

ETI strategy 2005-08

1 What is our vision for the future?

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

2 What is our mission?

Our mission is to assist workers throughout global supply chains to secure their fundamental rights by ensuring that they are treated in accordance with international labour standards. We encourage our members to work together in order to:

- identify and promote good practice in how companies implement the principles in the ETI Base Code.;¹
- support initiatives that promote respect for workers' rights and improve working conditions
- measure and seek continuous improvement in the efforts and achievements of our company members.

3 What is the context in which we operate?

One ETI corporate member alone sources 20,000 products from 2,000 agents and direct suppliers who in turn buy components and services through complex value chains that involve over a million separate business units across the globe. While the company has close strategic relationships with some of the suppliers, others are just a name on a database and provide them with very little or occasional product. Suppliers change constantly in response to commercial and sourcing decisions, consumer demand, innovation and even the seasons of the year.

Seen in this context, ETI membership commitments are exacting. Members must know who their suppliers are, understand how suppliers treat their workers and demonstrate how they are improving their suppliers' observance of the principles of the Base Code.

¹ This code of labour standards may be seen on our website –www.ethicaltrade.org;

Corporate members report to ETI the improvements in their suppliers' labour practices. To date, the permanent workers of direct suppliers appear to benefit most in areas such as health and safety, working hours and wages. The challenges involved in making sustainable improvements and in influencing suppliers further down the chain are enormous.

We are often asked why we need codes of conduct. After all, it is the role of governments to make and enforce laws that protect the rights of workers. This should create the environment in which workers are free to join trade unions and bargain with their employers. Surely these mechanisms are the most legitimate, most sustainable way to ensure that workers' rights are respected? The reality for workers is often very far from this ideal. In many countries law enforcement is weak and workers are effectively unprotected by the provisions of national law or the international labour conventions. The environment is often hostile to trade union organisation and few of the predominantly women workers in the garment and agricultural industries are trade union members.

Despite this, we believe that we should never lose sight of the role governments and trade unions should play in ensuring that workers' rights are respected. Codes are no substitute for effective law enforcement or for social dialogue. We would however argue that, at their best, codes can be a stepping stone towards these conditions. To have lasting impact we then must consider how companies can implement codes in a way that promotes dialogue between trade unions and employers and a culture of compliance with national law.

That is why we remain convinced of the strength of ETI's multi-stakeholder approach. Our alliance is well placed to promote collaboration between those organisations that can develop longer-term solutions to the problems that occur in individual workplaces but also affect entire countries and industries. ETI is a critical meeting point for business, trade union and non-government organisations (NGOs) to define appropriate corporate responses to the complex problems that face them. Our strategy for the next three years reflects our determination to capitalise on these unique strengths in order to maximise our ability to improve respect for workers' rights.

4 What is this strategy document for?

- To ensure strong ownership of our strategic direction by ETI members.

- To provide us with a framework against which to make more detailed plans.
- To inform interested parties about our mission and objectives for the next three years.

This document summarises our overall direction and is supported by a series of activity plans that include more detail on the scale of activity and how we measure our impact.

5 What are ETI's distinctive characteristics?

ETI has four characteristics which, taken together, give us a unique character and a distinctive voice on the international stage.

- **Our tripartite structure.** ETI is a unique alliance of companies, NGOs and trade union organisations committed to working together to promote good labour practice and fundamental human rights. ETI's Board is tripartite, with Directors being selected in equal number by the three membership groups. All major planning and implementation decisions involve our corporate, trade union and NGO members and where appropriate we also consult members' partners and affiliates in supplier countries². The tripartite, consultative nature of ETI gives us international credibility and is our special strength.
- **Our focus on learning and improvement.** We were established to acquire experience of implementing codes of labour practice and to disseminate the lessons learned. We also encourage our members to use their combined strength in order to tackle complex and deep-rooted problems in the supply chain. ETI is neither a standard setting nor accreditation agency. We do not endorse, certify, accredit or label any product, company or any member or non-member organisation. This specific focus on identifying and promoting good practice distinguishes us from other voluntary initiatives.
- **Our code of labour practice is based on national law and the internationally agreed labour standards** of the International Labour Organisation (ILO). Our members respect the role of national governments to make and enforce labour law and accept the ILO's unique legitimacy to set and interpret labour standards. Where national law does not fully reflect

² Wording changed to reflect a concern expressed that 1) the previous formulation did not reflect the important Chinese context where members either do not have partners or cannot refer to them in the same language and 2) we will involve members partners and affiliates in decisions that effect them/of relevance to them but not all major planning decisions.

international standards we believe workers should be afforded the highest protection.

- **Our focus is on continuous and sustained workplace improvements.** ETI recognises that some suppliers may be unable to meet all the terms contained within a code in a short time, or in some cases suppliers may be constrained by national law. While corporate members are expected to seek the compliance of their suppliers to the minimum standards contained in the ETI Base Code, reasonable timeframes and constraints on the supplier are taken into account. However, we expect our member companies to take rapid corrective action if a supplier fails to observe some of the standards in the Base Code. These include the provisions that protect workers' fundamental human rights such as the use of forced, bonded or involuntary prison labour, physical abuse or discipline and extreme forms of intimidation.

These distinctive characteristics place ETI in an ideal position to tackle corporate responsibility for labour standards in a way that is credible and robust. We are uniquely placed to develop partnerships, tools and approaches that are informed and driven by businesses, trade unions and non-government organisations.

6 Our objectives for 2005-2008

We have agreed five objectives for the next three years. These are inter-related and progress in one area will support our ability to implement the others.

- 1 To develop greater capacity in supplier countries to make and sustain improvements in labour practices.
- 2 To create more commercial leverage for the implementation of the Base Code.
- 3 To raise the profile of ethical trade and of ETI.
- 4 To develop and disseminate practical tools to help companies implement the Base Code credibly and consistently.
- 5 To support our membership to work together more effectively to achieve our objectives.

1. To develop greater capacity in supplier countries to make and sustain improvements in labour practices

Rationale

Greater multi-stakeholder co-operation is needed to resolve serious labour issues.

Much of our work on ethical trading to date has focused on how to establish supplier compliance and assessment programmes. We have learned a lot about how companies can predict where labour rights abuses are most likely to occur, about good audit methodology and encouraging suppliers to improve. Experience shows that while audits and remedial actions can improve individual supplier labour practices, they may not be enough to bring about sustained improvements for workers. Serious problems remain, such as respect for trade union rights, excessive working hours, low wages and discrimination. One of the reasons for this is that tackling the root cause of these problems may require action at a national or sectoral as well as a workplace level. While companies should continue to seek improvements from their suppliers, resolving persistent labour issues also requires businesses to work in collaboration with each other and more openly with governments, trade unions and NGOs.

The capacity of key organisations needs to be strengthened. There is a clear need to facilitate co-operation among suppliers, trade unions, NGOs and governments in sourcing countries so that each can play their part to tackle what are often deep-seated problems. Some of ETI's best results have come when members have worked together to facilitate this multi-stakeholder approach at a local level. Such co-operation rarely exists and there are many reasons for this. Trade unions and NGOs can lack the necessary resources and skills to engage effectively with suppliers and governments. Suppliers may not understand the contribution that trade union and NGOs can make to longer-term solutions. Governments may not have understood how voluntary code initiatives can promote a culture of compliance with the law.

What will ETI do to achieve this objective?

We will engage in activities designed to develop the ability of key local organisations to:

- identify and pursue sustainable solutions to specific labour rights issues that are known to be a problem;
- build alliances and partnerships to tackle problems on a sectoral level;
- identify and promote better ways to implement codes of labour practice in the local context.

There is no blueprint for activity; different approaches will be appropriate in different situations. However, our approaches are likely to consist of some of the following:

- providing training, seminars, briefings and publications that support suppliers to implement codes of conduct and help trade unions and NGOs to play the role they wish to in these processes;
- encouraging multi-stakeholder partnerships and more collaborative approaches to resolving common problems;
- putting the case for better enforcement of labour law to national governments and exploring how voluntary code initiatives can play a supportive role;
- co-operating with other voluntary code initiatives and international organisations that also have an interest in furthering this objective;
- supporting programmes to educate workers about their rights and the provisions of codes of conduct;
- facilitating exchanges between those engaged in code implementation work in different parts of the world.
- employing local representatives to co-ordinate activity and facilitate dialogue.

Whose capacity do we want to develop?

In this context we talk about building the capacity of 'key organisations'. Exactly which organisations may be different in different supplier countries but will include the following:

- suppliers and sub-contractors that produce goods for ETI corporate members and their trade associations
- trade unions that are affiliated to ETI trade union members
- NGO partners of NGO members
- government departments and statutory bodies whose engagement with ETI is agreed by corporate, trade union and NGO members

2. To create more commercial leverage for the implementation of the Base Code

Rationale

The need to strengthen our membership. Our membership has grown significantly over the past three years but we have not yet reached a critical mass of companies in all the key markets that our members operate in. We need to strengthen our market leverage by growing our membership. We must also implement more robust

reporting requirements for companies so that we can distinguish more clearly between those that are making reasonable progress and those that are not.

The need to align core commercial and ethical sourcing business practices. Aligning commercial and ethical decision-making in a business will significantly strengthen pressure for code implementation in the supply chain. While retailers and brands have made progress in developing codes of conduct and measuring suppliers' compliance, they have not given sufficient consideration to how their day-to-day commercial practices help or hinder their suppliers' ability to meet those standards. For example, there is little evidence that companies are yet rewarding suppliers for demonstrating compliance with their code. Experience also shows that commercial practices can actually constrain a supplier's ability to comply with the labour standards. For example, ordering schedules can have an adverse effect if they mean that workers are obliged to work excessive overtime in order to meet deadlines. Companies that have explored these issues report that there are commercial efficiency gains as well as ethical benefits to reviewing their current practices. ETI tripartite membership is well placed to define and promote good practice in this area.

What will ETI do to achieve this objective?

We will :

- strengthen our corporate membership;
- develop and promote guidance for retailers on how to align commercial and ethical sourcing business practices. This will make their approaches more credible and create the incentives and relationships that are more likely to bring about changes in supplier behaviour.

Strengthening our corporate membership

We will:

- recruit more high-profile brands from the garments and footwear sector;
- recruit more key suppliers and manufacturers from the food industry;
- diversify our membership to include those organisations that will complement our strategy and way of working. For example, we will examine the possibility of membership for public procurement bodies and an 'associate membership' for suppliers.
- implement a more robust corporate annual reporting framework to improve the quality of annual peer review to corporate members on the progress they are making and to share learning across the membership.

Aligning commercial and ethical sourcing business practices

We will:

- conduct a series of trials aimed at developing good practice in areas such as product critical path management (supplier lead times) and performance appraisal and incentives for individual buyers;
- identify other areas of the commercial relationship where there may be tensions with ethical trade and help find effective solutions;
- organise seminars and other events to consult broadly on the initial findings from these trials and to disseminate the results;
- publish and promote guidance and practical tools and monitor members' application of these through annual progress reports.

3. To raise the profile of ethical trade and of ETI

Rationale

We need to make sure ethical trade remains high on the corporate agenda in order to encourage companies to take their responsibilities seriously. Raising the profile of ETI will help to achieve our other objectives:

- in key sourcing countries a higher profile will help secure the involvement of relevant local suppliers' organisations in our capacity-building and experimental projects;
- raising our profile will help to make ETI membership more attractive/valuable, and so assist in recruiting new members;
- a higher profile will help put our messages across to more people, focusing greater attention on ethical trade as an issue, and helping us disseminate good practice tools more effectively.

What will ETI do to achieve this objective?

We will develop a proactive public relations strategy to meet this objective. This is likely to include:

- more proactive engagement with the UK media, to increase and improve media coverage of ethical trade and ETI;
- working more closely with members' ethical trade and communications/PR departments to promote ETI and ethical trade with key external audiences, including corporate members' suppliers;

- developing tools (for example presentations, videos, leaflets) to help members explain ETI's role and mission in supplier countries.

4. To develop and disseminate practical tools to help companies implement the Base Code credibly and consistently

Rationale

The need to develop and disseminate good practice. Our most precious resource is the learning that we have developed to date. Much of this currently exists in documents or is shared in events and we now need to develop training to make these techniques and tools more widely accessible to the people who will use them. Members continue to value ETI's multi-stakeholder fora to engage in the debates, sharing experience and solutions to the problems that affect them. Important questions also remain unanswered about how codes should be implemented. Issues such as working hours, wages and trade union rights recur with alarming frequency and companies do need more guidance and practical tools to help them make progress.

The need to reach international agreement on good practice. The plethora of codes of conduct and the lack of consensus about how they should be implemented is creating confusion, duplication and increased costs. There is a pressing need to reach consensus on the essential principles of good practice and to better co-ordinated improvements in the supply chain.

What will ETI do to achieve this objective?

We will:

- develop guidelines and good practice tools on key aspects of code implementation and disseminate them to the intended target audiences;
- build an international consensus for good practice in the implementation of codes of conduct.

Develop and disseminate good practice tools

We will:

- manage experimental projects that develop good practice in those areas of code implementation that members find most problematic or where we can add value. These will include the application of the ETI Base Code in China, in the Sri

Lankan garment industry, to the situation of temporary agricultural workers in the UK (gangmasters), to homeworkers and to smallholders and their workers.

- publish a series of short guidance documents for each principle of the Base Code;
- disseminate good practice and learning in publications, seminars and conferences;
- develop and deliver a training programme to share our learning within the membership and with key audiences in the UK and in supplier markets.

Building international consensus for good practice

We will:

- develop a common code of practice with other multi-stakeholder code initiatives and test its application with partners in the Turkish garment industry;
- agree the key principles and guidelines for code implementation with other multi-stakeholder code initiatives and disseminate and debate the results widely;
- explore how ETI can have more impact by working more closely with other multi-stakeholder initiatives internationally.

5. To support our membership to work together more effectively to achieve our objectives

Rationale

Our tripartite membership is our greatest strength. We can however do more to make our decision-making processes more efficient and effective, foster greater trust among our constituent groups, establish clearer expectations of what membership participation means and speed up the exchange of information and experiences between members.

What will ETI do to achieve this objective?

We will:

- develop, pilot and roll out an electronic resource exchange that enables members to easily share experiences, information and resources they have developed;
- review our structure and decision-making processes and establish clearer ground rules for participating in ETI work;
- develop our membership handbook and an induction course to ensure all members are aware of what level of participation is possible, how decisions get made and what they can expect of ETI membership;
- recruit more trade union and NGO representatives to engage with companies in ETI work;

- revise our procedures to enforce membership principles and the guidelines to investigate alleged code violations in members' supply chains to improve their effectiveness and increase the accountability of these processes to members.