



Ethical Trade: What it means for small businesses

Growing concern about ‘ethical’ and ‘green’ issues is prompting increasing numbers of small business owners to find out more about what role they could play in promoting ethical trade. This Factsheet aims to answer some of the most common questions asked by small businesses about ethical trade and what it could mean for them. Other ETI Factsheets can be found at www.ethicaltrade.org.d/factsheets

Q What is ethical trade?

Ethical trade – or ethical sourcing, as it’s sometimes called, can mean different things to different people. Some use it as an umbrella term to include all types of business practices that promote more socially and/or environmentally responsible trade. At the Ethical Trading Initiative (ETI) we use it simply to refer to the responsibility of buying companies for the rights of the workers in their supply chains.

These rights are set out in the ETI Base Code, which contains provisions based on the principles set out in the box below.

ETI Base Code

- Employment is freely chosen
- Freedom of association and the right to collective bargaining are respected
- Working conditions are safe and hygienic
- Child labour shall not be used
- Living wages are paid
- Working hours are not excessive
- No discrimination is practised
- Regular employment is provided
- No harsh or inhumane treatment is allowed

Q What is the Ethical Trading Initiative (ETI)?

We are an alliance of retailers, brands and suppliers, trade unions and charities that work together to improve the lives of workers in global supply chains. Together we tackle the many complex questions about how global brands and retailers can take steps to ensure that workers in their supply chains have decent conditions. We provide practical tools and guidance to help buying companies implement the ETI Base Code.

Can small businesses source ethically?

Ethical trade tends to be associated with activities undertaken by multinational companies to address and improve working conditions in what are often vast and complex supply chains. Although small and medium-sized sourcing companies may not have the resources and leverage of large multinationals, we believe they still bear a responsibility towards the workers involved in making their products, and can and should seek to source ethically. And the fact that smaller companies often have far fewer suppliers and closer relationships with them than large companies may actually make it easier for them to get their suppliers to improve.

Q Why should I bother?

There are lots of reasons why it makes good business sense to source ethically. For example, some companies have found that the increased communication with suppliers entailed in implementing an ethical sourcing strategy can help build trust among suppliers and so increase efficiency in their supply chain. Larger public companies can also attract investment, as ethically motivated investors grow in number.

For many small businesses, the primary business motivation for sourcing ethically is as a source of market differentiation with their customers. There are many signs that 'conscientious consumers' are growing in number, prompting many small companies to market themselves and/or their products as 'ethical' or 'fairly traded'.

If you are thinking of doing this, it is important that you are very clear about what statements you make to consumers. Be careful not to make claims that cannot be backed up by evidence, as you could be criticised for misleading your customers.

Q What should my ethical trade strategy look like?

How you prioritise your efforts will depend on the size of your business, how much experience you already have, what industry you are in and how complex your supply chain is. As a rule of thumb, any company starting out in ethical trade, whatever its size, should at least:

- develop a **code of labour practice** based on all the relevant conventions of the International Labour Organisation (we encourage companies to adopt the **ETI Base Code**);
- get management and staff **buy-in**;
- make sure you have adequate **skills and resources** for the job;
- find out as much as possible about your suppliers and **assess conditions** in their workplaces;
- **communicate** regularly with your suppliers and work with them to make sure they improve over time; and

- make sure your **buying practices** (eg, lead times, pricing) don't constrain suppliers' ability to comply with your code.

Q Where can I get a list of ethical manufacturers?

We are often asked if we can provide a list of 'ethical' manufacturers/producers. Unfortunately, ethical trade is more complex than that! For a start, it is difficult enough to find *any* lists of manufacturers, as buying companies tend not to reveal the identity of their suppliers. This is something we encourage though and recently several large companies – notably Nike, Levi Strauss & Co., Puma and others have revealed the names and contact details of their top level suppliers on their websites.

Here are some suggestions on different approaches to finding suppliers:

No initial 'ethical' screening

It is perfectly valid to choose your supplier solely on the basis of commercial criteria, then work with them to help them resolve any issues over time. You may well have more positive impact with suppliers who may not be perfect but are willing to improve, than with those who are already doing well.

Look for trade union membership

If you do want to check suppliers before you start sourcing from them, as a simple rule of thumb you could find out if any potential suppliers have a unionised workforce, as this should at least mean that workers have the space to bargain for their rights with management.

Check for SA8000 certification

There is also a certification scheme called SA8000 run by US-based Social Accountability International (SAI), whereby manufacturers who want to provide a public report of their good labour practices can obtain SA8000 certification. A list of SA8000-certified manufacturers can be found at www.sa-intl.org. Note that even if a supplier has gained a certificate, this is not a foolproof guarantee that they will continue to be compliant in the future. Supplier companies are getting very adept at hiding problems.

Q So what can I do to get information on my suppliers' labour practices?

If you have the resources, it makes sense to visit the supplier in person and inspect the workplace/s yourself. The *ETI Workbook* edition 2 (see overleaf) provides detailed information about how to get accurate information during inspections, including suggestions on what questions to ask workers and managers, what records to check and so on. If you are able to make a personal visit, you also need to work out how you are going to follow up on any issues you uncover.

If your business is very small and you do not have the resources to carry out in-depth inspections of the workplace/s concerned, here are a few suggestions on how you can get information:

- Send the supplier a copy of the ETI Base Code (it is available on our website in 10 languages at www.ethicaltrade.org/d/basecode)
- Ask them whether they have seen a code of labour practice before, and if so, what are their views about it and what are they doing to comply with it. Sometimes asking just a few well-chosen questions will give you a good indication about the suppliers' attitude.
- Ask your supplier whether they have been audited for their labour practices and if they have, ask them who carried it out and if you can see a copy. If they appear happy to share information, this is one indication that they will be willing to improve.
- Stay in regular communication with your supplier. Ethical trade is not a one-off activity.
- Find out what you can about local conditions to try and build up a picture of what the national laws are and whether they are enforced, and what the main risks of labour abuses are (see ETI Country Information Resource overleaf).
- If you can, find out who your suppliers' other customers are. If they include any of ETI's members, it's worth contacting the company/ies concerned to see if you can share information and/or pool resources.

Q Can I join ETI?

Membership of ETI is currently only open to companies with an annual turnover of at least £1 million. This is because although membership brings many benefits, its requirements can be onerous. For example, corporate members must provide detailed annual reports to ETI and commit to active participation in our projects. Smaller companies may not have the resources or time to participate at the required level. However, we welcome enquiries about membership from any company, whatever their size or type of business.

Ethical Trading Initiative members as at July 2008

Companies

- 888 Solutions
- Adolfo Dominguez
- Arco
- Asda
- Associated British Foods (Primark)
- Boden
- Boots
- Brett Landscaping
- BTC Group
- Chiquita Brands International
- Co-operative Retail
- Debenhams Retail
- Dewhirst Group
- Ethical Tea Partnership
- Flamingo Holdings
- Fyffes Group
- Gap Inc.
- Grencell
- Icon Llve
- Inditex
- Jaeger
- Johnson Clothing Group
- London Underground
- Mackays
- Madison Hosiery
- Marks & Spencer
- Marshalls
- Monsoon Accessorize
- Mothercare
- New Look Retailers
- Next Retail
- Pacific Brands
- Pentland Group
- Premier Foods
- Ringtons
- River Island
- Rohan Designs
- Sainsbury's
- Supremia
- Tesco
- The Body Shop International

- Thomas Lyte
- Typhoo Tea
- Union Coffee Roasters
- WH Smith
- WIBDECO
- William Lamb Footwear
- World Flowers

Non-governmental organisations

- Africa Now
- Anti-Slavery International
- CAFOD
- CARE International UK
- Central American Women's Network (CAWN)
- Christian Aid
- Dalit Solidarity Network UK
- HomeWorkers Worldwide
- National Group on Homeworking
- Oxfam GB
- Quaker Peace & Social Witness
- Save the Children
- The Fairtrade Foundation
- Traidcraft Exchange
- TWIN Trading
- Women Working Worldwide (WWW)
- Women in Informal Employment: Globalising and Organising (WIEGO)

Trade Unions

- Council of Global Unions
- International Trade Union Confederation
- Trades Union Congress

Ethical trade is...
about workers' rights

Ethical trade does not...

address organic, environmental, food safety or other concerns

Ethical trade should be...

about 'continuous improvement' – in other words, helping suppliers improve *over time*

Ethical trade is not...

about expecting 100% compliance from your suppliers overnight

Ethical trade should be...

integrated into the way you operate your business

Ethical trade does not...

necessarily involve passing on a premium to consumers

Ethical trade should...

involve communicating your ethical trade policy to your suppliers and colleagues

Ethical trade should not...

involve companies making claims to their customers that cannot be backed up by evidence

Find out more

Our website www.ethicaltrade.org has a wealth of reports, practical information and tools for companies seeking to trade ethically. The following resources are also particularly useful for small and medium sized sourcing companies.

The ETI Training Programme

We run a one-day introductory course on ethical trade and ETI, ideal for companies that are just starting out in ethical trade and want to know what it's all about. Find out more at www.ethicaltrade.org/d/training

ETI Workbook Edition 2: *Ethical trade - a comprehensive guide for companies*

This is a practical, step-by-step guide to ethical trade in CD-Rom format for buying companies, packed with tips and insights, case studies, checklists and resources. Find out more at: www.ethicaltrade.org/d/workbook

Free ETI country information resource

Our website also provides a signposting service to sources of information about labour rights practices in more than 150 countries across the world. Find out more at www.ethicaltrade.org/d/countryinfo

Free ETI Risk Assessment Toolkit

This was designed by ETI members as a resource for companies who want to find a credible way of assessing the risk of violations of workers' rights among their supplier worksites. The toolkit describes the key steps required to carry out a one-day risk assessment of a supplier worksite and contains a number of useful tools, including a self-assessment questionnaire for suppliers and a sample information leaflet for workers to inform them about the risk assessment. Find out more at www.ethicaltrade.org/d/cra

Free ETI events

We hold a range of events designed to discuss and share information on critical issues in ethical trade. Some are open only to members, but many of them are open to the public. Find out more at www.ethicaltrade.org/d/events

Free ETI Self Assessment Toolkit

This toolkit was developed to help us categorise our member companies' performance. However, any company can use it as a checklist to find out whether they're a beginner, an improver, an achiever or a leader in the ethical trade field. Find out more at www.ethicaltrade.org/d/selfassess

Free Poster for suppliers: *Why suppliers should comply with labour codes*

This poster highlights five reasons why suppliers should comply with codes of labour practice, and is designed to help retailers and brands communicate key messages about ethical trade to their suppliers. Printed copies of the poster are available from the ETI Secretariat and electronic copies are available at www.ethicaltrade.org/d/supplierposter