

Suspension of Levi Strauss & Co. from ETI membership

Statement for members

By the ETI Secretariat

20 December 2006

With regret, we announce that the ETI Board has suspended Levi Strauss & Co. (LS&Co.) from membership. This decision was taken by the ETI Board on 7 December in a Disciplinary Hearing following LS&Co.'s refusal to adopt the 'Living Wage' provision of the ETI Base Code. ETI membership commitments make clear that all members of ETI must adopt the provisions of the Base Code in full. Member companies may not pick and choose which elements they wish to implement. The decision has been taken after two years of discussion between ETI's tripartite Membership Disciplinary Panel and LS&Co., in accordance with ETI's *Procedure for Enforcing Members' Obligations*.

During the period of suspension, LS&Co. remain liable to pay membership fees but are not entitled to make any public reference to their membership of ETI without qualifying that reference by stating that they are currently suspended. Over the next twelve months, ETI and LS&Co. will continue to engage on projects and other work directly related to the Living Wage provision in an attempt by both parties to resolve this issue.

The ETI Board wishes to make clear that its decision to suspend LS&Co. relates solely to the company's willingness to adopt this specific provision of the Base Code, and is not a judgement on LS&Co.'s performance in implementing other aspects of its code of practice. Indeed, the Board acknowledges the contribution of LS&Co. to ETI activities in recent years.

The Living Wage provision is included in the ETI Base Code because the wages of workers in supply chains can be insufficient to meet their families' basic needs, even when they conform to legal minimum or industry prevailing wages. ETI considers it fundamental that members commit to the Living Wage provision as a first step to their suppliers implementing it.

Background

When they join ETI, companies are required to adopt the provisions of the ETI Base Code in full. For a variety of reasons, companies may choose to use their own code of practice as long as it incorporates all the principles of the Base Code. New members are given a period of grace in order to implement this.

LS&Co. has made a number of changes to its Terms of Engagement (ToE) as a result of its engagement with ETI. On the issue of the living wage, its ToE require suppliers to pay wages which meet legal requirements or industry rates, whichever is higher. However, LS&Co. refuses to include a provision in its ToE that matches the

requirement of section 5.1 of the Base Code that *“In any event wages should always be enough to meet basic needs and to provide some discretionary income.”*

LS&Co.'s position is that it cannot responsibly commit to clause 5.1 because the business does not believe it can implement it with its suppliers.

The ETI Board's position is that every member company faces the same difficulty in defining 'basic needs' and implementing it in different contexts. However this has not prevented any other member company from adopting this provision of the Base Code.

LS&Co. have stated their willingness to participate in work that further defines the concept of a living wage. In turn, ETI hopes to be able to resolve these points of disagreement and to re-confirm LS&Co's full membership status at the earliest opportunity.