Towards greater transparency: the business case
Executive summary

Transparency, in the context of ethical trade\textsuperscript{1}, can bring significant benefits to businesses and drive better outcomes for workers.

The complexity of global supply chains has too often resulted in a profound lack of visibility, bringing significant risks for businesses. It has allowed poor working conditions to remain undetected and unchallenged, and systems of accountability to remain weak. The events at Rana Plaza in Bangladesh in 2013 epitomised these issues.

Against this backdrop, momentum around demands for greater transparency has gathered pace, particularly over the past two years. Governments, consumers and civil society are making their expectations of companies and the information they share clear, with responsible businesses calling for a level playing field. In parallel, businesses are increasingly realising the commercial value of transparency, backed by growing evidence that it is linked to improved financial, social and ethical performance. As an illustration of this momentum, in 2017 almost three times as many companies in the apparel sector published some form of supplier list compared with 2016.

This is a critical first step. In order to maximise the value of transparency to businesses and workers at all levels of global supply chains, ETI believes that, in time, this disclosure of information needs to go beyond the release of supplier lists. Transparency ultimately needs to become embedded in how global supply chains operate, making them more efficient, more resilient and more sustainable.

As a key part of our 2020 strategy, ETI wants to move the transparency agenda on further, beyond the necessary disclosure of supplier information. To do that, ETI has set out an objective business case for greater transparency, outlining the ways in which it can bring value to companies. This case has been developed in consultation with a range of our members and is based on current evidence of outcomes\textsuperscript{2}:

\textbf{a. Transparency enables companies to comply with a growing number of legal requirements} (such as the Modern Slavery Act 2015 or the EU Directive on Non-Financial Reporting of 2014). Companies now have a legal duty to ‘be transparent and accountable, not just to investors but to other groups including employees, consumers and the public whose lives are affected by their business activity’.\textsuperscript{3} Ignoring such legislation will have significant implications for businesses.

\textbf{b. Transparency allows companies to maximise competitive advantage}. Evidence from companies that have published supply chain information confirms their competitive advantage has remained intact and, in many cases, been enhanced. Data from a large cohort study supports this and shows that transparency more broadly can lead to improved revenue performance.\textsuperscript{4}

\textbf{c. Transparency helps to protect corporate reputation, build brand image and build trust with consumers}. Thanks to new forms of technology, consumers have unprecedented access to information and are increasingly engaged. The correlation between greater transparency and increased consumer trust – and consequently commercial performance – has been demonstrated by a considerable number of consumer surveys in the past few years.\textsuperscript{5} Increasingly, transparency is becoming part of companies’ ‘licence to operate’.

\textsuperscript{1}For ETI, in the context of ethical trade, the definition of transparency is a holistic one, applying to companies themselves, their supply chains (information disclosure on suppliers, conditions in the supply chain, commercial arrangements such as purchasing practices where relevant, their activities to identify human rights abuses within the chain, what they discover and what they do in response, and so on) and all other actors involved, such as ETI. Transparency is both an activity (information disclosure) and an attitude (a commitment to being open).

\textsuperscript{2}From the business case derive a number of principles that will underpin the direction ETI and our members take on the journey towards increasing transparency. This is set out in a separate paper, Towards greater transparency: ETI’s direction of travel.


\textsuperscript{5}See, for example, 2016 Transparency ROI Study, Label Insight, 2016, https://www.labelinsight.com/Transparency-ROI-Study, which showed that three in four consumers said they would be willing to pay more for a product that offers complete transparency in all attributes, or Nielsen Global Survey of Corporate Social Responsibility and Sustainability, Nielsen, 2015, http://www.nielsen.com/us/en/insights/news/2015/green-generation-millennials-say-sustainability-is-a-shopping-priority.html, which showed that trust was the first sustainability purchasing driver among the respondents.
d. Transparency enables collective action with civil society organisations. Sharing information with key stakeholders is the best way to create opportunities for joint action – and, therefore, joint responsibility for solutions – among companies, trade unions, NGOs and others. Collective action is resource-efficient and leads to more effective solutions to supply chain problems that cannot be tackled by one company alone. In essence, transparency enables better flow of information from the supply chain (opportunity for triangulated information) leading to a more informed decision-making. It allows brands to work with suppliers to resolve problems before they reach levels of crisis.

e. Transparency helps to build trust with investors and facilitate access to capital. Supply chain labour standards, and the willingness of companies to honestly share information about these, are increasingly factored into investment decisions. Recent data shows a positive correlation between revenue per square foot and social factors: one particular investor, for example, increased their market estimate of revenue growth of an apparel company by 100 basis points when it observed improving labour standards at the company itself as well as at its suppliers.6 The development of several initiatives recently indicates that investors will place growing emphasis on the importance of transparency over the next few years.

f. Transparency enables companies to build trust with their suppliers and have more efficient sourcing relationships. By engaging with suppliers in a two-way, transparent dialogue, companies can develop more sustainable commercial relationships, secure future supply and incentivise suppliers to take ownership of their own ethical trade agenda.

g. Transparency within an organisation is directly linked to employee satisfaction and engagement. The majority of employees want to know that they are working for an organisation that is open about how it operates, communicates candidly and treats its workforce fairly.7

h. Transparency helps companies to embed better working practices internally. By being more transparent about how they operate, companies are holding up a mirror to their own practices. This can incentivise decision-makers, such as buyers, within the company to prioritise considerations about workers’ rights and to trigger more systemic change in commercial practices.

Beyond these clear benefits for companies, ETI has also set out why it is important to move towards greater transparency itself, both internally within the ETI membership and externally in the public domain. This would allow us to share learning more easily and facilitate collective action, as well as demonstrate greater leadership and celebrate ETI’s and our members’ successes.

Transparency is a trend that is gathering momentum – it will become the norm. It is becoming an essential tool at companies’ disposal to ensure the sustainability of their businesses and to improve the situation of workers in their supply chains. As such, transparency is a key strategic priority for ETI. While we realise the journey towards greater transparency may hold challenges for us all, we are committed to supporting our members to fully realise its benefits.

---

Transparency, in the context of ethical trade, can bring significant benefits for business and drive better outcomes for workers.

1. Introduction

Transparency, in the context of ethical trade, can bring significant benefits for business and drive better outcomes for workers.

The complexity of global supply chains has too often resulted in a profound lack of visibility. At the same time, many business models have been built on the premise that commercial success depends on disclosing as little as possible. This combination has allowed poor working conditions to remain undetected and unchallenged, and systems of accountability to remain weak, bringing significant operational and reputational risks for businesses. Brand risk and loss of trust threaten revenue and share price\(^1\), as well as increased regulatory scrutiny.\(^2\) Being transparent about their supply chains allows companies not only to counter reputational risk, but also allows those managing them to make more informed decisions, both commercial and ethical. Due diligence processes and the subsequent disclosure of their findings ‘are essential management tools that improve risk identification and long-term social, environmental and financial performance’.\(^3\)

Against this backdrop, there is increasing demand for greater transparency, across sectors and disciplines. This has been driven by a number of factors, such as growing reports of the impact of irresponsible business leading to increasing mistrust of corporate activity, and new technologies allowing unprecedented access to information. In the context of ethical trade, this momentum has largely focused on the disclosure of first-tier supplier information and has gathered pace, particularly in the past year. In the apparel sector, for example, the Fashion Transparency Index documents that around 30% of brands analysed in 2017 are publishing some form of supplier list, compared with only 12.5% in 2016.\(^4\) Similarly, and across a range of sectors, more than half of ETI members at a recent meeting indicated that they expected to be sharing first-tier supply chain information within three years. This momentum, however, has also resulted in transparency often being held up as a universal remedy, without proper agreement of what it means or evidence of outcomes.

This paper aims to set out clearly and objectively the case for greater transparency in the context of ethical trade, and to put forward current evidence of the positive outcomes transparency can help to deliver. ETI is committed to transparency: it has been part of our DNA since our inception, shaped by our founding ethos of partnership and collaboration. Yet, we recognise that a step change in our own approach to transparency is needed in order to deliver our vision.\(^5\) Our strategy to 2020 makes transparency a key strategic priority, recognising both the value of increasing transparency and the inexorable momentum around it driven by external demand. ETI wants to take a leadership position on the issue of transparency and encourage our members to do the same.

ETI is committed to approaching the transparency issue in a holistic and constructive way, so we address three key dimensions in this paper:

(i) Transparency of ETI company members: the information individual company members share publicly.
(ii) Transparency within ETI’s membership: the information members share with the Secretariat and between themselves.
(iii) Transparency of ETI with its external audiences: the information ETI shares publicly about itself and its members.

This business case has been developed in consultation with a sample of our membership, so as to put forward a pragmatic, evidence-based case that takes into account the challenges transparency poses across different sectors and actors. Unattributed quotes from members have been included in this paper.

---

\(^1\) See, for example, the case of Pure Circle, whose share price was significantly impacted in 2016 by an incident of potential slave labour, [http://www.telegraph.co.uk/business/2016/06/02/pure-circle-shares-sour-on-slave-labour-allegation/](http://www.telegraph.co.uk/business/2016/06/02/pure-circle-shares-sour-on-slave-labour-allegation/), or the case of Sports Direct, whose share price dropped by 60% when working conditions in its own operations were revealed.


\(^5\) See ETI’s vision statement: a world where all workers are free from exploitation and discrimination, and enjoy conditions of freedom, security and equity. See [ETI Perspective 2020: A Five Year Strategy](http://www.ethicaltrade.org/resources/eti-perspective-2020-five-year-strategy), ETI, 2015, for our commitments to 2020.
From these three dimensions derive a number of 10 guiding principles for greater transparency. These principles will underpin the direction ETI and our members take in the journey towards increasing transparency, which is set out in a separate paper, *Towards greater transparency: ETI’s direction of travel*.

2. Introduction to concepts

At the heart of the debate around transparency is the idea that knowledge, or information, underpins effective action, and is a key factor in the balance of power. Transparency involves the possession of information, the ability to transform information into useful knowledge and insight, and the empowering of others through its communication. In the context of ethical trade, transparency involves more comprehensive information driving more effective action by responsible business, and enabling better collaboration and better decision-making within the supply chain.

---

Transparency and accountability need each other and can be mutually reinforcing. Together they enable [stakeholders] to have a say about issues that matter to them.

– Transparency Accountability Initiative

By generating, using and sharing information about their supply chains, companies demonstrate that they are willing to act responsibly. Through greater openness, transparency can and should lead to increased accountability throughout the supply chain, so that all benefit. Transparency can only drive change effectively and underpin accountability, however, when the information released is relevant, meaningful, accessible, comprehensible, timely, accurate, robust, verifiable and comparable.

This business case focuses mostly on transparency as public disclosure (‘showing’ in the language of the United Nations Guiding Principles (UNGPs) on Business and Human Rights). It does not address the important issue of companies having visibility of the various tiers of their supply chain (‘knowing’), which is a prerequisite for the ability to disclose. The disclosure of supplier information (names, addresses and so on) should only be seen as a starting point for transparency – current company disclosure of this information varies hugely. Some companies⁶, ETI members included, have been disclosing first-tier supplier information for some time⁴, and a number of others are beginning to join this group, often due to momentum created by initiatives such as the Transparency Pledge.⁹

Progressive companies are disclosing supplier names and addresses beyond the first tier. However, information is rarely disclosed by companies about working conditions at supplier sites, first tier or below, although this is done by some joint initiatives (the Accord on Fire and Building Safety in Bangladesh, for example, publishes factory inspection reports and presents filmed footage from Accord safety inspections). In any case, as research by one ETI company member shows, transparency needs to go beyond factory data and performance. To our knowledge, for example, no company systematically discloses information on relevant arrangements such as purchasing practices. Stakeholders need more information about how specific issues are managed and how decision-making and governance are approached; businesses also benefit from these increased information flows.

---

Transparency is a characteristic of governments, companies, organisations and individuals that are open in the clear disclosure of information, rules, plans, processes, and actions.

– Transparency International

For ETI, therefore, the definition of transparency is a holistic one, applying to companies themselves, their supply chains – information disclosure on suppliers, conditions in the supply chain, commercial arrangements such as purchasing practices where relevant, their activities to identify human rights abuses within the chain, what they discover and what they do in response, and so on – and all other actors involved, such as ETI. Transparency is both an activity (information disclosure) and an attitude (a commitment to being open). This paper recognises the complexity and breadth of the issue and aims to make a pragmatic case.

---

¹ See, for example, Transparency and Accountability Initiative, www.transparency-initiative.org
³ Such information is disclosed in a range of formats, often through interactive tools on company websites.
3. The business case

(i) The case for greater transparency of ETI company members

“Is there a business case for not knowing what’s going on in your supply chains?”
– ETI company member

Until the late 1990s, companies’ supply chain information was typically a closely guarded secret. Then, in response to widespread campaigns, several US apparel companies began disclosing the names and addresses of some of their supplier factories. Over the next decade, a handful of other apparel companies followed suit.

The problems caused by an opaque supply chain are well documented but were epitomised by the devastating events at Rana Plaza. Little information was publicly available on which brands were sourcing from the factories in Rana Plaza, and some brands were unaware themselves. As a recent Human Rights Watch report comments, “A system of corporate accountability that requires people to scramble on the ground for brand labels is the antithesis of “transparency”.” Around the same time, a European scandal around contaminated meat products demonstrated how many companies had lost track of the basic ingredients of many of their products, severely denting consumer trust and incurring significant cost to rectify.

Since these events and others, the energy around disclosure of supply chains has continued to grow at pace, with early analysis of the link between transparency and outcomes for workers suggesting that companies disclosing information about their supply chains can have significant positive impact for workers and, therefore, drive compliance to the standards that international brands seek to achieve. Evidence from the Better Factories Cambodia programme, for example, which publicly discloses working conditions for more than 400 factories, shows that public disclosure is a ‘crucial trigger of change’. Data before and after public reporting for the factories concerned show a noticeable increase in compliance. The programme also demonstrated the direct commercial benefit of this: factories where workers report better working conditions, where compliance is higher and where supervisors are better equipped for their jobs, were shown to be more productive and more profitable.

The case for greater transparency of companies is now highly compelling, for the following reasons:

a. Compliance with legal obligations

“It is important for large organisations to be transparent and accountable, not just to investors but to other groups including employees, consumers and the public whose lives are affected by their business activity.”
– Modern Slavery Act 2015

An evolving legal landscape means that now, by law, and in a range of jurisdictions, companies have a duty to disclose information about their supply chains. The California Transparency in Supply Chains Act of 2010; the UK Companies Act amendments of 2013 and the Modern Slavery Act 2015; the EU Directive on Non-Financial Reporting of 2014; and the French Corporate Duty of Vigilance Law of 2017 are key pieces of legislation. Companies need to be clear about their impact on human rights, and be honest and accurate about the challenges when abuses are found. Such disclosure is consistent with the responsibilities set out in the UNGPs that companies should not only ‘identify, prevent, mitigate’ but also publicly ‘account for’ the adverse human rights impacts of their business operations. Ignoring the new legislation has the potential for major commercial ramifications, either directly from challenges for not complying with the law, or on reputation through NGO or other campaigning highlighting lack of compliance.
The publication of supplier lists is, therefore, an important first step in the journey towards greater transparency but, as the UNGPs suggest, is a bare minimum. Rather, companies need to move towards disclosing more comprehensive information about their impact on ethical practices and human rights, including commercial policies and arrangements.

### b. Maximising competitive advantage

Companies that remain reluctant to engage with the transparency agenda are often held back by a fear of losing competitive advantage. There is a growing body of compelling case study evidence, however, from some of the first movers, which demonstrates that greater transparency across supply chains does not negatively affect business performance or competitiveness.

> “In our sector, who supplies who is an open secret.”
> – ETI company member

The fact that more and more companies are now voluntarily disclosing their factory lists proves that it is not competitively, economically, legally or practically impossible to do so. The emergence of initiatives such as the Fair Factories Clearinghouse, for example, in the apparel sector, is evidence that there is a willingness to share information about supplier factories.

There is a general acknowledgement in several sectors that if a competitor wants to find out who a given company’s suppliers are, they can easily do so, often through a simple internet search. Factory owners often freely publicise who they are supplying as part of their marketing. The argument that suppliers’ contact details are top secret and necessary to protect the identity of companies is, however, a common theme.

> “For us, it’s a chance to demonstrate brand reliability.”
> – ETI company member

Companies that remain reluctant to engage with the transparency agenda are often held back by a fear of losing competitive advantage. There is a growing body of compelling case study evidence, however, from some of the first movers, which demonstrates that greater transparency across supply chains does not negatively affect business performance or competitiveness.

> “For us, it’s a selling point so it, in fact, increases competitiveness.”
> – ETI company member

### c. Building trust with consumers: protecting reputation and building brand image

Companies who are leading the way in transparency are able to benefit from the so-called first-mover advantage. For some, ETI members included, being more transparent is becoming part of their brand marketing and a way to engage with existing and new consumers.

> We live in an era when [...] corporate secrets can be unravelled with a few lines of code or clicks of the mouse.
> – Fashion Revolution

Consumer engagement in traceability and provenance has increased exponentially. Magnified by the explosion in access to mobile technology, social media and digital news, supply chain issues are becoming more and more visible to consumers and other stakeholders.

> “At the moment, messages are mixed to consumers – brands promote what they’re doing but consumers see another side in exposes in the media etc. Transparency is the chance to bring together the reality and the messages that are given.”
> – ETI NGO member

Transparency sends a strong message to consumers that the concerns companies express about working conditions in their supplier factories are credible, and enables consumers to differentiate between companies that actively implement their commitments and those who do not. Transparency can be one way to counter inherent mistrust in corporate behaviour and to build public confidence in a brand. This correlation between greater transparency and increased consumer trust (and ultimately a company’s bottom line) has been demonstrated by a considerable number of consumer surveys in the past few years.

> “For us, it’s a chance to demonstrate brand reliability.”
> – ETI company member

---


30 See, for example, 2016 Transparency ROI Study, Label Insight, 2016, https://www.labelinsight.com/Transparency-ROI-Study, which showed that three in four consumers said they would be willing to pay more for a product that offers complete transparency in all attributes, or Nielsen Global Survey of Corporate Social Responsibility and Sustainability, Nielsen, 2015, http://www.nielsen.com/us/en/insights/news/2015/green-generation-millionaire-say-sustainability-is-a-shopping-priority.html, which showed that trust was the first sustainability purchasing driver among the respondents.
The development of new apps and technologies[30], providing consumers with a window into corporate ethical practices, means that companies’ ability to demonstrate transparency is likely to become even more important over the next few years, more and more forming part of their ‘licence to operate’. As one ETI NGO member commented, “the more informed customers become, the more incentive companies will have to act sustainably”.

“Greater transparency can enable collective action between companies and other stakeholders such as NGOs. It has the potential to help prevent issues from arising, rather than let events set a reactive agenda.”
– ETI NGO member

Disclosing factory information can also be a way of ensuring accurate information is in the public domain, and avoiding false linkages and reputational damage. Other information made available online by third parties on the brands factories are supplying can be outdated and misleading.[31] As one ETI company member stated, “by being open about where we are sourcing, we don’t have to spend time proving we’re not in a factory we aren’t in”.

The reputational damage by not being transparent should not be underestimated.
– ETI company member

The opportunity presented by these new dynamics is significant. Indeed, it is backed up by case-study evidence from some of the first movers, who confirmed that the biggest advantage to disclosure was facilitating collaboration with civil society organisations. Nike, for example, at the time of its announcement to disclose its supply chains, said it had taken the decision so that ‘critics could go out and see for themselves what conditions were like and NGOs could monitor and thereby help address the issues’.[35]

“Transparency is a tool to get a proper data set on which to take on some of the challenges we all share.”
– ETI company member

In essence, by leading to greater collective action, transparency is a powerful due diligence tool. Disclosing factory information – which makes the link between sourcing company and factory and workers clear – allows workers, unions and other stakeholders to alert companies to problems in their supply chains (see below). The involvement of other stakeholders in providing information flow allows for more ‘triangulated’ information in between periodic audit inspections. Companies can then leverage these improved information flows to make better decisions and reduce risks.


33 Ibid.

34 See, for example, the case of Nestle’s disclosure of slavery uncovered in its supply chains, which was welcomed by NGOs such as Anti-Slavery International, https://www.theguardian.com/global-development/2016/mar/20/nestle-admits-slave-labour-risk-on-brazil-coffee-plantations?CMP=share_btn_tw

One such example of this new dynamic in action is a project in Bangladesh called Digital RMG Factory Mapping (DRFM-B), which aims to digitally map the entire garment sector in the country. The map will provide a detailed, industry-wide database of factories, including names, locations, numbers of workers, product type, export country, certifications and brand customers. Verification will be crowdsourced from the public to ensure that information remains up to date and accurate. It will be overseen by a collaborative group of workers, NGOs, employers, worker representatives and industry associations. Through its mapping and relationship building, it is hoped that the project will inspire shared responsibility and increased collective action, while also bolstering the country’s apparel industry, promoting responsible sourcing and informing decision-making.

Greater transparency is also a way to strengthen the relationship with shareholders and prospective investors. Evidence shows that good sustainability management enhances investment value, and that companies with greater disclosure will gain more trust from their investors because relevant and reliable information means less risk.

UK government guidance on the Modern Slavery Act 2015 explicitly calls on investors to encourage ‘a race to the top’. Investors can play a valuable role in protecting vulnerable workers by pushing for transparency and engaging with companies to improve policies and practices. One investor increased their market estimate of revenue growth of an apparel company by 100 basis points when they saw improving labour standards at the company and at its suppliers.

Available evidence of increased performance on social factors is, therefore, increasingly factored into investment decisions.

The development of several initiatives recently indicates that investors will place growing emphasis on the importance of transparency over the next few years. An investor coalition (representing 87 investors and $5.3 trillion assets under management) in support of the UNGP Reporting Framework has recently called for improved disclosure by companies. The Corporate Human Rights Benchmark focuses on the management of human rights by companies and relies on publicly available data. If companies are not making their human rights performance visible, their ranking is dramatically affected, which brings significant reputational risk. The Workforce Disclosure Initiative brings together investors to call for comparable reporting by companies on their workforces, both directly employed and in their supply chains. The initiative aims to improve transparency and provide useful data as a foundation for understanding and improving companies’ employment practices.

“Transparency ultimately is about removing hidden workers from the supply chain and raising their rights.”
– ETI trade union member

e. Building trust with investors: facilitated access to capital

Disclosure [...] allows investors to move capital towards more sustainable, responsible organisations.
– Modern Slavery Act 2015

In the case of trade unions, disclosing factory details enables them to work with the information and map it against their organisational network. This is done on an individual basis under a Global Framework Agreement, for example, which requires the company to disclose its supplier lists to the global union and creates a basis for engagement between the union and the company in particular supplier factories. A clear link to the sourcing company enables workers to access the company’s grievance mechanisms more efficiently. Without it, often the only way for workers to raise concerns is to bypass factory management and take brand labels from the workplace, risking their employment. Transparency, then, enables brands to work with suppliers to resolve problems before they reach levels of crisis.
f. Building trust with suppliers: more efficient sourcing relationships

Transparency can be a driver of more efficient sourcing relationships for companies in two ways:

First, the public disclosure of supplier information (on companies’ websites, for example), can incentivise the suppliers to take ownership of their ethical trade agenda. This in turn leads to better practices on the ground.

Second, and more crucially, it is an attitude of transparency that can bring benefits for companies in terms of more efficient sourcing relationships. Efficient relationships require establishing high levels of trust. Engaging with suppliers in two-way, transparent dialogue (through sharing contractual and detailed information about specific orders, for example, as well as more strategic, high-level information, both formally and informally), will help build better relationships and trust. Any practitioner who has been involved in sourcing relationships will recognise that this is an essential ingredient in better collaboration and in better anticipating and solving future challenges with the suppliers.

“We need to break down the compliance-driven perception that brands just want things to look OK, even when they’re not.”
– ETI company member

The dynamics of sourcing relationships will increasingly be in the public domain. A recent initiative, Better Buying, is aiming to determine the feasibility of a web-based public forum that will allow suppliers to provide anonymous input about how specific buyers’ purchasing practices make it difficult for suppliers to achieve compliance with their own code of conduct for labour standards and working conditions. It also aims to create a forum for suppliers and buyers to share and talk about potential solutions to the problems.

h. An internal check and balance

Transparency can also be a way to embed better working practices internally. By being more transparent about how they operate, companies are holding up a mirror to their own practices. This can incentivise decision-makers, such as buyers, within the company to prioritise considerations about workers’ rights. This, in turn, can help to trigger more systemic change in commercial practices (for example, purchasing practices), which is fundamental to improving outcomes for workers and, therefore, ethical and financial performance.

“There’s a strong argument for doing it sooner rather than later – the longer you wait, the less benefit you’ll get from it.”
– ETI company member

Ultimately, it is becoming clear that greater transparency is the direction of travel, and companies need to decide whether or not they are going to be a part of it, leading or otherwise. Companies do have a choice in how they engage with the transparency agenda, and it is in this respect that organisations such as ETI have a clear role to play.

---


The case for greater transparency at ETI

If transparency is a cornerstone of a credible and accountable organisation, as we have outlined above, it must apply to ETI as an organisation as a whole. ETI’s credibility is important for its continued value to its members and its ability to operate effectively as a respected source of information and experience. Transparency, therefore, underpins all five pillars of our strategy and applies to how ETI functions internally (relationships among members, and between members and the Secretariat) and with its external audiences.

(ii) Greater transparency within ETI

“Transparency is the oil in the machine of ETI.”
– ETI NGO member

ETI was founded on a belief in the power of continuous improvement and collective action. We have long experience of convening, learning and sharing among members.47 By definition, this requires transparency between those involved, something we have consistently achieved internally. Requirements around transparency are already integrated into our reporting system, for example, and it is a principle we have championed through our advocacy work. Recently, ETI and our members were at the forefront of efforts to include a clause on transparency in supply chains within the UK’s Modern Slavery Act 2015; however, we recognise that the way in which transparency is embedded within the organisation could be improved, with the benefit of:

a. Better addressing issues and building solutions

“There needs to be a frank acknowledgement within our industry that there are issues that everyone has. Avoidance is no solution. Transparency shows the best way to deal with [these issues] collectively.” – ETI company member

ETI was created as a safe space, where companies, NGOs and trade unions could discuss more openly the most pressing challenges and design collaborative solutions – this need remains.48 Companies alone cannot solve all the problems in global supply chains and, at the same time, trade unions and NGOs often need to be able to collaborate to ensure change. Solutions rely on collective action, but the actors who have the potential to drive change, including NGOs and trade unions, often lack the information needed from companies to do so.

Companies remain cautious about what and how much they should share publicly about their supply chains and issues such as modern slavery.49 The environment ETI provides allows them to take the first steps in discussing issues outside their own business. They can feel more comfortable sharing more openly with peers who share the same challenges, and NGO and trade union colleagues who are committed to working constructively with them. Greater openness within ETI fora invites more proactive engagement from NGO and trade union members to collaborate with, challenge and stretch company members, which a recent ETI study showed is welcomed by the company members consulted.50

Case-study evidence from companies who led the move to greater transparency has shown how, over time, disclosure facilitates greater collaboration among companies and can help create shared strategies to improve supply chain labour practices.51 Similarly, evidence from ETI programme work shows that transparency and greater sharing of member-to-member information (including NGO and trade union members) enables the identification of common leverage points, a more rapid analysis of issues, the design of more effective solutions, better factory selection for programme design, more consistent messaging with suppliers and more innovative collaboration in new areas.

In the Food and Farming category, for example, ETI has collaborated in Thailand with the Seafood Task Force (a global corporate initiative to bring traceability and accountability to the complex Thai seafood supply chain) whereby ETI members have shared supplier information with other global buyers in order to maximise leverage. In the Apparel and Textiles category, the sharing of supplier information as part of programme work in Turkey has been integral to more effective joint action, addressing of issues, shared messaging and increasing leverage. In the Hard Goods and Household category, work on social insurance in China has been made possible by members sharing supply chain information in order to engage suppliers in the initiative and distribute worker education resources to workers.

47 Ibid.
48 See, for example, comments made by members in the ETI report Corporate Leadership on Modern Slavery: How have companies responded to the UK Modern Slavery Act one year on?, ETI, 2016, http://www.ethicaltrade.org/resources/corporate-leadership-modern-slavery
49 Ibid.
50 Ibid.
Conversely, experience from other ETI initiatives shows that when there is less transparency between members, the Secretariat and other involved stakeholders, programme design and implementation takes longer and is less resource-efficient.

b. More efficient use of resources

Companies sharing relevant information about their supply chains with other ETI company, NGO and trade union members, help make it possible to determine where companies have sufficient leverage or influence\(^{52}\) to ensure workers’ rights and to identify where additional collaboration and resource is required. Even among ETI company members, situations may arise where, for example, a company member discovers an issue with one of their suppliers but is unaware that a fellow ETI company member has been working with the same supplier on the same issue. This is clearly an inefficient use of resources. Conversely, there are plenty of examples where one member discovers a problem and ETI has been able to link together other members sourcing from the same supplier in order to initiate a common approach to the solution.

Greater transparency among ETI members also enables more informed decisions to be made about where to allocate resource and effort, often by the Secretariat. This enables better programme delivery and more timely interventions.

c. Learning from good practice

“There is no way one organisation can solve all this on its own, we know that. So it’s a decision to share in the collective interest […] and we need to work out how to share more effectively.”
— ETI company member

Collectively, ETI members have a wealth of experience in terms of the challenges and the obstacles faced in taking their first steps towards transparency. NGO members, for example, have also been on their own journeys towards transparency\(^{53}\) and their experiences can usefully be shared within ETI as part of members’ learning from each other in pursuit of common goals. Lessons learned from company members in one sector can be shared with members in other sectors and applied within their own contexts. In building on the experience of ETI members who are leaders in transparency and by disseminating good practice, both internally and externally, ETI can collectively act as a powerful catalyst for change.

(iii) Greater transparency of ETI with its external audiences

a. Demonstrating increased leadership, accountability and credibility

“I think leadership is based on how honest and how transparent you’re willing to be.”
— ETI company member

ETI wants to take a leadership position on transparency and encourage our members to do the same. Building on our particular strengths, as outlined above, ETI can take the lead in helping to shape the transparency debate.

“ETI’s expectations should become the benchmarks of transparency.”
— ETI NGO member

In our strategy to 2020, we have committed to strengthening our members’ accountability. Member reports submitted on an annual basis to ETI are currently not made public in any way. Providing publicly available, authoritative and well-recognised information on member company performance is essential to ensuring ETI’s future credibility and accountability, and to supporting company members’ commitments and achievements. This will be done in consultation with our members and in accordance with our guiding principles set out in Towards greater transparency: ETI’s direction of travel.

The introduction of the UK’s Modern Slavery Act 2015 creates another opportunity for ETI to support a step change in company members’ accountability by playing a progressive role in championing robust individual reporting.\(^{54}\)

---


\(^{53}\) Oxfam, for example, has been on a journey towards greater transparency, which involved publishing its ‘accountability reports’, http://www.oxfam.org.uk/what-we-do/about-us/plans-reports-and-policies/statement-of-legitimacy-and-accountability

Promoting increased member transparency and accountability can help them to meet the growing expectations of consumers and regulators.\textsuperscript{55} It can also enable government to introduce more targeted legislation.

It is also essential for ETI to model the behaviour it expects from its members and others. ETI currently publishes information on itself as an organisation that goes beyond regulatory requirements, including information about its programmes, governance and strategy. We acknowledge, however, that there is more information that could be shared with a public audience.

All of the above will enable public recognition of progress made and reinforce trust in member companies, increase public engagement on issues, and increase ETI’s credibility and accountability as an organisation. By demonstrating the ways in which we are increasing our own and our members’ accountability, we can also help others, including workers, to develop the skills and confidence to hold powerful actors to account.

b. Disseminating good practice

“ETI and its members cannot disclose everything online all of the time, but similarly we shouldn’t lock our experiences in a vault – there is a need to demonstrate accountability and learning from experience.” – ETI Secretariat

We have a wealth of experience, and sharing it with stakeholders in meaningful and timely ways is an opportunity to demonstrate better our collective impact and the effectiveness of the collaborative model. Our strategy commits us to continuing to influence policy and practice – and increased transparency and credibility will enable us to deliver on this. Publicly disclosing more information will mean that we can celebrate our members’ individual and collective successes and learning.

ETI also has a role to play in advancing the public debate. While the intention of new legislation, for example, is to encourage more companies to share openly, companies often feel there is no broader public understanding of the complexity of issues and, as such, the environment is not yet conducive to encourage this full level of transparency.\textsuperscript{56} ETI is in an important position to advance public education on the issues and the broader benefits of ethical trade.\textsuperscript{57}

4. Conclusion

“Transparency is a method not a goal in itself – one of many methods to reach the higher goal of ensuring sustainability and better working conditions.” – ETI company member

Momentum around corporate transparency is gathering and it is clear that there are many compelling arguments for its potential. These arguments range from complying with legal obligations to catalysing better working practices internally, to building trust with critical stakeholders such as consumers, civil society organisations, investors and suppliers. Importantly, it is also clear that transparency can strengthen companies’ due diligence processes and facilitate the access to grievance mechanisms for workers and their representatives.

For organisations such as ETI and its members, greater transparency is also essential, facilitating more effective collaboration, directing more efficient use of resources, and improving learning. It is key to increasing accountability and credibility, including through the sharing of good practice.

Greater transparency is, therefore, a key strategic priority for ETI. The current energy around disclosure of supplier information is an essential and useful starting point, but we are committed to ensuring that transparency reaches beyond this in time. We want to take a leadership position on transparency and encourage and support our members to do the same. As such, we have set out in a separate paper, Towards greater transparency: ETI’s direction of travel, the principles that will underpin the direction ETI and our members take in the journey towards increasing transparency.

Ultimately, transparency is a valuable tool at companies’ disposal to improve both ethical and commercial performance. By initiating fundamental change in global supply chains, the potential transparency holds for companies and workers alike is significant. While we realise the journey towards greater transparency will hold some challenges, we are committed to supporting our members to fully realise its benefits.

\textsuperscript{55} Ibid
\textsuperscript{56} See Corporate Leadership on Modern Slavery: How have companies responded to the UK Modern Slavery Act one year on?, ETI, 2016, http://www.ethicaltrade.org/resources/corporate-leadership-modern-slavery
\textsuperscript{57} See, for example, the role ETI played in coverage of supply chain issues in the Turkish garment industry, http://www.bbc.co.uk/programmes/b0813kpq
The Ethical Trading Initiative (ETI) is a leading alliance of companies, trade unions and NGOs that promotes respect for workers’ rights around the globe. Our vision is a world where all workers are free from exploitation and discrimination, and enjoy conditions of freedom, security and equity.