addressed – within the bounds of what ETI can realistically do on such issues. Over 70 percent of respondents to the survey distributed for this evaluation agreed that promoting freedom of association was the most sustainable means to promoting positive change in working conditions within supply chains.

This viewpoint, which portrays member companies as the primary ‘agents of change’, underscores central contradiction facing the ETI: that its tripartite nature is at once its greatest strength and its key weakness. On the one hand, the initiative’s tripartite structure holds the potential to promote a broad and inclusive debate on the issues with which the membership collectively grapples and to prioritising within this such as with freedom of association. On the other hand, the tripartite structure necessarily implies conflicting objectives and incentives, which if not reconciled, could threaten to forestall meaningful action. Going forward, a key challenge for the ETI Secretariat will be to transform this latent conflict of interests into a confluence of interests and action. In looking for more catalytic ways to engage on this pivotal aspect of the Base Code the level of engagement from trade union members and their engagement with their affiliates at local level working with suppliers down through the supply chain will be an increasingly critical area for ETI.

3.4. Summary on Results

In summary:

- The distinctive and unique ETI tripartite approach works and is valued.
- Whilst there is an understandable ‘slow burn’ to much of ETI’s work there is a danger of ETI being perceived as moving slowly – being in the ‘slow lane’ of achieving change in workers conditions. This has been exacerbated by the priority supply chain work proving to be more time-consuming and complex than anticipated. This is in contrast to other ETI supported initiatives – short sharp opportunistic interventions - that have developed faster and more organically, and developed their own natural momentum such as work with garment workers in Leicester.
- ETI has not given enough attention to the impediments for freedom of association.
- ETI can be and often is an effective actor in the policy space engaging with government and there is significant scope for enhancing policy level engagement, which by necessity involves closer dialogue with government.
- ETI is a valued source for building professional capacity within members on ethical trade.
- ETI’s ability to effect change needs to focus on the level of engagement, support and direct action by ETI members reinforced and facilitated by the stewardship and activities of the ETI Secretariat.

3.5. ETI Capabilities: the Reporting Framework

Whilst continually improving the member reporting system is having a less than optimum effect on helping member companies to improve their business practice on ethical trade. Interviews with members, Secretariat staff and the independent consultants who up until 2012² were previously involved in the analysis of member annual reporting, coupled with a wider documentation review and a light touch review of three member companies reporting journeys revealed the following findings.

Overall, the quality of reporting was high, and demonstrated an in-depth understanding of the multiple issues at stake relating to ethical trade. This was in part due to the coherent reporting structure required by the ETI. The standard annual reporting tool provided by ETI is built around “Principles of Implementation”, which “set out the approaches to ethical trade expected of ETI members³”. These principles are substantiated by 29 sub-principles. In an exercise of self-assessment, a company is asked to determine their level of performance against each principle and sub-principle of implementation, and assess where they are according to a set of ETI ‘management benchmarks’: “foundation stage”, “improver”, “achiever” or “leader”. Companies are then given the opportunity to describe the activities which “support their chosen performance level”. This process is further bolstered by a set of Key Performance Indicators for each of the Principles of Implementation, against which companies are required to report. In sum, this format provides a relatively sound basis for ensuring accountability from members, and tracking progress along the ethical trade agenda.

However, the effectiveness of the process in ensuring accountability and monitoring progress is limited by the following factors:

² From 2012 on the assessment of annual reports was brought back in-house to the Secretariat.

³ These seven principles of implementation relate specifically to: Policy, Communication and Advocacy, Resources, Influencing Suppliers, Strategy, ETI Participation, Collaboration.

- a. It is challenging to assess the veracity of the information disclosed within the annual report, which is confidential. The ETI assess and evaluates each member's report with the input from NGO members. ETI has aimed for 15% of reporting companies to "receive validation visits each year in line with ETI's validation process" but in practice this has been significantly less and there was a long period between 2012 and 2014 where there were no validation visits.
- b. All company reports are shared with "other corporate, trade union and non-government members of ETI, subject to signature of a confidentiality agreement". Additionally, "anonymous information about the performance of ETI's corporate members will be made available to the public." This process enables a fairly high degree of *internal* transparency, but only a very limited degree of *external* transparency.
- c. The above point is linked to the fact that the annual reporting process does not really amount to more than self-assessment, although the evaluation observed that in the case of one company "*we have formed further partnerships with independent 3rd party providers to enhance the skill base of the central CR team, give greater insight into labour issues on the ground and add an independent element to our assessments. The 3rd parties are local NGOs, independent consultants and internationally known audit firms.*"
- d. Because the reporting format is limited largely to self-assessment, the quality, depth and integrity of information provided is likely to vary between member companies. This does not provide a particularly sound basis for interpreting performance across members, because the data sources are of varying and uncertain reliability. Whilst evidence gathered by NGO members involved in the company reporting assessment shows a steady improvement trend in the reported ethical trade performance of individual ETI company members the process doesn't support a sense of peer pressure between company members in respect to the trajectories of their individual member journey.

In 2014, informed by feedback that the standard process was too arduous, the ETI Secretariat introduced a new approach to reporting – 'reporting by exception' - whereby members only report when they believe they have moved up a level performance wise/ they have made some progress.

Another change is that as of 2014, members who were classified as 'achievers' or 'leaders' could opt to submit an 'Ethical Trade Strategic Plan' instead of the standard annual report. This 'Strategic reporting Framework' was finalised in early 2014 and allows members to submit a report on how they are performing against their strategic plans; a set of tailored objectives, targets and activities to advance the ethical trade agenda, as well as tools and processes through which progress could be measured.

Providing 'achiever' and 'leader' members with the option of submitting a strategic plan instead of the standard annual report presupposes that the process through which members qualified to be 'achievers' and 'leaders' was sound. There is fairly good cause to believe that this is the case. Despite some shortcomings, the standard reporting framework was comprehensive enough to allow for a sufficient degree of confidence in the accuracy of these classifications.

Overall there are mixed views amongst the membership on the appropriateness (level of complexity, size) of the reporting system and concerns over the quality, sharpness and timeliness of the feedback provided on members' reports by the ETI Secretariat. The reporting framework (both the standard and the strategic variants) encourages a sense of accountability from member companies – at least in so far as members are required to submit evidence to substantiate their self-assessment. There is good cause to believe that members' – on the whole – approach the exercise with good-will. It is in their interests to report accurately, and point out shortcomings where they may happen to exist. That said the reporting system still has a somewhat extractive feel and doesn't correlate as well as it could to the reality of the process of member reflection on their own unique journey on ethical trade; charting and reporting on the immediate steps they are taking, the challenges they are experiencing and how this translates into proposed actions within their company environment. The partial *drive* that the

reporting process provides to an individual member company setting has been compounded by the low level of activity on verification visits from ETI which in themselves are seen as important opportunities for ETI to engage with more senior levels within the member companies.

The potential for the reporting process to *drive* progress collectively of ETI member companies along the ethical trade agenda certainly exists. However, it is largely dependent on the ETI Secretariat's capacity to draw lessons from the aggregated reports, share those lessons among members *and* the broader public, and take a lead role in encouraging action based upon those lessons. ETI struggles to meaningfully 'sanction' poor performance by individual company members. Whether or not the ETI should aspire to a position in which it has the capacity to inflict sanctions on non-compliant members is contentious. It was generally felt that it was not the role of the ETI Secretariat to inflict sanctions on its non-compliant members. That 'stick' would be more sustainably wielded by the hands of workers, their trade unions and their governments. However, it is for the ETI to facilitate its members to hold one another to account for being part of the ETI family. Thereby members have the right to use complaint mechanisms which the ETI Secretariat facilitate and the Board make judgements about.

The reporting system, as currently operated, supports but doesn't ensure the credibility of ETI's brand (in terms of assurance that members are upholding their obligations). It generates some useful information on the value of ETI membership but in itself does not make a convincing case.

3.6. ETI capabilities: a Competent Team

There is a refreshed and competent ETI Secretariat team well aligned to the current 'programming' orientation of ETI. There have been some significant staff changes within the Secretariat over the last 18 months and there is a renewed energy to the Secretariat and its servicing of the membership. An integral and important part of the wider extended Secretariat team is being provided through some experienced individuals based in Delhi, Hong Kong and Dhaka who are providing a valued source of local knowledge to members and who are also able to collaborate with the ILO in-country (for example in China exploring opportunities for ETI members to join the Sustaining Competitive and Responsible Enterprises (SCORE) programme of ILO".

The operating system for IT enabled communications within ETI is outdated and on a day to day basis is a key constraint to the efficient functioning of the Secretariat.

3.7. ETI Capabilities: the Funding Gap

There is an approaching significant funding gap for the current levels of ETI operation and a relatively short timeframe to address this.

Current DFID funding focused on the programmed priority supply chain work will end in March 2016. Efforts to access new donor funding remain largely focused on 'project level' activity and incur proportionally high transaction costs for ETI. Membership fees form an important element of current ETI revenue and could potentially be increased, but only if members feel that being part of the ETI is beneficial. There is no established system within the Secretariat of member (customer) account relationship management which could potentially foster and or explore this further.

There are some positive examples of company members investing additional resources – both financial (beyond membership fees) and human resources - in ETI sponsored initiatives. For example the value of direct investment by organisations in the prioritised supply chains initiatives is reported over three years to be £1,788,97 (vs target to £600,000)

There has been limited attention to pursuing the resources that Trade Union movement and NGOs could potentially invest in initiatives (out-with the priority supply chains) that meet their particular interests in strengthening tripartite working on the ethical trade agenda.

Running alongside this overall pattern of members contributing resources directly to the work of ETI through membership fees and through additional contributions to specific ETI Secretariat 'sponsored' initiatives' is the continued practice of member companies expending resources on audit exercises. Exercises which are recognised as often placing a heavy burden on suppliers – given the multiple exercises to which suppliers have to subscribe to – and which as compliance instruments, have minimal positive effects.

3.8. Summary on Capabilities

In summary:

- The member reporting system is having a less than optimum effect on helping member companies to improve their business practice on ethical trade.
- There is an approaching significant funding gap for the current levels of ETI operation and a relatively short timeframe to address this.
- There is a refreshed and competent ETI Secretariat team well aligned to the current 'programming' orientation, membership services and knowledge and learning practice of ETI.

4. Overall Conclusions and Recommendations

This section provides a concluding independent assessment on the nature of ETI in 2015 in terms of the platform from which the direction and ambition of the 2015-2020 Strategy can be pursued. It sets out some general high level observations on how ETI has progressed, its positioning, key areas where a shift in its orientation, work emphasis and pace is required and where the momentum needs to be in the initial period of strategy implementation.

4.1. How ETI has Progressed and is Positioned

The concept – and in part the practice - of ethical trade is now firmly on the corporate and public agenda and ETI has made an important contribution to this. ETI has an important place in the global landscape of improving workers' rights. It can continue to draw on its longevity as a member organisation and the continuing belief across the membership that through the tripartite approach of working together more can be achieved.

Within the Change Journey the anticipated confluence of the foundation of laying the groundwork with enabling change – which would allow the Initiative to begin to achieve results (impact) to create a better working world – hasn't (as yet) had time to play out in practice. That said between 2010 and 2015 the environment and in particular the external forces on member companies (e.g. requirements for greater transparency and therefore the givens of needing to actively mitigate supply chain risk) has shifted in a way that requires the focus of activity within ETI and the mode of operation for the Secretariat to rebalance, to something that is facilitative of more direct, hard edged. In doing so conveying a sense of pace and vitality to ETI's work thereby continuing to attract member companies to engage with ETI on the hard issues and relating this to changes within their business practice. In providing a practical framework for members to operate in the current context, the Secretariat playing an effective role to catalyse and enable the responsibility and creativity of members.

ETI is a relatively mature network organisation but is unusual in the degree to which it has a continuous stream of members joining the organisation and with that bringing different starting points to their journey and requiring a different form of member experience. Notwithstanding the above ETI needs to further develop its thinking on where and how as a membership organisation it can have an impact and how it can work with the most progressive members in this respect. This will bring a more developed 'whole systems' thinking to pursuing the 'inter-relationship' between the various dimensions that need to come together to push the frontiers on progress towards Impact.

This capacity to push towards impact is strengthened by the fact that there are a number of notable examples of organisations (companies, trade union organisations, NGOs) with an existing strong commitment to ethical trade that within the last 24 months after some consideration have made a decision to join the ETI in the belief that it provides a channel for them to achieve more than they could if they remained outside of the ETI.

ETI is in a good place to move in this direction. There are a number of actions taken recently by the Secretariat coupled with the appetite for change coming through those interviewed for the evaluation which represent 'green shoots' of a more confident and assertive ETI from which to build. A challenge will be the need to continue to operate at full capacity whilst managing the internal transitions.

Interest and support for ethical trade is an increasingly crowded field and as a result ETI, if it is to substantiate its leadership ambitions, will need to offer something distinctive and compelling that resonates with the shift in the last 2-3 years within the business community in the UK and across

Europe in order to substantiate its leadership ambition. There has been a palpable shift in the corporate mind-set (and passion) for sustainable business underpinned by a deeper understanding and ability to communicate on ethical trade issues. Progressive ETI members are increasingly looking to work collaboratively (not individually) on the more challenging Base Code issues.

4.2. A Shift needed in ETI Orientation, Emphasis, Pace and Capacity

ETI orientation, emphasis and pace

The magnitude of the challenge facing ETI corporate members, Trade Unions and NGOs is increasing. Labour markets are characterised by an increasing vulnerability of workers as migration fuelled by economic and by security concerns increases. In reality retailers have limited leverage or influence over conditions in their increasingly large, multi-layered and geographically dispersed supply chains. Western markets are declining in terms of their global significance. Governments, in seeking to attract foreign direct investment in a ‘race to the bottom’, are removing or, in practice eroding, policies (or legislative and regulatory structures) that although potentially socially desirable, are viewed as unattractive by firms.

There is a clear opportunity for ETI to be more hard edged and creative in seeking solutions. Working harder (‘sweating’) the creative tension that is integral to its tripartite nature – pushing the conversation within the ‘safe space’ based on an appreciation of what is really happening in practice in relation to the base code within supply chains and pushing the whole membership harder on a solution focus. Whilst the imperative for extracting learning remains and the priority supply chain initiatives should form a continuing part of this, the emphasis of source of learning will shift within ETI.

Building an appreciation of ETI impact through the internal transitions in the business operations; the ‘way workers’ rights are being addressed within ETI members. In this moving away from the programme/ project mind-set to the measure of ETI’s value and impact. In pushing for greater ETI impact, focusing the balance of effort within the operationalisation of the 2020 strategy to the partnering and alliance opportunities with major US and European based companies through whom ETI can potentially leverage its influence.

ETI has and will continue – as others join – to have a diverse membership and within this different needs and expectations that will need to be serviced. Differentiating the member service offer and increasing the attention on membership obligations will be important in order to ensure that ETI continues to act as a challenging and supportive environment for those members who want to push on and that they bring reflection on such efforts into the ETI arena.

Another shift will be in seeking greater leverage from the collective voice (often where its power lies) of ETI within the policy debate/ policy change arena. Whilst very challenging in itself, ETI can use the spearhead of a ‘progressive business’ membership in engaging on systemic change through the entry point of policy advocacy. This will also serve to infuse the continuing vitality of the network and pursuit of a critical corporate mass in the policy space.

Overall there is a need to turn the ‘view’ and look at the ‘investment’ in ETI from a member perspective by which the ETI outcomes are their outcomes (not the outcomes of the Secretariat) and in this there is a constant challenge as to whether the members (companies, trade unions, NGOs) have all played to the optimum their respective roles both through their individual actions and areas of influence and (critically) in working collectively on how company members are upholding the base code and where knowingly falling short are improving their position.

Critical to realising the above shift in ETIs orientation there needs to be more consciousness on who across the membership is being convened through the work of the Secretariat. Are the right events – different types of dialogue event - targeted at reaching specific audiences within the membership

delivering in terms of the people with the right post holder responsibility and level of seniority within the member organisation? Who needs to have sight and the feel of the issues of workers' conditions within their supply chains? This framing to be shaped by an informed view across the membership on who owns the sustainable business strategy (and the ethical trade agenda within this), and how the sustainable business strategy fits with the overall corporate company strategy. In parallel a greater understanding on the linkages between international trade unions and their affiliates and international NGOs and local collaborators and how such channels can be more actively deployed.

Capacity of the ETI Secretariat and the ETI business model

Linked to the above is a need for the skills sets within the Secretariat to be able to engage with the 'corporate whole' and as such to be supportive of the moves for decisions affecting ethical trade within company members to be taken at more senior levels and then cascading down.

Using the reporting within ETI to push to a greater extent the more immediate 'business case question' rather than the 'longer term' development impact (longer termism) question. Drawing on the former, to communicate more readily within and external to the membership, the difference that being an ETI member is making to company operations and performance and the genuine challenges that are being encountered as part of this journey.

The overall breadth and ambition of the Strategy suggests that a step change would be needed in ETI's resources. To both deliver on the Strategy and to create a stronger offer to the market for funding ETI needs a new business model. This would:

- Reinforce the style of Secretariat working as a network hub to both drive change but also support change that is led by members collaboratively working together. This requires a Secretariat that can at times lead in the policy space in nuancing and articulating the common challenges and that can show leadership in the supply chain space by brokering member collaboration as it emerges from their supply chains and through providing a sharper monitoring lens capturing outcome level changes in attitudes, behaviours and relationship that influence workers conditions.
- Run effective, responsive information systems which provide high level business intelligence and a proactive approach to identifying possible connections between members and tools to facilitate action.
- Have a reporting approach that would help member learning both in terms of content and process and provides a stronger narrative for the ETI Secretariat and individual members to be more clearly able to explain the added value of their work both internally and externally. In turn this would facilitate external funds for ETI being leveraged at a more strategic level with less attention to project funding.
- Have a differential membership package (internal funding)

4.3. Recommendations

To meet the challenge and realise the opportunities that ETI has, the evaluation makes ten recommendations. It does so recognising that in a number of areas ETI is already making moves in this direction and as such provides a positive platform on which to build.

1. **ETI to adopt a more distinctive, bolder and sharply focused position within the sustainable business landscape.** Mark ETI's position as worker-centred, capitalising on the unique Trade Union element within ETI's tripartite approach within what is an

increasingly crowded space of support to sustainable business/ ethical trade. An immediate critical step would be a rapid rethinking exercise on how to engage with the base code imperative of freedom of association within the ETI movement. A greater degree of attention to the systems and methods necessary to positively encourage or promote freedom of association as a benefit for all will increase the demands on trade union members within ETI to engage on supply chain issues across the full breadth of ETI activity.

2. **Work harder the inherent ‘creative tension’ within ETI’s tripartite form.** Use the valued ‘safe space’ of the ETI format to push the difficult conversations. Focus the attention on member companies integrating UNGP-based principles into their business model, sourcing and purchasing practices. Reflect on and build the related capabilities of the trade Unions and NGOs to continue to play their critical role in this journey.
3. **Reposition the core energy/ framing of ETI activity from project based and secretariat driven activity to more strategic support for company members on their business case for ethical trade; catalysing and supporting change in member policy and practice.** This would involve a Secretariat designed and equipped to follow streams of work which emerge around where company members (and naturally forming clusters of members with Trade Union and NGO member involvement) are active. Starting from whatever ‘base’ position is recognised on improving ‘worker’s rights against the Base Code. From such nuclei encouraging and equipping members to seek out and engage others, in particular, suppliers and European companies to develop a critical mass, as members seek to drive progress more quickly within context.
4. **Make preparations for a possible shakedown in ETI membership through stronger action on accountability to member obligations.** This needs to be a member rather than Secretariat driven process and reinforced by a sharpened and refocused approach to member reporting. To impact on company practice part of the ETI membership obligations will require a CEO and/or senior Director level to engage (at a minimum) on an annual basis with ETI through a staged event. Such processes will increase the member leadership ‘buy-in’, the resources and expertise within members influential to the ETI agenda.
5. **Proactively increase engagement with government in policy areas leveraging the voice of the progressive membership (at senior levels).** Increase the use of existing channels (includes industry representation structures) and alliances with others (e.g. ILO as a key partner to engage governments) to increase ETI influence on the policy stage. Take early steps to consult and where possible partner in policy dialogues on ethical trade with major US companies given the scale at which they operate.
6. **Increase ETI activity in UK and European supply chains.** Take the opportunity to build ETI’s expertise and use its influence in our ‘own backyard’ of the UK and Europe where influence and leverage is greater compared to further afield. Translating the strengthened ‘collective’ competence, learning and experience gained that would be gained through this - in particular on the challenging area of vulnerable workers such as migrants and historically disadvantaged groups – to other contexts further from home.
7. **Develop a fresh and expanded lens on capturing and communicating ETI results and impact.** Include in the ‘results’ of ETI the change in how ethical trade is being ‘understood and actioned’ within the member company business; beyond the ethical trade team, and capturing what is the changing position and authority/ influence of the ethical trade team within the business operation of the company. An approach to ETI results that underpinned by member reporting (process and content) can generate and analyse in real-time evidence on the business case for ethical trade.

8. **Ensure that ETI has a business model which enables it to deliver at pace on its ambition.** The ETI needs to ensure it has a revised business model quickly in place, where its form, structure and resources are capable of delivering the new strategy. Careful alignment of HR needs to fit the required structures, level of competence and culture and will also require all members, their partners and the Secretariat to be prepared to move out of their respective comfort zones. To support the shift in the business model ETI will need to address directly the disproportionate time and money (increasingly) being spent within the supply chains on compliance audits.
9. **Immediate investment in information systems to underpin the business model.** A network hub which drives business case change through its members collaboratively working together requires effective, responsive information systems. Systems which provide high level business intelligence and a proactive approach to identifying possible connections between members and tools to facilitate action. This approach to information systems within ETI will also provide the evidence base through which the ETI Secretariat and individual members should be able to more clearly explain the added value of their work both internally and externally. In turn this should facilitate external funds being leveraged at a more strategic level with less attention to project funding. A differential membership package (internal funding) and a re-set relationship between the members (corporate, Trade Unions and NGOs) and the Secretariat should also release a greater resource commitment (people's time, interest and finance) to the common goal.
10. **Assess the need for changes within the Secretariat operation and how best the required shifts can be managed and achieved.** In light of the new strategy and the recommendations of the evaluation there is a need for the Secretariat to be re-gearred. To progress the ethical trade business case focus and a new form of relationship management with company members (one that delivers access of the Secretariat to senior decision makers and their company vision, policy setting and corporate reporting obligations) the Secretariat needs to ensure that it has a cadre of credible, knowledgeable staff who are able to challenge as well as support members. This will also require a shift in working culture in the Secretariat with a greater 'brokering, servicing and facilitation role' being required rather than one focused on initiative 'implementation and delivery'. This re-assessment and prospective change process is something that ETI should invest in⁴.

⁴ Based on their observations during the evaluation and wider experience with network / membership based organisations IOD PARC are sharing a number of suggestions with the ETI Secretariat on how such a process of organisational assessment and change, drawing on professional advice, could be framed and implemented.