

Towards greater transparency:

ETI's direction of travel

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



ETI's strategy to 2020 commits us to being a leader in finding innovative approaches that enable workers to enjoy their rights, and thereby support the activities of responsible business. One of ETI's five strategic pillars is encouraging greater business accountability, and transparency is a key part of this.

ETI has outlined the business case for greater transparency in the context of ETI and its members in *Towards greater transparency: the business case*. This paper briefly recaps that case and summarises the direction of travel ETI will take with regard to transparency over the next few years. It outlines 10 guiding principles that will act as reference points as we develop an ambitious, but pragmatic, roadmap for the organisation over the coming year, and for its subsequent implementation.

(i) The case for greater transparency

As momentum around transparency builds, there is a growing body of compelling evidence – both anecdotal and empirical – that demonstrates the benefits for companies and the positive impact it can have on outcomes for workers. These are described in detail in *Towards greater transparency: the business case* but, in short, these benefits and positive impacts encompass:

- complying with legal obligations
- maximising competitive advantage
- protecting reputation and building brand image and trust with consumers
- facilitating due diligence and collective action with civil society organisations
- building trust with investors and facilitating access to capital
- building trust with suppliers and having more efficient sourcing relationships
- driving employee satisfaction
- embedding better working practices internally

- facilitating more effective collaboration, more effective use of resources and improving learning within ETI
- increasing the accountability and credibility of ETI with external audiences and promoting the sharing of learning from good practice.

(ii) ETI forthcoming expectations on transparency

We recognise that transparency is a process. By the end of 2017, ETI will start to develop a phased roadmap for what greater transparency will look like in practice for the organisation and its members. This will be aligned with our strategy. It will clearly set out our expectations and milestones and how we plan to meet these expectations. Alongside this will be guidance notes on how to approach the issue, based on our members' experience and other examples of good practice from outside the organisation. In subsequent years, ETI and its members will work to implement the agreed roadmap. Some examples of our forthcoming expectations are outlined below.

As outlined in *Towards greater transparency: the business case*, we will address transparency across the three dimensions key to us as an organisation. **In all respects, we will be guided by the principles we set out at (iii).**

(a) Expectations of ETI company members

In our strategy to 2020, we have committed to strengthening our members' accountability in their implementation of the Base Code and to promoting increased company member transparency. The roadmap ETI develops will **incentivise and support ETI company members to be holistic in their approach to transparency**. Disclosing first-tier supplier information is an important first step, which ETI will recognise – but ETI will incentivise company members to go far beyond this over time.

Illustrative, but not exhaustive, examples of steps ETI could encourage company members to take are: disclosure of supply site / factory details beyond the first tier; disclosure of more detail on the composition of and information on conditions at these supply sites / factories; information on company purchasing practices and other relevant arrangements with suppliers; information on due diligence the company has undertaken, human rights abuses uncovered by this process and how these abuses have been / are being remedied; information on the company's ethical trade governance, strategy and performance; detailed information on ethical trade programmes and impact, with robust evidence on outcomes for workers.

Companies will also be supported and incentivised to adopt an **attitude of transparency** within their supply chains as part of an ongoing engagement programme with suppliers. This will involve initiating dialogue and consistently sharing information on a range of policies, such as purchasing practices with suppliers.

Some example of the ways in which ETI will incentivise and support its members to demonstrate their move towards greater transparency will be through, but not limited to: a revised reporting framework (and its alignment with other reporting frameworks, for example, the UNGP); programme involvement obligations; new guidance documents and sharing of good practice; capacity building on legal reporting obligations such as the Modern Slavery Act 2015; indirectly, through advocacy work at government level on corporate reporting issues.



(b) Expectations within ETI

Our roadmap will move us as an organisation towards increased effective collaboration, improved information exchange across the membership and more integrated information systems. The **sharing of information** between ETI members (companies, trade unions and NGOs) could include, for example, more granular supply chain data, issues-based information, good practices (and learning from challenges) from members' work on remediating human rights abuses and so on. A **renewed commitment to be open and act responsibly** with any information shared between

members (as stated in our Members relationships policy) will be needed. ETI's **new reporting system** will both reinforce the current space for collaboration and create a new digital space for sharing information. As part of our strategy to 2020, we will also work to ensure that reports submitted by company members to ETI are supported by robust evidence of the impact on workers' rights.

In that strategy, ETI will also support producers, manufacturers and suppliers to become more transparent and accountable for the treatment of workers throughout their supply chains. Because this will be a question of influence and leverage, our ability to deliver on this will rely on openness between company members, and between company members and NGO and trade union colleagues.

(c) Expectations of ETI with external audiences

In this respect, ETI has an opportunity to increase transparency in what it communicates externally about (1) its members and (2) itself as an organisation.

(1) We have committed to supporting members to implement the Base Code transparently. In line with our strategy, we will draw from company member reports, whether made public or not, and from our programmes on the ground, to ensure that ETI is a **reliable source of public, credible, balanced and authoritative statements on member company progress**. This could include information on member practices, performance-related information or issue-based information related to supply chain work.

ETI will give careful consideration to what information is disclosed publicly in line with our aim to identify successes and challenges, promote good practice and encourage informed debate. As in our strategy, a tripartite group will devise the formulation of public statements and the process to present the information publicly. We will explore what sort of information might be aggregated and/or anonymised initially, with a move to providing more detail in subsequent years. The new ETI reporting platform, which we will launch this year, will give us new capabilities to produce powerful analytics and support our planned approach.

(2) Information ETI discloses about itself could include more information on its governance, its accountability and decision-making mechanisms, membership obligations and any disciplinary processes undertaken, progress against its strategy, programme impact data and advocacy priorities.

(iii) Guiding principles and concepts

In further defining our expectations, and in formulating and implementing the roadmap for transparency, we will be guided by the following 10 principles:

Outcome orientated.

We do not promote transparency for its own sake. Instead, we want to be able to measure the impact of greater transparency on outcomes for workers.

Leadership.

With all our efforts focused on supporting better outcomes for workers, we will take a leadership position on transparency and encourage our members to do the same. Leading by example, we will create a 'domino effect' that inspires improved practice and builds on the momentum created by our most progressive members.

A tripartite approach.

We will model the effectiveness of a tripartite approach, which, as a core strength, ensures that our way forward on transparency includes a range of perspectives and drives constructive engagement.

Continuous improvement.

Transparency is a process. We recognise that each member will have a different starting point and their journey will vary. Consequently, there can be no 'one size fits all' approach. We will support and incentivise all members and company members' suppliers to demonstrate continuous improvement on transparency.

Space for discussion.

We will protect the safe discussion space that ETI convenes among our membership. In demonstrating our accountability and credibility as an organisation, we will not deter company members from being open with us or other ETI members.

Holistic approach.

Transparency goes far beyond the disclosure of first-tier supplier information. Transparency is both an activity (information disclosure) and an attitude (a way of doing things that shapes relationships). Transparency applies to all those involved.



A means not an end.

While transparency can be a powerful tool, it is not a silver bullet. Transparency itself does not represent the structural and systemic change needed¹ to achieve our common goal². Instead, it is one key tool among the many necessary to initiate change.

Alignment.

We will complement and reinforce any external transparency requirements of members and ensure we are in alignment with new frameworks. When possible, we will seek to actively collaborate with other organisations to strengthen this alignment.

Strategic disclosure.

Transparency is not information disclosure for its own sake. Any information made available will be relevant, meaningful, accessible, comprehensible, timely, accurate, robust, verifiable and comparable.

Recognising sensitivities.

We recognise that transparency is complex. ETI understands that, for example, some information will be sensitive, commercially or otherwise, and will need to remain confidential. In each instance, we will aim to strike the right balance to ensure accountability and credibility.

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¹ See FAQs: Fashion Transparency Index 2017, Fashion Revolution, 2017, <http://fashionrevolution.org/faqs-fashion-transparency-index-2017/>

² ETI's vision statement: a world where all workers are free from exploitation and discrimination, and enjoy conditions of freedom, security and equity.