

# ETI Workbook

Edition 2



## Ethical Trade...



**...a comprehensive  
guide for companies**

# ETI in brief

The Ethical Trading Initiative is an alliance of companies, non-governmental organisations and trade union organisations. We aim to improve the lives of workers in global supply chains by promoting responsible corporate practice that supports this goal. We specialise in developing cutting edge approaches and tools for implementing codes of practice that address labour conditions in the supply chain, and we are widely recognised as a global leader in this area.

The ETI Base Code is founded on International Labour Organisation Conventions and has become a model on which other codes are based. The Code can be found in **Resource 1**.

We were established in 1998 as an independent, not-for-profit organisation. We are funded by member contributions and a grant from the UK Department for International Development (DFID).

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ETI workbook prices

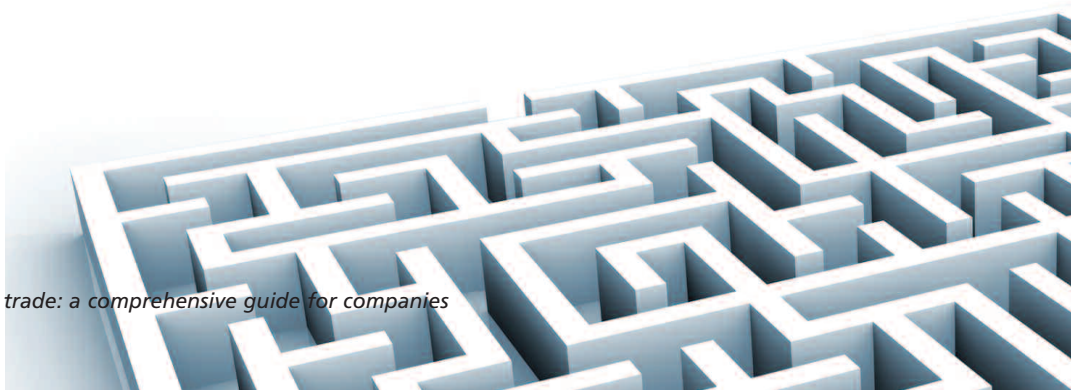
Companies/for-profit organisations  
£75 plus VAT

Not-for-profit organisations  
£35 plus VAT

ISBN 0-9545169-4-X  
Second edition, 2006. First published in 2003.

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# Foreword

## Honing our skills in ethical trade

Why should companies take ethical trade seriously? How can ethical trade managers get the support they need to resource their strategy? How can they get an accurate picture of working conditions in their supply chain and get their suppliers to comply with international labour standards? How can they make sure their efforts are credible in the eyes of their critics?

*The ETI workbook* seeks to provide answers to some of the complex questions faced by companies who want to make a difference to the lives of workers in their supply chains. Eleven chapters of guidance are supported by scores of practical tips, case studies, tools and resources, all designed to break down what can often seem like an overwhelming task into manageable chunks.

Since the first edition of our workbook was published in 2003, our members have learned a great deal about how they can improve workers' conditions in their supply chains. The publication of this second edition of the workbook is timely, as it reflects what we consider to be a 'new agenda' for ethical trade, shaped at our fourth biennial conference held in London in 2005.

The 'new agenda' for ethical trade reflects a now widely held belief that auditing supplier workplaces has limitations for improving workers' conditions. While we still firmly believe in the importance of auditing, without which companies would not be able to identify problems, we believe that lasting and widespread change to workers' conditions will only happen if companies:

- **get smarter at auditing.** Audits must get to the root causes of poor working conditions and audit findings must be used strategically to identify national and industry-wide problems and develop appropriate solutions.
- **make codes work for suppliers.** Show suppliers how good working conditions can benefit their business and support them to make code implementation part of the way they do business.
- **put workers centre stage.** Make sure workers are aware of their rights as embodied in corporate codes and labour law, and make freedom of association a reality in factories and farms.
- **ensure business practices support ethical sourcing principles.** Core business practices, including buying practices, must support rather than undermine the ability of suppliers to meet international labour standards.
- **join forces with others.** Work with other brands and retailers, NGOs, trade unions and government to tackle systemic labour problems at a sectoral and strategic level.

***"The information offered  
is based not on theory,  
but on practical experience  
of what works"***

It is important to note that while many agree on the need for this broader approach to ethical trade, not even the companies considered as leaders in the field would claim they are comprehensively putting it into practice. For example, some of our member companies are only now looking at how they can integrate their ethical trade principles with their commercial activities, and most would agree that we are only just starting to define good practice in this area.

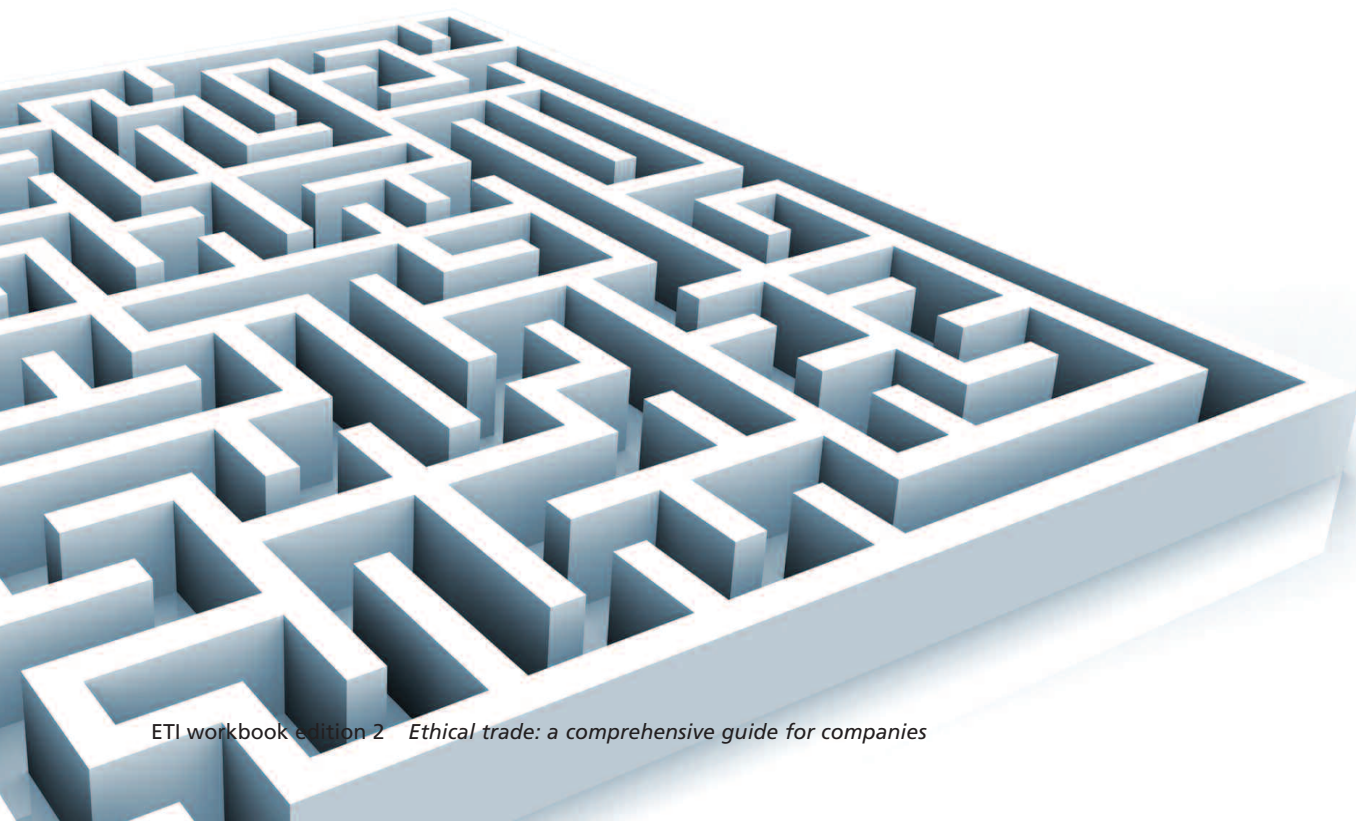
This workbook reflects what we have learned to date. Much of the material focuses on workplace auditing, as this is where most of our experience has been. We still have much to learn on how companies can effectively implement the other items on the new agenda. As we develop and identify best practice in these areas, we will disseminate our findings with as wide an audience as possible.

The workbook draws on a vast resource of knowledge, gained from our experimental projects, members' discussion forums and from members' experiences of working at the coalface of putting their ethical trade principles into practice. As such, the information offered is based not on theory, but on practical experience of *what works*.

We would like to express our gratitude to all those within and beyond the ETI membership who have contributed material or helped to compile, draft and edit the workbook. We are grateful in particular for the continuing support of the Department for International Development of the UK Government.



Alan Roberts  
Chair, Ethical Trading Initiative



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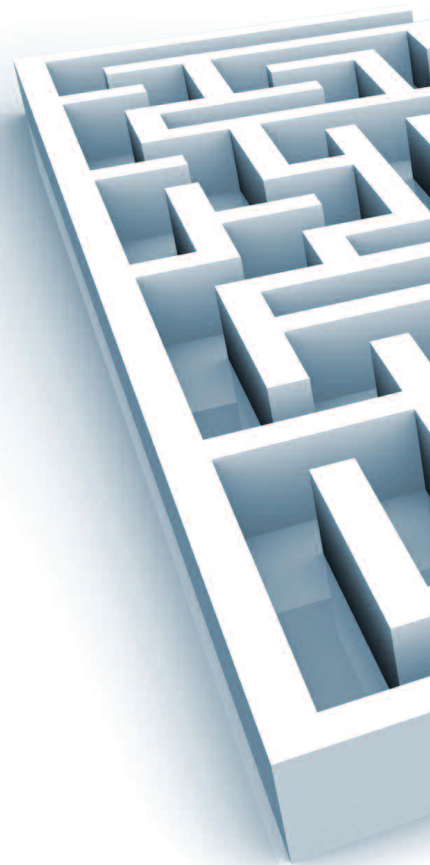
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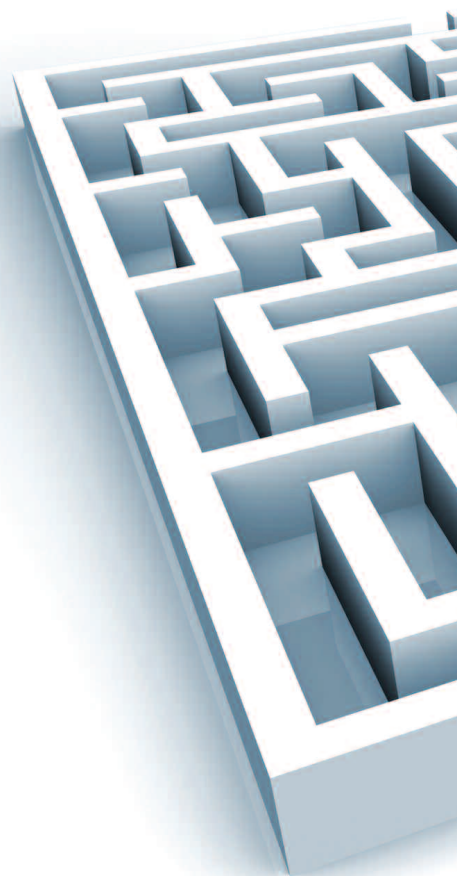
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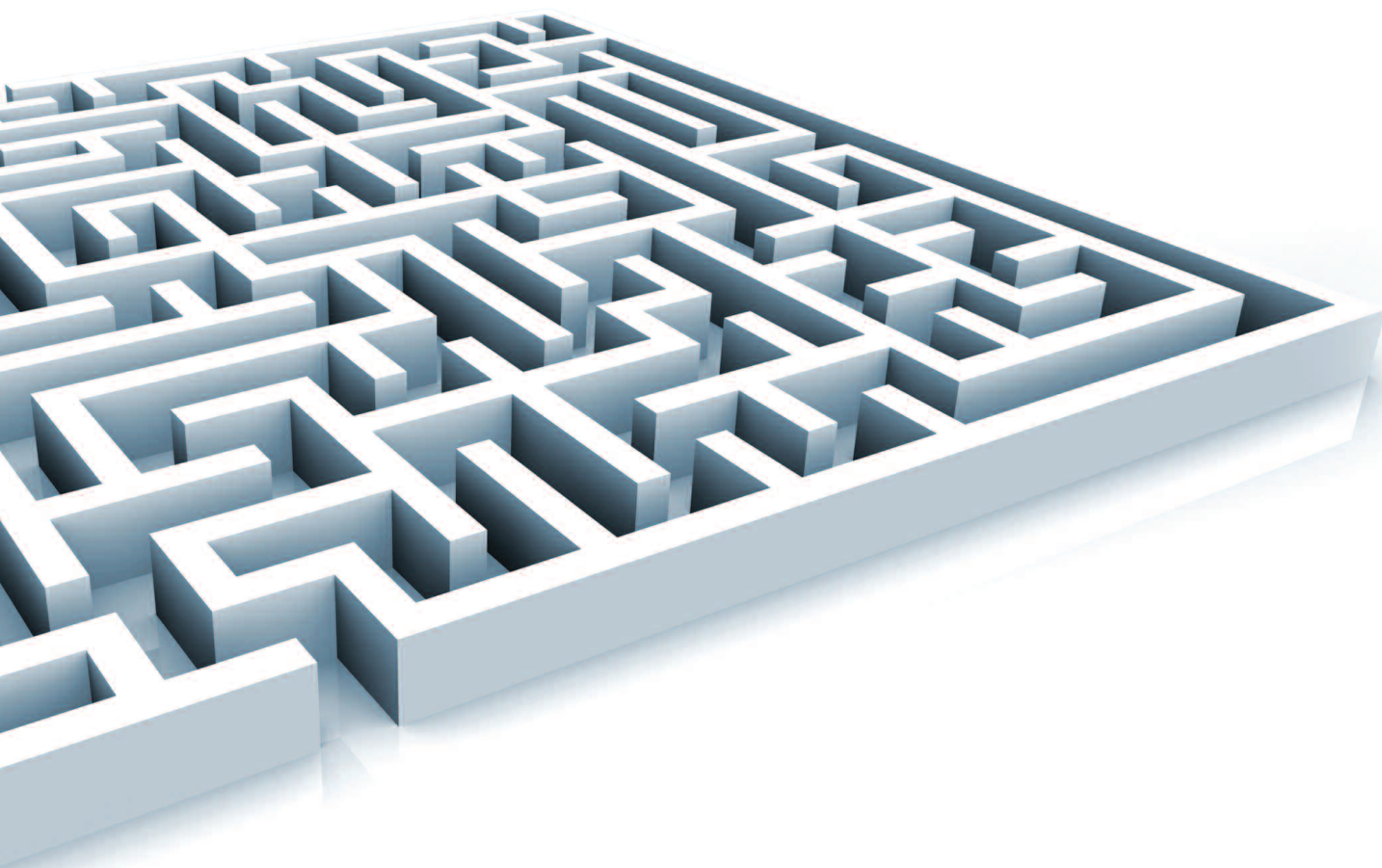
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# Introduction

## About the ETI workbook

The ETI workbook is a manual on 'how to do' ethical trade for buying companies, based on the Ethical Trading Initiative's (ETI's) experiences and learning to date. Its purpose is to capture and share our experiences and learning on how to develop and implement an ethical trade strategy. It presents these experiences and learning in the form of step-by-step guidance that is intended to be of practical use to staff in buying companies who have responsibility for ethical trade.

The workbook is not a finished product, as no-one yet has all the answers to ethical trade. For this reason, we consider it to be a 'living' document, which is updated and improved regularly as our experience and learning grows and matures.

The workbook should be considered within the context of ETI's philosophy and approach to ethical sourcing – see section 1.8.

## Who is it for?

The workbook is primarily for staff in buying companies that are relatively new to ethical trade. However, several sections of the workbook discuss aspects of ethical trade that even the leaders in the field are only just starting to address (for example, integrating ethical trade into the core business), so there is also plenty of material to engage the more experienced reader.

As well as buying companies, the workbook will also be of direct use to:

- public sector or non-governmental organisations (NGOs) who have adopted an ethical sourcing policy or code of labour practice;
- companies, organisations or individuals who advise others on ethical sourcing strategy such as consultancy firms or NGO policy advisers.

Indirectly, the workbook will also be of interest to others who need or wish to develop a practical understanding of what companies should do to implement an ethical sourcing strategy, for example suppliers/manufacturers who have to implement their customer's code of practice.

## Scope

The workbook covers the key management issues that we believe every buying company should address when setting up and implementing an ethical sourcing strategy. An overview of each section of the workbook is provided below.

The workbook does not provide detailed guidance on interpreting, monitoring and implementing improvements against individual Base Code principles. Guidance on these (for instance forced labour, living wage, child labour) and other specific labour issues (HIV/AIDS in the workplace, issues for women workers, for example) can be found in other publications (see **Resource 34**).

### **Where does the information come from?**

The information comes from three main sources:

- learning from ETI's experimental projects and working groups, each of which has involved corporate, trade union and NGO members working together, often with local partners, to learn how best to put ethical trade principles into practice;
- experiences and suggestions volunteered by individual ETI member companies or organisations, who have practical experience of working alongside local suppliers and other stakeholders to implement codes in a range of sectors and countries;
- ETI-organised events, including confidential members-only roundtables aimed at addressing tricky aspects of ethical trade, public seminars and our conferences that bring together ethical trade practitioners from around the world.

An overview of current and completed ETI projects can be found on our website at [www.ethicaltrade.org/d/exptproj](http://www.ethicaltrade.org/d/exptproj).

A tripartite group of ETI members oversaw the development of this workbook. They are: Africa Now, The Co-operative Group, Levi Strauss & Co., Oxfam GB, Monsoon Accessorize, Peter Black Footwear & Accessories Ltd and the Trades Union Congress. We gratefully acknowledge their support. Our thanks also go to the other ETI members who provided case studies, resources and insights into the practicalities of implementing ethical trade strategies.

### **How to use the workbook**

You can use the workbook as a stand-alone document or as part of training programmes. It complements the ETI Training Programme ([www.ethicaltrade.org/d/training](http://www.ethicaltrade.org/d/training)), a series of four courses designed for ethical trade practitioners from all backgrounds to develop new knowledge and skills in ethical trade.

You can read the workbook from start to finish, but you can also dip in and out of different sections or use specific tools we have included. If your company is new to ethical sourcing, we encourage you to read each section in order. If your company has more experience, you may wish to read specific chapters or sections you are interested in. Each chapter stands alone.

The workbook is available as an interactive document on this CD-ROM. Provision has also been made for each chapter to be accessed individually, in a printer-friendly format.

### **How the workbook is organised**

The workbook is organised to break up the different aspects of ethical trade into separate, manageable stages. However some 'stages' should actually be ongoing or frequent activities. For example, persuading your colleagues and managers of the 'business case' for ethical trade is unlikely to be a one-off activity. You will probably need to justify your case every time you draw up a budget, request resources, report against your activities and so on – and all the more so during lean periods.

Also, many of the chapters in the workbook represent cross-cutting

themes rather than individual stages. For example, chapter 3 looks at the benefits of working with other organisations and companies at each stage in the development and implementation of your ethical trade strategy.

The workbook is divided into five main parts:

### **Part One: Getting started on ethical trade**

This section addresses the fundamental question of why you should bother developing an ethical trade strategy – and how you ensure you work with the right people to make efforts both credible and effective.

**Chapter 1: Ethical sourcing and ETI** looks at the key business motivators for ethical trade, explains what it is and where it fits in relation to ‘fair trade’ and the wider world of corporate social responsibility. It also explains why ETI was created and what we do.

**Chapter 2: Getting internal buy-in and resources** suggests ways to gain internal support and, most importantly, how to make sure you have the right skills and resources to develop your strategy.

**Chapter 3: Working with others** explores a theme that should cut across all aspects of developing and implementing your ethical trade strategy: the need to work with people and agencies outside your company. It explains why it is important and who you will need to work with and when, focusing on working with local organisations in your sourcing countries.

### **Part Two: Getting to know your supply chain**

Getting detailed and accurate information on your suppliers is resource-intensive and time-consuming, and will inevitably involve making judgements about what is achievable within specified timeframes. Once you know who your suppliers are and where they are, consistent communication about why and how they should comply with your code of conduct will be essential.

**Chapter 4: Mapping your supply chain** provides guidance on how to find information on labour issues in your industry and sourcing countries and how to map your suppliers, highlighting specific issues for particularly vulnerable groups of workers, such as smallholders, homeworkers and temporary workers.

**Chapter 5: Communicating with your suppliers** looks at why communication with your suppliers is important, what challenges you are likely to face in getting your message down the supply chain, what you will need to communicate and what communications tools you could use.

### **Part Three: Assessing supplier worksites and following up on improvements**

One of the most basic aspects of companies’ responsibility towards the workers in their supply chain is to assess working conditions at supplier worksites, to agree plans of corrective action with suppliers where they find violations of their code of labour practice, and to make sure that suppliers are doing what they have agreed to.

**Chapter 6: Planning your assessment activities** looks at how you could prioritise your assessment activities, what different types of assessment tools you could use, what kind of team is appropriate to carry out workplace inspections, how to organise them and who should pay for them.

**Chapter 7: The inspection process** sets out the different steps needed to carry out an inspection, including how to make use of different types of information and, in particular, how to obtain accurate information from workers and make sure that they are involved throughout the process.

**Chapter 8: Corrective action** suggests how to respond to different types of breaches of your code, how to negotiate action plans with suppliers, who to consult when you do so, who should pay for corrective actions and how you can organise follow up.

#### **Part Four: Guidance for the more experienced**

This part will be particularly useful for more experienced practitioners as well as beginners, and focuses on aspects of ethical trade that many companies are only just starting to address, but that we believe are critical to achieving lasting change to workers' conditions.

**Chapter 9: Integrating ethical trade into your business** addresses the challenge of how companies can marry their commercial decision-making with their ethical trade principles. It shows how commercial decision-making can impact negatively on suppliers' ability to comply with codes of practice and looks at how you could start to integrate ethical trade into your commercial relationships with suppliers, focusing in particular on the buying function.

**Chapter 10: Supporting wider change** shows how more experienced companies can start to help tackle some of the wider, more systemic problems that may be constraining their suppliers' ability to comply with their code of practice. It suggests how you could make more effective use of your company's resources by joining forces with other companies and organisations.

**Chapter 11: Public reporting** looks at the benefits of publicly reporting on your ethical trade activities, with case studies.

#### **Part Five: Resources**

The resources include:

- key reference materials: for example, the full text of the ETI Base Code and Principles of Implementation and an overview of key ILO Conventions and recommendations;
- practical tools: for example, sample presentations, checklists and questionnaires, sample report templates and so on;
- a summary of all the resources referred to throughout the workbook, plus additional sources of information.

Please note that the inclusion of a reference to other sources of material, such as guides and reports, does not indicate ETI's endorsement of their content.

# Getting the most out of your workbook

Throughout this book you will find:



Tips and insights offered by our members on responding to tricky issues in ethical trade



Particularly challenging areas you will need to watch out for



This points you to resources that are available in Part Five of the workbook



Where you can go to get more information

Each section and chapter is colour coded so you can see quickly when scrolling through the document where you are

## About the case studies

We have provided case studies throughout the workbook to illustrate how our member companies and others have sought to put their ethical trade principles into practice. They are intended to demonstrate the many different techniques and tools being used by different companies – some of which have proved successful, others are still being tested. The case studies do not represent formal ETI recommendations.

## Definitions

As with any relatively new area of work, the terminology used in ethical sourcing can be confusing, with different players using the same words or phrases to mean different things. We recognise the importance of developing common terminology and are working with other multi-stakeholder initiatives around the world to agree common terms.

To help ensure clarity and consistency within this document, ETI members have agreed on the definition and use of some key terms for the purposes of the workbook. These are defined in the glossary and abbreviations.

## Where to find further information on ethical trade

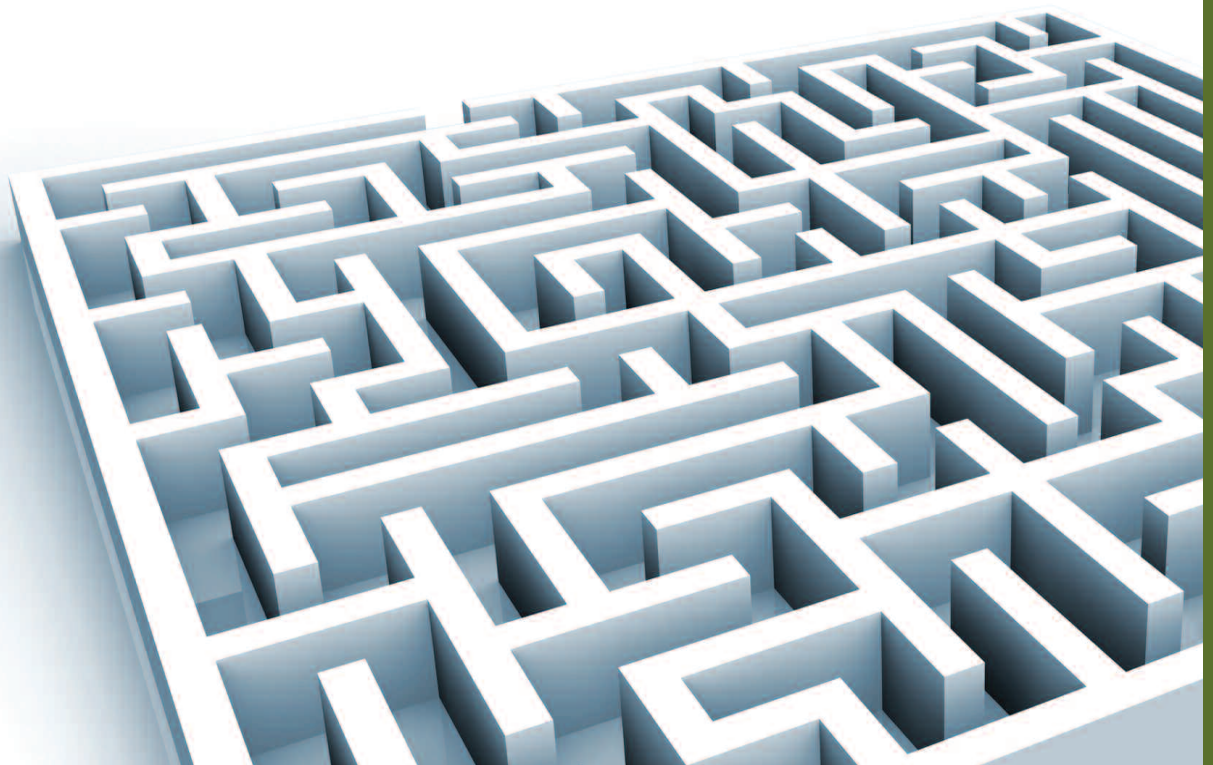
As indicated earlier, the workbook does not claim to provide all the answers to the complex and challenging questions raised by ethical trade. In **Resource 34** we signpost you to some of the places within ETI and beyond where you can find further information on ethical trade and related issues.



**Part 1**

Getting started on ethical trade

# Ethical Sourcing and ETI



# Ethical sourcing and ETI

**This chapter's learning objectives are:**

- What is ethical sourcing?
- Why bother?
- How does ethical sourcing differ from fair trade?
- How does it relate to corporate social responsibility?
- Why ETI was formed and our philosophy on ethical sourcing
- The ETI Base Code

***"Ethical sourcing represents a better way of doing business in a global economy."***

*Paul Pressler*

*President and Chief Executive,  
Gap Inc.*

## 1.1 What is ethical sourcing?

The term 'ethical sourcing' means different things to different people. Some use it as an umbrella term for all types of business practices that promote more socially and/or environmentally responsible trade. At ETI, we use the term to refer to the responsibility a company has for the labour and human rights practices within its supply chain. It concerns the behaviour of sourcing companies and what they should do in different situations.

Companies commonly meet their responsibilities for labour practices in their supply chains by adopting a code of conduct on labour practices and applying this code to their supply chain. Until recently, companies adopting ethical sourcing strategies have focused on using workplace assessments of their suppliers as the major way of driving improvements. However, there is growing evidence that too narrow a focus on workplace assessments by individual companies working in isolation won't actually make a substantial or lasting difference to working conditions unless it is supplemented by other measures.

This workbook provides practical guidance on how to plan and manage workplace assessments and describes other measures you can take.

If you have a copy of this workbook, at the very least you will probably have decided to spend time finding out more about what ethical sourcing involves. Once you start reading, you will find that there are no easy solutions and the rewards – however you measure them – are certainly not immediate. So why should you bother?

## 1.2 The 'business case' for ethical trade

Adopting an ethical sourcing strategy may help you achieve some of your business objectives. This is often described as the 'business case', although it's important to bear in mind that a clear, proven, single 'business case' for ethical sourcing has yet to be identified. The business benefits will depend greatly on how large your business is, what type of business it is, which industry you operate in, how your brand value is constructed and whether or not your company is consumer-facing. This is one of the reasons why much of the evidence for 'the business case for ethical trade' is anecdotal.

<sup>1</sup> Gap Inc. (2004) 'Facing challenges, finding opportunities: 2004 Social Responsibility Report p.3

There is, however, growing recognition that implementing an ethical trading strategy can help:

- protect your company's reputation
- improve its access to capital
- improve efficiency in your business operations and so improve your bottom line
- encourage employee motivation.

Some of the arguments and evidence are outlined below. It's worth noting that many of these arguments could also be used for adopting a broader corporate social responsibility (CSR) strategy (see section 1.5 on how ethical trade relates to CSR).

### 1.2.1 Protecting your company's reputation

Campaigning around ethical trade issues is growing. For example, in early 2004, Oxfam and CAFOD both launched campaigns pushing for companies to do more to improve labour conditions in their supply chains. And media exposés of exploitative working practices allow for instant, but lasting, judgements to be made of sourcing companies.

Companies that implement an ethical sourcing strategy can help manage risk to their reputation, and therefore the value of their brand, by:

- demonstrating to others that they are trying to improve working practices and conditions among their suppliers;
- reducing the likelihood of poor working conditions being discovered in their supply chains.

#### Case study 1.1 The reputational benefits of adopting an ethical trade strategy

A food supplier company was in the headlines for allegations of poor working practices on some of its supplier farms. After initially taking a defensive stance, the company decided to tackle the issues head on and is now regarded as being committed to resolving problems in its supply chain. The immediate benefits included savings on money spent on external public relations advice and management time spent firefighting.

### 1.2.2 Increasing access to capital

Implementing an ethical sourcing policy can arguably help win you credit within the ethical/socially responsible investment (SRI) community, as SRI criteria frequently include supply chain labour practices. And although the market is small, it continues to grow: the total value of SRI<sup>2</sup> assets in the UK increased tenfold in just three years from £23 billion in 1997 to £225 billion in 2001<sup>3</sup>. In 2004, the UK-based FTSE4Good index for socially responsible companies changed its criteria for inclusion in the index to include demonstrable policies on core labour standards.

But it is not only the 'ethical investment' community that is interested in looking at how companies manage their supply chain. In the mainstream investment community it is generally accepted that the way a company handles issues such as labour standards, human rights and environmental issues is a measure of the overall quality of its management and its ability to predict, manage and reduce risk.

<sup>2</sup> SRI – socially responsible investment – is defined on the UK Social Investment Forum website as “investment where social, environmental and/or ethical considerations are taken into account in the selection, retention and realisation of investments and the responsible use of rights (such as voting rights) attached to investments”.

<sup>3</sup> Russell Sparkes (2002) SRI: a global revolution. John Wiley & Sons. Quoted on the UK Social Investment Forum website ([www.uksif.org](http://www.uksif.org))

### 1.2.3 Increasing efficiency of your business operations

Many of our corporate members have found that adopting an ethical sourcing strategy has driven changes in business practices that have improved the efficiency of their business operations in some areas. For example:

- better and more frequent communication with suppliers can help increase **mutual trust** and therefore help reduce disruption in the supply chain;
- companies can benefit from increased **efficiency** among suppliers. Suppliers' implementation of a labour code can help them increase their productivity, reduce absenteeism, reduce breakages and repairs and tighten and simplify labour controls. Their reduced costs can be passed on to buyers;
- companies can benefit from increased **quality** in suppliers' operations. Suppliers' implementation of a code can improve the quality of their operations by increasing workers' skill levels, building the morale of the workforce, tightening operational controls and procedures and generally creating an environment where people like to work. Product quality can benefit as a result<sup>4</sup>. (Section 5.3.1 looks at how to persuade suppliers of the business benefits of compliance with codes of labour practice, with examples); and
- as chapter 9 shows, companies often find that improving efficiency in some areas can actually help suppliers' ability to implement a code – so creating a 'win-win' situation.

### 1.2.4 Encouraging employee motivation

There is some evidence that taking corporate responsibility seriously can deliver benefits for a company's human resource strategy, particularly in recruitment and retention and motivation/productivity of staff. It can also align business practice with corporate values, vision and mission.

For example, it has been reported that a growing number of graduates select their employer just as much on their values as on the generosity of their salaries: in a survey of 618 managers conducted by the Roffey Park Institute, 83 per cent of respondents stated that the social and environmental responsibility of their employers was of 'personal importance' to them. A total of 65 per cent said that they were looking for 'more sense of meaning in their working lives'.<sup>5</sup>

Another survey, by the Work Foundation and the Future Foundation based on 1,050 interviews with economically active adults, showed that 20 per cent of respondents found employers with a socially responsible image more attractive. There was also a statistically significant relationship between employee loyalty and their perception of the company's commitment to corporate responsibility.<sup>6</sup>

### 1.2.5 Protecting and increasing your sales – retailers and brands

There is evidence that media exposés of exploitation and abuse in the supply chains of many brands and high street shops can damage sales. For example, the Co-operative Bank's Shopping with Attitude survey in 2004 revealed that consumer boycotts are costing brands around £3.6 billion a year.

<sup>4</sup> Taken from Premier Foods slides: Sound sourcing for success.

<sup>5</sup> See 'Corps values', The Director magazine, May 2005

<sup>6</sup> Cited in Steven Bevan et al (2004), Achieving High Performance: CSR at the heart of business, The Work Foundation and the Virtuous Circle, pp 10 – 11.

Unfortunately, the reverse is not necessarily true. Improved labour practices in your supply chain will not necessarily increase consumer sales – at least in the short term.

One reason for this is that labour practices in supply chains actually rank quite low down on the list of consumers' worries. For example, although 64 per cent of the people interviewed for the Co-op's survey said that they were more concerned with ethical issues than in the past, the total percentage and percentage increase was less than issues which could be taken as directly affecting these consumers. It was noticeable that issues related to food labelling, the environment and animal welfare for example all scored more highly.

Of course, how far consumers care about your 'ethical behaviour' will also partly depend on how your brand value is constructed. If it is mainly based on your ability to compete on price, media exposés will wreak less damage to your brand value than if it is partly or mainly based on your 'ethical' credentials.

The second reason is that it is currently very difficult for consumers to make a judgement about whether or not a product has been ethically sourced. In contrast to fair trade or organic products, which have widely recognised labels demonstrating their credentials, there is no equivalent label for ethically sourced products. There are good reasons for this, as summarised in the box below.

### **The problems with 'ethical labelling'**

- There is no internationally recognised organisation that provides such a label.
- It would be difficult to give an ethical label to a product as, unlike Fairtrade (see section 1.4), ethical sourcing relates to what a company does to improve standards throughout its entire supply chain, not specific products.
- In order to become labelled, sourcing companies might avoid buying from countries where there are structural problems such as limitations on freedom of association or high levels of poverty – where, arguably, workers are more vulnerable.
- Smaller supplier companies could be penalised for not being able to make the grade as quickly as larger companies.
- Both sourcing and supplier companies would be encouraged to opt for 'quick fixes,' while companies aiming for more sustainable solutions could be penalised.

So to sum up, there is a risk that negative publicity about labour practices in your supply chain can adversely affect your brand and your sales, but the reverse is not necessarily true. It would be unwise to build a business case based solely on consumers.

### **1.2.6 Protecting your sales – suppliers**

If you are not a consumer-facing company, addressing ethical trade can help protect your sales. This is because, although buying decisions are primarily based on non-ethical criteria, many buying companies screen suppliers for ethical trade criteria before doing business with them. The case studies below give examples.

### Case study 1.2 How Madison Hosiery incorporates labour standards into contracts with suppliers

Madison Hosiery requires all suppliers to sign up to the Madison Supplier Handbook which contains the ETI Base Code. This is reinforced in contracts which contain a clause stipulating that suppliers agree to meet 'all the requirements, terms and conditions set out in the Madison Supplier Handbook... which it acknowledges it has received, read and understood'.

Many companies – at least a quarter of ETI members in 2004 – also terminate their relationships with suppliers if they fail to implement an agreed programme of corrective action.

A few companies are also starting to incorporate ethical criteria into their buying decisions. For example, both Nike and Gap have recently adopted a 'balanced scorecard' approach.

### Case study 1.3 Gap Inc.'s 'integrated scorecard' approach for suppliers

Gap Inc. is developing a system that builds labour standards directly into their buying decisions through the use of an 'integrated sourcing scorecard'. Each approved factory will be assigned a compliance score based on their history of compliance with labour standards, which will be considered along with other indicators to determine whether a factory is suitable for production.

See case study 9.6 for information on Nike's approach.

## 1.3 The moral case for ethical trade

As well as the business arguments, there is of course a strong moral argument for ethical trade. Some of the statistics are alarming – for example:

- half the world's population earns less than \$2 a day<sup>7</sup>
- two million people die every year from work-related diseases and accidents – this equates to around 5,000 people a day<sup>8</sup>
- there are over 210 million children in full-time work worldwide, often in hazardous forms of work<sup>9</sup>.

Although buying companies benefit from sourcing from poor countries where wages and costs are low, they do have a moral responsibility to ensure that they do not exploit such conditions, but rather help to improve them.

By adopting an ethical sourcing strategy, you could be playing a major role in helping ensure that the rights of workers in your supply chain are protected. In practice, this means you could be making a difference to the lives of thousands, if not millions of poor people in poor countries where the labour laws and regulations that are supposed to protect those people fail to do so.

<sup>7</sup> Source: World Bank (2001) World Bank Development Report 2000/2001: Attacking Poverty. World Bank.

<sup>8</sup> Source: ILO Facts on Safety at Work, available at [www.ilo.org](http://www.ilo.org)

<sup>9</sup> Source: Unicef (2005) End child exploitation: End child labour today, Unicef.



## 1.4 How does ethical sourcing differ from Fairtrade?

Ethical sourcing is often confused with Fairtrade, but the two are very different:

- Companies adopting *ethical sourcing strategies* take current trading relationships as given and try to ensure that decent minimum labour standards are met in the production of the whole range of their products throughout their entire supply chain. Ethical trade is particularly relevant for large multinational companies that outsource the majority of their production, and so do not have a direct contractual relationship with the workers who make their products.
- *Fairtrade labelling* applies to products rather than companies and mainly involves fair trading practices, ensuring that producers are paid a decent price, covering at least their production costs. It is particularly relevant for commodities such as cocoa, coffee and sugar, where serious fluctuations in world commodity prices continue to affect producer incomes and where small producers at the end of the supply chain have little power and risk becoming marginalised.

### The main differences between ethical trade and Fairtrade<sup>10</sup>

#### **Ethical trade:**

- helps to reduce poverty by improving labour practices for workers in global supply chains through the credible implementation of codes of conduct;
- involves a legal imperative - international labour standards are enshrined in legislation in most countries;
- is mainly focused on the employer-worker relationship;
- does not yet have a label. This is primarily because ethical trade is about companies' overall practices with respect to their entire supply chains, not about specific products (see also 'The problems with ethical labelling' in section 1.2.5); and
- does not require direct consumer awareness and support. Although ethical trade was originally very much a response to the concerns of ordinary people, the driving forces behind ethical trade are now more complex, including investors, trade unions, business managers and governments.

#### **Fairtrade:**

- aims to reduce poverty by assisting disadvantaged producers and workers in the developing world to improve their social and economic position through improved market access, information and terms of trade;
- contributes to the empowerment of producers/workers and their increased control in supply chains through the strengthening of farmers' co-operatives and joint body structures (comprising workers and employers);
- ensures producers are paid a fair price covering costs of production, irrespective of fluctuations in commodity prices;
- verifies social, economic and environmental standards for specific products;
- includes a price premium which can be allocated to local development projects and relies on consumer awareness and support;
- has a label, the Fairtrade mark, guaranteeing added social value.

More information can be found at [www.fairtrade.org.uk](http://www.fairtrade.org.uk)

<sup>10</sup> Unless indicated otherwise, when Fairtrade is mentioned in this workbook it refers to products that have received the Fairtrade mark.

However, the distinction between ethical trade and Fairtrade is not clear cut.

For example, the Fair Trade Labelling Organizations International (FLO), the worldwide standard-setting and certification organisation for Fairtrade, is primarily focused on small farmers but also works with hired labour and has had a 'hired labour standard' since 2002. This sets out responsibilities for ensuring adequate working conditions for the hired labour of producers. Like the ETI Base Code and other similar codes, the standard is based on international labour standards. The major difference is that the FLO Hired Labour Standard lays responsibility in the hands of producers themselves, whereas ETI views implementation of the ETI Base Code as being the main responsibility of buying companies.

At the same time, the scope of ethical trade is also broadening to look at the nature of trading relationships. For example, some ETI members are currently working on a project to identify which common purchasing practices negatively affect their suppliers' ability to comply with their codes, with a view to seeing how they could be improved. (See chapter 9 for an in-depth discussion of this issue).

Not surprisingly, the blurring of lines between what constitutes Fairtrade and what constitutes ethical trade has led to confusion in the marketplace. This does not mean that an ethical sourcing policy cannot sit comfortably alongside a Fairtrade policy. It does mean that it is very important to be careful about what claims you make to the public about your ethical sourcing policies and practices.

### Watch out!

Our discussion about Fairtrade refers to a very specific range of products that have received the Fairtrade mark. Many products are marketed as 'ethical,' 'alternative' or 'fairly traded' that do not have the Fairtrade mark. This does not necessarily mean that they are 'not as good' as products carrying the Fairtrade mark, but it's important to note that the standards and processes used vary greatly. Some initiatives apply similar – or sometimes even more stringent – criteria than those required for Fairtrade certification, while others may not be so rigorous. If you are thinking of marketing products to consumers in this way, you need to make sure that whatever claims you make are as clear as possible, and most importantly, can be backed up with evidence. The Clean Clothes Campaign has a critical overview of 'ethical brands' on its website at [www.cleanclothes.org](http://www.cleanclothes.org)



## 1.5 How does ethical sourcing relate to corporate social responsibility?

Ethical sourcing is an important component of corporate social responsibility (CSR), which is also sometimes called 'corporate responsibility', 'corporate citizenship' or 'corporate accountability'.

Broadly speaking, the two key concepts behind CSR are:

- the 'triple bottom line' – the idea that a company should take responsibility for its social and environmental as well as economic impacts, and
- 'stakeholder accountability' – the idea that companies are accountable to other stakeholders beyond their shareholders.

**Responsibility to whom?** CSR implies that companies take responsibility for the impact of their business operations not only on shareholders and consumers, but also on employees (indirect as well as direct), local communities, supply chain partners, wider society and the environment. *Ethical sourcing implies that companies take responsibility for their indirect employees – in other words, the workers in their supply chains. To some extent it also implies responsibility towards suppliers.*

**Responsibility for what?** CSR implies that companies take responsibility for how they contribute not only to shareholder value and consumer satisfaction/safety, but also to improving working practices/standards, environmental impact, economic growth and social development. CSR also implies ensuring good corporate governance. *Ethical sourcing is about taking responsibility for working practices.*

**Ways of taking responsibility.** A range of approaches and tools is used in tackling CSR. These include public reporting, stakeholder engagement, community involvement, corporate philanthropy, managing supply chain relations, exerting financial leverage to influence government policies or other companies (for example ethical investment), consumer education, codes of conduct and standards, and incorporation of CSR principles into core business operations. *Ethical sourcing centres around the adoption and implementation of codes of labour practice, and indirectly around improving supply chain relations.*

## 1.6 Why ETI was established

ETI was set up in the wake of various non-governmental organisation (NGO) and trade union campaigns about exploitation and abuse in supply chains. As a result of such campaigns, companies came under increasing pressure to adopt ethical sourcing policies. Typical responses were to adopt a code of practice setting out minimum labour standards that they expected their suppliers to comply with.

But sourcing ethically has proved to be controversial, even for companies who want to do so. This is partly because sourcing companies can never have complete control over the actions of other companies they do not own. Their ability to influence the actions of supplier companies depends on several factors, including how important the sourcing company is to the supplier, whether a direct relationship exists, how long and stable the relationship is, and so on. And although there is now broad agreement that companies are responsible for protecting the rights of all the workers in their supply chains, the question of how they can change the practices of supplier companies with whom they have no stable or direct relationship is a complex one.

Some other key questions that have arisen include:

- How can sourcing companies get their suppliers to accept and implement their code?
- How would sourcing companies know whether the provisions of their code are being observed?
- What should sourcing companies do when they discover that code provisions are not being observed?

How do other stakeholders know whether or not the claims made by a company about labour practices in its supply chain are credible?

ETI was set up in 1998 to address these and other questions, through a collective and experimental approach. We are funded by member fees and a grant from the UK Government Department for International Development (DFID).

### 1.7 What is ETI?

The Ethical Trading Initiative (ETI) is a unique alliance of companies, trade unions and non-governmental organisations working towards a future where all workers are free from exploitation and discrimination and work in conditions of freedom, security and equity.

We believe that global brands and retailers have a huge potential – as well as responsibility – to contribute to this vision by ensuring that workers in their supply chains are treated according to international labour standards.

We encourage companies to adopt and implement the ETI Base Code (see section 1.10), which reflects relevant International Labour Organisation (ILO) Conventions, and provide practical tools and guidance to help them in this endeavour. At the same time, we collectively seek solutions to the many difficult challenges of implementing labour standards, and we support other organisations and initiatives that promote respect for workers' rights.

When organisations – be they companies, NGOs or trade unions – join ETI, they commit to promoting ethical trade and to contributing actively to our projects and activities. Our corporate members also make a commitment to implementing the ETI Base Code in their supply chains, according to our Principles of Implementation (see section 1.8).

Our activities focus on identifying and promoting good practice in ethical trade and developing practical tools for companies. We:

- work collectively on experimental projects that address aspects of ethical trade that members find particularly challenging – for example, looking at how the principles of ethical trade can be applied to 'invisible' workers such as smallholders or homeworkers;
- commission research – for example to find out the actual impact of implementing our Base Code on the lives of workers and their families, and identify ways of improving that impact;
- share experiences, solutions and issues in seminars, conferences, our website and a range of publications. We see this workbook as a key tool for disseminating our experience;
- develop practical tools and guidance for companies to help them implement their ethical trade strategies. These include the ETI Training Programme, the ETI Risk Assessment Toolkit, issue-specific briefing papers and practical case studies;
- build strategic alliances with other organisations working on ethical trade and the promotion of international labour standards. In particular, we seek to develop close working relationships with those organisations which have a similar remit to our own – that is, other multi-stakeholder initiatives promoting voluntary labour codes;
- measure and seek continuous improvement in the efforts and achievements of our company members through a rigorous annual reporting process.

You can find more on our website [www.ethicaltrade.org](http://www.ethicaltrade.org) or from

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### **Making an impact – findings from the ETI Impact Assessment**

In October 2006 we published the results of the first comprehensive assessment of the impact of implementing the ETI Base Code on workers in our members' supply chains. Preliminary findings from five in-depth case studies confirmed our expectations of improvements in some areas (for example, health and safety, working hours and the living wage), and pointed to the need for greater efforts to ensure codes benefit temporary workers and those contracted through third parties. They also provided evidence that implementation of the ETI Base Code – alongside other labour codes – has played an important role in keeping labour standards on the corporate agenda and in raising suppliers' awareness of national labour law and workers' rights. We will provide practical recommendations based on our findings for all those involved in the implementation of codes of labour practice. For more information, go to [www.ethicaltrade.org/d/impact](http://www.ethicaltrade.org/d/impact)

## **1.8 ETI's philosophy on ethical sourcing**

A number of tenets underpin our understanding of, and approach to, ethical sourcing. These include the following:

- we consider voluntary codes of labour practice as complementary and not an alternative to the proper enforcement of national and international labour laws. We believe that such codes should be implemented in ways that help, and not hinder, the application of law;
- we believe that codes of labour practice should be based on internationally agreed labour standards and that the most relevant standards are those set out in the Conventions of the International Labour Organisation (ILO). ETI believes that the tripartite structure of the ILO, involving both employers' and workers' representatives as well as governments, together with the technical expertise of this organisation in all matters relating to the world of work, make the ILO the authoritative and legitimate source of international labour standards. The ETI Base Code is based on the principles underlying key ILO Conventions;
- our experience also underlines the importance of involving local stakeholders – their perspectives, knowledge and concerns – in the implementation of the codes;
- we believe that the adoption of codes by companies should not be seen as a substitute for promotion and protection of the rights of workers to form or join trade unions or to bargain collectively with management. Codes should be adopted in a way that creates a space for social dialogue – in other words, in a way that enables workers to bargain for their rights themselves;
- we see the adoption of a code as just a starting point. A true commitment to ethical sourcing involves implementing the other activities that are the subject of this workbook (see section 1.11);

- we believe that companies committed to ethical sourcing must require their suppliers to meet agreed standards within a reasonable timeframe and that compliance should ultimately be a pre-condition for further business;
- however, we recognise that some provisions in the ETI Base Code may not be easily complied with in all cases. Some suppliers may be unable to meet all the terms within a short time or, in some cases, they may be constrained by structural social issues (for example, ethnic, gender or racial discrimination) that lie outside their control. Therefore, reasonable timeframes and the existence of any constraints not controllable by the supplier may be taken into account;
- nevertheless, we believe that failures to observe certain standards require rapid corrective actions if the sourcing company is to continue any business relationship with the supplier concerned. These include the use of forced, bonded or involuntary prison labour, as well as physical abuse or discipline, and extreme forms of intimidation;
- we also believe that code implementation – from the design of an ethical sourcing strategy and monitoring and verification procedures, to the agreement and implementation of corrective action plans – is strengthened by the involvement of stakeholders other than companies. Key stakeholders are those organisations which represent workers (trade union organisations), and other organisations which work to defend workers' rights and address workers' concerns (for example relevant NGOs).

Of course, if your company is not a member of ETI, you are not formally obliged to follow these tenets. However, they constitute what we believe to be good practice in the implementation of codes of labour practice, and the workbook should be read in light of this.

### 1.9 Other labour standards initiatives

ETI is not the only initiative that involves a variety of different organisations in implementing codes of labour practice, although we are unique in:

- the fact that all our decisions and activities as an organisation are made collectively – that is, involving companies, trade unions and NGOs as equal partners – which gives us great credibility;
- the emphasis we place on 'learning by doing' – our experimental projects aim to trial different approaches to code implementation, so we can find out what works in practice;
- our emphasis on developing solutions to particularly vulnerable workers – for example, smallholders, homeworkers and temporary workers.

Other well-known initiatives are:

- Fair Labor Association (FLA) [www.fairlabor.org](http://www.fairlabor.org)
- Worldwide Responsible Apparel Production Certification Program (WRAP) [www.wrapapparel.org](http://www.wrapapparel.org)
- Worker Rights Consortium (WRC) [www.workersrights.org](http://www.workersrights.org)
- Social Accountability International (SAI) [www.sa-intl.org](http://www.sa-intl.org)
- Fair Wear Foundation [www.fairwear.nl](http://www.fairwear.nl)
- The Clean Clothes Campaign (CCC) [www.cleanclothes.org](http://www.cleanclothes.org)

All but the last two are US-based organisations, while the Fair Wear Foundation and Clean Clothes Campaigns are European initiatives.



## 1.10 The ETI Base Code

The ETI Base Code (set out in full in **Resource 1**) sets out the minimum labour standards which members agree to take responsibility for in their supply chains. Member companies can adopt the Base Code in two ways: by adopting it verbatim, or by incorporating its provisions into their own code of conduct.

Key points to note about the Base Code are:

- it is more comprehensive than many codes and was agreed by ETI's founding companies, trade unions and NGOs;
- it reflects international standards derived from the relevant conventions of the International Labour Organisation. These standards contribute significantly to a stable and productive framework for business;
- national law or practice will reflect many ILO Convention provisions, and in some cases will provide more protection for workers than found in some ILO Conventions. Where national law affords greater protection to workers, the company should apply national law.

### The ETI Base Code

The provisions of the ETI Base Code are based on the following key principles:

1. Employment is freely chosen
2. Freedom of association and the right to collective bargaining are respected
3. Working conditions are safe and hygienic
4. Child labour shall not be used
5. Living wages are paid
6. Working hours are not excessive
7. No discrimination is practised
8. Regular employment is provided
9. No harsh or inhumane treatment is allowed

### Resources

The ETI Base Code is given in full in **Resource 1**. The 'principles of implementation' of the ETI Base Code are given in full in **Resource 2**. You may also be interested to know which international conventions relate to each of the labour standards in ETI's Base Code. This information is given in **Resource 3**.



## 1.11 Getting started – and going further

If you are an ethical trade 'beginner' you need to address the following:

- making sure senior management and other staff buy into your code of conduct (See sections 2.1, 2.2 and 2.3);
- making sure clear responsibilities are allocated (see section 2.4) and those with responsibility have appropriate skills (see section 2.5);
- raising awareness about your code within your company (see section 2.3) and communicating with your suppliers (see chapter 5);
- monitoring your suppliers (see chapters 6 and 7);
- agreeing corrective actions (see chapter 8);
- supporting the verification of these findings (see section 6.9); and
- including ethical trade criteria in your buying practices – for example, including requirements for code compliance in your contracts with suppliers (see chapter 9).

Companies with more experience in ethical trade will need to:

- make sure your code is fully integrated into your core business relationships and culture (see chapter 9);
- help build the capacity of suppliers and of local trade unions and NGOs that specialise in labour standards issues (see chapter 10);
- work with other organisations to support change at the national and sectoral level (see chapter 10); and
- help ensure improvements to working conditions are lasting (see chapter 10).

Although this workbook is primarily designed for ethical trade 'beginners', it also provides guidance for more experienced companies on how to address each of these aspects of commitment.

### ETI Self Assessment Tool

The ETI Self Assessment Tool was developed to help member companies assess their performance in ethical trade, but it can be used by any company that wants a quick way of checking whether they are a 'beginner', an 'improver', an 'achiever' or a 'leader' in the ethical trade field. There are five principles for self assessment:

- Commitment
- Monitoring, independent verification and reporting
- Awareness raising and training
- Corrective actions
- Management procedures, pricing and incentives

You can download the form at [www.ethicaltrade.org/d/selfassess](http://www.ethicaltrade.org/d/selfassess)

### Suggested action points

- If your company does not have a code, adopt the ETI Base Code. If you are not already a member of ETI you are not obliged to adopt this as your code of labour practice. However, it has significant credibility as it was developed jointly by corporate, NGO and trade union members of ETI. It is widely acknowledged as a model code of labour practice.
- If your company has a code, assess it against the ETI Base Code and discuss how the codes might be aligned. In particular, make sure your code includes the rights of workers to be able to join and form trade unions and to bargain collectively for their rights.
- Do some background research. Look in **Resource 34** to find out about useful introductory resources that will help you get an overall feel for the field of ethical trade and CSR, and what ethical trade 'leaders' are doing.
- Consider how to build your business case. Think about what evidence you will need to collect for convincing senior management and colleagues to engage seriously with ethical trade.
- Consider using the ETI Self Assessment Tool to find out whether you are a beginner, an improver, an achiever or a leader in the ethical trade field.

### Find out more

Newcomers to ethical trade may find it useful to attend *ETI Training Course Module 1: An introduction to ethical sourcing and ETI*. This provides an overview of the key concepts behind ethical trade, an introduction to ETI and the ETI Base Code, and some initial pointers on how to get started. *Module 2: Developing and implementing an ethical trading policy* may also be useful as it takes participants through the key steps in developing and implementing an ethical trade strategy. [www.ethicaltrade.org/d/training](http://www.ethicaltrade.org/d/training)

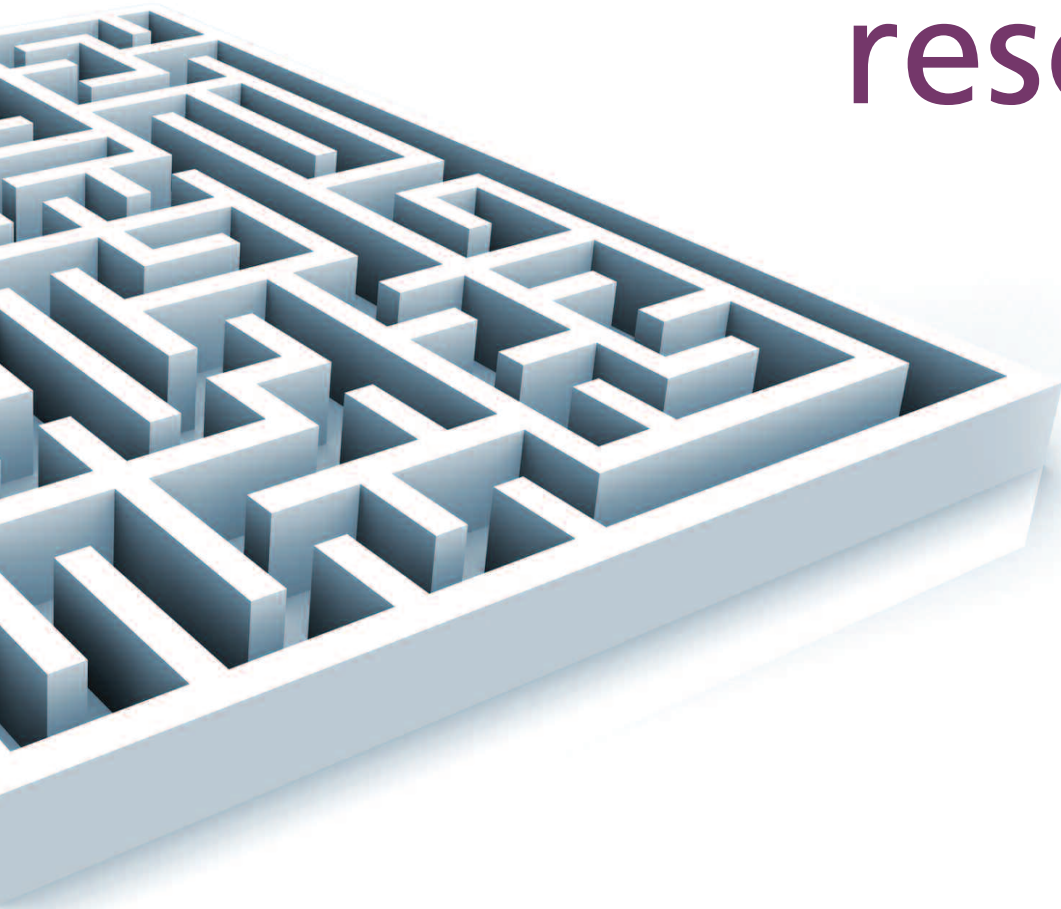
To find out more about what ETI believes is a 'new agenda' for ethical trade and what practical steps companies can take, see the Conference Briefing Papers developed out of our fourth biennial conference, held in London in 2005.

[www.ethicaltrade.org/d/briefingpapers](http://www.ethicaltrade.org/d/briefingpapers)

To find out more about the relationship between ethical trade and CSR, read the report of our members' roundtable held on the subject in 2002 at [www.ethicaltrade.org/d/rt-csr](http://www.ethicaltrade.org/d/rt-csr)



# Getting internal buy-in and resources



# Getting internal buy-in and resources

**This chapter's learning objectives are:**

- Building your business case
- Getting senior management buy-in
- Getting buy-in across your company
- Getting the right knowledge and skills

## 2.1 Building your business case

The most powerful tool for persuading senior management, your colleagues across the company and your suppliers to take ethical trade seriously is by convincing them of the business benefits. Chapter 1 outlined the main elements you could use to develop your business case. Of course, senior management is not the only audience you will need to convince although they are probably the most important. You may also need to convince other departments – for example, your buying department and your quality or technical departments. You will also need to think about developing a business case for your suppliers, particularly those over whom you have little financial leverage.

Your primary audiences, and possible business benefits for each of them, may be:

***“Codes of labour practice must have a champion – preferably someone at board level – to drive the company’s commitment from the very top. In addition, having a dedicated resource for implementing ethical trade policies ensures that these policies become integral to the way a company conducts its business.”***

*Julia Dobson*

*Ethical and Quality Systems Manager, Marks & Spencer*

**Table 2.1 The business case for ethical trade**

Your audience	Possible business benefits
Your customers (if you are a supplier to a retailer)	Enhanced reputation Meet retailer criteria Keep your customers!
Your shareholders (via your Board)	Avoiding negative publicity & damage to reputation Adding to shareholder value by demonstrating ethical values Increased productivity
Senior executives (eg Chief Executive)	As above Satisfying consumer demand for ‘ethical’ products and therefore potentially stealing a march over rivals Motivating employees (through being part of an ethical enterprise) Improve product quality Increased productivity Reduce risk of business interruption Improve company strategy and vision

**Table 2.1 The business case for ethical trade (continued)**

Your audience	Possible business benefits
Other departments, eg buyers, people who make strategic sourcing decisions	Improved product quality Gaining a better understanding of the supply chain, which may improve efficiency Increased productivity Improved internal efficiency Reduced risk
Your suppliers	Increased productivity Preferential supplier status Increased potential to supply other customers Improved staff morale Enhanced credibility as an international supplier

## 2.2 Getting senior management buy-in

### 2.2.1 Why it's important

To implement your code of practice you must have a champion – preferably someone at board level, or at least senior management – to drive implementation from the very top. Top-level commitment can help:

- ensure that you have enough financial and human resources to implement your strategy – at a minimum you will need resources for developing the strategy, assessing your suppliers' performance and following up assessments;
- build enthusiasm and co-operation of different staff throughout your company;
- give you the authority to implement the strategy. Colleagues throughout the company need to understand that they must take this seriously;
- make sure the implementation of your ethical trade strategy is integrated into the company's business objectives.

### 2.2.2 How to do it

Find out how senior managers think and how they like information to be presented and respond accordingly. Some may only respond to figures and charts; others may be persuaded with examples of what other companies in your industry are doing. If you know about any current or likely campaigns organised by NGOs against other companies in your industry, fear of the same could be a good motivator.



### Tools of persuasion

**Shock tactics.** Newspaper headlines exposing companies for poor working conditions in their supply chains can help focus the minds of senior management. **Resource 5** provides some scanned cuttings of recent exposés of poor working practices in company supply chains in the food and garment sectors, in the UK and globally.

**Case studies.** As chapter 1 stated, no single business case for ethical trade exists. However, many companies have found that implementing an ethical trade strategy can help different aspects of their business. You could use some of the case studies in this workbook, for example:

- Case study 1.1 The reputational benefits of adopting an ethical sourcing strategy
- Case study 3.2 How dialogue and negotiation have reduced disruption in Chiquita's supply chain
- Case study 5.2 Linking productivity and worker welfare in African horticulture
- Case study 5.3 Benefits of adopting management systems for code compliance – Brandix in Sri Lanka
- Case study 5.4 Benefits of adopting management systems for code compliance – The Prem Group in India

**Statistics:** Use evidence of growing consumer interest in ethical issues to demonstrate the need for your company to embrace ethical trade. The Co-operative Bank's annual *Ethical consumerism* report looks at trends in consumer behaviour and has some useful statistics demonstrating that 'ethical consumerism'<sup>1</sup> is growing year-on-year. Some statistics you could use from its 2005 report are:

- overall ethical consumerism grew by 15% between 2003 and 2004
- ethical boycotts of grocery goods grew by 8.2% from £914m in 2003 to £989m in 2004
- 'ethical clothing'<sup>2</sup> sales grew by 30.3% from £33m in 2003 to £43m in 2004

## 2.3 Getting buy-in across your company

### 2.3.1 Why it's important

Any strategy needs to be properly communicated to everyone it will affect, particularly those responsible for implementation. And although it may not be immediately obvious, many different parts of your business will need to be involved in implementation.

For example:

- *buyers* need to know that if suppliers are pressurised to cut prices, manufacturers may be pushed to cut wages;
- *forecasters* need to know that if they fail to predict market trends accurately, this increases the likelihood that suppliers will be requested to make last-minute changes to orders. This may create pressures on suppliers to increase levels of overtime or to use more vulnerable groups of workers to meet short term demands;
- *people who set performance criteria* need to think about how to incentivise buyers to take ethical considerations into account.

### 2.3.2 How to do it

Suggestions on how to win hearts and minds are:

- communicate the objectives of ethical sourcing and any new procedures to all staff – ideally as part of their induction training, and then through regular training programmes;
- regularly update senior executives on progress;

<sup>1</sup> The Co-operative Bank's definition of ethical consumerism is "personal consumption where choice has been informed by a particular ethical issue – be it human rights, social justice, the environment or animal welfare".

<sup>2</sup> Defined as "sales of organic cotton, labels that commit to minimum labour standards and clothing made from recycled material".

- identify groups needing in-depth training – for example, buyers, quality assurance managers, and technologists. Make sure the training is of relevance to their respective function/s;
- make sure people know who is leading on ethical sourcing in the company so that any queries from external people (such as customers and the media) can be handled effectively;
- include information on ethical sourcing issues in your staff magazine and/or your company intranet site;
- consider convening ethical sourcing ‘action groups’, which could comprise staff from different departments – for example, purchasing, technical, human resources (HR), communications;
- consider focusing your efforts on the people in your company who *do* want to make a difference and build goodwill with them through one-to-one communication;
- consider appealing to your colleagues’ better natures. Most people would not want to be associated with exploitation of workers and presenting them with documentary evidence of poor working conditions could be a powerful tool for persuasion.

### Resources

To help you demonstrate the ‘business case’ for ethical trade to colleagues, **Resource 5** provides a selection of newspaper clippings showing examples of how poor working conditions can create negative publicity for companies. **Resource 6** provides photographic evidence of poor working conditions – this might also help you motivate colleagues. See also **Resource 7 Winning support for ethical trade within your own company – the experiences of one ETI member company**.



Section 9.4.1 also provides some tips for persuading buying teams to get involved in ethical trade.

### Case study 2.1 Levi Strauss & Co.’s ‘Responsible Sourcing ‘Terms of Engagement’ video

Levi Strauss has developed a responsible sourcing video for senior management to inform company management and employees about the company’s responsible sourcing programme, including the rationale for its development and what activities it has involved since its inception in 1991. The aim is to increase awareness and understanding of the programme. The video is shown as part of employee induction and other forms of training.

### Tip

Persuading your colleagues of the business case for ethical trade will not be a one-off activity. You will need to keep reminding people ‘why are we doing this’ every time you ask for resources or communicate about ethical trade with buyers and others in your company, and every time there is a change of senior management. It might help to think about it as ‘chipping away’ rather than a ‘big bang’ approach.



## 2.4 Managing ethical sourcing – which department?

There is no single 'right way' to manage ethical sourcing issues. But experience suggests that the most successful approaches build on existing management structures. Broadly speaking, there are three different approaches to managing ethical sourcing. Each has advantages and disadvantages.

An offshoot of *the quality or technical department*. This is the most common arrangement. Some companies feel that ethical sourcing issues are essentially an extension of quality management, and that encouraging efficient, high-quality workplace management is the best way to foster better working conditions. These companies tend to integrate ethical issues into quality and technical assessment procedures. This has the advantage of building on an existing relationship and a familiar process of assessment. Quality and technical teams also already have a detailed knowledge of the workplace which will reduce their learning curve when it comes to auditing. However, most people acknowledge that an assessment of labour practices requires different skills and more sensitivity than a 'tick box' quality audit, and assessors will need significant additional training.

A distinct *ethical sourcing unit*. The creation of a separate ethical sourcing unit, headed by an influential manager, sends a powerful message to people both inside and outside the company that ethical sourcing issues are being taken seriously. It is important that such a unit is well-integrated into the business in order to avoid the perception that ethical sourcing is an add-on. But there may be confusion between the ethical sourcing unit and the buying department and suppliers may be caught in the cross-fire. When the sourcing company is under financial pressure a separate ethical sourcing unit may be under threat if it is not seen as an integral part of the core business.

Through the *buying department* (rare). Buyers are in a strong position to request improvements since they have close relationships with suppliers and determine the trading relationship. The buying department will have a good understanding of the commercial implications of any improvements, including how costs may impact on product prices. However buyers usually have a short-term horizon. There is a danger that improvements that have short-term cost implications are discounted, even though in the long term they might be cost-neutral.

Buyers will be less resistant to ethical sourcing if they see standards and their implementation as part of their remit, rather than as a constraint on their decision-making. Section 9.3 looks in more detail at how some common buying practices can inhibit suppliers' ability to comply with their codes of labour practice. It provides some practical suggestions on how this issue can be resolved.

Passing *responsibility on to first-tier suppliers*. It is worth mentioning that most supermarkets pass all responsibility for code implementation down to their first-tier suppliers.

### Watch out!

Whichever department is given the authority to implement your ethical sourcing strategy, it is important that your senior management understand that ethical sourcing is not the sole responsibility of that department. Several departments or teams across the business will need to be involved, and should be given clear responsibilities that they are held accountable for.



## 2.5 Getting the right knowledge and skills

For most companies, adopting and implementing an ethical sourcing strategy will involve acquiring a whole new set of knowledge and skills. These include:

- skills required to carry out inspections and assess labour practices
- knowledge of international labour standards and applicable labour laws
- knowledge of social and economic conditions in supplying countries
- local language skills
- knowledge of how to engage with organisations such as trade unions, NGOs and government bodies.

You can acquire new skills and knowledge by:

- *tapping into existing knowledge and skills within your own company* (for example, the knowledge of staff responsible for ethical sourcing can be enhanced through building and maintaining appropriate databases, organisation of staff seminars to share information on a particular country etc);
- *hiring external consultants to carry out specific tasks*, for example private auditing companies to carry out inspections of your supplier sites, interpreters or translators;
- *bringing in appropriate training providers to train internal staff*.

### 2.5.1 Hiring external consultants

In some cases you may consider hiring external consultants to carry out specific tasks requiring specialised skills or knowledge such as translation and interpreting, auditing, or verification. Before doing so, it is important you find out what knowledge and skills you already have in-house, and see how staff responsible for ethical sourcing can make best use of these resources.

### Resource

**Resource 8 Knowledge management checklist** provides guidance on identifying and managing knowledge that already exists within your company.



### Watch out!

*Make sure you don't undermine learning opportunities in your own company.* Some of our members have found that the more work they contract to external consultants, the less their own staff learn about how to 'do' ethical trade. So if you do use external consultants, make sure you build in mechanisms to enable you and your staff to develop the required skills and experience.



*Beware of being seduced by slick company profiles or curricula vitae.*

If you use external consultants or auditing firms – particularly to carry out workplace assessments – it's very important to make sure in advance that they are capable of assessing all your code areas accurately. When assessing potential external consultants, look for evidence of relevant social skills and empathy, and a genuine interest in improving workers' conditions. You could also agree key performance indicators up front, and include them in your contracts.



### 2.5.2 Training your staff

Different staff within your company will be involved to a varying degree in the development and running of your ethical sourcing strategy. Obviously the people with specific responsibility for ethical sourcing and/or for carrying out inspections will require the most intensive training.

However, other members of staff who are less directly involved in ethical sourcing – particularly buying staff – will also benefit from receiving basic training in ethical trade. Members' experience suggests that training staff across the company helps generate valuable buy-in. For example:

*Training senior management* will be useful if it helps build their ownership of your strategy, gets them to understand their collective responsibility for implementing your code and the messages they need to communicate down to their own staff.

*Training buying staff* can help them understand the impact of their buying decisions on suppliers' ability to implement your code, but should also aim to galvanise their assistance in helping you monitor conditions in supplier workplaces. (Chapter 9 discusses buying practices in more detail.)

So providing an awareness-raising course for senior managers and buyers, for example, is likely to be a worthwhile investment in the long run.

#### Case study 2.2 Tesco's 'Buying with your eyes open' course for buyers

Tesco has rolled out a course for buyers to raise their awareness of ethical issues and the effects that purchasing practices can have on labour standards. The training also aims to develop practical skills and experience in discussing these issues with suppliers through creative brainstorming exercises with a variety of products, discussions of different buying scenarios, as well as group exercises tackling real examples of ethical issues in different countries and industries. Attending an ethical buying course is now compulsory for all Tesco buyers around the world. Category Directors attend training and emphasise that buyers are responsible for ensuring that their behaviour does not prompt suppliers to cut ethical corners. According to Tesco, the course has had an impact on buying practices. Changes in buyers' behaviour include:

- greater sophistication in reviewing audit data on suppliers – buyers no longer expect to see full compliance and are now used to working with suppliers on their improvement plans;
- Buyers now discuss ethical issues in greater detail with suppliers and have been following up on specific ethical actions as part of buying visits; and
- Buyers will not engage or continue to work with suppliers who will not commit to improve.

When buyers spot ethical issues during a visit they will address these issues directly with the suppliers and discuss them with their technical managers and/or ethical trading manager when they get back to the office.

Different types of training related to ethical sourcing are available in the marketplace. It is important to make sure that you know what type of training is most appropriate for different groups of staff within your company.

Other types of training available are:

- *corporate social responsibility* – these courses include:
  - courses or professional development on broad issues of corporate responsibility targeted at a range of employee groups, including top and senior management;
  - academic courses which include a component on CSR;
  - seminars/conferences on CSR and labour rights issues;
- *Auditing* – these courses include:
  - general training on auditing of labour practices in a broad sense, in some cases with reference to specific labour standards (for example SA8000, ISO9000);
  - awareness-raising for auditors, buyers and technologists;
  - courses on practical implementation – how to conduct inspections in the field of labour standards;
- *international labour standards and industrial relations* – training on the meaning and interpretation of international labour standards;
- *training for suppliers* – training or awareness-raising courses for suppliers on how to comply with and/or respond to standards required by their customers;
- *training for employees* – on labour standards issues;
- *participatory approaches* – training on use of participatory assessment techniques.

### Resource

For guidance on selecting a training provider, see **Resource 9 Checklist for assessing training providers**.



The **ETI Training Programme** has been developed by ETI and The Co-operative College specifically for brands and retailers and their suppliers, to help them develop the knowledge and skills they need to develop an effective ethical trade strategy. It is split into the following four modules:

- *Module 1: An introduction to ethical trading and the Ethical Trading Initiative*: This is aimed at those with limited direct experience of ethical trade and/or ETI. It provides an overview of the key concepts behind ethical trade, an introduction to ETI and the ETI Base Code, and some initial pointers on how to get started on implementing a code of practice.
- *Module 2: Developing and implementing an ethical trading policy*: This takes participants through the key steps in developing and implementing an ethical trade strategy and provides an overview of the considerations at each stage;
- *Module 3: Managing change in the supply chain*: This helps participants learn how the processes and tools of change management can be used to improve workers' conditions;
- *Module 4: Interfacing with internal and external stakeholders*: This aims to assist ethical trade practitioners to develop and maintain effective partnerships with appropriate stakeholders. It includes how to identify appropriate partners, how to build relationships and how to develop and implement collective approaches to tackling ethical trade challenges.

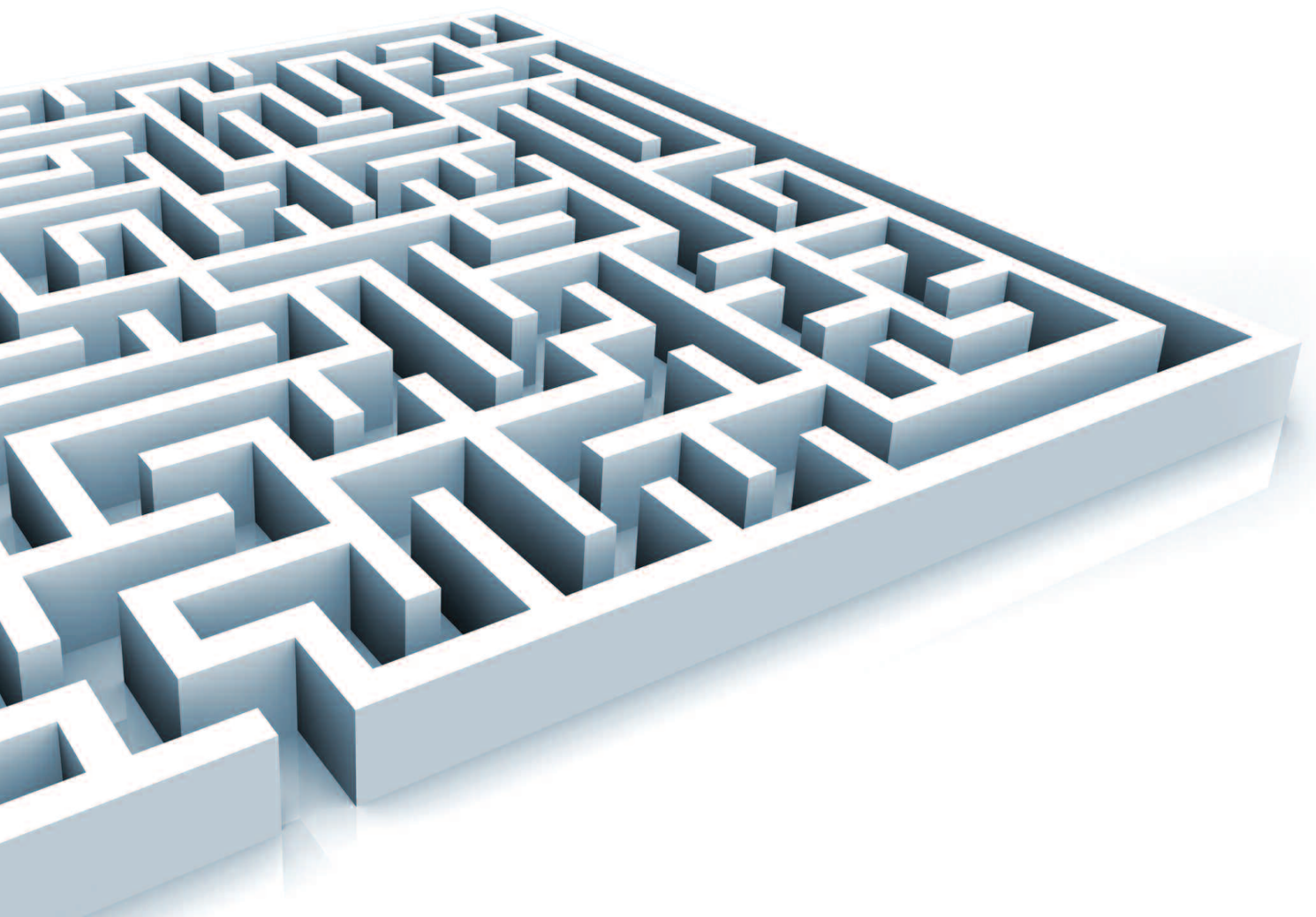
You don't have to be a member of ETI to benefit from this training. To find out more, go to [www.ethicaltrade.org/d/training](http://www.ethicaltrade.org/d/training)



### Suggested action points

- Consider how you are going to get senior management buy-in. Your tools of persuasion could include statistics, case studies demonstrating business benefits for other companies, newspaper cuttings of media exposés and so on.
- Think about which other parts of your business you will need to involve when you develop and implement your ethical trade strategy. Other critical players are likely to be buyers, human resources staff and whoever makes strategic sourcing decisions.
- Work out how you are going to get buy-in across your company. If your company is relatively small, face-to-face meetings may be all that you need. For larger companies you may need to develop allies in key departments prior to developing a company-wide communication strategy.
- Carry out a needs assessment of skills and resources. Do you have the right skills? Where are the gaps and how are you going to fill them – is internal expertise available? Do other people in your company (eg, buyers, merchandisers) need training and/or consultancy?
- Consider where ultimate responsibility for ethical trade should 'sit' within your company. Bear in mind the pros and cons of creating a distinct ethical sourcing unit versus existing departments, such as quality/technical or buying departments.
- Consider the financial resources you will need to develop staff skills and develop and implement your ethical trading strategy over the first few years.

# Working with others



# Working with others

**This chapter's learning objectives are:**

- Why working with others is important
- Who to work with
- Knowing how and when to work with different organisations
- The benefits and challenges of working with local organisations
- How to identify local organisations to work with

## 3.1 Why working with others is important

To be both effective and credible, your ethical trade strategy should identify who you are going to work with, both inside and outside your company.

Internally, you will benefit from tapping into the knowledge and skills of buyers, technologists, human resource personnel and others, to help you deliver a strategy that is fully integrated into your business.

Working with external organisations such as trade unions and non-governmental organisations (NGOs) can provide you with access to valuable knowledge and insights about labour issues in your industry and key sourcing countries, which in turn will help make your strategy more effective. And many buying companies that have taken the brave step of engaging with their critics have won respect and credibility.

The benefits of working with other companies include increasing your leverage over common suppliers and with governments in sourcing countries, as well as sharing experience and information on tackling tricky non-compliance issues.

## 3.2 Knowing who to work with

Within your own company, you will need to communicate and work with colleagues across different functional areas. For example, in the early stages of getting your company's code of practice signed off and drawing up your ethical sourcing strategy, you will need to ensure your chief executive and sponsors at executive level are on board and committed to providing sufficient resources and support across the company to implement your strategy. This was discussed in detail in chapter 2.

But it is critically important that you also engage with organisations outside your company. Many companies, including ETI members, now recognise that they can make codes of labour practice both effective and credible by working as a partnership where different groups – particularly trade unions and NGOs, but also other companies – can learn from each other, share experiences and develop common approaches.

*“Dialogue with local organisations – including trade unions, industry experts and NGOs – is part of our approach to supplier monitoring. When this happens in an open and transparent manner, it is an important tool in the monitoring and continuous improvement process.”*

*Gert ter Voorde  
Head of Purchasing,  
Typhoo Tea Ltd*

The organisations you will need to consider working with are summarised in figure 3.1 and are:

*Trade unions:* These are the principal advocates of workers' interests. In countries where independent trade unions exist and are able to perform their function, trade unions based in individual workplaces not only provide the best means of monitoring labour practices but also are best placed to engage with managers on what practical steps they can take to implement codes of labour practice.

For global unions such as International Union of Food Workers (IUF)<sup>1</sup>, the International Textile, Garment and Leather Workers Federation (ITGLWF) and the International Confederation of Free Trade Unions (ICFTU), codes of labour practice are important because they can be used to help promote a culture of compliance with national labour law and create a mature industrial relations environment. The fact that codes have helped promote greater recognition and application of the International Labour Organisation (ILO) Conventions and national labour laws also creates a strong reason for trade unions to remain engaged.

*Non-governmental organisations:* these comprise a wide range of organisations which differ significantly in terms of their size, interests and capacity. In general, NGOs most relevant to ethical sourcing are those with a strong interest in social issues and a track record of engaging with workers and their families. Many have social research skills, which can be used to help develop approaches for contacting and interviewing different groups of workers. Some have experience in creating partnerships between different types of organisations – for example between companies and trade unions.

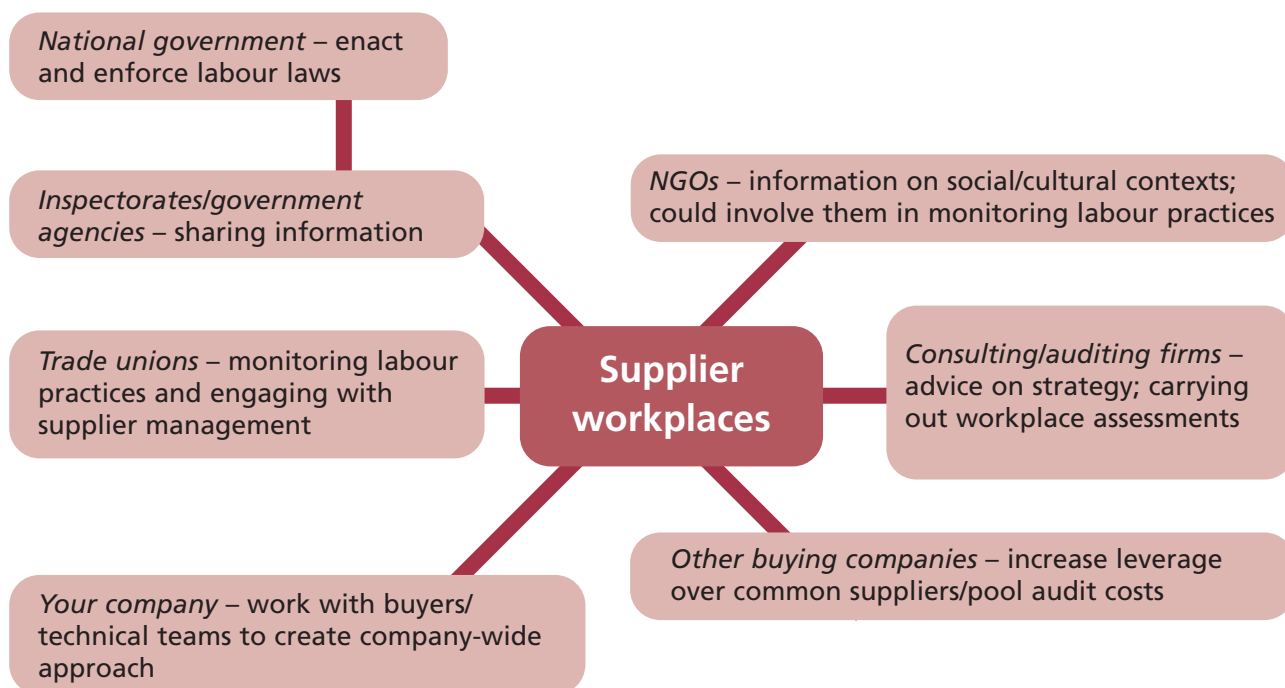
*Professional auditing/consulting firms:* many buying companies use external consulting and/or auditing firms to help them develop their strategies and/or carry out workplace assessments. Section 2.5.1 looks at what to bear in mind when selecting external consulting firms to work with and section 6.5.2 looks at using external auditing firms to carry out assessments.

*National and local government:* governments may seem unlikely partners for companies trying to implement voluntary codes of conduct. However, given that they create the legal framework in which your supplier companies operate and are responsible for enforcing law, including labour laws and regulations, they cannot be easily ignored and there may be advantages to engaging with them directly. Section 10.5 looks in more detail at ways of lobbying government.

*Other buying companies:* Your competitors may also seem unlikely partners. However, our members are increasingly discovering the benefits of working more closely with each other – for example, to help increase their leverage over suppliers, share experiences, share auditing costs and engage with government to improve labour laws and their enforcement. Section 10.1 looks in more detail at how companies can collaborate on common issues.

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<sup>1</sup> The full name of the IUF is the International Union of Food, Agricultural, Hotel, Restaurant, Catering, Tobacco and Allied Workers' Associations.

**Figure 3.1 Who to work with**

### 3.3 Knowing when and how to work with others

The table below provides some guidance on who to work with in your own company and with other organisations at different stages in the planning and implementation of your ethical trade strategy, and who it will be useful to work with at each stage. This is by no means a definitive list of organisations or issues.

**Table 3.1: Working with others – when, who and why**

When	Who	Why
<b>Getting top level commitment</b>	Board  CEO, senior management across company	Obtain commitment  An ethical trade champion is essential to driving change throughout the company  Board of directors have final decision about the company code
<b>Drawing up and getting approval for your code of practice</b>	Board  CEO  Other departments, eg human resources, supply chain, purchasing, quality control	Work towards integrating code commitments into business
	International NGOs and trade unions working on gender, labour, fair trade or other social issues	Valuable sources of information and resources on labour issues; could provide advice on how to shape your strategy  If they are your critics, find out what their concerns are

**Table 3.1: Working with others – when, who and why (continued)**

When	Who	Why
<b>Allocating resources and responsibilities</b>	CEO, senior management across company	Need them to understand that everyone needs to be involved – not just the ‘ethical trade’ team
	CSR department	Integrate ethical trade with other CSR activities in your company
<b>Mapping suppliers</b>	First tier suppliers, licensees and agents and exporter associations, where they exist	Will have information on suppliers further down the supply chain
	Buying/supply chain department	Have their own contacts with suppliers so a useful source of information  Generate a database to consolidate the list of suppliers
<b>Collecting information about countries and regions in which the company sources</b>	Local trade unions and NGOs	Advising on what labour issues are likely to be significant locally
	Universities/researchers	Background information on labour issues in your industry and in sourcing countries. NGOs in particular may have good knowledge of particular groups of workers, eg, women, migrant workers or child workers
	Governments	Getting information about laws in the country and enforcement of the law in the areas where your company sources
	Local industry groups	Collect information about the sector in the country
<b>Communication and training</b>		
<b>– in your own company</b>	HR department	Integrate ethical trade into existing training programmes
	Senior management across company	Important to build understanding and ownership
	Buyers	Need to understand how their buying decisions can affect suppliers’ ability to comply with your code
	International trade unions, NGOs	Can provide expertise on how to do this. Some NGOs also do training themselves



**Table 3.1: Working with others – when, who and why (continued)**

When	Who	Why
<b>– with your suppliers</b>	Suppliers	These are the ‘subject’ of the activity
<b>Communication and training externally</b>	Local trade unions and NGOs	<p>Involving trade unions in communication activities is particularly important to strengthening worker-management dialogue</p> <p>NGOs may offer insight into local auditors, risks and opportunities for development. They can also offer resources and services and access to local NGOs that can be contacted through satellite offices</p>
	Other sourcing companies	Pool resources in areas of common interest, increase leverage
<b>Integrating ethical trade into buyers’ responsibilities</b>	Buyers	Issues include lead times, price negotiations
	HR staff/whoever sets performance appraisal criteria	<p>You will need to persuade them that this is worth doing and work with them to identify areas you could improve</p> <p>Changes to job descriptions and/or incentives for buyers can help integrate ethical trade criteria into buying practices</p>
<b>Assessments and corrective actions</b>	Local trade unions and NGOs	<p>Helping develop auditing check-lists and carrying out assessments</p> <p>Pre-audit support on site before final assessment</p> <p>Advising on monitoring process and how to speak to different groups of workers</p> <p>Pointing out key issues that could be identified in interviews</p> <p>Commenting on issues in the workplace as interviewees</p> <p>Facilitating worker interviews, cross-checking data</p> <p>Following up corrective action plans</p> <p>Evaluating effectiveness of your implementation and monitoring process</p>

**Table 3.1: Working with others – when, who and why (continued)**

When	Who	Why
<b>Assessments and corrective actions (continued)</b>	Local trade unions and NGOs (continued)	In unionised workplaces, use union representatives for key informant interviews
	Assessment firms/qualified individual assessors	<p>Many of the larger assessment firms have already developed generic checklists for the ETI Base Code</p> <p>They could carry out your assessments, but request local staff in the country where facilities are located</p> <p>You may choose commercial assessment firms to follow up on corrective action plans</p>
<b>Building capacity</b>	Local trade unions and NGOs, community groups (local religious leaders are also sometimes very helpful)	<p>Helping design and deliver training courses</p> <p>Helping suppliers improve conditions on a regular basis</p>
<b>Supporting wider change</b>	Government departments and labour inspectorates	Help promote a culture of compliance with local laws and international standards
	Industry councils, trade associations, chambers of commerce and employer organisations	Build local understanding of codes of conduct among government and industry
	Trade unions and NGOs	Helping shape partnerships
	Other buying companies	Increase leverage with common suppliers; lobbying sourcing country governments

### 3.4 Working with local organisations: benefits

The experience of our members so far, whether participating in ETI experimental projects or implementing their own ethical trade strategies, is that working with local organisations can bring many rewards.

Whatever the details of your partnering agreements, working with local organisations can help:

- *improve communications* and so help diffuse tension and fears about the likely imposition of your code and changes to working practices;
- *provide a shortcut* to where the real problems are. This is particularly true if you work with relevant local unions, as they will have first-hand knowledge of workers' concerns and be well placed to ensure that they are incorporated into any work you or your suppliers undertake to improve conditions;
- *improve your credibility* and reputation locally and internationally.

All of the above should improve the effectiveness of your ethical trade strategy and make sure your actions help create lasting solutions.

#### Case study 3.1 Premier Foods' experience of working with trade unions

At an ETI Roundtable on trade union rights held in 2005, Premier Foods reported that it systematically consulted with trade union organisations at all levels, and found that:

- developing good working relationships with regional and national trade union offices provided Premier auditors with invaluable contacts at the country and regional level, as well as relevant background information on the industry/sector;
- including on-site trade union representatives before, during and after audit activities made a big difference to the quality of audits – it gave them a shortcut to the real problems on the farms;
- involving trade union representatives made it far more likely that labour problems would continue to be identified and resolved even when the auditors were not there.

#### Case study 3.2 How dialogue and negotiation have reduced disruption in Chiquita's supply chain

In 2004, Chiquita completed SA8000 certification for all its owned farms – which together supply about one third of its bananas. George Jaksch, Director of Corporate Responsibility and Public Affairs at Chiquita, is convinced that involving unions in implementing SA8000 as well as its other corporate responsibility efforts has provided benefits both for workers and for the company. In the past, strikes and stoppages caused much hardship, economic loss and disruption. Now, dialogue and negotiation have become the preferred instruments for resolving problems and implementing solutions that benefit both employees and the company.

According to Jaksch: "While there is still room for improvement, we are well on our way from a situation of confrontation and conflict towards a culture of mutual respect and constructive dialogue. The strict requirements of SA8000 to comply with the Core Conventions of the ILO, and to train all workers concerning their rights, certainly provide a platform for improving working conditions. But in our company, where trade unions play an important role, their participation in this corporate responsibility effort is indispensable. Chiquita's framework agreement with the International Union of Foodworkers (IUF) and COLSIBA<sup>2</sup> has opened the door for the participation of trade unions in a structured improvement process."

<sup>2</sup> The Latin American Coordinating Committee of Banana Workers' Unions

### 3.5 Working with local organisations: constraints and how to overcome them

The reality is that in many developing countries the role of local organisations can be severely constrained by limitations in capacity or, in some cases, by oppression or corruption. The following table identifies some of the major constraints discovered by members to working with local trade unions and NGOs, and ways of addressing them:

**Table 3.2 Constraints to working with local organisations**

Type of organisation	Some constraints and issues	Potential solutions
<b>Working with national government departments and statutory bodies</b>	In many developing countries, local governments do not have the capacity to effectively implement laws. For example, labour inspectorates may be understaffed and underfunded	In the UK, you could lobby the Department for International Development (DFID) to help build government capacity for law enforcement in sourcing countries  See section 10.5
	It can be difficult to work directly with government. There is a risk that companies may misread political issues and be caught in the crossfire  Finding out who you need to speak to can be difficult	Some of our members advocate an indirect approach, through UK Government bodies such as DFID, the Foreign and Commonwealth Office (FCO), through local industry bodies, or through ETI
<b>Working with NGOs</b>	NGOs may not have enough resources, experience or knowledge of ethical trade to be able to engage effectively  Some may be sceptical about your motives  May not be able to do commission-based work for governance/structural reasons	Be patient. It can take time to develop trust and rapport  Use simply as a sounding board for identifying issues and to comment on solutions  If your company is already experienced in ethical trade, consider providing some capacity building support to relevant local NGOs. See section 10.2  Local multi-stakeholder initiatives are one way of getting around the problem of weak local capacity  Section 10.4 explains what these are and where they currently exist

**Table 3.2 Constraints to working with local organisations (continued)**

Type of organisation	Some constraints and issues	Potential solutions
<b>Working with trade unions</b>	<p>Ethical sourcing not always a priority. There may also be distrust in your motives</p> <p>Collaboration may be constrained by different political goals</p>	<p>Do as much background work as you can on the union/s involved so you know what questions to ask</p> <p>Think about how you can build trust. For example, you could offer to share information with local unions on labour conditions you've gleaned from previous audits</p> <p>Think about how you can help local unions further their own objectives. For example, you could tell them about the evidence that engaging with codes of labour practice can help them:</p> <ul style="list-style-type: none"> <li>• increase union membership</li> <li>• negotiate collective bargaining agreements</li> <li>• give workers a voice in otherwise fragmented and/or under-unionised sectors</li> </ul> <p>See case study 3.3 overleaf</p>
	<p>Exploitation and abusive working conditions are almost always linked with the repression of trade unions. In the sectors where codes are meant to apply most (eg, labour-intensive manufacturing or agriculture) trade unions may be weak and in some cases they do not exist at all</p> <p>In some situations and some countries (notably China) trade union officials in the workplace may in fact be government or management appointees rather than democratically elected worker representatives. These unions are sometimes called 'paper', 'yellow' or 'tame' unions<sup>3</sup></p>	<p>If the workforce concerned is not unionised, consider working with local NGOs that have the capacity to work on labour issues</p> <p>Remember that NGOs can also support trade union efforts in organising workers, for example, campaigning on workers' rights where they are abused</p>

<sup>3</sup> The ICFTU can provide information on where this occurs – go to [www.icftu.org](http://www.icftu.org)

**Table 3.2 Constraints to working with local organisations (continued)**

Type of organisation	Some constraints and issues	Potential solutions
<b>Working with trade unions (continued)</b>	In situations where trade unions are weak or non-existent, it can be very difficult to persuade workplace management to introduce them	If you engage with workers' councils (where there are no unions), remember that such organisations are not the legitimate voice of the workers and so any activities you undertake with them should not be seen as a substitute for measures to facilitate freedom of association and collective bargaining (see section 5.6 for tips on persuading supplier management to involve workers in code implementation)
	Will not necessarily have definitive knowledge of labour laws and regulations	Find out as much as you can in advance on the union/s concerned to inform your expectations of how they could be involved

**Case study 3.3 Benefits for trade unions of engaging with codes of labour practice**

The Tanzanian Plantation and Agricultural Workers' Union (TPAWU) has been working with the Flower Label Programme (FLP) since 1999 to implement the International Code of Conduct for the Cut Flower Industry on two major cut flower farms supplying the export market.

Activities undertaken by TPAWU as part of this engagement include:

- Educating workers about the International Code of Conduct (ICC)
- Introducing workers to collective bargaining issues and training them on how to negotiate effectively with management
- Training workers to take an active role in monitoring working conditions, including how to collect data on working conditions
- Facilitating the development of relevant infrastructure (for example, women workers' committees) to ensure effective worker representation in the application of the various aspects of the ICC
- Regular monitoring visits to the two farms to provide guidance to the committee members on implementation of the ICC

In TPAWU's view, this level of engagement has led to the development of a sustainable code implementation system where there is assurance that the real labour problems are identified and addressed, and which puts proper worker representation and collective bargaining at the heart of the whole code implementation process. This has resulted in increased union membership on the two farms and a marked improvement in a range of working conditions negotiated under the umbrella of a comprehensive collective bargaining agreement.

Chapter 10 provides more information on working with local organisations including trade unions, NGOs and governments.



### 3.6 How to identify local organisations to work with

Unfortunately there is no easy way to identify local organisations to work with. Our members have used a variety of tactics. Perhaps the most effective one is to use their informal links with NGOs and trade union organisations in ETI to get advice on whom to contact. If you're not a member, or a supplier to an ETI member, here are a few suggestions to get you started.

- *Pick your suppliers' brains.* Suppliers and sub-suppliers based in sourcing countries will have good local knowledge and should be able to do some research for you.
- *Approach relevant trade union contacts at the international level* – in other words, the global union federations such as the IUF or the ITGLWF. Ask them for relevant contacts with their affiliate trade union organisations at regional and national levels.
- *Ask UK-based NGOs.* Some NGOs – for example, Action Aid, Africa Now, the Catholic Agency for Overseas Development (CAFOD), Care International, Christian Aid, Oxfam GB, Women Working Worldwide – may have satellite offices they could put you in touch with, and the smaller ones may have formal or informal links with indigenous organisations. You will still need to contact the person you want to meet directly to double-check s/he has been briefed and is available.
- *Go directly to the local offices of international NGOs.* Contact details for these satellite offices should be available via the parent organisation's website.
- *Go through umbrella networks.* NGOs and grassroots organisations in many countries are often part of a national network or umbrella organisation. A simple internet search should provide the name of the relevant body in the country concerned and they could help point you in the right direction.
- *Contact other brands operating in the same country* to find out who they have worked with.
- *Do some general screening of the environment.* Have a look at where complaints about labour abuses – whether they are about your own company or other companies – are coming from. Complaints may be from an organisation based in one of your sourcing countries or from an adjacent country, in which case it's worth contacting them.

#### Resource

**Resource 10** provides some tips for establishing contact with NGOs.



### Case study 3.4 How Premier Foods identified trade unions to work with in East Africa

At an ETI Roundtable on trade union rights held in 2005, Premier Foods reported how the company identified trade unions. Initial contact was made with the ETI representative at the IUF headquarters in Geneva. The representative then provided Premier with contact details for the IUF regional office in Nairobi (Kenya)<sup>4</sup>, and organised and facilitated a meeting with the General Secretary of the Kenya Plantation and Agricultural Workers' Union (KPAWU).

The auditor then met with IUF Nairobi and provided them with information about ETI (the ETI annual report), a newsletter describing Premier's ethical trade programme (as sent to their suppliers), and non-company-specific information about labour conditions in the sector. In turn, IUF provided him with much practical advice and union contacts in Tanzania, Uganda and Kenya.

Thereafter, the auditor met with the IUF representative in Nairobi a number of times over four years and built up a relationship of trust based on a two-way exchange of information.

#### Watch out!

Be careful not to build unrealistic expectations of immediate change.

Some local organisations may not have the capacity to work on your chosen projects.

It takes time to build good relationships locally. Don't assume that everyone has the same objectives and ways of working.



### Suggested action points

- Draw up a checklist of the key stages in the development and implementation of your ethical trade strategy (see table 3.1) and make a note of who you will need to work with at each stage.
- Consider how you are going to identify external organisations to work with. For trade unions, a good start might be to contact the Global Union Federation for your industry and find out who their affiliates are in your sourcing countries.
- Consider engaging with your critics. If you have been targeted by campaigning organisations you may find benefits from listening to their views on what your company should be doing differently.
- Talk to other companies and find out who they have worked with, and where, and what their experiences have been.
- Think about whether joining ETI would be appropriate for your company. One of the benefits of membership for corporate members is the networking opportunities it provides to other buying companies as well as relevant trade unions and NGOs.

<sup>4</sup> The IUF African regional office has now been relocated to South Africa

### Find out more

To find out more about companies' experiences of working with trade unions and the benefits they have found from doing so, read ETI (2005) *Finding common ground: Working with trade unions in supplier countries*. ETI 2005 Conference Briefing Paper No.2. [www.ethicaltrade.org/d/briefingpaper2](http://www.ethicaltrade.org/d/briefingpaper2)

To read more examples of different types of local monitoring organisations and how companies have worked with them, read ETI (2003) *Working with local monitoring groups*. Members' roundtable 7 [www.ethicaltrade.org/d/rt-localmon](http://www.ethicaltrade.org/d/rt-localmon)

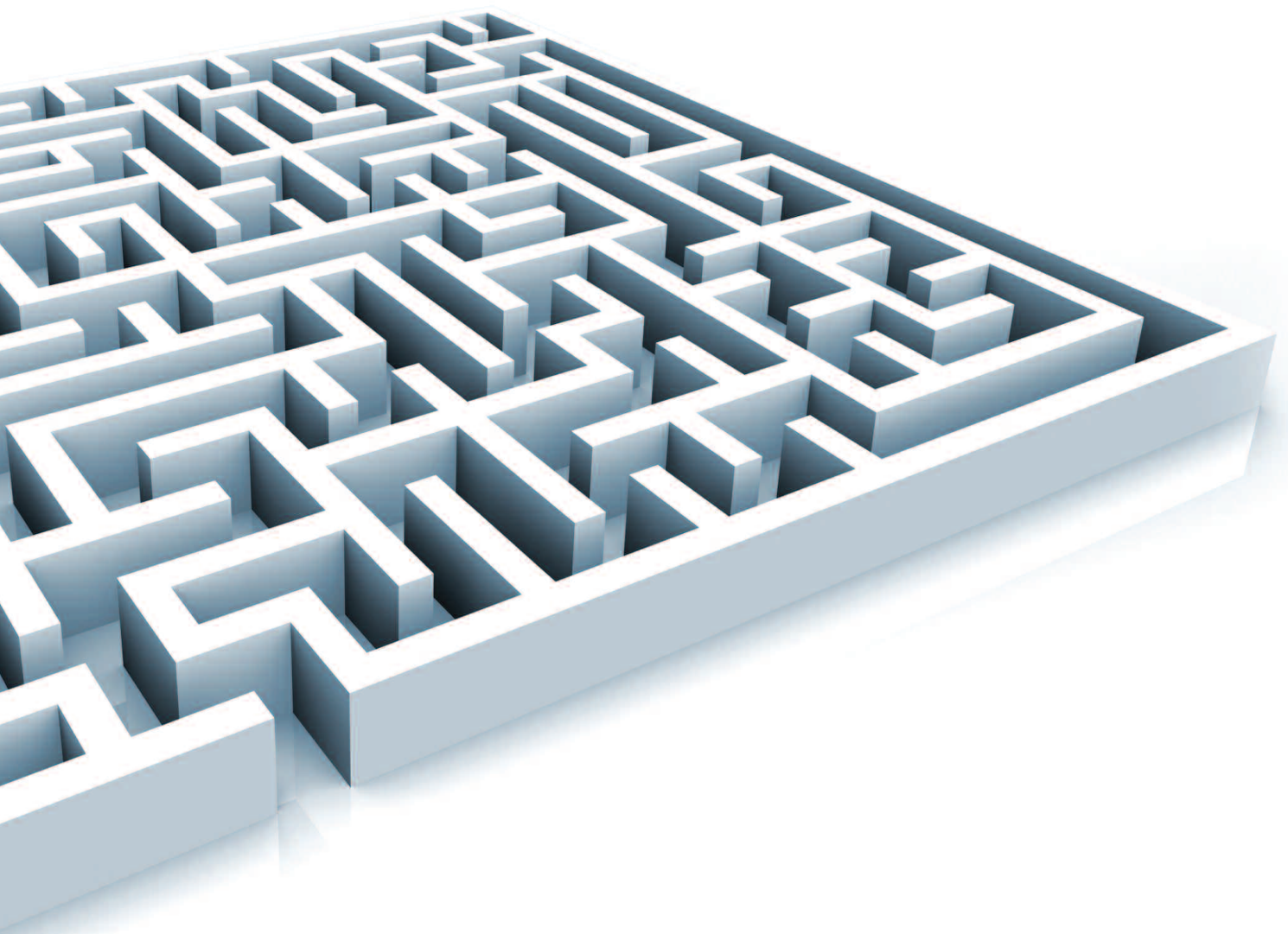
If you are interested in finding out more about how to identify appropriate partners, how to build relationships, and how to develop and implement collective approaches to tackling ethical trade challenges, you might consider attending Module 4 of the ETI Training Programme: *Interfacing with internal and external stakeholders*. [www.ethicaltrade.org/d/training](http://www.ethicaltrade.org/d/training)



**Part 2**

Getting to know your supply chain

# Mapping your supply chain



# Mapping your supply chain

## This chapter's learning objectives are:

- Why mapping your supply chain is important
- How to get information on labour issues in your industry
- How to get information on your sourcing countries
- Mapping your suppliers
- Prioritising your implementation activities
- Keeping track of information

### 4.1 Why mapping your supply chain is important

For any company, knowing where its suppliers are, what each of them is producing for the company and the terms and conditions of the contractual relationship are all part of good supply chain management. Collecting information for the purposes of implementing an ethical sourcing strategy will require some additional work. You will need to supplement existing information on suppliers with information on relevant trade agreements, labour laws and regulations, labour issues in your industry and in your supplier countries and more detail on suppliers themselves – as well as your own company's sourcing strategies.

Having this information will help you work out which industries, countries and types of suppliers are likely to be higher risk, as well as what the risks are. It will also help you work out how much leverage you have over your suppliers. This will then help you decide how to prioritise your code implementation activities, including:

- who to communicate the code to
- how it should be communicated
- how you assess and follow up compliance throughout your supply chain.

Broadly speaking, you will find it useful to gain as much knowledge as possible on your entire supply chain. Building up this knowledge may be gradual and does not have to happen in any particular order.

#### Tip

Remember this is not an exact science. It will help to get as many different perspectives as you can, to build up a strong picture. But sometimes your gut feeling will tell you more than any reports or academic opinions will be able to.

*“Ethical trading managers may have to assess thousands of suppliers scattered across the globe and are unlikely to have direct relationships with the vast majority of them. It is important to develop a credible method for assessing risk.”*

*David Winsor,  
Head of Quality Assurance,  
Debenhams*



### 4.2 Getting information on labour issues in your industry

Before you start your mapping activities, it will help to get a better understanding of the industry that is producing the products you buy. By this we mean more extensive knowledge of the industry than any sourcing company will usually have.

### 4.2.1 What information you will need and where to find it

As well as collecting basic information on your industry, you will also need specific information on workplace conditions and code implementation issues. For example:

- what kind of jobs are undertaken and what are typical working conditions like for those jobs?
- are there particular code-related issues that are specific to your industry and its supply base (for example health and safety issues in manufacturing and processing, wages issues in ready-made garments, forced labour issues in the agricultural sector)?
- have others already highlighted issues in your industry – for example, has it been criticised for the presence of child labour?
- are other people already trying to find solutions to these issues and has good practice been defined on how to solve them?
- are there issues that could be relevant to your industry even if they haven't been identified so far? For example, is child labour or forced labour something that the functioning of your industry will make more or less likely?

This information will help you to identify potential issues to investigate further when you start collecting information on your sourcing countries and your suppliers.

Several sources of information on labour standards are listed at the end of this chapter.

### 4.3 Getting information on your sourcing countries

Economic, social or cultural conditions in your sourcing countries could potentially undermine key provisions of your code by making it harder for suppliers to comply. For example, in countries where there is hyperinflation, workers' pay may be made in kind to mitigate its effects. This has been noted in Indonesia, where instances have been reported of rice being handed out instead of money, and in Romania, where coupons have been used. There are dangers to payment in kind though. For example in South Africa, free alcohol is sometimes provided in part-payment of wages. While the practice is no longer very widespread, it has left a legacy of alcohol dependency among workers in the wine industry. This has been a significant factor in controlling workers and has major health and safety implications, not only for the addicted workers and co-workers but for society as a whole.

In some countries, your suppliers' labour practices may be deeply embedded in social and cultural norms and difficult to overcome without a sustained programme of awareness raising and capacity building. Examples include discrimination on the basis of gender or ethnicity.

You will also find it helpful to get information on the political and regulatory context in your sourcing countries, in particular:

- government policies and attitudes can provide clues about whether employment practices are given sufficient attention and resources;
- international trade agreements may influence labour practices. For example, in 2000, Vietnam signed a bilateral agreement with the United States that included a social clause which may have had some influence over levels of compliance with international labour standards;

- positive government attitudes towards workers' organisations and the presence of active trade unions may help indicate good employment conditions for workers.

It is particularly important to develop a detailed knowledge of the laws and regulations that are designed to protect workers and how they differ from your code.

Don't forget to use informal contacts to collect information. Colleagues returning from visits can help you to cross-check what you read in official reports and websites.

In the process of researching the local context, you may come across documents in different languages and may need to engage the services of translators and/or interpreters.

#### Resource

For guidance on hiring translators and interpreters, see **Resource 18 Checklist for choosing interpreters and translators.**



#### ETI Country Information Portal

Our website provides a signposting service – the Country Information Portal – to country-specific sources of information about labour law and practice that are very relevant to the ETI Base Code. It allows all users to search for information by country.

The resources signposted cover the following types of information:

**National labour law** – this provides links both to actual texts of relevant legislation, and to law summaries and overviews prepared by various bodies.

**Assessment of labour conditions** in each country and the extent of compliance with Base Code principles and national labour law. Many of the resources focus on conditions in key export industries, for example, garments.

**Relevant contextual information** – relevant political, economic, social and institutional issues and structures.

All the summaries are based on individual interpretation and will have their own flaws, but they will give you a good start.

The portal also provides details of some of the specialist, paid-for resources that are available on labour laws and labour issues in specific countries. These tend to be better tailored to meet corporate needs than the free ones.

Go to [www.ethicaltrade.org/d/countryinfo](http://www.ethicaltrade.org/d/countryinfo)

We have listed other sources of information at the end of this chapter.



### Sourcing from countries in conflict

The political context in some countries can make it extremely difficult for companies to fulfil their ethical sourcing responsibilities, if for no other reason than the personal safety risks involved in checking conditions in supplier worksites. In these situations, ETI's advice is that whatever the context, companies have a responsibility for protecting the workers that they indirectly employ in those countries and ensuring that their suppliers are observing national and international labour law.

If you source from a country in conflict and/or where there are serious human rights abuses, it is important to liaise regularly with suppliers as well as local trade unions, NGOs and government, if appropriate, to keep up to date with the political situation. Frequent communication with legitimate trade union organisations is particularly important for checking whether they are calling for a trade boycott.

Burma is an obvious exception to this general principle because the present regime does not just turn a blind eye to labour rights abuses, it has actually encouraged slavery in order to gain a competitive advantage. Given the current climate, and the fact that the government-in-exile – the National Coalition Government of the Union of Burma (NCGUB) – has called for a boycott, we believe that brands should not be sourcing from Burma.

#### 4.3.1 Comparing national laws and regulations with your code

At some stage you will need to collect information on the differences between your code and national laws and regulations in your sourcing countries. Exactly when to do this will depend on how you sequence your activities, but a little preliminary research will help you decide whether to prioritise your implementation activities according to country, and if so, which ones you work with first.

In most countries, national laws and regulations comprise internationally agreed standards, based on ILO Conventions. These will be fairly similar to the standards embodied in the ETI Base Code, as these too are based on ILO Conventions.

ETI's policy is that members are required to comply with national and other applicable law, but where the provisions of the law and the Base Code address the same subject, the provision which affords the greatest protection to workers should be applied.

This may sound straightforward enough. The problem is that you will find instances where national law or practice is fundamentally at odds with your code and – assuming your code is based on ILO Conventions – even with internationally accepted human and workers' rights. For example:

- in some countries key labour and human rights are strictly limited by national law
- in China, constitutional guarantees are effectively denied in some places where export-industries are found.

#### Watch out!

...for export processing zones (EPZs). In some countries, while official government policy is that national labour laws apply here, violations of the law are commonplace. In other countries, the policy is to give employers in EPZs exemptions from all or part of national labour law. There have also been instances where the slogan 'no unions; no strikes' has been used as an incentive to investors.



*...for different laws applying for different types of workers.* In some countries the law differs for workers on temporary contracts and those with permanent contracts.

*...for differences between national law and regional law.* This applies particularly to minimum wage legislation. For example, India has different minimum wage legislation in different states. It is the responsibility of each state labour department, in consultation with industry, to set the wage rate.

*...for law enforcement lagging behind legislation.* Where enforcement lags behind the law – China, India and Vietnam are examples – ignorance and abuse of the law are common. National organisations, including trade unions, NGOs and community organisations, can be a valuable source of information on these issues.



You might find it useful to develop a checklist that identifies relevant local laws, what they mean, and which relate to which sections of the ETI Base Code in your key sourcing countries. You could then use this as the basis for questionnaires and checklists to explain your policy and support your assessment activities.

Your checklist could look something like this:

Code principle	Local law reference	Narrative of local law	Specific question in annotated code
1. Employment is freely chosen	Art II, Ch 3, para iii	Workers must be free to choose their work. No-one is obliged to work without a contract and corresponding remuneration	Protection from slavery and forced labour: no person shall be held in slavery or servitude or required to perform forced labour

If you do develop such a checklist:

- make it available in a language that is easily understood by the people you will be using it with, especially workers and management;
- where possible, develop it in conjunction with local organisations. Check whether local organisations have already developed their own code of conduct, and whether they are implementing it.

You may decide to include more detail on specific concerns at the local level, for example workers' rights during pregnancy, facilities for nursing mothers, childcare or rights of migrant workers. See the end of this chapter for sources of country/region-specific information on labour law and practice.

When you start to map your suppliers don't forget to allow flexibility in your strategy in accordance with your findings. For example, you may need to make substantial changes to it to take into account sudden political changes within countries.

**Case study 4.1 How Pentland builds information on issues in its supply chain**

Before Pentland carries out any significant code implementation activities in its sourcing countries, it compiles a report summarising labour law and other relevant pieces of legislation. Laws reviewed include factory law, laws concerning contract labour, child labour, discrimination, reproductive health, apprenticeship, social security, bonded labour, foreign labour, industrial relations organisations and occasionally criminal law. The company also visits government offices, international organisations and NGOs to help it build up a picture of some of the issues it might be facing in factories. It then carries out some short factory visits to investigate general conditions. The company says that the process of preparing these reports has 'provided a remarkably good basis on which to conduct our factory assessments. It also allows us to identify the main institutions for information, training and, if we are lucky, help with the assessments'.

**4.4 Mapping your suppliers**

The sections above indicated the general information you will need on labour issues in your industry and on your sourcing countries, and offered some suggestions on how to obtain the information. Once you have assembled it, you will have a better understanding of the challenges that your suppliers may face in complying with your code and of what to look for in audits.

This section provides guidance on the information you will need to obtain about each of your suppliers, the challenges you will face in obtaining it and the approaches our members have used to try to overcome these challenges.

**4.4.1 What information you will need**

Your company may already have some basic information about suppliers that you can use. Such information might include:

- whether you have a direct contractual relationship with the supplier
- what products or product lines you are supplied with
- how important the supplier is to product lines
- the location of the supplier, according to country/region
- the size of the supplier, according to volume or value

This kind of information might help you decide which suppliers to work with first. The information on industry-specific issues and on your sourcing countries may also indicate where you are more likely to find poor working conditions.

You will also need to obtain more specific information about supplier workplaces, as shown on the next page.

**Table 4.1 Information to collect on supplier workplaces**

<b>Workplace</b>	<ul style="list-style-type: none"> <li>• Where the work is actually performed</li> <li>• Number of workplaces involved</li> <li>• Number of shifts or the working time involved</li> <li>• Product or work performed at the workplace</li> <li>• Likely production activities at time of visit</li> <li>• Use of sub-contractors</li> </ul>
<b>Workers</b>	<ul style="list-style-type: none"> <li>• Number of workers involved</li> <li>• Employment status of workers and who the employer is. If the workers are not employees, then you need an understanding of their status and legal situation</li> <li>• Breakdown of permanent, temporary, casual, apprentice workers and homeworkers</li> <li>• Breakdown of workers by job description (eg clerical, production, maintenance, engineering, pickers)</li> <li>• Amount and terms of remuneration for workers, broken down by function</li> <li>• Breakdown of workforce by gender</li> <li>• Breakdown of workforce by age</li> <li>• Number of migrant workers (migrant workers are often discriminated against and given different conditions from other workers)</li> <li>• Whether there are families on site (eg, children on a plantation)</li> <li>• Extent and nature of any company-provided accommodation</li> <li>• Whether there are any collective agreements between trade unions and individual companies or an industry</li> </ul>
<b>Management</b>	<ul style="list-style-type: none"> <li>• Relationship between manager and owner (decision-making on employment practices can sometimes lie with absentee owners rather than hands-on managers, eg Taiwanese owners of factories in China)</li> <li>• Names of key managers</li> <li>• The different levels of management and the number of personnel at each level</li> <li>• Breakdown of personnel with operational control eg, managers in charge of recruitment, roster development, apprentices, overtime</li> </ul>
<b>General</b>	<ul style="list-style-type: none"> <li>• Languages spoken</li> <li>• How information is distributed to workers</li> <li>• Existence of workers' organisations and how to contact them</li> </ul>

**Watch out!**

Don't take it for granted that the supplier is always the employer. Suppliers use various kinds of contract to gain access to labour – for example, through labour-only sub-contractors. This practice is widespread in many countries. In India, for example, the ETI Impact Assessment Project found that up to 40 per cent of workers in some regions were employed by a contractor (For further information go to [www.ethicaltrade.org/d/impact](http://www.ethicaltrade.org/d/impact)). Suppliers may not be used to providing information on homeworkers or temporary workers, or those employed through sub-contractors, and may indeed be using these different contractual relationships to avoid their obligations under national labour law. Workers engaged through these arrangements may not be receiving the protection they should under the law (see section 4.6).



#### 4.4.2 How to gather the information

Many companies ask suppliers to fill in self-assessment forms, followed up by on-site inspections. These forms should be either sent out to establish a baseline (the situation prior to code implementation), or they should be sent to make sure they arrive at least four weeks before your first inspection visit so they can be returned before your visit. Questionnaires need to be understandable and manageable.

Self-assessment forms can:

- provide a useful indication of suppliers' understanding of and attitude towards labour rights (risk);
- simplify the task of collecting information during site visits. They may help you identify gaps in information so you can target the questions more effectively during your first inspection visit;
- help suppliers to think about what your code will mean for them in practice.

##### Watch out!

Although you can use self-assessment forms to help gauge suppliers' compliance with your code, it's important to treat the information supplied with great caution, particularly when you are dealing with suppliers who are accustomed to codes and know what the 'right' answers should be. For example, the ETI Impact Assessment Project found that self-assessment forms were often filled out by agents or importers on behalf of farms and factories, and that they often provided unreliable information. For example, they tended not to mention contract workers, who are often the most vulnerable to exploitation, when asked for details of workers.



##### Resource

An example of a self-assessment form is included in **Resource 13**. It was created by the Supplier Ethical Data Exchange (SEDEX) for use by its members (see case study 6.6).



#### 4.5 Scoping your supply chain for code implementation

Most supply chains are long and complex, rarely wholly transparent, with many different types of relationship involved at different levels – some formal and stable, some informal and ad-hoc. And if your product range is seasonal, or requires components from a variety of sources, this can make your task seem even more daunting. So unless your supply chain is very short and simple, finding out what working conditions are like among all your suppliers will not be quick or easy.

Your own supply chain will also undoubtedly overlap with that of other companies in your industry. This is a challenge if you want to assess the impact of your own code implementation activities with a supplier who is also receiving support and/or being monitored by one of your competitors, as it will make it difficult to attribute any positive change to your own interventions. But it also means that there is potential to pool monitoring resources with other companies where you have common suppliers. An initiative called the Supplier Ethical Data Exchange (SEDEX) – is working on this very issue (see case study 6.6 for more information).

Section 10.1 provides examples and suggestions on how companies can collaborate with each other to have a greater impact.

**Resources**

**Resources 11 and 12** give examples of supply chain maps from two ETI member companies (a retailer and a supplier).



When companies join ETI they often ask “how much of my supply chain should be included in the scope of my code implementation activities?” Our reply is that as companies are responsible for addressing labour practices in their whole supply chain, their code implementation activities should reflect this. In practice, they may do this on a gradual basis. This means that when they start out, they can limit the scope of application of their code provided that:

- this is clearly indicated in the preamble of their code;
- company publicity concerning the code also indicates its scope of application;
- the scope of application is greater every year;
- they include all types of workers in their scope (that is, members cannot scope permanent workers and exclude contract workers or homeworkers).

When you decide how much of your supply chain should fall within the scope of your code, you will probably base your decision on your understanding of both practicality and risk. These are some of the questions you could ask:

- *do you have a direct contractual relationship with the supplier?* If you do, you are more likely to gain access to its workplaces to assess their compliance, develop relationships of trust and make changes. This does not mean you cannot achieve any change with suppliers you don't have a direct relationship with, but the further away they are from you, the harder it is;
- *do you already audit the supplier for quality standards?* If you do, you obviously already have a relationship with them so they are clearly part of your supply chain;
- *what is the risk involved?* The likely risk of labour abuses at different levels of your supply chain could be a significant factor in determining how far down you go. For example, the existence of bonded child labour in cocoa farms in Cote d'Ivoire has prompted chocolate manufacturers to prioritise their activities at the bottom of the chain;

#### **Potential risk factors you could use to prioritise your efforts**

- supplier country
- amount of spend
- product type
- location of factories within Export Processing Zones
- particular elements of the Base Code
- tiers of supply chain
- scores on desk-based assessment of supplier questionnaires
- scores on risk assessments that include a site visit
- results of previous inspections
- concerns expressed by colleagues, for example buyers or quality team
- complaints from workers, trade unions, NGOs or other groups
- dialogue with external organisations such as trade unions and NGOs

It would be logical to start out by implementing your code at the highest levels of your supply chains first, although in our experience, this will vary according to what type of business you are in and also what sector you are in. For example:

- for fresh produce, the first level of implementation tends to be where the product is packed, which may or may not be on a farm;
- for food brands (producing tea, coffee and bananas), the first level is primary production at the farm, rather than where packing takes place;
- for general manufacturing companies, the first level generally means factories where products are finished, but not necessarily where they are packed.

Companies have chosen different approaches to prioritising their code implementation activities:

- most companies prioritise their key suppliers based on volumes bought, strategic value and/or duration of the supply relationship;
- many companies combine the above criteria with an assessment of the risk of code violations, often prioritising certain countries that are seen as high risk;
- a few companies prioritise on the basis of where labour practices are poorest, regardless of volumes purchased;
- where companies own their own production sites, these tend to be priorities;
- direct suppliers tend to be targeted before indirect suppliers.

Yet others place responsibility upon some of their direct suppliers to conduct their own inspections of those that supply to them, whether they are sub-contracted or are suppliers of components of the product.

None of the above approaches is the 'right' approach. Whatever method you use, think about whether it is:

- *credible*: can your company affirm that it has to its best ability ensured compliance with the code?
- *fair*: are your suppliers able and willing to undertake responsibility for ensuring compliance of their suppliers with your company's code?
- *appropriate*: does your relationship with that supplier allow you the stipulated level of access to their workplace/s?
- *possible*: can you identify every level of supplier and sub-contractor?
- *ethical*: are you committed to providing support to the supplier/s concerned? For example, are you going to keep buying from them?



**Tips**

*Don't be tempted to go for 'quick fixes'. If you do, you will soon discover that there is no such thing! Before you do anything, spend time to find out what the key problems are in your supply chain, which countries they are in and which types of suppliers, then make a plan with timescales, budgets and clear allocation of responsibilities.*



*Don't be put off by what might seem like a huge task. It will probably take years to obtain all the information you need. Set yourself annual targets to break down your task into manageable chunks.*

*Think about starting small. Some ETI member companies have started by mapping a small part of their supply chain, and used that information as the basis for developing their complete ethical trade strategy.*

*Remember that obtaining information on your suppliers is a continual process. Even if your supply chain is relatively stable, suppliers' profiles are always changing so you need to make sure you regularly prompt your suppliers to inform you of any major changes to their business and update your records accordingly.*

#### **Case study 4.2 Different approaches of ETI members to supply chain scoping**

Company X says that: "All sites will be included in our ongoing audit scope which means they will have a full ethical audit annually, and in some instances, follow-up audits. Further to this, the sub-contractors used as part of the manufacturing process have all been scoped for auditing. This encompasses 100 per cent of our direct manufacturing units."

Company Y says: "Phase 3 of our current strategy moves us onto second and third tier suppliers in detail."

Company Z currently scopes its "top suppliers (50 per cent intake at cost) and their highest leverage factories".

#### **4.6 Dealing with small production units, homeworkers, migrant and temporary workers**

Certain types of worker are harder to reach than others. Homeworkers and smallholders, for example, are often at the end of what can be very complex supply chains and can involve large numbers of small and geographically dispersed workplaces. And complex sub-contracting arrangements for temporary workers make them difficult to track down.

The practical challenges of assessing and improving the conditions of these categories of workers have often discouraged companies from implementing their codes with them. However, these workers are often the poorest and most vulnerable. Not only that, they may also represent a large proportion of the workers in the supply chain and so cannot be ignored.

Table 4.2 overleaf presents a summary of the main issues for each type of worker and where you can find out more information on how to respond if you find them in your supply chain.

**Table 4.2 Types of worker and key principles for companies****Homeworkers**

Key issues	Key principles for buying companies	Find out more
<p>Generally not given formal 'employee' status so have little protection under the law</p> <p>Officially 'invisible' so particularly vulnerable to exploitation</p> <p>Few belong to trade unions</p> <p>Employers don't take responsibility for health and safety</p> <p>Child labour</p> <p>Paid by piece – often paid less than factory workers</p> <p>Often work long hours during peak production periods with no day off and lack work at other times</p>	<p>Keep sourcing from homeworkers. This includes formally acknowledging and communicating the presence and important role played by homeworkers in your supply chain</p> <p>Work with local bodies – for example, homeworkers' associations, appropriate union organisations and suppliers – to develop an approach that is appropriate to the local situation</p> <p>Map your supply chain to understand where homeworking occurs and the role of all actors involved in the chain. ETI's extensive consultations with homeworkers indicate that where retailers or suppliers take action to improve homeworkers' working conditions without a full and detailed understanding of the complex chains beneath them, this can prove counter-productive and possibly damaging to their livelihoods</p>	<p>The ETI Homeworking Group has developed guidelines for companies on how the ETI Base Code can be applied with homeworkers: <i>ETI homemaker guidelines: recommendations for working with homeworkers</i>. These can be downloaded at: <a href="http://www.ethicaltrade.org/d/homeworkers">www.ethicaltrade.org/d/homeworkers</a> where you can find more information on the ETI Homeworkers Project</p>

**Smallholders**

Key issues	Key principles for buying companies	Find out more
<p>Lack of knowledge about labour legislation</p> <p>Forced, bonded labour</p> <p>Legal barriers to freedom of association and collective bargaining</p> <p>Health and safety issues</p>	<p>Keep sourcing from smallholders. This includes formally acknowledging and communicating the presence and important role played by smallholders in your supply chain</p>	<p>See box on page 60 on the <i>ETI smallholder guidelines</i></p>

**Table 4.2 Types of worker and key principles for companies (continued)**

<b>Smallholders (continued)</b>		
<b>Key issues</b>	<b>Key principles for buying companies</b>	<b>Find out more</b>
<p>Child labour prevalent</p> <p>Can be difficult to work out whether a living wage is being paid</p> <p>Can be discrimination among ethnic groups, between men and women and against migrant workers</p>	<p>Map your smallholders and assess their needs. Smallholders' characteristics vary greatly from place to place so it's important to carry out a proper assessment of their needs and priorities in different parts of your supply chain, then tailor your approach based on the findings</p> <p>Provide support down the supply chain. Retailers should work with their suppliers to help smallholders meet the labour standards in their code of conduct, for example by providing appropriate training</p> <p>Work with local bodies – for example, appropriate union organisations and suppliers – to develop an approach that is appropriate to the local situation</p> <p>Give it time. Smallholders tend to have very limited resources, so patience is needed. Develop a long-term action plan, putting in place incremental steps to improve labour conditions over time</p>	
<b>Migrant workers</b>		
<b>Key issues</b>	<b>Key principles for buying companies</b>	<b>Find out more</b>
<p>Extensive use by suppliers in many countries</p> <p>Often have different goals to local workers eg, desire to work longer hours to maximise pay</p>	<p>Make sure information on workers' rights is provided in relevant languages for migrant workers</p> <p>Get suppliers to recognise that respect for workers' rights includes migrant as well as local workers</p>	<p>Find out more about impact of codes on migrant workers at: <a href="http://www.ethicaltrade.org/d/impact">www.ethicaltrade.org/d/impact</a></p>

**Table 4.2 Types of worker and key principles for companies (continued)**

<b>Migrant workers (continued)</b>		
<b>Key issues</b>	<b>Key principles for buying companies</b>	<b>Find out more</b>
<p>Communication/provision of information is often a challenge because of language barriers</p> <p>Often lack awareness of their rights and terms and conditions of employment</p> <p>May not receive same benefits as local workers</p>	<p>Extra sensitivity is required when interviewing migrant workers as part of workplace audits/inspections</p> <p>Join forces with other companies to lobby government to provide social protection for migrant workers (see section 10.5)</p> <p>National union organisations and migrant workers' associations may be able to provide information on specific problems faced by migrant workers.</p>	
<b>Casual/contract workers</b>		
<b>Key issues</b>	<b>Key principles for buying companies</b>	<b>Find out more</b>
<p>Include many migrant workers (see above)</p> <p>Often not seen by suppliers as 'employees'</p> <p>Often not in receipt of benefits to which they are entitled</p> <p>Tend not to be unionised, rarely represented on workers' committees</p> <p>Often missed by auditors as complex sub-contracting arrangements make them harder to track down</p>	<p>National union organisations or NGOs may have more information on issues for casual/contract workers.</p> <p>Get suppliers to recognise that respect for workers' rights includes <i>all</i> workers in their company irrespective of length of employment or nature of contractual relationship</p> <p>Look carefully for 'hidden' workers in audits (see section 7.7)</p> <p>Extra sensitivity is required when interviewing casual/contract workers as part of workplace audits/inspections</p> <p>Join forces with other companies to lobby for legislation that extends employment benefits to non-permanent workers (see section 10.5)</p>	<p>Find out about the work of the Temporary Labour Working Group in the UK food industry in section 10.5 and at <a href="http://www.lpcode.co.uk">www.lpcode.co.uk</a></p> <p>Find out more about the impact of codes on casual/contract workers at: <a href="http://www.ethicaltrade.org/d/impact">www.ethicaltrade.org/d/impact</a></p>

**Table 4.2 Types of worker and key principles for companies (continued)**

<b>Casual/contract workers (continued)</b>		
<b>Key issues</b>	<b>Key principles for buying companies</b>	<b>Find out more</b>
	<p>Try to reduce sudden fluctuations in orders/short lead times with suppliers to reduce need for suppliers to hire short-term contract workers</p> <p>Advise suppliers to pay workers directly, not through third parties</p>	

**ETI smallholder guidelines**

Smallholders and the people who work for them are frequently marginalised, presenting a major challenge for Base Code implementation. In September 2005, after three years' work, we launched a set of guidelines for retailers, suppliers and others in the food industry on how to help safeguard and improve conditions for workers on smallholding farms.

Free copies of the guidelines in English, Spanish or KiSwahili can be downloaded from [www.ethicaltrade.org/d/smallholderguide](http://www.ethicaltrade.org/d/smallholderguide). Hard copies are also available from the ETI Secretariat.

**4.7 Keeping track of information**

Although the task may initially seem onerous, developing and maintaining a comprehensive database on the labour practices of your suppliers will benefit you in the long run by:

- enabling your staff to both input and access information on suppliers as required
- helping you assess the progress of your ethical trade strategy over time
- providing the information you will need if you decide to report publicly on your activities (see chapter 11 on public reporting)

**4.7.1 What information to collect**

When you develop your database, consider who needs access to the information and, in particular, what information is needed to track your progress over time and to prepare internal and external reports on your activities (see also chapter 11). As a guide to this, ETI requires corporate members to collect the following information for each site:

- general information indicating whether the supplier has been risk-assessed or inspected; how long the company has been trading with the site; the country of operation and the approximate size of its workforce;
- data on the percentage of the workforce covered by collective bargaining arrangements with recognised trade unions and the percentage covered by some other form of negotiation with workers' representatives;

- for each site which has been inspected, performance against each of the nine provisions of the Base Code. For each provision, sites are rated 1-4 using the following criteria:
  - major breaches
  - minor breaches
  - appears compliant
  - considered compliant based on historical data
- improvement actions where a major breach has been identified. These should be broken down by each principle of the Base Code. Companies should continue to report outstanding problems until the issue has been resolved as it will help to identify problem areas and keep attention focused on more intractable problems.

Companies are also asked to report:

- the number of suppliers scoped by their code
- the number of assessments carried out
- the number of non-compliances recorded
- the number of unresolved non-compliances reported
- numbers of improvement actions undertaken.

Bear in mind that all the above figures can be open to misinterpretation if taken out of context. For example, recording increased numbers of assessments carried out does not say anything about the quality of the assessments. And recording an increasing number of non-compliances every year could mean that you are getting better at detecting poor conditions, not that the conditions are getting worse.

### 4.7.2 How to collect information

If you don't already have a database that provides the information you need, you should be able to compile some information from existing sources – for example, financial records and buyers' lists. To collect additional information, you will need the help of staff in other departments as well as your suppliers.

Our members have found that buyers or product technologists can help to build up a picture of labour conditions in a workplace if they are given awareness training first.

People outside your company can help too. For example, your first-tier suppliers or agents should be able to provide details of where, and by whom, products are produced.

You may decide to engage a particular group of your suppliers in the first instance to help you map out the supply chain. This group could be your priority or first-tier suppliers, or those that supply a specific product group.

### Suggested action points

- Start to assemble information on labour issues in your industry using the resources identified in this chapter.
- Collect background information on your key sourcing countries. Consider what impact the political, economic, cultural and social context will have on your suppliers' ability to comply with your code. Use ETI's Country Information Portal to find out what free and paid-for resources are available [www.ethicaltrade.org/d/countryinfo](http://www.ethicaltrade.org/d/countryinfo)
- Consider how you are going to prioritise your implementation activities. Which risk factors will you use?
- Remember that although it makes good practical sense to prioritise your top tier suppliers, greater risk of labour abuses – and damage to your company's reputation – may lie further down your supply chain.
- Set your company annual targets for the next few years so you can measure your performance against them.
- Assess the likely prevalence of particularly vulnerable groups of workers – for example, homeworkers, smallholders, migrant and temporary or contract workers – in your supply chain. If you identify them, consider how you will assess and improve their conditions.
- Develop an appropriate system for tracking information on your suppliers.

#### Find out more

The following sources of information may be useful:

##### *Labour issues in general:*

- The International Labour Organisation [www.ilo.org](http://www.ilo.org)
- The International Confederation of Free Trade Unions (ICFTU) [www.icftu.org](http://www.icftu.org)
- The International Textiles Garment and Leather Workers Federation (ITGLWF) for the textiles and garment industry [www.itglwf.org](http://www.itglwf.org)
- The International Union of Food Workers (IUF) [www.iuf.org](http://www.iuf.org)
- The Clean Clothes Campaign (for the garment industry) [www.cleanclothes.org](http://www.cleanclothes.org)
- The National Resources Institute – Natural Resources and Ethical Trade Programme Section (good source of information for the horticulture industry) [www.nri.org/nret](http://www.nri.org/nret)



##### *Economic, social and political contexts*

General information on overall macro-economic and social conditions, the political and regulatory context, poverty levels and human rights issues can be found at:

- The World Bank, particularly its 'Country at a glance' tables [www.worldbank.org](http://www.worldbank.org)
- The UK Department for International Development [www.dfid.gov.uk](http://www.dfid.gov.uk)
- The United Nations Human Development Index for the country [www.undp.org](http://www.undp.org)
- Business and Human Rights Resource Centre [www.business-humanrights.org](http://www.business-humanrights.org) (further details at ETI's Country Information Portal)
- The government concerned (via diplomatic missions or government websites).



Specific information on applicable labour laws and regulations and the extent to which these are adequately enforced can be found in the following free resources:

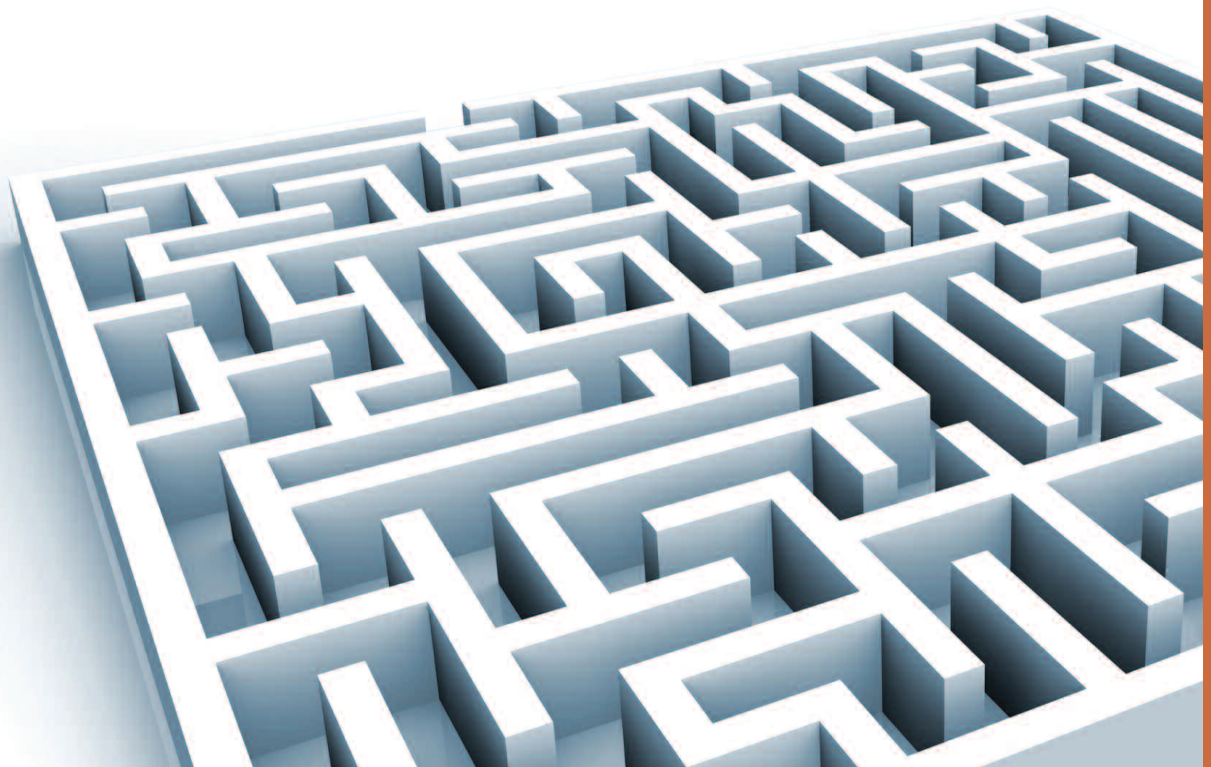
- **WTO and Labour Standards Country Reports**, available from the International Confederation of Free Trade Unions (ICFTU) website [www.icftu.org](http://www.icftu.org). The reports highlight the present position and shortcomings of each country in relation to the ILO core labour standards.
- **ILO NATLEX** database has abstracts (and sometimes the full text) of all national labour, social security and related human rights legislation, as well as relevant citation information for 170 countries and territories. This will not only help you track down key texts, it will also help those who are not legally trained to understand them.
- **Cal Safety Compliance Corporation (CSCC)** [www.cscconline.com](http://www.cscconline.com) provides brief (half-page) country profiles on its website. Coverage is quite variable between countries but the profiles are useful as an initial indicator of key areas of risk.
- **US State Department Reports** at [www.state.gov](http://www.state.gov) cover 196 countries and are updated annually. Each country report includes a section on workers' rights, which provides a brief overview of relevant law and labour practices on freedom of association and collective bargaining, forced labour, child labour, wages/living wage, health and safety and working hours.

Further details on the above sources of information can be found in ETI's Country Information Portal at [www.ethicaltrade.org/d/countryinfo](http://www.ethicaltrade.org/d/countryinfo)

In addition, the ILO (including its national offices), international trade union organisations and some NGOs can provide valuable information on labour law and practice in a particular country, including background information on working conditions, local laws and the social and cultural context. Local ILO offices can also provide access to contacts, local partners and information in-country.



# Communicating with suppliers



# Communicating with suppliers

## Learning objectives

- Why it's important to communicate with suppliers
- The key challenges and how to overcome them
- What you need to communicate
- Communicating with workers
- Overcoming resistance to trade unions

## 5.1 Why it's important to communicate with suppliers

Companies starting out on ethical sourcing need to communicate with suppliers as soon as possible and, ideally, throughout the development of their strategy. As suppliers are often sceptical about ethical sourcing, it is vital to build their trust and to get them to understand the potential benefits for them as well as what they actually need to do. All of this will help you get their buy-in, which in turn will make your ethical sourcing strategy more effective.

## 5.2 Some of the challenges and how to overcome them

### 5.2.1 Which part of your supply chain?

The first issue is working out exactly which part of your supply chain you need to communicate with. Eventually you will need to work with all the links in the chain to implement the code, and importers and agents can play a crucial role in encouraging, reassuring and supporting suppliers. But the more complex your supply chain, the harder this is going to be. ETI member company approaches include:

- a *tier-by-tier approach*, starting off with in-depth communication with top-tier suppliers and asking them to explain key messages to the next tier down;
- a *risk-based approach*, focusing on the industries and countries that are likely to have the greatest labour problems;
- *direct communication with all suppliers* if the supply chain is less complex and more transparent.

### Watch out!

Many buying companies use agents to source some of their products. The extent to which agents support your strategy will be very important in getting your message down to supplier workplaces. Some may either ignore company codes or try to 'look after' their suppliers by filling out assessment forms on their behalf, while failing to pass information to them. This is not always the case though, and some of our member companies have had some successes in getting their agents to work with them on communicating down the supply chain.

*"Suppliers are often sceptical about ethical trade, and unaware of the business benefits of improved standards in their factories, be it compliance with local laws, health and safety systems or improved labour relations. It is important to be prepared for resistance and ready to answer the question 'why should we be doing this?' "*

*Lesley Roberts*

*Group Business Standards*

*Adviser, The Pentland Group*



### 5.2.2 Managing time constraints

**Managing suppliers' time constraints:** if the people you are trying to communicate with are managers or owners of small or medium-sized businesses, they're likely to be very busy people with little time or inclination to think beyond their core business. So it's important to keep your communication as simple and straightforward as possible.

**Managing your own time and resource constraints:** communicating with suppliers should be ongoing and consistent across your company. Given the fact that your own resources are likely to be limited, it's important to use the other people in your company who have contact with your suppliers (such as buyers) to reinforce the same basic messages (see section 9.4.3 on incentivising buyers to get involved in ethical trade).

**Tip**

Regular and consistent communication with your suppliers from all parts of your business will help send a clear message that their labour practices are an important concern for your company, not an add-on. However if communication with suppliers is one-off or occasional, suppliers may feel less pressure to give your code more than cursory treatment.



### 5.2.3 Getting access to workplace managers

It can be difficult working out the lines of authority between those managing the workplace and those who own it. Check who is legally responsible for the workplace and who is empowered to make any changes. This may not always be the same person. For example, in China the people with the power such as factory owners are often based in Hong Kong, not near the workplace itself.

Dealing with suppliers who have multiple workplaces complicates the issue still further. It can be a challenge to make sure the information you provide is passed on to all the factories/farms owned by the supplier. Bypassing the supplier and going directly to the workplaces is arguably not going to help you build their trust and co-operation in the long run. This makes it all the more important to spend time with your suppliers to get their support for what you are trying to achieve, and to make sure that when you inspect their workplaces, you check that the information has been passed on to workplace management.

### 5.2.4 Persuading suppliers where you have little commercial leverage

If the commercial relationship between your company and its suppliers isn't strong – for example if they are a new supplier, if you buy only a small percentage of their output or if your commercial relationship with them is fleeting – getting them to listen to you in the first place, let alone to improve working conditions, may be difficult. Section 10.1 looks at how companies can join forces with each other to increase their leverage over suppliers where their ability to influence change as individual companies is weak.

### 5.2.5 Dealing with supplier scepticism

Many suppliers are sceptical about ethical sourcing. There are many reasons for this. They include confusion about what's actually being asked of them, frustration with the number of inspections they are subject to and questionnaires to complete (this is often called 'audit fatigue'), a sense that their customers are just 'laying down the law' and lack of reward for making the changes requested. These frustrations are often justified. A preliminary visit from your company or from another party (for example a representative of a trade association) can be a useful way of opening a dialogue. This gives the supplier the opportunity to learn about the issues and to understand what is required before the monitoring takes place.

It's important to be prepared to answer difficult questions. Some typical supplier objections and suggested responses are shown below.

**Table 5.1 Typical objections from suppliers**

Typical objection from a supplier	Suggested response
'There are so many codes – it's too confusing'	Your code of labour practice should include all the principles of the ETI Base Code. Go through these principles with your supplier. You can tell them that while companies do have their own different codes, what is important is that they contain the same nine core principles.
'Buyers only care about cost and delivery time'	Point out that consumers in the West increasingly want to know about the conditions in which products are made. Explain any initiatives your company is making to help reduce cost and price pressures on suppliers (see table 9.2).
'I can't afford it – I've got a business to run'	Reinforce the business benefits of compliance (see section 5.3.1).
'It's buyers laying down the law again'	Point out that it is not your law that you are advocating. As your code should be based on ILO Conventions, and most countries have enacted these in their labour law, you are simply asking them to comply with the national law.
'If I fail an audit I'll lose business'	You need to reinforce the message that audits are not pass/fail exercises. They are meant to diagnose problems, not to police suppliers. Explain that you expect your supplier to tackle serious problems immediately but that you will help your supplier to develop a plan to resolve issues over time (see chapter 8 on corrective actions).

#### ETI poster for suppliers

ETI has developed a poster that companies can distribute to their suppliers to help answer some of the above key concerns. Hard copies can be obtained from the ETI Secretariat, or an A4 pdf version of the poster can be downloaded from our website at:  
[www.ethicaltrade.org/d/supplierposter](http://www.ethicaltrade.org/d/supplierposter)

Section 7.3 provides some tips on building trust with suppliers during your initial visit to a worksite.

### Case study 5.1 Addressing audit fatigue – the Joint Initiative on Corporate Accountability and Workers' Rights

ETI is working with five other multi-stakeholder labour standards initiatives (CCC, FWF, SAI, FLA and WRC) to develop a joint project to develop common guidelines for implementing some key aspects of codes of labour practice. The group is currently working on a pilot project in Turkey which aims to:

- improve working conditions and the observance of international labour standards in participating garment factories in Turkey;
- develop a shared understanding of the ways in which codes of labour practice contribute to this end; and
- generate viable models for ongoing co-operation between the different organisations.

Having tested the various approaches in the pilot, the project will develop guidelines that can support other efforts to improve working conditions through the implementation and use of codes of labour practice. It will disseminate these guidelines, together with learning gained on the pilot about the implications for policy.

[www.jo-in.org](http://www.jo-in.org)

#### Watch out!

Regardless of your approach to getting your suppliers to buy in to your code, some suppliers will remain resistant, and you need to consider what action to take when this happens. For example, you could collaborate with other companies to exert pressure (see section 10.1 for more information on collaboration with other companies). But if the worst comes to the worst and your supplier adamantly refuses to change, you will have to find another supplier.



## 5.3 What to communicate

ETI member experience suggests that your communications with suppliers should explain what prompted you to act (for example, consumer demand, media pressure) and what your code says and means.

You should also communicate:

- the benefits of working towards compliance
- how the supplier can work towards compliance
- what will happen if the supplier doesn't comply
- the importance of involving workers.

#### Resource

**Resource 14** shows excerpts from a draft standard letter intended for use by an ETI member company with its suppliers. The letter sets out the company's commitment to being a good corporate citizen and to working with its suppliers to improve their business standards.



### 5.3.1 Explaining the business benefits of working towards compliance

Our members have found the following to be useful tools of persuasion:

- more business (although of course you can only do this if you are able to follow through on this; table 9.1 addresses the question of committing to suppliers);



- a happier workforce: this should improve retention and productivity;
- lower induction training costs as a result of increased retention;
- improved productivity and product quality: measures to improve efficiency can reduce pressure on employees to work excessive hours. The case studies below show that improved labour standards can help productivity;
- improved calibre of the workforce: recruitment should be easier if the company is seen as a good place to work;
- reduced social costs – for example, absenteeism, sickness, dealing with grievances and so on.

### Resources

**Resource 15** is a diagram for suppliers that aims to outline the business benefits of compliance. It forms part of a 'workbook for suppliers' developed by Co-operative Retail, Marks & Spencer and other companies which aims to help suppliers understand what steps they need to take to comply with codes of labour practice (See case study 10.7 for more information on this). **Resource 16** is an example of a presentation given by a food company to its suppliers, with case studies of how suppliers' businesses have benefited from addressing various principles of the ETI Base Code.



### Case study 5.2 Linking productivity and worker welfare in African horticulture

A study carried out by the Institute of Development Studies of the African horticultural sector found that some producers saw codes of labour practice as a "useful management tool" which contributed to a "culture of change" within the horticultural sector. The study found that most producers "also realised that achieving quality standards (for access to lucrative markets) required more 'professional' farm management, including better human resource management, and some saw a direct link between worker welfare and productivity."

### Case study 5.3 The benefits of adopting management systems for code compliance – Brandix in Sri Lanka

Brandix, a Sri Lankan garment manufacturer, was encouraged by one of its customers to work towards SA8000 certification. As part of this process it developed its own code of practice and policies and procedures to implement the code, allocated responsibilities at all levels and trained all staff in the new systems. The result has been not only improved conditions for workers, but concrete business benefits. These include increased productivity (achieved through shortened production cycle times and more reliable product quality) and improved labour retention (labour turnover was under two per cent per month in 2005).

### Case study 5.4 The benefits of adopting management systems for code compliance – The Prem Group in India

A client of The Prem Group in India implemented a quality management standard (ISO9000), an environmental management standard (ISO14000) and SA8000 management systems. Implementation of these standards has led to substantial improvements in the company's management systems and practices. This has allowed the company to reduce overtime and pay a living wage, while also making many operational improvements.

<sup>1</sup> Smith, S. et al (2004) *Ethical trade in African horticulture: gender, rights and participation*, IDS Working Paper 223, June.



### 5.3.2 Explaining how to work towards compliance

Giving guidance to your suppliers on code implementation could include some or all of the following:

- preparing a user-friendly guidance document explaining how suppliers can implement the code;
- providing simple lists of 'do's and don'ts';
- holding induction workshops introducing the code and how to implement it;
- helping suppliers to introduce or improve existing management systems to facilitate code implementation;
- facilitating ongoing dialogue between suppliers and local trade unions and NGOs in the country/ies concerned;
- putting suppliers in touch with each other so they can share good practice on code implementation (see section 10.2.3); and
- facilitating training on workers' rights through local unions or other community-based initiatives. This may be particularly appropriate where suppliers are subject to more than one corporate code.

You could also consider providing training to your suppliers. This could be for:

- company or commercial managers – for example, managing directors, human resource managers, account managers;
- local site managers at factories or farms – for example, supervisors and site managers;
- shop stewards, workers' committees or other worker representatives.

Section 10.2 looks at how buying companies can help build the capacity of their suppliers to make improvements and provides examples of what some of our members have tried.

#### Resource

**Resource 17** provides an example of a typical agenda used by one of our member companies for its supplier 'awareness raising' workshops. These are aimed at informing groups of suppliers in key sourcing countries about the company's code, the ETI Base Code and requirements for compliance, and sharing experiences.



### 5.3.3 Explaining what will happen if suppliers fail to comply

This explanation has to be carefully managed. Suppliers often believe that workplace audits are a test to be passed and that, if they fail, they will lose business. This is one of the reasons why many suppliers have different sets of records - one set that presents the true situation and one that makes them appear compliant (see section 7.5.2 for information on how to address this issue in workplace inspections). To overcome suppliers' fear of being 'caught out' it is very important to explain to them that:

- the purpose of inspections and audits is to find out where the problems are so you can try to find a solution together. They are not a test to pass or fail;
- you prefer working with suppliers who are honest and open about their problems, because that means you can help them do something about them.

At the same time, you need to communicate to the supplier that:

- although you don't expect them to be perfect, you do expect them to improve over time, so you need to see progress year-on-year;
- there is an ultimate sanction. If there are serious issues – such as forced or bonded labour, or if the supplier shows no sign of willingness or interest in changing – you will cease to trade with them.

### 5.4 Communicating with workers

Your ethical trade strategy should also address the need for communication with workers. It is important to work with your suppliers to inform workers of their rights and the purpose of inspections and encourage them to respect the rights of workers to join and form trade unions and bargain collectively. And once you have more experience in ethical trade, it is worth thinking about how you could encourage suppliers to involve workers more proactively in developing their own systems for code compliance.

#### 5.4.1 Helping suppliers educate their workers about your code and their rights

##### ***Why this is important***

Workers may not have any knowledge of their rights, of ILO Conventions or codes of practice and may not have been involved in an inspection before. Educating workers about their rights and the purpose and process of inspections may encourage them to be more open in interviews, which will strengthen the credibility of inspection and audit findings. Building their understanding of their rights may help lay the groundwork for more on-site dialogue between workers and management, as workers grow more confident.

##### ***What you can do***

Suppliers are often reluctant to let their workers know what their rights are. Overcoming their resistance may be an uphill battle and needs to be handled carefully, but it is possible.

At the most basic level, you could advise suppliers how they can explain to workers the contents of your code and their rights under national law. For example you could ask them to:

- place your code on site notice boards in languages appropriate to the workforce concerned;
- include a copy of your code, in appropriate language(s), in employee contracts and induction materials;
- organise meetings to explain your code;
- explain your code to the union or the workers' committee and ask them to pass information to other workers;
- use trade unions or other independent organisations to brief workers on their rights; and
- include your corrective actions plans from assessments on site notice boards. This is particularly effective if the plan is translated into the relevant local language.

You could help in this by preparing materials for them to pass on to their workers, for example:

- developing *information leaflets* for distribution to workers  
(**Resource 20** provides suggested text for a worker information leaflet developed for the ETI Collective Risk Assessment Project)

- provide posters to put up in the workplace. These can be particularly useful, especially if there are no trade unions in the workplace. If you do so, it's worth bearing in mind that, in our members' experience, posters that set out the local labour laws may be more relevant to workers than your own code. Also remember that posters need to be in the language used by the workers concerned.

Make sure that whatever materials you provide are appropriate to the local culture.

See also section 7.2.1.

### Case study 5.5 Different tools for educating workers about their rights

The following tools have all been developed in ETI working groups or by individual ETI members. All of them provide useful examples of how workers' rights can be depicted simply but effectively.

#### **ETI: Sri Lankan workers leaflet**

This leaflet was developed for use in an ETI experimental project to test different approaches to auditing. It is designed to increase Sri Lankan workers' understanding and knowledge of ETI and ethical trade. It is available in Sinhalese and English and can be adapted for use in other industries and countries.

[www.ethicaltrade.org/d/srilankaleaflet](http://www.ethicaltrade.org/d/srilankaleaflet)



*Has something been put on the notice board? Yes, the management has put something for us to read, let's have a look.*

#### **Chiquita: Booklet on workers' rights**

In 2003, Chiquita developed a booklet to explain the key concepts of its code of conduct to an audience with limited education and reading skills. It then trained over 13,000 of its employees using the booklet. Union leaders also participated in the training.

**Excerpt from ETI Sri Lankan workers leaflet**

### DISCRIMINACION

Chiquita no permite ningún tipo de discriminación por:

- Raza.
- País de origen.
- Religión.
- Impedimento físico.
- Género.
- Orientación sexual.
- Participación en sindicatos u otras organizaciones.
- Afiliación política.
- Veteranos de guerra.
- Edad de los empleados mayores.



La Compañía da empleo, paga, capacita, promociona, despide y pensiona sólo basado en la capacidad de los trabajadores al realizar su función.

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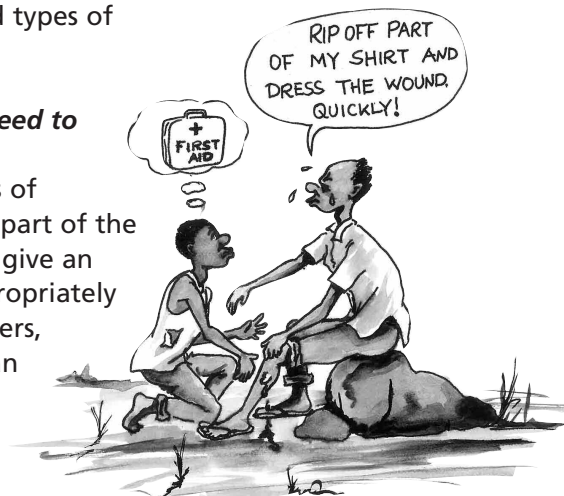
**Excerpt from Chiquita workers' rights booklet**

**Marks & Spencer: Video on workers' rights**

In January 2005, Marks & Spencer launched a video to educate workers in its supply chain about their rights. The video was put together from a variety of existing photographs and filming from auditing and due diligence trips and was designed to be as generic as possible, to ensure broad coverage of industries, countries, and types of workers.

**ETI: Working for a better life: what smallholders need to know**

This booklet explains the rights and responsibilities of smallholders and their workers. It was designed as part of the ETI Smallholders Project for the Kenyan context to give an indication of how to communicate clearly and appropriately on labour standards issues with this group of workers, but can be adapted for use in other countries. It can be found at [www.ethicaltrade.org/d/betterlife](http://www.ethicaltrade.org/d/betterlife)



Excerpt from ETI booklet for smallholders

## 5.5 Persuading supplier management to engage with trade unions

**Why this is important**

This can be a major challenge, particularly in countries where fear and mutual distrust between unions and management is the norm. But freedom of association and collective bargaining are core principles of the ETI Base Code and if these rights are enforced, workers should ultimately be able to monitor and take control of their own conditions. You can also play a role in helping supplier management overcome their fear of trade unions.

**What you can do**

- Demonstrate the business benefits of engaging with trade unions – for example, reducing strikes and stoppages, which will boost productivity;
- Explain to your suppliers that if they don't promote freedom of association or collective bargaining, either your brand or theirs will be under constant threat;
- Use appropriate language. In contexts where managers fear and distrust unions, as a first step you could explain the benefits of listening to workers and of developing human resources systems that build in mechanisms for them to be able to share their views with management; and
- Give your suppliers concrete examples of how companies have had good experiences of working with trade unions.

The case study below provides an example of how one supplier has benefited from engaging with trade unions.

### Case study 5.6 How Gap Inc. persuaded supplier management to engage with trade unions

In 2002, Gap Inc. came under pressure from two unions to address allegations that management was interfering with workers' right to freedom of association in Precious Garments, one of their supplier factories in Lesotho. As the situation in the factory escalated, Gap sent a team to visit the factory and meet the Lesotho Clothing and Allied Workers Union (LECAWU), the local union (affiliated to ITGLWF). After many phone calls, emails, factory visits and 'headaches', management agreed to hire new supervisors, meet and discuss issues with LECAWU and allow the union to distribute information to their workers.

For managers at Precious Garments in Lesotho, the benefits have been:

- reduced threat of embarrassing external arbitration referrals
- early and genuine signals of worker grievances, which helps to eliminate tensions and poor worker morale
- cost-effective disciplinary processes
- efficient interaction with trade union officials
- improved trust between management and workers, leading to a better working environment based on a culture of co-operation.

## 5.6 Getting suppliers to involve workers in code implementation

### *Why this is important*

Suppliers can also involve workers directly through their trade unions or other legitimate workers' representatives in code implementation itself: for example, educating workers about codes, contributing to audits and making sure corrective action plans are implemented. The more workers are involved, the more likely that the issues that are of critical importance to them will be addressed.

### *What you can do*

- Encourage managers to involve trade union representatives – or other worker representatives – in opening and closing meetings of inspections;
- Allocate responsibilities for making improvements at all levels – not just management and supervisory levels – making sure you involve the relevant union/s, or other legitimate worker representatives;
- Carry out an employee satisfaction survey, to find out what workers' real concerns are, so any improvements made reflect those concerns. Again, make sure you involve unions or other legitimate worker representatives;
- Develop a confidential complaints mechanism. It's important that workers are able to make anonymous complaints if they witness, or are subject to, a violation of their rights.



### Case study 5.7 Educating workers – starting small

Monsoon Accessorize found that workers were reluctant to use personal protective equipment (PPE) in one of their supplier factories, and that the air in the factory was contaminated with solvent fumes. After discovering that workers were using up to ten times the amount of solvent needed to clean their machinery, it then educated workers about why it is important to wear PPE and how much solvent they actually needed to use to clean the machinery. The company believes that by educating workers, changing the masks they were using and evacuating the fumes to the outside of the factory, they have created an effective solution.

### Suggested action points

- Decide what approach you are going to take (such as risk-based, top-tier suppliers first) for communicating down your supply chain. Set some targets for how far down your supply chain you think you can realistically go in a given period.
- Develop your communications tools for suppliers. These may include standard letters for suppliers introducing them to your new code; presentations and/or leaflets and workshops with groups of suppliers.
- Make sure your communications tools for suppliers include, as a minimum, a request that suppliers inform workers of their rights, perhaps by placing copies of the code in appropriate language/s on site notice boards.
- Make sure you are prepared to deal with suppliers' questions on code compliance promptly and constructively. Be prepared to provide case studies/examples of how code compliance has benefited other suppliers.
- Consider how you are going to persuade supplier management to engage with trade unions – for example, with case studies or practical suggestions for making small changes in the right direction.

#### Find out more

To find out more about why freedom of association and collective bargaining are important and what can be done to get suppliers to understand and protect these rights, read the report of our members' roundtable: ETI (2005) *Freedom of association and collective bargaining*, seminar report.

[www.ethicaltrade.org/d/rt-foacb](http://www.ethicaltrade.org/d/rt-foacb)

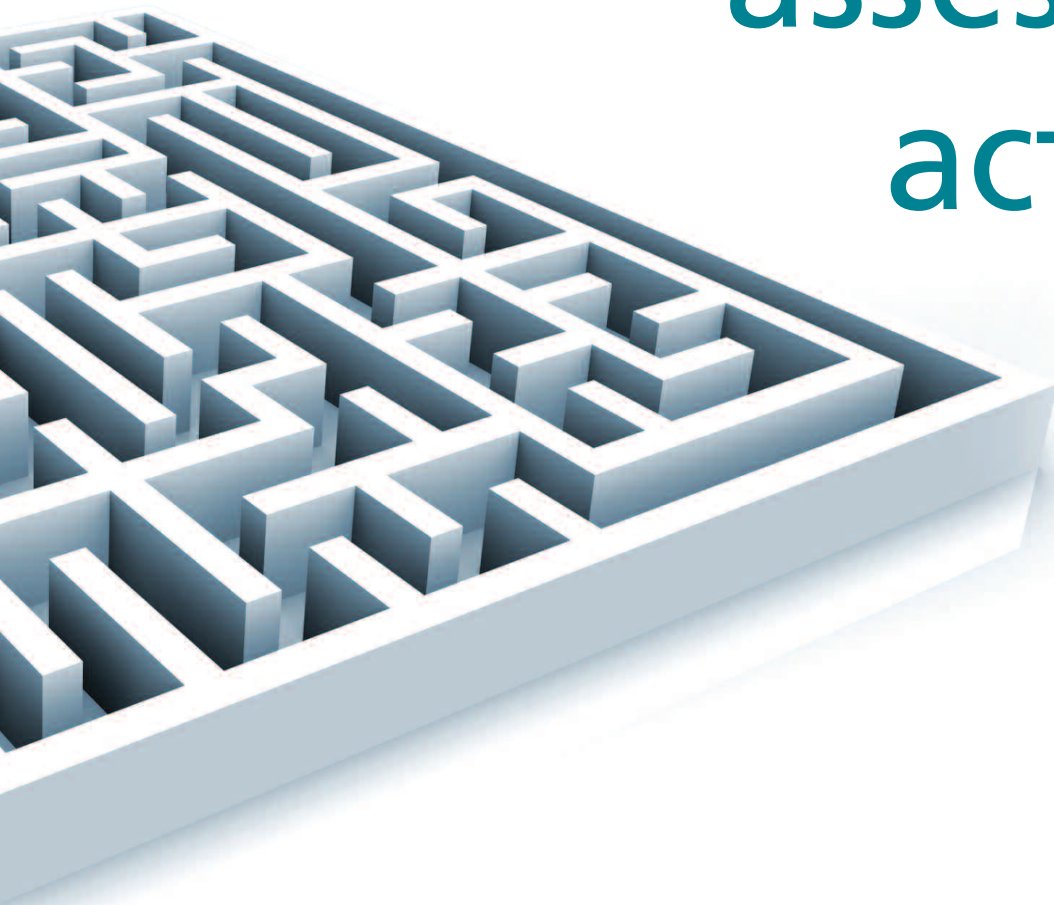
The above report should be read alongside an accompanying guidance document: ETI (2005) *Freedom of association and collective bargaining*, ETI Briefing. This explains what these rights mean, what typical abuses are, and how companies can monitor and promote them. [www.ethicaltrade.org/d/brief-foacb](http://www.ethicaltrade.org/d/brief-foacb)



**Part 3**

Assessing supplier worksites and  
following up on improvements

# Planning your assessment activities





# Planning your assessment activities

**This chapter's learning objectives are:**

- Prioritising your assessment activities
- Different types of assessment
- Getting the right team
- Operational strategy for inspections
- Developing checklists
- Who pays?
- Planning for verification
- Measuring progress

***"In the past, we as an industry have spent 80 percent of our resources on monitoring and 20 percent on actually changing working conditions. This needs to be reversed."***

*Michael Kobori  
Vice President,  
Global Code of Conduct,  
Levi Strauss & Co.*

## 6.1 Why it is important to assess your suppliers

Assessing your suppliers' worksites for their compliance with your code should be a vital component of your ethical trade strategy. If implemented effectively, your assessment programme should enable you to:

- develop a baseline against which you can start to measure suppliers' progress year-on-year;
- diagnose problems, so you can start to work with suppliers to develop solutions; and
- build up information to better prioritise your code implementation efforts.

If your company is starting out in ethical trade, this may be where you concentrate your efforts in the first few years. Depending on the size of your company, once you have gained experience in assessing conditions, diagnosing problems and working with suppliers to rectify them, you should then be able to place more efforts in other important activities – particularly building supplier capacity (see section 10.2), integrating ethical trade across your business (see chapter 9) and working with other organisations to support wider change (see chapter 10).

## 6.2 The importance of planning

By the time you start to assess supplier workplaces you should also have started to make progress on the other important aspects of your strategy – for example, building ownership within your company, deciding who you're going to work with and informing your suppliers of what you want to achieve and why.

To get the most value out of your assessment activities you need to plan carefully how you are going to manage them. These are the basics to consider:

- how to prioritise activities
- what types of assessment to use
- who is going to carry out the assessments
- what resources will be needed – and who is going to pay for inspections
- an operational strategy for inspections – for example lead times, announced and unannounced visits.

### 6.3 Prioritising your assessment activities

As a basis for this you might find it useful to divide your suppliers into different risk categories (for example, high, medium and low risk), although it will make sense to use practical considerations too.

The criteria you use to prioritise assessment activities will probably include a combination of the following:

- *countries* – either (a) perceived risk of code violations or (b) volumes purchased, or a combination of the two
- *type of product* – either (a) perceived risk of code violations or (b) volumes, or a combination of the two
- *suppliers* – either a) importance of supplier based on volumes bought, strategic value and/or duration of the supply relationship or b) perceived risk – for example using scores on desk-based assessments
- *complaints* from workers or from external stakeholders – about specific products, suppliers, countries and so on.

#### Tip

Try carrying out a few initial audits to build up your experience and get a proper feel for the length of time needed to inspect workplaces of different sizes, particular issues to look out for, how to cross-check records and so on. Think about what you have learned and how you could adapt your approach accordingly, then develop your plan.



#### Case study 6.1 How Co-operative Retail prioritises its assessment activities

Over the past four years, Co-operative Retail has focused attention on areas of perceived risk based upon a number of criteria:

- feedback from suppliers through completion of its supplier self-assessment questionnaire (or potentially lack of feedback when anticipated);
- suppliers' level of understanding of workplace standards in certain industries or countries;
- general awareness of workplace standards in certain industries or countries, particularly where these are non-compliant with the ETI Base Code based on information gained from ETI contacts, fair trade activity, NGOs and trade unions, the media and other relevant sources;
- feedback from agents in contact with primary producers;
- risk assessment on site by Co-operative Retail personnel;
- complaints about suppliers when received.

### 6.4 Using different types of assessment

How often should you assess your suppliers and what type of assessments should you use? Some of our members inspect each of their first-tier suppliers at regular intervals – up to two or three times per year. Others carry out more in-depth assessment activities in smaller sections of their supply chain, so they can get a better understanding of underlying problems and test approaches to dealing with them before rolling out their assessments to larger parts of their supply chain.

Whatever approach you take, it is likely that you will need to use a combination of different assessment tools to make the most effective use of your resources. These could include questionnaires, workplace inspections, interviews, audits and so on. Assessments can be either desk-based or involve physical visits to sites.

As we indicated in section 4.4.2, desk-based assessments, which involve asking suppliers to fill in and send back questionnaires, can be a useful and cost-effective way of finding out basic information on suppliers and assessing risk. These tend to be more useful with suppliers who are not used to codes of labour practice, as they will be less likely to know what the 'right' answers are. But there is no substitute for actually visiting the workplace and getting first-hand information.

Our corporate members generally use site visits for either:

- assessing risk, to give an initial overview of the supply base so they can work out where to target deeper inspections. Typically these involve one individual from the company visiting a site for a day, to get a quick overview of conditions; or
- carrying out full inspections or audits – in other words, visits made for the purpose of determining whether the supplier is complying with the Base Code. These tend to fall into the following categories:
  - internal inspections (carried out by company staff) – either for selected code items or for the whole code;
  - external inspections (carried out by external auditors) where code questions are added to technical audits;
  - partial or full-scale audits;
  - a detailed look at a particular issue.

Inspections will help you identify what improvements are required at each site, and can be the basis for drawing up improvement plans with suppliers.

#### 6.4.1 Using site visits to assess risk

In 2004, we developed the *ETI Collective Risk Assessment Toolkit* for members to use as an additional stage between desk-based risk assessments and full audits. The tool is a 'one-day, one-person' risk assessment which can be used to identify significant areas of non-compliance, as a means of targeting deeper inspections. The toolkit is available free of charge (see the box overleaf).

Bear in mind that the toolkit has practical limitations and may not be appropriate for all suppliers. For example, it is unlikely to be appropriate in industries or countries where there is a known or perceived high risk of non-compliance; it is not appropriate for sites where detailed information is not available in advance, where extensive interpretation is required for worker interviews and where operations are complex and/or involve off-site production activities.

Many companies use the risk assessment methodology as a substitute for full inspections, though this is not advisable. Although some of the tools and techniques you use will be very similar, a risk assessment is not a full inspection or audit and should not be used as such. For example, it cannot provide a full health and safety review; at best it can offer a check on key issues such as whether fire exits are provided and functioning.

If you use the toolkit, make sure the companies you are assessing have time to prepare in advance of a visit. As for all other types of assessment, workers need to be notified so that they can contribute effectively.

### ETI Collective Risk Assessment Toolkit

*The Collective Risk Assessment Project: towards a credible one-day risk assessment of labour standards* describes the lessons learnt by an ETI tripartite group in developing the risk assessment methodology. It also provides a full Risk Assessment Toolkit, which comprises:

- an *application framework*, which sets out the conditions under which the approach may be appropriate
- a suggested *worker education leaflet* to notify workers of the assessment
- a suggested *critical path* to be followed
- a suggested *client information form* to send to the site before the assessment visit
- a suggested *assessment report* to complete at the end of the visit.

It is important to note that this risk assessment methodology is only one step in a chain of processes. It can assist with prioritising areas requiring further attention, but should not be seen as an end in itself. The entire toolkit should be used if the approach is to be effective and credible.

You can download both the report and the toolkit from the ETI website at [www.ethicaltrade.org/d/cra](http://www.ethicaltrade.org/d/cra)

## 6.5 Getting the right team

### 6.5.1 What makes for an effective inspection team?

As well as having the technical and auditing skills required to inspect environmental, quality or safety standards, the people you use to carry out assessments of labour standards will also need to be able to gain the trust of workers, understand different social and economic contexts, and use a range of different methods of obtaining information. Some of these skills have more in common with social science research methodologies than traditional auditing techniques. It also helps if your teams are naturally inclined to be observant, inquisitive and sceptical, and to question authority.

In our experience, good inspection teams should have:

- both male and female members. It is particularly important that inspection teams include women where the workforce is predominantly female;
- knowledge and understanding of the production process, the materials used and how production records are kept;
- an understanding of wage systems and record keeping;
- knowledge and understanding of the ETI Base Code, relevant international labour standards, applicable laws and regulations;
- knowledge and understanding of the local situation including relevant local culture or customs;
- knowledge and understanding of health and safety standards and practice, including industry-specific standards and best practice;
- the ability to speak the language/s used by the workers concerned;
- the ability to record and report in a transparent and professional manner;
- the ability to conduct effective interviews – particularly important with worker interviews;
- the ability to detect non-verbal cues from interviews (for example, body language, facial expressions);
- a '360 degree' view (for example, the cafe on the corner can sometimes provide better information than site interviews);

- the ability to negotiate (solutions are not usually black and white);
- knowledge and understanding of trade unionism and worker representation.

The ideal size of the inspection team depends on how large the workplace is, how many days are allocated for the visit and what is feasible in the circumstances. ETI experimental projects have used teams of between two and seven people.

#### Resources

**Resource 18 Checklist for choosing interpreters and translators** provides guidance on selecting appropriate consultants. See also **Resource 19 Desired competencies for assessors**.



#### Tip

It is unlikely that your inspection team will start off with all the skills required. It is worth making an initial investment to provide training for the team to ensure that they have all the necessary skills and knowledge to audit labour practices. See Section 2.5 for guidance on assessing training needs, and the listings of training providers on the ETI website for names of appropriate providers (please note that this information is currently only available to ETI members).



### 6.5.2 Different types of assessor

Your company is responsible for inspections but you may wish to bring in others to help. The choice of inspection team will depend on the availability and capacity of different types of assessor, and the type of producer (for example, smallholder, homeworker, factory, plantation).

ETI members have tried various types of inspection team, most of which fall into the following categories:

- *Quality team, technologist and/or ethical sourcing/trading department from the sourcing company.* In many cases, companies have developed combined systems where different staff are employed to help implement different aspects of the company's monitoring. For example, in-house ethical trade teams that have been trained to inspect labour conditions may be used to carry out initial inspections and/or full-scale audits, while follow-up inspections are then taken over by other teams, for example, technologists or buyers.
- *Corporate in-country offices/local ethical trade staff.* Where companies have a significant presence in key sourcing countries, they often use in-country offices to carry out their assessment activities. Many of the larger companies have dedicated in-house ethical trade staff.
- *Private certification and auditing companies.* These companies offer services ranging from conducting inspections of workplaces on behalf of the client company, to acting as verifiers of previous inspections conducted by the client company itself.
- Some companies have experimented with inspections involving some form of collaboration with an external non-profit organisation – for example, local NGOs with expertise in labour issues, academics or officials from local labour inspectorates. The external organisation may participate in the inspection as a full member of the team or, in some cases, they may be invited along to 'shadow' the audit and provide external verification that the audit process used is credible. The use of external organisations to verify audits is discussed in section 6.7.3.

### Multi-stakeholder inspection teams

Many of ETI's experimental projects – for example in Zimbabwe, South Africa and Sri Lanka – have sought to test the effectiveness of multi-stakeholder inspection teams, including as a minimum, local trade union organisations and NGOs that have expertise in labour issues and sometimes also academics, representatives of community organisations and/or government officials. There are many benefits to using these kinds of teams, including greater local involvement, a greater degree of independence, greater accuracy of findings and strong credibility with trade unions and NGOs. However they are resource-intensive and we have no evidence that our members are using multi-stakeholder audit teams outside the context of ETI projects. One of the reasons for this is likely to be a lack of capacity on the part of many local NGOs and trade unions to take part effectively.

As a partial solution to the problem of local capacity, local 'multi-stakeholder initiatives' have been established in a few countries to monitor and improve conditions in specific sectors. These are made up of different stakeholders including producers, buyers, trade unions and NGOs. Where these initiatives exist, it is worth engaging with them as they will have an in-depth understanding of local, sector-specific issues. But they remain few and far between and so the experience of ETI member companies of working with them is limited. Chapter 10.4 provides details of some existing multi-stakeholder initiatives.

### 6.5.3 Pros and cons of different types of assessor

The following table describes the experience of ETI members with different types of inspection team.

**Table 6.1 Pros and cons of different types of assessor**

#### Quality team, technologists and/or ethical sourcing unit

Advantages	Disadvantages	If you use this kind of team
Sends a signal to suppliers that this is part of the normal trading relationship. This is intensified if the inspection team includes buyers	Dedicated resources in-house may be inadequate, which can undermine the inspection programme	If you are inspecting labour standards as part of a technical/quality audit, make sure it is given sufficient weight and not just 'tacked on' at the end of the day
The supplier may be more willing to take corrective actions	May not have sufficient skills and experience to talk to workers in a way that encourages openness. This is particularly important when gathering sensitive information on more complex issues such as harassment and discrimination	You may need to use more than one inspection team. Each team will need appropriate specialist skills and the opportunity to share information during the course of the inspection. But be aware that more than one team in a workplace may antagonise managers, since each assessment takes considerable time and resources
Demonstrates that your company is committed to tackling the issues	Less likely to have local language expertise, which can hamper data collection and requires the use of interpreters. ETI experience shows that using interpreters can slow progress and may create barriers	You will need to continually refresh your company's capacity to do these audits well
Develops in-house learning within your company	May not have experience of the local situation or be familiar with labour practices	Consider including local people with appropriate language skills and knowledge of the local context to work alongside your in-house team
Your own staff will have a strong understanding of your company's approach to dealing with issues that arise, and are likely to have a good knowledge of your company's general relationship with the supplier	Company may become dependent on particular individuals with key skills and knowledge who take it with them when they leave	
The auditor is more likely to give positive feedback and suggest better ways of doing things		

**Table 6.1 Pros and cons of different types of assessor (continued)****In-country offices**

<b>Advantages</b>	<b>Disadvantages</b>	<b>If you use this kind of team</b>
<p>Ensures familiarity with local context</p> <p>Allows for regular contact and so a more continuous assessment of compliance, as well as an opportunity to gain a full understanding of the issues faced by the supplier</p> <p>Suppliers may appreciate the guidance provided by these staff in relation to code compliance</p> <p>Suppliers may be able to highlight other issues, eg, problems with processing orders – so creating potential to work out solutions together with buying staff</p>	<p>In-country teams may not have sufficient authority to make judgement calls in some situations</p> <p>There can be problems with flow of information from in-country office to head office</p>	<p>Make sure in-country teams treat supplier information with the utmost sensitivity</p> <p>In-country teams must have a complete understanding of your overall business and its culture</p> <p>Make sure your in-country teams are fully integrated into your head office team</p> <p>Independently verify assessments carried out by in-country teams</p> <p>Consider developing a mechanism to allow suppliers to give your head office feedback on assessments</p>

**Multi-stakeholder teams**

<b>Advantages</b>	<b>Disadvantages</b>	<b>If you use this kind of team</b>
<p>Likely to be trusted and seen as legitimate by workers and other stakeholders</p> <p>Allows companies to identify issues that they would not spot on their own</p> <p>Facilitates cross-checking between different sources of information</p> <p>Allows a stronger sense of local involvement in the process and the issues. This can make it more acceptable to both managers and workers</p> <p>Promotes the idea of a shared approach to monitoring from all stakeholders</p> <p>Can lead to the establishment of sustainable multi-stakeholder initiatives (see section 10.4)</p>	<p>The relationships between different stakeholders working together during the process can be difficult</p> <p>The approach is time-consuming because it can take time for stakeholders to agree a common approach and methods</p> <p>These groups are often difficult to co-ordinate at planning, auditing and reporting stages</p>	<p>Make sure information is shared equally between all stakeholders, that is, not kept confidential to one or two groups, to avoid mistrust within the team</p> <p>Take care to manage expectations of different team members</p> <p>Check team members have the same objectives as your own company and share a vision of what needs to be achieved</p> <p>Check that the team members have the capacity to do what you need them to do</p> <p>Make sure you have a good lead auditor who can manage the team's input and incorporate it into the report</p>



**Table 6.1 Pros and cons of different types of assessor (continued)****Local or international NGOs/local monitoring bodies**

Advantages	Disadvantages	If you use this kind of team
<p>If local monitoring organisations are used, can provide a strong understanding of the local culture and industry as well as language skills</p> <p>Use of an external organisation as 'expert witness' will increase the credibility of audit findings</p> <p>Can help increase cost-effectiveness of audits</p> <p>Increases local capacity and use of fees for development work, directly adding income into the community</p>	<p>Few local organisations will have the capacity or skills to carry out workplace assessments</p> <p>Companies have raised concerns over confidentiality and independence</p> <p>External stakeholders may have unrealistic expectations of what can be achieved and how they will be involved. Spend time building trust on both sides</p>	<p>Identify common aims and win/win ways of working</p> <p>Remember that all parties will have to make compromises</p> <p>To make the process work, power needs to be shared. This is risky for both sides but this needs to be balanced against the risk of non-compliance</p>

**Private certification and auditing bodies**

Advantages	Disadvantages	If you use this kind of team
<p>Auditing expertise. Their staff are trained and certified in using conventional auditing techniques. Some will have conducted environmental or health and safety audits and therefore can offer the rigour of inspecting these areas</p> <p>Capacity – many of these firms have staff based all over the world and therefore can provide an adequate number of inspectors, language skills etc.</p> <p>Experience of developing auditable standards – where inspections are on the basis of a 'tick-box' approach, auditing firms have made efforts to define indicators which allow judgements to be made as to what counts as a 'major' or 'minor' non-compliance</p>	<p>If they stick to conventional auditing techniques their ability to address some provisions of a code of conduct will be limited. Examples include harassment, discrimination, freedom of association and other issues which cannot be gauged from documents or direct observation</p> <p>Some have been criticised for using a 'tick-box' approach, which does not adequately capture certain violations of workers' rights. For instance, in China, some auditors take as their starting point that freedom of association is not allowed and therefore it is not necessary to inspect on this issue. Consequently, some auditors have been criticised for setting inappropriate benchmarks</p>	<p>Brief auditors fully on your philosophy and approach towards code compliance. Try to offer constructive advice about how the service you are being offered can be aligned more closely</p> <p>Carry out a critical evaluation of the auditor's approach and methodology so you can identify any weaknesses and then feed them back to the audit company</p> <p>Make sure you ask auditors to conduct interviews with workers and to give a narrative account of the issues they raise, rather than just ticking boxes</p> <p>Ask for an experienced auditor</p>

**Table 6.1 Pros and cons of different types of assessor (continued)**

<b>Private certification and auditing bodies (continued)</b>		
<b>Advantages</b>	<b>Disadvantages</b>	<b>If you use this kind of team</b>
Some companies believe that the approach is more cost-effective than developing their own methodologies in-house	Some have been criticised for gleaning their information only from management and therefore only gaining a one-sided, inaccurate picture of working conditions with few opportunities to cross-check information	
Some companies prefer the client confidentiality that these services offer, as compared to working with trade unions or NGOs which may require that information gathered and decisions taken are transparent in order to ensure accountability (but note that many NGOs and trade unions do comply with confidentiality requests)	Their ability to define corrective actions will be limited if commercial confidentiality is at issue	
	Can be expensive	
	Quality of audits varies with the skills and experience of individuals	
Because they use a fairly standard methodology, this aids comparison between reports	Some agree a corrective action plan with suppliers, some simply report findings, leaving the client to negotiate the corrective actions	

**Case study 6.2 The Honduran Independent Monitoring Group**

The Honduran Independent Monitoring Group (EMIH) is one of several independent monitoring organisations based in Central America that specialises in promoting workers' rights in factories, specifically within Export Processing Zones. Established in a local factory in 1997, it provides training and capacity building to women workers as well as monitoring three factories on behalf of a major brand. The monitoring methodology includes a weekly visit to the factories to observe factory practices and in-depth audits.

**Case study 6.3 How Pentland involves local organisations in factory assessments**

Where possible, Pentland involves local NGOs and other institutions to help it carry out factory assessments. It has found this approach to be effective, as these organisations can often offer expertise where there are problems, although in some countries it has had difficulty recruiting organisations who are willing to do the work. It also offers an open invitation to any interested self-funded party who wishes to accompany the company on its reviews of supplier workplaces, within reason and subject to a confidentiality agreement.

**Case study 6.4 Chiquita's experience of working with local organisations in Central America**

In 2002, Chiquita invited COSIBAH (Banana and Agroindustrial Unions in Honduras) and COVERCO (Commission for the Verification of Corporate Codes of Conduct) in Guatemala to participate in auditing its farms. As well as full participation throughout the entire audit process, COSIBAH and COVERCO reviewed the audit summary prepared for the company's CSR report published in 2004 and provided a verification statement for the report.

### Case study 6.5 How Homegrown works with Africa Now on participatory auditing

Kenyan flower exporter Homegrown previously employed global audit companies to carry out third party audits of working conditions on its flower farms. In 2001, Homegrown started to develop relationships with NGOs in Kenya, and in 2005 took the step of contracting auditors from Africa Now's Kenya offices to undertake their participatory social audits. According to Homegrown, the benefits of working with Africa Now include their auditors' strong understanding of cultural and regional socio-economic issues in Kenya and their participatory approach, which ensures workers are actively involved throughout the audit. This combination provides them with a better understanding of where the real issues are for workers. The entire workforce now has a stronger voice within the business and management are more aware of the importance of social welfare to morale among employees – and the benefits this can have on staff retention.

## 6.6 Operational strategy

**Do you want to announce all your visits in advance?** Most companies announce all their visits, mainly for practical reasons. However there are also good arguments for doing so in order to develop a relationship of trust and ensure that supplier managers understand the purpose and importance of inspections. If you don't announce your visits you could create the impression that you are trying to 'catch out' your supplier, which should not be the aim.

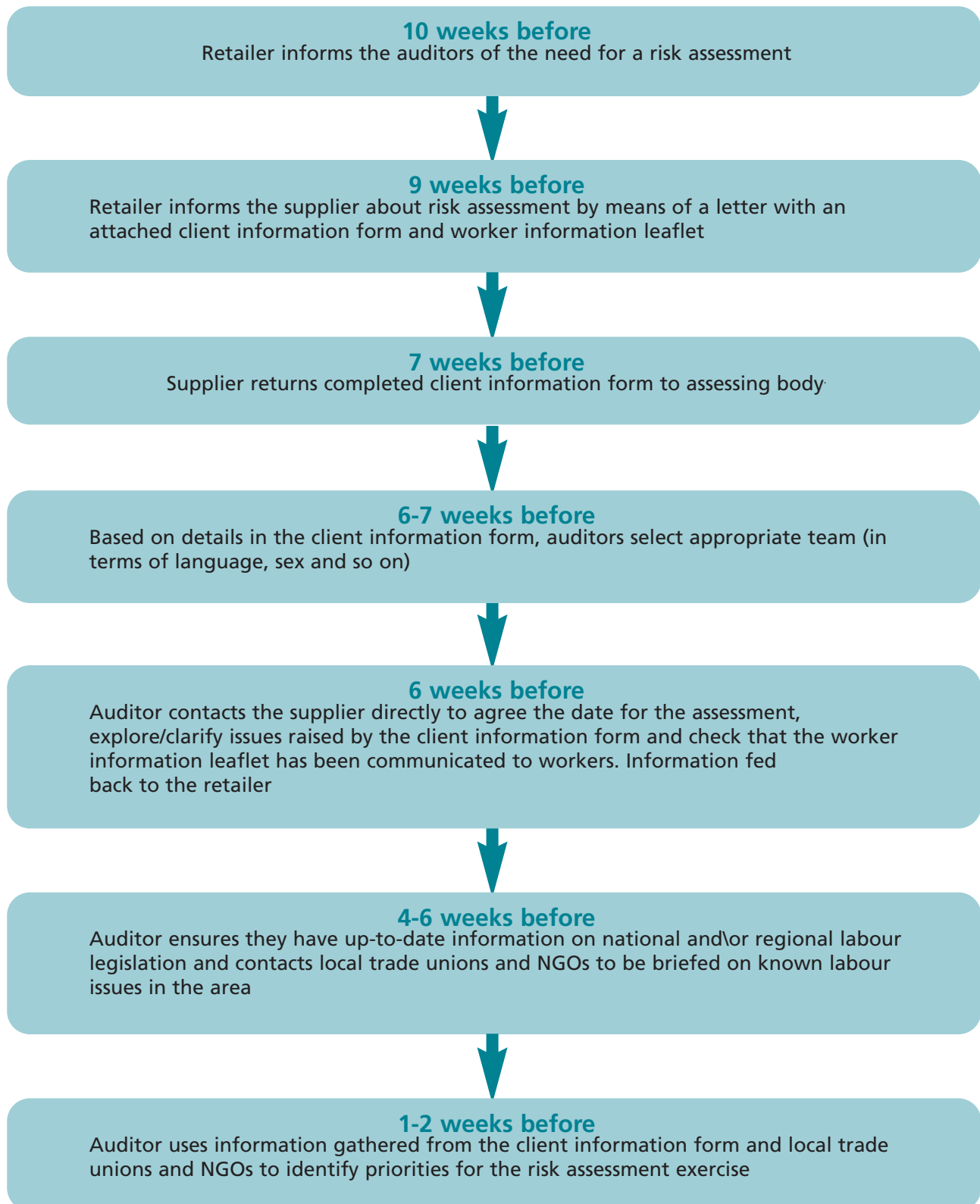
Some organisations take the view that unannounced visits produce more accurate information on workers' conditions, as they create fewer opportunities for managers to 'groom' their workers to say the right things at interviews or to doctor records to make them look compliant.

Many companies use a combination of announced and unannounced visits – for example, following up announced visits with unannounced visits where they suspect that suppliers are falsifying records and/or grooming workers for interview (see section 7.5.1 on how to spot falsified records – and how to respond. See section 7.6.5 to find out how to tell if workers have been primed by management).

**How much lead-time do you want to give for visits?** This will partly depend upon the nature of your relationship with each supplier and how in-depth the inspection will be. Whatever your relationship, it is important you allow sufficient time for suppliers to brief their workers about the inspection, including why it is taking place, what the process is, how they will be involved and most importantly, what their rights are. You also need to allow time to collect the information you need.

The ETI Collective Risk Assessment Toolkit (see Section 6.4) advises using the following critical path for one-day, one-site risk assessments:

**Figure 6.1 Critical path for ETI Risk Assessment**



## 6.7 Developing checklists

### 6.7.1 What your checklists should look like

Although the principles of the ETI Base Code are clear, auditing workplaces is best done with simple checklists that show auditors how to check for compliance against each code principle. These can also be used to show producers and suppliers what actions they need to take to become compliant. Your audit checklist might look something like this:

**Table 6.2 Sample checklist**

Code Article	What to look for	Source of evidence	Audit findings		
			Yes	No	Partial
1. Employment is freely chosen	No passports or identity documents are in the possession of senior management	Contracts of employment Personnel records			
1.1. There is no forced, bonded or involuntary prison labour	Workers neither reporting nor seen to be exchanging labour for reduction of debt, nor being fined for any reason	Policy statements and procedures (eg, employment, discipline/grievance) Records of working hours and wages paid Worker interviews			

### 6.7.2 Factors to consider in developing checklists

For some areas of the Base Code, indicators of compliance will look pretty similar whatever the context. It's important to keep a flexible approach and be aware that you may need to adapt some of your checklists in light of factors such as the following:

- *Sector and industry.* Some industries – for example, construction and mining, and some manufacturing industries such as fireworks – pose greater risks of accident, injury and death than others. Others involve the use of potentially dangerous chemicals, for example, horticulture and clothing manufacturing. So, for example, indicators for compliance with the health and safety provisions of the Base Code will need to be appropriate to the industry/ies concerned.
- *Geographical context.* There are vast differences between countries in how much income is needed to provide people with a wage that they can live on. Indicators that determine whether living wages are paid will therefore need to take into account the countries you are sourcing from.
- *Workers' different priorities.* Workers will have their own views on what constitutes a good indicator of compliance. Their priorities will also probably differ from factory to factory, industry to industry and country to country. It is important to take their views on board when you develop indicators.
- *Predominant forms of contracting workers.* It is very unlikely that all the workers in your supply chain will have full, permanent contracts of employment. In the food sector, it is more than likely that some are hired by temporary labour providers to work for packers or distributors, some may work from home on a piece-rate basis while others may work for farmers with smallholdings.

- *Degree of unionisation of the workforce.* If workforces are not unionised make sure your checklists include indicators for protection of the right to freedom of association and collective bargaining (see section 7.4 for information on how to find out if the principle of freedom of association is respected).

When you develop your own checklists, a good start is to look at what others have done: see the end of the chapter for more examples.

**Tip**

Even during inspections themselves it's important to have a flexible approach and be open to adapting checklists to reflect your concerns as you go along.



**6.7.3 Who should develop your indicators?**

As indicated in section 3.1, it's important to consult key stakeholders such as trade unions and relevant NGOs when you develop your checklists. Trade unions, for example, can advise on issues that are particularly relevant for your industry, and NGOs can also be a good source of information on relevant cultural contexts.

**6.8 Who pays for inspections?**

Workplace inspections may be one of the most significant costs in managing ethical sourcing. Unfortunately there is no single, definitive answer to the question of who should pay for them and it's important to have a flexible approach. The table below sets out the three main approaches used by our members and the main advantages and disadvantages of each.

Note that this section is about who pays for assessment activities, not who pays for improvements, which is addressed in section 8.7.

**Table 6.3 Who pays for inspections?**

	Advantages	Disadvantages
<b>Sourcing company pays</b>	<p>Paying for inspection increases your leverage to request improvements</p> <p>You can manage and control visits more effectively. This is particularly important if you are using external auditing companies rather than your own staff</p> <p>You will not disadvantage small suppliers or suppliers with sub-contractors and homeworkers</p> <p>It makes for an easier relationship – not all suppliers can afford the cost of expensive auditors (especially if they involve international travel fares). They may resent paying for what they see as additional conditions</p>	<p>Suppliers may feel less ownership and responsibility for ethical issues if they are not required to pay for inspections. This may make it more difficult for you to push for change</p>

**Table 6.3 Who pays for inspections? (continued)**

	Advantages	Disadvantages
<b>Supplier pays</b>	<p>Suppliers may be more likely to take ownership and responsibility for the conditions in their workplace – although this will depend, among other things, on whether they see your code as an imposition or an opportunity. This in turn will partly depend on how effective you are at communicating with them</p> <p>If agents or licencees pay, they may pay greater attention to getting accurate results</p>	<p>Many suppliers have neither the skills and knowledge nor the margins to afford extensive inspection and other types of assessment. This puts small suppliers at a particular disadvantage</p> <p>Suppliers may have to fund several inspection visits for different customers (that is, sourcing companies), and if, as is often the case, the audit requirements for different inspections are different, the cost burden can be considerable. (Alternatively, they can share the results, so reducing costs – see case study 6.6 below)</p> <p>Some sourcing companies feel that it is unethical to ask suppliers to pay for monitoring and improvements.</p>
<b>Supplier and sourcing company share costs</b>	<p>There is a greater sense of shared responsibility</p> <p>The sourcing company and supplier are more likely to work together and develop a common understanding of any problems</p> <p>No-one has to shoulder the entire cost burden</p>	<p>No single party has complete ownership and this may undermine effective management of the process</p> <p>Sharing the cost with suppliers may reduce market leverage</p>

**Tips**

If you pay for inspections, costs can be brought down by making the assessment of labour standards part of a broader assessment process which is already established and budgeted for, such as a technical audit programme.

Consider pooling your monitoring resources with another company which buys from the same supplier.

If you decide that the supplier should pay part of the cost, one option is to use a tiered charging structure, varying according to the size of the supplier.





### Case study 6.6 The Supplier Ethical Data Exchange (SEDEX)

SEDEX was set up to help suppliers, retailers and brands save time and money in supply chain assessments. It is a simple system whereby participating suppliers can, for a fee, input data on labour standards on their production sites. Participating retailers and brands can then view data on their supply chain, run reports and get a complete picture of the trading relationships in their supply chain. SEDEX has a facility to allow participating suppliers to share self-assessment results with all customers who are members of SEDEX. Audits posted can also be viewed by all customers, which, it is proposed, will reduce the need for duplicate audits.

[www.sedex.org.uk](http://www.sedex.org.uk)

## 6.9 Planning for verification

As well as planning your assessment activities, you also need to think about how you can demonstrate the credibility of your findings to external organisations – in other words, verifying your findings.

The idea behind ‘verification’ is that a code will be more credible if compliance is monitored by people or organisations independent of your company. Verification is particularly important if you are planning to report publicly on your code implementation activities, as it will give greater confidence in the claims you make.

However, while there is widespread agreement that verification is important, much research remains to be done on what makes for effective verification and there are very few examples of companies that have made significant efforts to build verification into their code implementation activities. There is also no agreement on what constitutes a credible verification body.

Within this context, some companies have made efforts to get some level of external verification. A good start – which some of our member companies are trying (see case studies in section 6.5.3 above) – is to include an external organisation such as a local NGO or a university as a full member of your inspection team, or to accompany an inspection. Although this does not in itself constitute a comprehensive verification system, it will help reinforce the credibility of your assessment findings.

Key points to remember are:

- verification can be attempted in relation to your overall strategy for ethical trade, your approach to assessments, or in relation to an audit of a single workplace. Some companies use an external body to verify or cross-check the claims they make in their annual CSR reports (see case study 6.4);
- the activities involved in verification – for example, inspections, record-checking, interviews and so on – can often be the same or similar to your code implementation activities;
- as the purpose is to support your company’s claims, it is critical that the person or organisation carrying out the verification is independent and credible;
- verification is not failsafe and should not be relied upon as the ultimate ‘seal of approval’ – particularly when it comes to audit findings. As chapter 7 will show, it is often very difficult to obtain accurate information in audits. People in your own company may be better placed than some external organisations to be able to understand the root causes of problems, and to develop joint solutions with suppliers.

## 6.10 How should you measure progress?

Once your company has signed up to its code, it has committed to implement it throughout its supply chain. This does not mean you have to inspect your entire supply base in the first year, but it does mean you need to start assessing your suppliers, to show incremental progress and to demonstrate your commitment over the course of time.

But how should you measure your progress? The ultimate measure is better conditions for workers, but in reality it will be hard for you to attribute any change to your company's intervention. Other factors – for example, other companies' buying practices and code implementation activities, geographic shifts in global production and so on – can also contribute to improving or deteriorating working conditions.

This doesn't mean you can't measure your own progress. At a basic level, you can start collecting numbers. Section 4.7.1 suggested some data to collect.

It's important to make sure you track progress in all aspects of your ethical trading strategy – not just in your assessment activities. Section 4.7 suggests using a combination of different indicators, including management efforts, to help you track your progress. You will make progress over time and when you do, ensure your company hears about it.

### Suggested action points

- Consider how you are going to prioritise your assessment activities. Your criteria are likely to include a combination of practicality and risk.
- Set annual targets for the numbers of assessments carried out, and which type.
- Decide who you are going to use to carry out workplace assessments and who is going to follow up assessments. If you use private auditing bodies for your assessments, draw up rigorous terms of reference to ensure quality control.
- Develop your inspection checklists. Consider how they will need to be adapted according to industry/national context/predominant forms of contracting workers and workers' own priorities.
- Develop your operational strategy for inspections, including lead times.
- Consider how you could start to build in external verification into your assessment activities.
- Keep records of your activities and their outcomes so you can measure your progress.

#### Find out more

To find out more about the ETI Collective Risk Assessment Project, go to [www.ethicaltrade.org/d/cra](http://www.ethicaltrade.org/d/cra)

To read more examples of different types of local monitoring organisations and how companies have worked with them, read ETI (2003) *Working with local monitoring groups: Members' roundtable*, available at [www.ethicaltrade.org/d/rt-localmon](http://www.ethicaltrade.org/d/rt-localmon)



To find out about ETI members' experience of testing different inspection methodologies in the South African wine industry, read ETI (2004) *Inspecting labour practices in the wine industry of the Western Cape, South Africa 1998 – 2001; report on the methodology of the ETI pilot project*. Hard copies are available from the ETI Secretariat.



**Examples of checklists**

**Resource 21 Oxfam GB Labour and environmental assessment form (developed for Oxfam's suppliers)**

**Resource 25 AEAAZ audit checklist (developed for horticultural exporters and growers in Zimbabwe)**

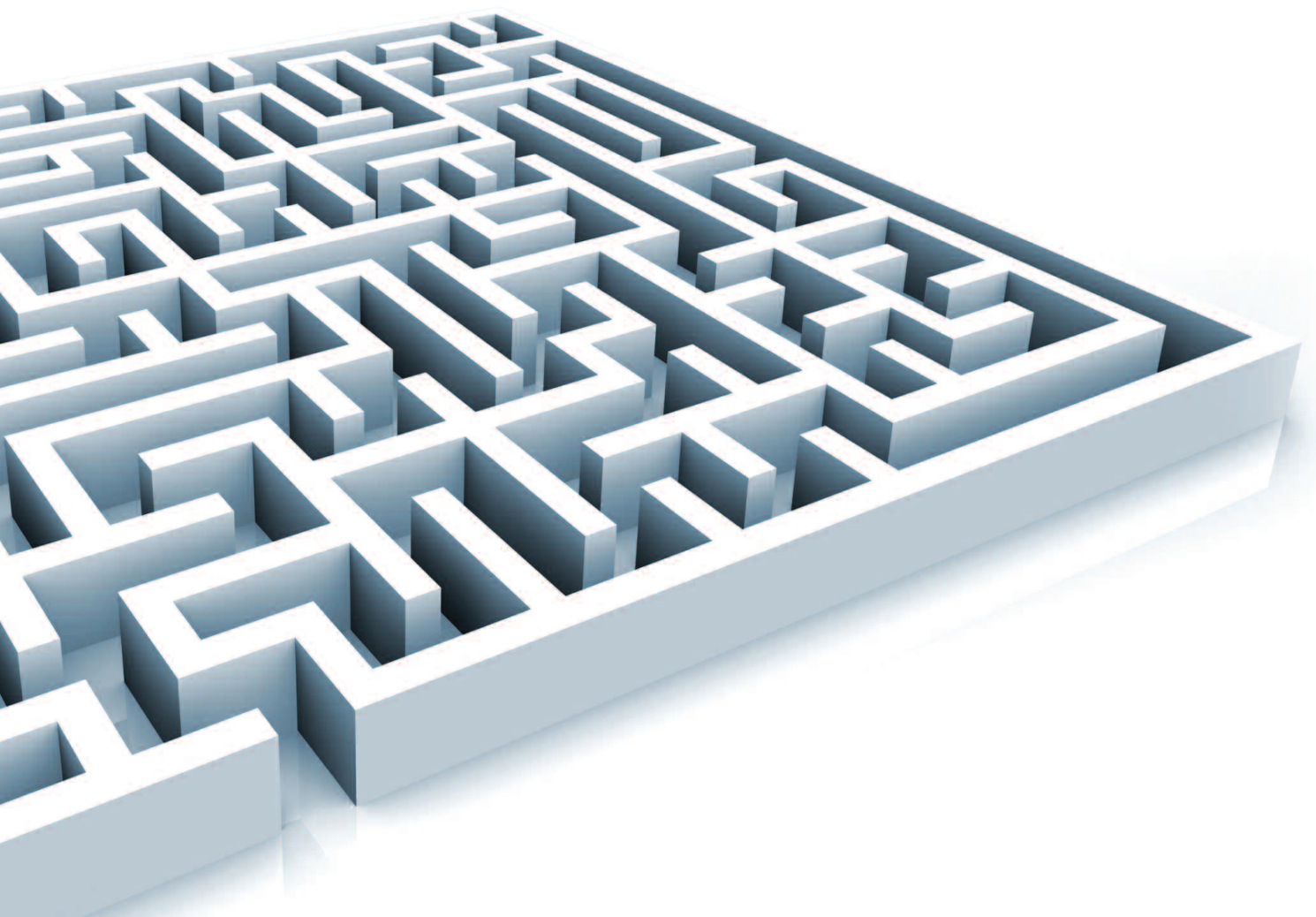
**Resource 26 Sample audit report of an ETI member company**

*Code of practice and guidance for labour providers to the agriculture and fresh produce trade*: available at [www.lpcode.co.uk](http://www.lpcode.co.uk)

National Resources Institute theme papers on codes of practice in the fresh produce sector. (What makes for a good indicator? What makes for a good verifier?) available at [www.nri.org/NRET/nret.htm](http://www.nri.org/NRET/nret.htm)

SA8000 guidelines: see [www.sa-intl.org](http://www.sa-intl.org)

# The inspection process



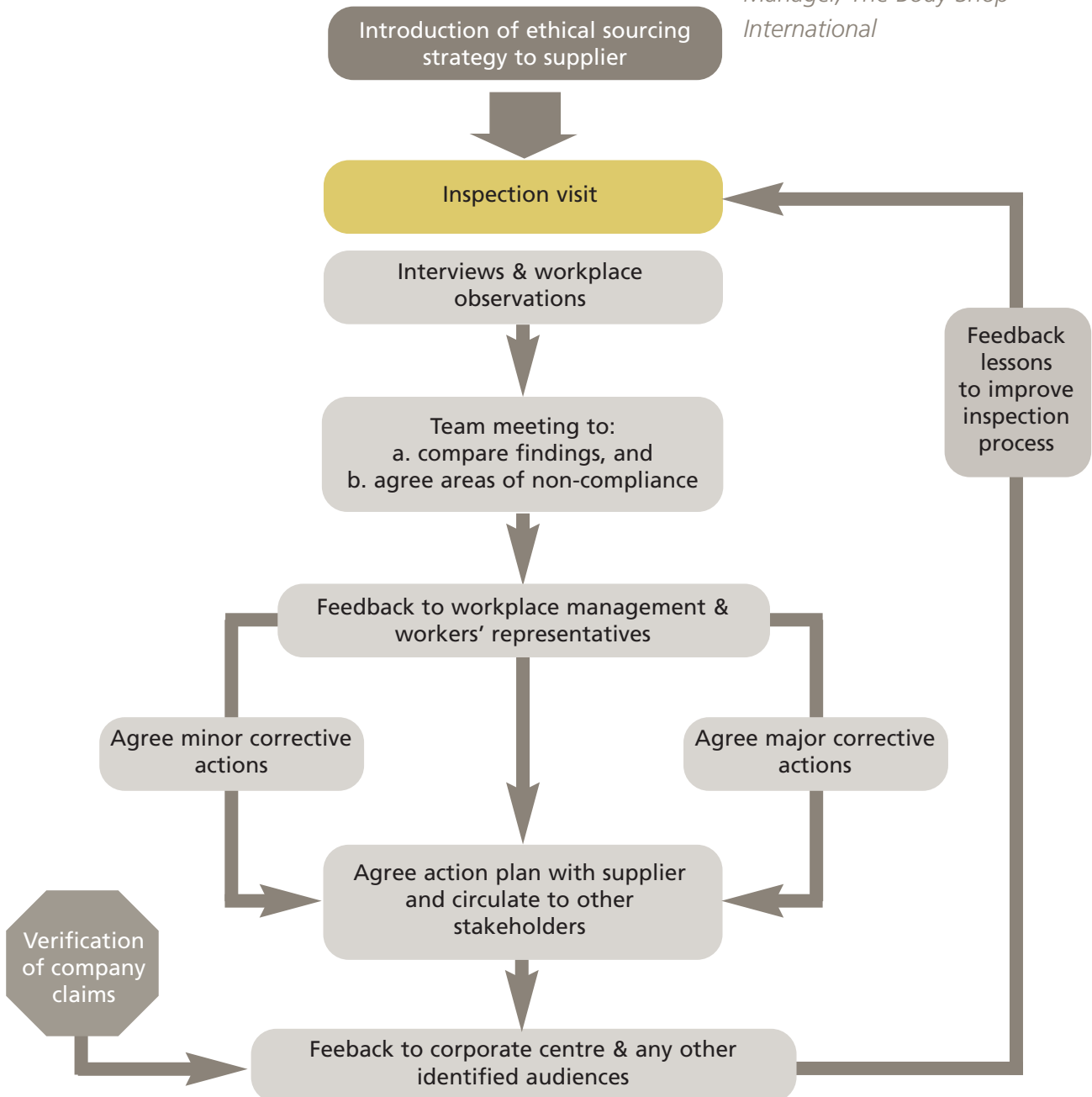
# The inspection process

## This chapter's learning objectives are:

- Preparing for your inspection visits to workplaces
- Briefing managers and workers
- Getting the most out of meetings with workers
- Meeting other organisations
- The closing meeting
- Recording and reporting

## 7.1 The main stages of the inspection process

Figure 7.1 The inspection process



*"It's important to strive to understand the root causes of problems and to discover the underlying causes of non-compliances. Without doing so, we are unlikely to find sustainable solutions to improving working conditions in supply chains."*

Sara Clancy

Ethical and Community Trade Manager, The Body Shop International

Simply speaking, all inspections, whatever their size and whoever is involved, can be broken down into the following main stages:

- Pre-visit preparation and planning
- Briefing management and workers
- Collecting information (including site visits, document review, gathering information from workers)
- Feeding back findings to management and workers' representatives
- Agreeing on what needs to change
- Reporting information to the corporate centre.

Of course, each inspection will need to be tailored to take account of many different factors including the type of industry, the size of the worksite being inspected, and your budget. Having said that, some rules can generally be applied to all situations. The following sections offer advice and suggestions on how to make sure the findings of your inspection process are as robust and credible as possible.

### 7.2 Preparing for your visit

You will probably need to spend almost as much time preparing for inspection visits as actually carrying them out. You will need to think about:

- does your inspection team have a copy of the supplier's self-assessment questionnaire?
- does your team have up-to-date information on national and/or regional labour legislation, industrial relations and labour conditions?
- should any government departments/local authorities be advised of the visit?
- could local trade unions and NGOs help to brief your inspection team and/or take part in the inspection? (See section 3.6 and 6.5.3 on the pros and cons of different types of assessor)
- do you have a clear plan for the inspection and has this been communicated to the facility?
- have you made sure that logistics – for example, the selection of documents to review, deciding which workers will be interviewed – is independent from and cannot be influenced by supplier management?
- is this a re-audit? If your company has audited the site before, you will need to carefully check any corrective action plan agreed to see what needs following up;
- what are the key problem areas in this industry/country/region (for example, prevalence of double book-keeping, use of contract workers, attitudes towards trade unions) that you will need to look out for?

You also need to make sure the management and workers at the site to be inspected are fully briefed – unless, of course, you are conducting an unannounced audit.

#### Resource

**Resource 20** provides some suggested text for a leaflet which could be sent to suppliers for distribution to workers ahead of inspections. It has been adapted from the Worker Information Leaflet which was developed as part of the ETI Collective Risk Assessment Project.



See also case study 5.5 for examples of different tools to educate workers about their rights.

### 7.2.1 Briefing management and workers

It is important to make sure managers and workers are fully briefed before the inspection visit takes place. In particular, suppliers need to understand that the inspection process is a tool for improvement, not a test that they will either pass or fail. If suppliers see inspections solely as methods of policing, they will be more likely to hide the facts from inspectors, which will prevent lasting changes from being made.

You will need to:

- send managers a copy of the code against which the workplace will be assessed;
- request that other managers and workers are notified of the visit and its objectives, the proposed length of the visit, the composition of the inspection team, and what will happen during the visit;
- provide information on how workplace managers can brief workers on the inspection process and its objectives. Channels can include general meetings, any unions represented in the workplace, posters and booklets or training sessions (see case studies overleaf);
- advise workplace managers on the best means of communicating with workers, taking into account groups that are hard to reach – for example, workers with limited literacy and seasonal or contract workers;
- outline your inspection team's objectives and methods – for example, to verify existing data/self-assessment form, to fill in gaps, to obtain additional documentation, to talk to workers;
- describe how the visit will proceed, including who will be in charge of what. It is also a good idea to include a fixed time for the inspection team to feed back findings to management;
- identify any specific provisions that managers need to make – for example, ensuring workers will be available at times specified, preparing any documents that your inspection team will need – and inform them of any confidentiality procedures/specifications;
- outline any costs the supplier may be expected to cover;
- advise on what will happen after the inspection – for example, how and when findings will be written up, who will receive a copy of the findings, how non-compliances will be dealt with, how the inspection will be followed up and so on.

As well as providing written information, you may find it helpful to phone the supplier to confirm the points mentioned above, as well as using your company's other contacts with the supplier (such as buyers, technologists) to reinforce the same messages.



### Case study 7.1 Boots the Chemists' poster for suppliers

Boots has produced a poster designed to provide information to workers about audit visits, so they know what to expect when the audits take place. The information in the poster includes:

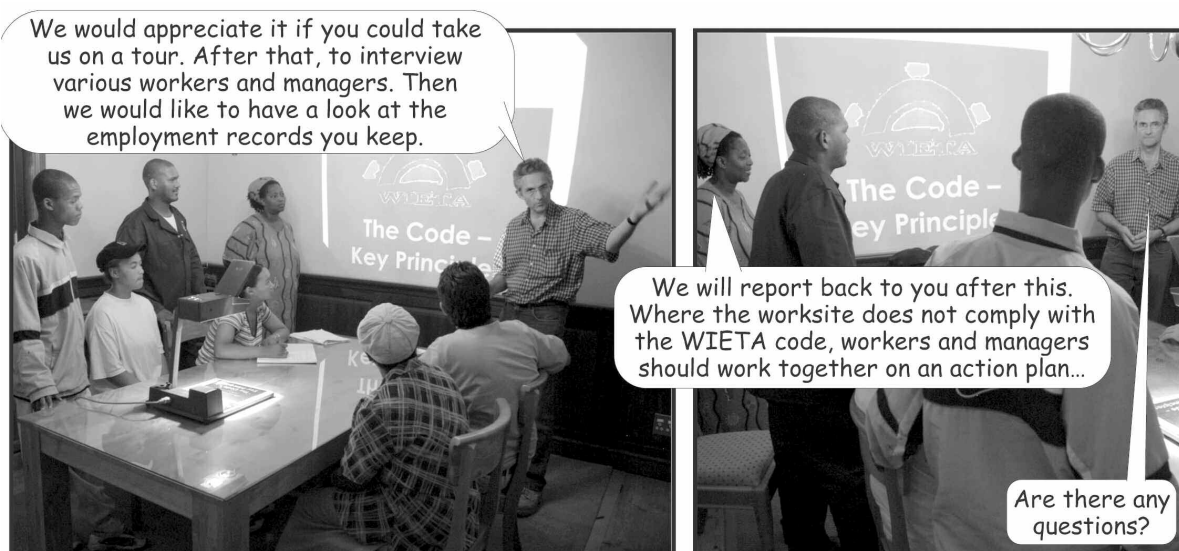
- date of assessment
- why are we coming?
- pictorial depiction of the Boots Code of Conduct for Ethical Trading
- what will the outcome be?

Before carrying out an assessment, Boots asks the supplier to display the poster on their notice boards for their workforce. They say: "We feel it gives the workers an idea of why we are coming and helps to make them more comfortable with the process of assessment. It stops rumours and gives the employees an opportunity to consider if they'd like to raise any issues before we visit."

### Case study 7.2 'Photo comic' for workers in the South African wine industry

The Wine and Agricultural Industry Ethical Trading Association (WIETA) created a 'photo comic' to inform workers at WIETA member sites about the code and WIETA's audit process, to help workers and their representatives to participate in audits and post-audit improvement processes. After talking to groups of workers to make sure their experiences and stories were captured in the booklet, a story board was developed and a photoshoot was held on a member company's worksite. The 'actors' in the photoshoot were the actual site workers and managers. So far 2,000 copies have been distributed. New members of WIETA are required to buy copies and distribute them to their workers well in advance of their audit (See case study 10.10 for more information about WIETA).

#### Excerpt from WIETA 'Photo comic'



### 7.3 Introducing your team

If you can make a preliminary visit to a worksite before a full inspection this will give you the opportunity to gather background information, establish relationships and brief managers and workers on what you are trying to achieve. If, however, the first visit you make to a supplier is a full inspection, it is particularly important to get to know workplace managers and make sure both they and workers are fully briefed before you carry out the inspection. You may also need to finish collecting basic data to ensure suppliers are mapped properly.

Below are some suggested ways of gaining the trust of workplace management:

- Tell the supplier that inspections are an opportunity to show how well they are doing – that is, you want to capture all the good things the company is doing as well as the problems.
- Be polite, show respect and ask for co-operation. Simply demanding co-operation undermines trust and increases the likelihood of resistance.
- Consider the overarching political or commercial issues that may colour the way your company's concerns over labour practices may be seen by the supplier.
- Ask about the supplier's business in order to put ethical issues within a relevant business context that will motivate them.
- Consider using photographic evidence of good and poor conditions to help suppliers understand what you are looking for.
- Consider involving the supplier's main contact in your company (for example a buyer) in your initial dialogue.

It is very important to introduce the inspection team to all participants from the supplier's side at the beginning of a visit. Make sure your introduction includes the following information:

- who the inspection team are
- the relationship between the team and your company
- a recap on the brief – why you are asking questions, the purpose of the visit, how the inspection process will be carried out, how the information will be used and who will have access to it.

Your inspection team could also give a short briefing covering the above information at the start of each individual meeting, depending on the process organised for the visit.

### **Watch out!**

Don't assume your in-country agents have already briefed workers sufficiently. Make sure your team carries background information about your company and its commercial and ethical objectives ready for handing out at meetings, and double check with your agents what points they covered and how workers were briefed.



## **7.4 Ways of getting information during inspections**

There are several ways of getting information on labour practices at workplaces:

- reviewing documents
- interviewing management
- obtaining information from workers
- gathering information from local sources (trade unions, NGOs and even cafés and religious leaders can be useful sources of information)
- using your own observation

Using all these sources of information will help your inspection team cross-check findings from one source with another. This in turn will allow them to build up a much more accurate picture of labour practices in the workplace than if they had simply relied on looking at only one source of information, for example, documents.

### Finding out if freedom of association is allowed

It is notoriously difficult for auditors to find out whether the principle of freedom of association is respected, particularly if there is no trade union on site. Here are some solutions our members have used.

- Talk to the relevant national union or local union representative to find out about the situation in the workplace concerned. For example, has the union tried to organise in this workplace? What happened? Has there been any union presence in the past? Has there been any record of anti-union hostility?
- Look for a collective bargaining agreement. If a functioning collective bargaining agreement exists, this is a good sign that freedom of association is being respected.
- Look at wages. In low-income countries, wages are the number one issue for workers so are likely to be at the heart of any collective bargaining. Higher-than-average wages are therefore often a good indication that there is an active union membership on site – and vice versa.
- Look for evidence of open debate on freedom of association and union membership at team meetings. If there is no evidence that this has been discussed openly and workers have chosen not to join a union, this should send out warning bells.
- Look for policies and procedures documents to ensure that there are no current restrictions on freedom of association and that restrictions will not be imposed in the future.
- Find out if and when a local union representative has been invited on site to talk to, or recruit, members.
- Don't accept paternalism – “our workers don't need trade unions because we look after them” – as an excuse.

More ideas can be found in ETI (2005) *Quick fix or lasting solution? Dealing responsibly with typical non-compliances*, ETI 2005 Conference Briefing Paper No.1.

[www.ethicaltrade.org/d/briefingpaper1](http://www.ethicaltrade.org/d/briefingpaper1)

#### Watch out!

Some managers use the existence of workers' councils as evidence that they allow freedom of association and collective bargaining. Although some of our corporate members would argue that 'they are better than nothing', because they are created by management they can just as easily be shut down. It's important you look at how the workers' council is operating and make sure it doesn't just exist on paper. Look for evidence that the workers' council meets regularly, keeps agendas and minutes and produces concrete results.



## 7.5 Reviewing documents

It is helpful to start by finding out what written policies and procedures exist – if indeed there are any – on all aspects of your code. If written policies and procedures appear to demonstrate compliance with relevant code provisions, you can use the remainder of your document review and interviews to cross-check the information.

You are most likely to find policy statements and procedures on safety, environment, training, employment, disciplinary matters and grievances. Where written policies either do not exist or are inadequate, interviews with managers and workers need to be checked against company records to build up a picture of policies and practices.

As a rule of thumb, ask for records going back over a period of at least six to twelve months so you can track low and peak periods.

**Tip**

Encourage supplier management to keep records in a format that is useful for you. This will not only make the inspection process more efficient in future, you are also effectively giving management free advice on building simple human resources systems.



The records you will need to check are likely to include the following:

**Table 7.1 Records to check**

Topic area	Type of record
Unions	Collective bargaining agreements Minutes of meetings with workers
Pay and working hours	Production records Pay slips Personnel records Records of working hours and wages paid Records of social security payments, pension contributions, holiday pay, etc. Payroll
Age of workers	Personnel records Birth certificates National ID (if any)
Accommodation provided by the company	Personnel records Passport management Contracts with agents Dormitories
Forced labour	Disciplinary log book Records of wages paid Grievance procedures Records of fines deducted from wages
Health and safety	Safety policy and risk assessment – both of which should show evidence of being signed off by employers and unions Occupational health controls Accident book and reporting to external agency Environmental compliance certificate Environmental discharge certificate Fire certificate Fire drill register First aid register

**Table 7.1 Records to check (continued)**

Topic area	Type of record
	Material safety data sheets Electrical and machinery safety Minutes of meetings with workers Records of fire equipment checks Records of official inspections (safety, employment) and certificates Records of the issuing of hazardous materials, protective clothing Safety training and accident records Sickness register
Labour arrangements	Personnel records Purchase orders/invoices for bought-in/sub-contracted work Contracts
Discrimination	Disciplinary log book Records of social security payments, pension contributions, holiday pay, etc. Records of latest promotions and advertisements
General	Training records Factory registration certificate Shipping and receiving records

Although this table by no means represents an exhaustive list, it does show that a wealth of documents may be available on some code areas – for example, health and safety, pay and working hours. For other areas, such as discrimination and forced labour, you will find it much harder to find documents – it is highly unlikely that a supplier will have a written policy statement that advocates discrimination! This is why obtaining information through other means is so important.

### 7.5.1 How to tell if records have been falsified and how to respond

Falsification of records can sometimes be easy to detect – for example, records written in pencil showing marks where figures have been erased. But it is getting increasingly difficult to tell whether records have been falsified for the purpose of ‘getting through’ audits. For this reason it is very important to make sure that you cross-check information from different sources.

You can cross-check records with worker interviews. For example, if company records show that workers are not working excessive overtime, but in discussions with workers most say that they work extra overtime on certain days, it’s worth digging deeper to find out the true story. Or if workers confirm their monthly salary is 200 euros, but payroll records show that they are only paid 100 euros, it is likely that ‘under the table’ payments are being made.

You can also cross-check different types of record with each other. For example, if you want to find out whether overtime hours are excessive, as well as looking at clock cards you could check:

- *occupational health and safety records*. The higher the rate of accidents, the more likely it is that overtime is excessive;
- *product quality*. If there are particular times in the week or hours in the day where more parts are rejected for quality reasons, this could indicate that excessive hours were worked during that period. As a rule of thumb, people who work more than 8-10 hours make more mistakes and so there is often a massive increase in rejected goods after this time;
- *broken needle records* (garment factories) with records of hours worked. Workers are normally required to record when a needle on their sewing machine breaks. Check these records for evidence that needles have been broken outside officially recorded working hours;
- *production records*. These are usually harder to falsify than records of wages paid and overtime;
- *fuel consumption records*. These could provide evidence that the workplace is doing more work than is evident from records of hours worked.

If you discover records have been falsified, it is a good idea to approach the situation head-on, but keep reinforcing the message that you don't expect your supplier to be perfect and that you want to work in partnership with them to help them resolve issues over time. If you are inspecting a potential new supplier you could tell them that you will not place an order until you have seen the true records. It's also worth passing all relevant information to other companies who share the same supplier as well as to third party auditors.

As far as your overall ethical trade strategy is concerned, finding evidence of falsification of records may indicate that you need to revisit how you communicate the purpose of audits to suppliers. Falsification of records is a good indication that the supplier hasn't understood that the purpose of an audit is diagnostic, not a 'pass-fail' exercise.

#### Tip

Interview workers before you check records so you can compare these with how workers are describing the situation. Ask for records going back at least six months to one year – it is time-consuming to falsify records for more than brief periods of time.



## 7.6 Interviews with workers and managers

Interviews with workers and managers will help you cross-check information from other sources and to gain an understanding of their morale, attitudes and issues of concern.

Depending on cultural factors, how much time you have and how many people there are in your team, meetings and interviews can either be held with individuals or in groups. The key groups of people you will need to talk to include senior management, personnel managers, accounts managers, trade union representatives, workers on health and safety and other committees, supervisors and workers in each area of the workplace.

### 7.6.1 Topics for interviews

Plan your questions in advance of each meeting. As a general rule, they need to follow the provisions of your code. But bear in mind that no definitive list of topics or questions exists and much of what is asked and how will depend on the questioner's skill and experience. Your questions need to be shaped by the findings of prior research and issues raised at earlier interviews, and will depend on who is being addressed. Insight into which questions to ask, and how, will develop with practice. Some examples of areas for discussion are shown below (note some of these questions apply to workers, some to managers and some to both).

#### Watch out!

Because of the way some workers are pressurised and exploited, straight questions will not always get you the answer you want. Therefore, in the examples below, the questions are not always direct ones. For instance, a range of questions to reveal indicative signs that forced labour is used is likely to be more effective than direct questions.



**Table 7.2 Topic areas for interviews**

Topic area	Suggested questions
Unions	<p>Is there a trade union?</p> <p>If no, why not?</p> <p>If yes, what does the trade union do?</p> <p>Who are the local representatives?</p> <p>Are there any records?</p> <p>Is there a collective bargaining agreement?</p> <p>How was that agreement reached?</p> <p>Are copies of the agreement available?</p> <p>How frequently is the agreement negotiated?</p> <p>How are grievances handled?</p> <p>Is a worker being disciplined entitled to have a trade union representative present during disciplinary procedures?</p>
Pay and working hours	<p>What are the basic rates of pay?</p> <p>What deductions are taken from wages?</p> <p>What is the overtime rate?</p> <p>Do workers understand the difference?</p> <p>What are typical weekly working hours?</p> <p>When is overtime most needed? How much? Is it compulsory?</p>
Age of workers	<p>At what age are young people allowed to work?</p> <p>How many under-16s are there?</p> <p>What wage rate do they earn?</p> <p>What are the reasons children are employed?</p>
Accommodation	<p>Is accommodation/housing provided by the employer?</p> <p>How many people are assigned to a room and how large is it on average/maximum?</p>



**Table 7.2 Topic areas for interviews (continued)**

Topic area	Suggested questions
	<p>Are water supplies and sanitation facilities adequate?</p> <p>Are there any restrictions on the ability of residents to enter and leave the accommodation at times of their choosing?</p> <p>How are passports/ID managed?</p> <p>Do the dormitories have a building permit?</p> <p>What are conditions in the kitchen like?</p>
Forced labour	<p>Is there any penalty if you refuse to work overtime? If yes, what are the penalties?</p> <p>Are you free to enter and leave your work station (for example to go to the toilet)?</p> <p>What function do the security guards play? (if there are security guards)</p> <p>Are there any workers who are not from this region? If so, does the employer/labour agent keep their identity papers or do they keep them?</p> <p>If workers are given accommodation, can they enter and leave it at times of their choosing?</p>
Health and safety	<p>Is there a health and safety officer and if so, what is their name?</p> <p>Is there a safety committee (and what are their names)?</p> <p>Is there a safety policy, programme or training?</p> <p>What do you consider are the priority health and safety risks?</p> <p>Does the training given relate to these risks?</p> <p>Do workers receive protective clothing for the jobs which require it?</p>
Labour arrangements	<p>What is the status of different workers (for example, permanent, casual)?</p> <p>Who is/are the employer/s?</p> <p>How many casual/day or temporary workers are engaged at low and high points in the production cycle?</p> <p>Is there any use of contract labour (that is, workers contracted for a specific task)?</p> <p>Is there any use of convict or bonded labour?</p> <p>Are sub-contractors or homeworkers used?</p>
Discrimination	<p>Are there any signs of discrimination of particular groups of workers, such as on the grounds of gender or race?</p> <p>Does the company use pregnancy testing or HIV testing? For what purpose?</p> <p>The answers to these questions will determine whether supplementary questions are necessary.</p>

### 7.6.2 Getting the most out of interviews with workers

Interviewing workers should be an important part of the inspection process. You can talk to individual workers informally at their work stations, during breaks or after work in dormitories or houses. You can also hold individual meetings with workers or, to make more effective use of time, you could hold group discussions.

Unfortunately, for a variety of reasons, workers may be reluctant or unable to discuss their working conditions with outsiders. For example, where workers are vulnerable, repressed or oppressed, they cannot be expected to talk freely and openly. Cultural, language and educational differences may also make it difficult to gain a thorough understanding of their concerns.

ETI members have tested various techniques for making sure they get as complete and accurate information as possible. Some have found that group discussions can be less intimidating for workers and may encourage them to speak out, however in some situations they can have the opposite effect – the presence of others can be inhibiting. No one method is likely to reveal the full picture so it is important to cross-check information through a variety of meeting and interview formats.

Below are some suggestions about how to gain the trust of workers so that they speak openly and honestly about their experience.

- Make sure your team selects the workers you meet with.  
If interviewees are selected and pre-briefed by managers, you may end up with a distorted impression of the workplace;
- Select a site where workers are comfortable, such as the canteen or outside the workplace in a confidential environment, for example at home;
- Interviews should be confidential and it is best that managers do not know who you select for interview;
- Make sure that someone who is not part of the workplace management, who speaks the local language/s, and with whom workers feel comfortable, is present at all meetings, either asking the questions or acting as an interpreter. Workers may be more comfortable speaking directly to someone who speaks their own language, rather than interacting with a foreigner through an interpreter;
- Think about the gender of the individual or the gender composition of the group to be interviewed. Women workers may prefer to talk to women interviewers – although good interviewing techniques are key;
- Make sure you allow enough time for meetings. They usually take longer than expected, particularly when an interpreter is used;
- Try and capture the range of views represented in your meetings – not all workers will have similar views;
- Some companies have conducted telephone interviews with workers;
- Some companies have elicited written worker testimony, collected by the inspection team or sent in by workers directly, rather than through management channels.

#### Resources

See: **Resource 21 Oxfam GB labour and environmental assessment form** – section on 'Employee interviews' – for examples of questions to ask.



**Resource 22** is a tool for carrying out interviews with workers, developed as part of ETI's current experimental project in Sri Lanka. This project aims to test different approaches to carrying out assessments in the Sri Lanka garment industry.



### 7.6.3 Getting the most out of group discussions

In ETI experimental projects, group interviews have typically consisted of eight to ten people. They can include both women and men, but for sensitive issues such as sexual harassment, salaries, and discrimination, single sex groups are preferable. A group should normally only include people within the same work group.

If a single member of the group dominates or disrupts discussions, give that person the opportunity to help with the recording of information, or suggest a personal interview afterwards.

To protect workers, make sure all meetings are:

- *informal* – a structured dialogue rather than a formal questionnaire allows workers to contribute their own perspective;
- *non-directive* – don't use leading questions. Emphasise that the sourcing company wishes to hear about workers' experiences; and
- *witnessed* – either by a direct transcript or recording or by a separate report from an independent assessor.

### 7.6.4 Making sure workers are protected

There may be very good reasons why workers are afraid of speaking out. Cases have been documented where workers have been penalised, harassed or even sacked for doing so. In other instances, supplier management have sent 'spies' to group meetings to check up on what is being said.

- If you suspect that workers are being spied on you should stop the interview immediately, raise the issue courteously but firmly with management and arrange for another meeting to take place.
- If workers seem frightened, interview additional workers either together or separately, so it becomes difficult for managers to pinpoint exactly who said what.
- In either case, leave a contact name and telephone number of someone workers can call if they are harassed or feel threatened in any way for speaking out.

### 7.6.5 How to respond when workers have been 'groomed' for interviews

Supplier managers can sometimes coach workers to provide the 'right' answers to inspectors. It can be very hard to prove that this has happened, but you should be suspicious if:

- all the workers interviewed give the same answers
- answers to questions sound rehearsed
- some workers try to lead conversations, not allowing others to speak
- body language conflicts with what workers are saying – for example no eye contact.

It is worth noting that in some countries, although workers may not necessarily be 'groomed', they may be unaccustomed to being asked for their opinion and particularly to criticising their managers. This is particularly true in ex-Soviet Block countries and China. In some countries also, women may not make eye contact with male interviewers.

Below are some suggestions on how to respond if you find that workers have been groomed for interviews:

- Make it very clear that workers' responses will be kept in strictest confidence;
- Hold individual interviews with workers in secure or private areas where they are more likely to feel comfortable – for example, the canteen, break areas, garden, warehouse, storage area, training room;
- Hold off-site discussions with workers – they are likely to feel more comfortable about talking openly if they are away from the production site;
- Ask disingenuous questions – for example, if workers live in dormitories and you want to find out whether they are free to leave, ask them what social activities they join in with in the local area;
- Try and make people laugh. Humour can be a great ice breaker and helps reduce inhibitions.

The techniques described above for gathering information from workers draw on the participatory techniques used by many overseas development agencies. If you are interested in further training in these techniques, please see the **Listings of training providers** on the ETI website for names of relevant training providers (please note that the information is currently only available to ETI members).

#### Watch out!

When you meet with workers, take care to avoid raising their expectations that they will see immediate improvements in their conditions.



### 7.7 Getting information on 'hidden workers'

Don't take it for granted that the supplier is the employer: suppliers use various kinds of contract to gain access to labour, for example gangmasters, sub-contracting. You should be just as concerned about the conditions of these types of worker as you are about more visible ones.

Many suppliers don't provide information on homeworkers, temporary workers or workers who are employed through sub-contracting arrangements. The ETI Impact Assessment Project found that up to 40 per cent of garment workers in India are employed through sub-contractors. Sometimes these workers may be kept in a different area of the worksite to permanent workers, making it easier to hide them from inspectors. These workers are easy to miss but they tend to be more vulnerable than 'formal' employees. Strategies our members have used for detecting the existence of these kinds of workers include:

- being suspicious about farms or factories that seem particularly efficient;
- cross-checking the following information: volumes, number of workers, efficiency (number of units per day per type of product). If productivity looks unrealistically high given the number of workers, this could be an indication of the existence of 'unofficial' workers (your manufacturing department can help check the accuracy of your calculations). If your company takes a high percentage of product from a supplier, this task is easier as you can ask colleagues in your own company about volumes produced in previous months;

- comparing records of people entering and leaving the worksite (for example factory gate records) against the official register of workers. Encourage managers to put all workers through induction training, whether or not they are temporary – and to keep records of who has received induction training. You will then be able to cross-check these records with the register of official workers;

### 7.7.1 Hidden child workers

Suppliers also often hide child workers from auditors, particularly if they have already been audited. Strategies our members have used for detecting child labour include:

- meeting with external groups in the area (eg NGO, local religious leader) before visiting the worksite;
- combining on- and off-site assessments with workers;
- looking out for empty work spaces during the site visit;
- comparing production records with numbers of workers.

## 7.8 Meetings with trade unions and workers' representatives

It is important to interview trade union representatives to find out about specific issues of concern in the workplace as well as overall conditions. This will not only provide you with valuable data in its own right, it will also help you work out what issues to pick up on when you interview workers. Trade union representatives can also help facilitate worker interviews and advise on how to implement an ongoing monitoring system.

Make sure you only interview genuine workers' representatives. Finding out who is 'genuinely representative' is not always straightforward. In some countries – for example, China – union representatives may be more closely aligned to government or management views than to the views of the workers. If you have concerns that this is the case, make sure you talk to a good number of workers directly as well.

There may also be other groups, for example, canteen committees or health and safety committees, on which workers are represented. If they are elected by the workforce they may be said to represent workers in limited areas and it may be useful to meet with them. However, they aren't a substitute for trade unions, and you should be aware that they may be formed by management.

### Case study 7.3 Premier Foods' experience of involving unions in site audits

At an ETI roundtable on trade union rights held in 2005, Premier Foods reported that for audits in the UK, the Premier auditor:

- got in touch with the Senior Shop Steward (SSS) before the audit;
- involved the SSS in both opening and closing briefings;
- interviewed the SSS before doing any other interviews, during which he discussed the independence of the auditor and notified the SSS of grievance channels available to him/her.

The Senior Shop Steward:

- helped the auditor to collect and brief workers for interviews;
- was the communication channel for workers post-audit;
- obtained a copy of the audit report.

## 7.9 Interviews with organisations outside the workplace

Local NGOs and/or community groups can offer advice on how to speak to different groups of workers. They could also be involved in helping to facilitate worker interviews as well as confirming or clarifying issues picked up in the workplace.

Other organisations you might consider contacting include regulatory bodies, local labour or health and safety inspectors, enforcement bodies, and local ethical sourcing/trading associations.

## 7.10 Visual inspection

Visual inspections involve examining physical conditions in workplaces but provide opportunities for assessing other things too. For example, watching people arriving and then leaving the workplace can help you establish how many hours people work every day. You can then compare this information with records and information obtained through interviews.

Your visual inspection is likely to involve the following:

- production areas (such as plantations, fields, factories)
- store areas
- workplace compounds
- workshops
- canteens
- toilets
- accommodation provided by the company
- surroundings.

Normally, your own company will develop a checklist that is relevant to the workplace. This will detail the physical standards that are acceptable and will vary depending on the type of workplace.

### Resource

An example of a checklist used for visual monitoring in a factory in China during an ETI experimental project is given in **Resource 23**.



Auditable checklists are discussed in more detail in section 6.7.

## 7.11 Closing the inspection

Once you have finished your inspection it's important to have a closing meeting with senior managers and with trade union representatives, or if they don't exist, with other legitimate worker representatives, to discuss what you found in your inspection, and to explain the process for negotiating corrective and/or remedial action. Getting everyone to sit around the table and discuss problem areas in an open, non-accusatory manner will also:

- raise awareness about problems and the need for corrective action;
- allow the site management team and trade union representatives to discuss solutions to the issues as a group;
- give managers and union representatives the chance to provide feedback on any problems/difficulties they have had with the visit. This will help to streamline any further visits and avoid feelings that reports are accusatory in nature;
- give managers and union representatives the opportunity to respond informally to issues raised in the audit.

**Tip**

Preface any critical feedback you give with positive points, as this builds a feeling of confidence and helps minimise defensiveness.



It may be counter-productive to be too prescriptive about solutions at this stage, since improvement is best achieved with the co-operation of management and workers. It is important that managers feel they have the opportunity to properly discuss and respond to issues raised in the audit and to input into solutions. It is also important that workers understand how their input has been treated and what changes to expect. If managers and workers, through their representatives, have time to discuss issues properly, they may well come up with workable solutions to the problems you have identified.

**Resource**

**Resource 24** is an example of an evaluation form used by one of our members for suppliers to enable them to give voluntary feedback on the assessment process.



## 7.12 Recording information

During the visit, aim to compile the following data:

- a description of the inspection visit – site, date, inspector, expert/independent assessors, manager/owners interviewed, documents seen, visual observations made, circumstances of worker interviews and other evidence taken;
- answers and comments on the questions in the agreed checklist, in the original form, preferably in a notebook with numbered pages;
- interview notes from each assessor;
- photographs/sketches of key visual observations where possible;
- copies of key documentation where possible.

## 7.13 Reporting back

At the end of the inspection, you will need to prepare a draft report of key areas of non-compliance so you can report back to the sourcing company. You will also need to prioritise issues arising from the inspection to provide the sourcing company with a framework for developing an action plan.

When you write your full report, it should indicate the key areas of concern, what the supplier's reaction is to workplace issues, and what the timeframe will be for any response required of the supplier. It is a good idea to link the information in your report to the relevant section of your code.

**Resource**

**Resource 25** is an audit checklist that was developed by the Agricultural Ethics Assurance Association of Zimbabwe (AEAAZ), a multi-stakeholder auditing body in Zimbabwe. **Resource 26** is an audit report which also includes checklists for interviews, developed for use with garment suppliers by an ETI company member. Both may be useful, but shouldn't be regarded as the perfect model.





The structure of your report could look something like this:

- Introduction
- Objectives
- Methodology
- Outline of issues that need to be addressed
- Action agreed with the supplier
- Assessment of likelihood that the supplier can and will comply.

It is also useful to give feedback on the inspection process itself and how well it worked. Issues that might be included in this report are:

- did the inspection visit reveal a fair picture of the situation? How do you know this?
- were the key groups with an interest in workplace conditions adequately involved?
- how were workers involved?
- were their perceptions and priorities fairly captured in the inspection report?
- who was left out of the interview process?
- were the questions relevant?
- were any issues neglected?
- what substantive changes were observed? (for second visit onwards)
- was there coherence of views among those interviewed?
- do the proposed changes reflect the key priorities of interviewees?
- what are the key factors that affect labour practices and that may affect future progress?
- what information was ignored/neglected?
- was the inspection visit seen as disruptive?

### Resources

**Resource 27** provides a list of the types of questions you could use to evaluate your inspection visits.

Some of ETI's experimental projects have produced examples of inspection reports. The report templates developed by the projects in South Africa and Zimbabwe are reproduced in **Resources 28 and 29**. You may find these useful, but don't regard them as the perfect model.



Chapter 8 offers information on negotiating action plans and timetables.

### Suggested action points

- Plan assessment visits thoroughly. Make sure supplier management and workers have been fully briefed by following up any written communication with phone calls.
- Make sure your assessment methodology enables workers' views to be properly taken into account. For example, as a minimum it should include confidential interviews with individual workers as well as groups of workers and briefings from trade unions and/or external community organisations.
- Watch out for evidence of double-book keeping and workers being 'groomed' for interviews by managers.
- Make sure your assessment methodology requires inspectors to investigate the working conditions of seasonal, contract and temporary workers and to check thoroughly for evidence of these commonly 'hidden' workers, as well as for children.
- Consider how you are going to involve trade unions/workers' representatives throughout the inspection process and take on board workers' views when agreeing priorities for action.

### Find out more

You might find it useful to attend ETI Training Module 3: *Managing change in the supply chain*, which shows how the tools and techniques of change management can be used to help understand the underlying causes of labour issues, and to negotiate shared solutions with suppliers. [www.ethicaltrade.org/d/training](http://www.ethicaltrade.org/d/training)

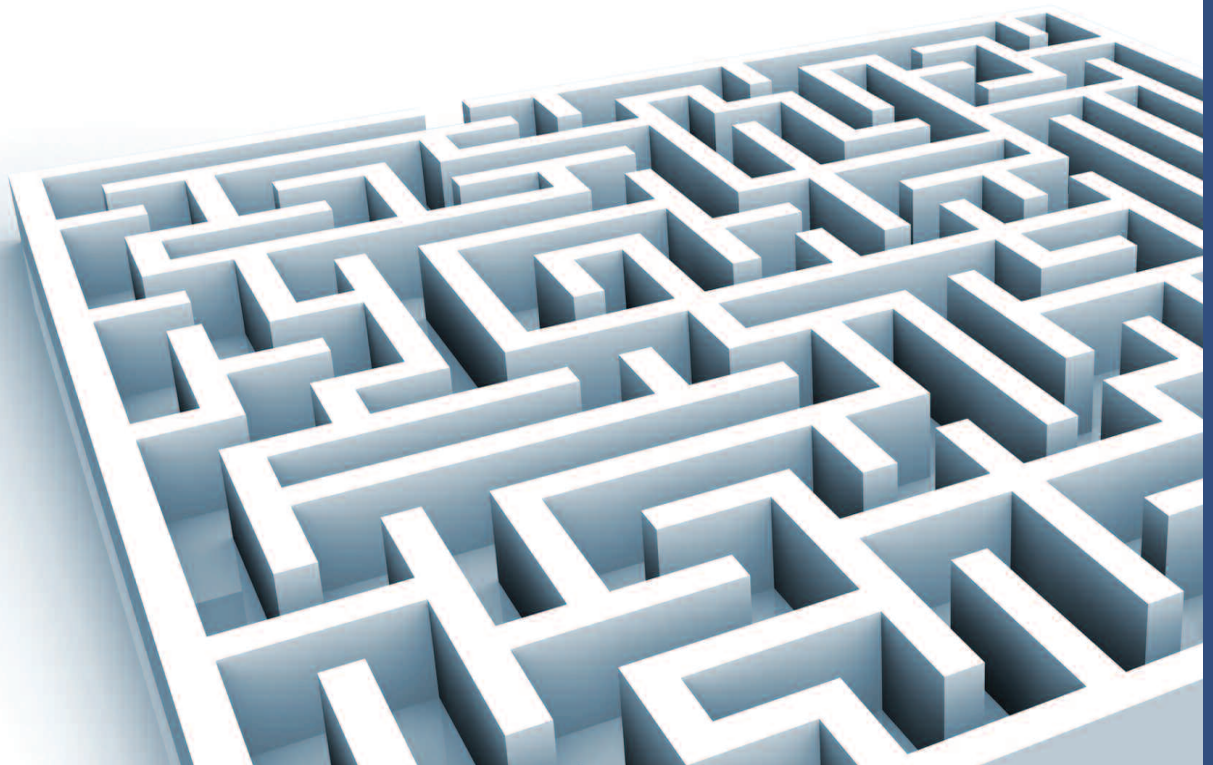


Ideas on how to respond to tricky non-compliances can also be found in ETI (2005) *Quick fix or lasting solution? Dealing responsibly with typical non-compliances*, ETI Conference Briefing Paper No.1. [www.ethicaltrade.org/d/briefingpaper1](http://www.ethicaltrade.org/d/briefingpaper1)

For general guidance on planning and implementing inspections, including the use of participatory techniques in social auditing, read Diana Auret's *Participatory social auditing of labour standards – a handbook for code of practice implementers*. Agricultural Ethics Assurance Association of Zimbabwe (AEAAZ), with support from ETI.

To find out more about the labour issues that particularly affect women workers, read the summary of the ETI members' roundtable on the subject: ETI (2002) *Issues affecting women workers*. [www.ethicaltrade.org/d/rt-women](http://www.ethicaltrade.org/d/rt-women). This identifies some of the main issues and offers practical tips for ensuring that inspections are effective at identifying such issues.

# Corrective action



# Corrective action

**This chapter's learning objectives are:**

- The importance of continual improvement
- Deciding your responses to code breaches
- Negotiating action plans with suppliers
- Who pays for improvements?
- Following up inspections

## 8.1 The importance of continual improvement

At the heart of ETI's approach to ethical trade is our belief that when non-compliances are found, encouraging suppliers to make improvements is more responsible than abandoning the supplier and the workers you are trying to protect.

As section 8.4 indicates, there are some instances where disengagement from your supplier may be the only responsible course of action to take. However, in many cases, your response should build in an acceptable timeframe for suppliers to take the corrective actions required. It is vital to allow enough time for effective and lasting solutions that tackle the causes of problems rather than just the symptoms.

## 8.2 Responding to minor breaches of your code

Decide what you are going to do about different types of code breaches. It is useful to distinguish between major and minor breaches of your code. Although it is up to you how exactly you define what constitutes a major or a minor breach, the following guidelines may help.

ETI's corporate annual reporting guidelines for members describe a minor breach as an isolated or occasional 'mistake' within a workplace that otherwise has acceptable labour standards. Examples of minor breaches might be:

- generally good health and safety systems but some fire extinguishers are missing;
- a management system which ensures that all workers carrying out permanent jobs are given permanent contracts, but there are occasional lapses;
- a policy stating an appropriate maximum number of overtime hours and a system for managing this, but occasionally maximum overtime hours are exceeded.

If minor breaches are found, it is acceptable to ask the supplier to prepare a plan for corrective action, with a timeline for making necessary changes.

***"Diagnosing problems is only a first step to change. The agreement of suppliers to initiate corrective actions and make sure they are followed through is equally important"***

*Bernice Leppard*

*Code of Practice Manager,  
Next plc*

### 8.3 Responding to major breaches of your code

For ETI, a major breach represents a systematic and/or a serious breach of the Base Code.

A systematic breach is a problem which is institutionalised in the supplier's systems. Systematic breaches are found when a supplier's 'normal way of doing things' contravenes one of the Base Code provisions or is insufficiently robust to prevent contraventions. Some examples of systematic breaches include:

- routine use of bonded labour
- management prohibition of union membership
- inadequate arrangements for provision of protective clothing
- no proper checks on the ages of young workers
- forced overtime
- underpayment of the minimum wage.

A serious breach may only occur very occasionally but is one which could have major consequences for workers' health – for example, the removal of a safety guard from machinery.

You may consider additional issues to be as important as these.

If an assessment uncovers major breaches, we recommend to our members that they require the suppliers to undertake swift corrective action as a condition of their continuing to trade with them.

However you choose to respond to non-compliances, be they major or minor, your response should be designed to stimulate and support improvement.

### 8.4 When to stop trading with suppliers

In rare situations you may find that a supplier is clearly unwilling or unable to change, or has failed to make agreed improvements. In these cases, disengagement may be the only responsible decision to take. Although it is important to make your supplier aware that the ultimate sanction for non-compliance is disengagement, this should be a last resort.

If you disengage from all problematic suppliers, you may reduce the risk of abuses in your supply chain. However, you could pave the way for less responsible buyers to fill the gap that you leave, or for the supplier concerned to lay off workers after losing orders. But if you continue to trade, you create the opportunity for improvements to be made.

Make sure you have transparent criteria for disengagement which are communicated to, and understood by, the supplier. Your criteria might include:

- the supplier shows no motivation to comply, or to move towards compliance;
- persistent and serious non-compliances are found;
- evidence of persistent and deliberate attempts to misinform auditors (for example, double bookkeeping).

Any other literature you provide to suppliers – such as supplier handbooks – should reinforce the same message.

### Case study 8.1 How Levi Strauss & Co. responds to different types of code violations

Levi Strauss & Co. has defined three different categories of code violations:

- 1 'zero tolerance' violation (ZT)
- 2 'immediate action' violation (IA)
- 3 'continuous improvement' violation (CI)

#### **Zero Tolerance (ZT) Violation**

"A serious breach of LS&Co.'s Terms of Engagement that results in severe impact to individual rights, life safety and/or LS&Co.'s corporate reputation. Production cannot be placed in proposed suppliers with ZT violations confirmed by more than one source of information. For existing suppliers with a ZT confirmed by more than one source of information, LS&Co.'s approach is to work with existing suppliers to remediate ZT violations immediately and endeavor to limit exit to circumstances when a supplier is unwilling to remediate or does not have the capability to remediate.

Examples of ZT include underage workers, forced labor, corporal punishment, violation of ethical standards (falsification of records, unauthorized subcontracting, or failure to provide access to records or workers), and failure to complete ZT or IA corrective actions within the agreed upon timeframe."

#### **Immediate action (IA) violation**

"Breach of Terms of Engagement that results in negative impact to individual rights and life safety and/or LS&Co.'s corporate reputation. Production cannot be placed in proposed suppliers with IA violations. For existing suppliers with an IA, the violation must be remediated fully (eg, underpaid wages must be repaid) and within a maximum period of two months, or the issue becomes a ZT. Some IA violations may require a remediation period of less than two months.

Examples of IA include excessive working hours, non-payment of overtime premiums or contracted wages, non-provision of required government benefits, documentation on important labor issues such as age, hours, wages, proper disciplinary processes, discrimination, infringements on freedom of association, violations of local law, non-functioning water treatment facility and life safety violations (emergency exits, fire prevention)."

#### **Continuous improvement (CI) violation**

"Labor, health & safety, and environmental issues that can be improved in the factory for the well being of workers and/or betterment of its reputation or management practice. Production can be placed in proposed suppliers with CI issues. For proposed and existing suppliers with CI issues, a reasonable corrective action plan can be proposed over a six-month period.

Examples of CI include operating permits (if company has already applied for them), establishment of company policies on hiring practices, etc., records documentation and health and safety issues, such as PPE, chemical storage, machine guarding, signage, etc."

## 8.5 Negotiating action plans with suppliers

Developing a list of corrective actions to be taken by suppliers is vital to ensure that improvements in working conditions are made. It is also important to agree with the supplier who will take what action and by when, and how progress will be reported.

When you negotiate corrective action plans, bear in mind that there may be several good reasons why suppliers are not complying with your code. These could include:

- they may not have the management expertise to make changes;

- they may think that it will disadvantage them commercially. For example, they fear that increasing wages or limiting overtime will make their company uncompetitive;
- making necessary changes may entail large capital outlays, which many small and medium-sized companies will find difficult to afford.

### Resource

**Resource 30** is an example of a corrective action plan template, developed by ETI for use with temporary labour providers in the UK food industry (Case study 10.13 provides more information on ETI's work as part of the Temporary Labour Working Group).



For the above reasons, some suppliers may also be unable to meet all the provisions of the Base Code in a short time. This doesn't mean that problems should be ignored, but it does mean that you should provide reasonable timeframes for suppliers to comply with your code, taking into account the existence of constraints beyond their control.

Different issues will require different time-scales. This could be anything from six months to several years. Factors which will affect this include:

- the complexity of the issue
- the level of capital investment involved and scale of corrective measures required, relative to the size and economic capacity of the workplace
- the degree to which changes in attitude and behaviour are required.

You might find it helpful to start with areas where change is relatively straightforward – for example, making sure fire exits are free from obstruction. Other issues which are endemic to the industry and country will require longer-term action – and possibly collective action from a number of companies or organisations. Section 10.1 looks at how companies with more experience in ethical sourcing can collaborate with others to help create lasting solutions.

It is also important to take a step back and look at the possible underlying causes of non-compliances. You may need to look at your company's purchasing practices – are they contributing to the problems? For example, are your prices contributing to low pay for women workers? Low pay makes women more vulnerable to sexual harassment from supervisors. It may be hard to resist requests for sexual favours when promotions and job opportunities depend on compliance (see chapter 9).

### Watch out! 'Quick fixes' can backfire...

Audits often identify issues that appear to have simple solutions. For example, if an audit reveals that excessive hours are worked, it might seem easy to ask the supplier to limit overtime work accordingly. But doing so may result in workers receiving a smaller wage packet at the end of the week, which was clearly not the intended outcome. When you negotiate corrective action plans with suppliers you need to understand and address the underlying causes of the non-compliances.





## 8.6 Who should be consulted?

If you draw up a corrective action plan for your supplier, the audit findings should be discussed with the supplier and they should be given a chance to review your proposed solution before signing their acceptance. Alternatively, you may choose to discuss the nature of the corrective action required with the supplier and together draw up an appropriate action plan. Or, you could ask the supplier to produce an action plan and timescale for you to review. Whatever you do, it is important to make sure that the supplier feels some sense of ownership of the process.

Other parties worth consulting are:

- *the workers who will be affected by any proposed corrective actions.* Ensure that they understand and are able to influence priorities for action. Consultation with workers may be facilitated by the existence of unions and effective collective bargaining;
- *local trade unions and NGOs.* These can play a role in developing solutions in difficult areas of non-compliance. Talk to relevant trade union and NGO contacts to discuss ways forward that can be built into action plans for suppliers;
- *other buying companies.* Encourage the sharing of best practice with others dealing with similar problems in their supply chains. This will help everyone find the best solutions to non-compliance. Of course, some companies will be reluctant to discuss their practices with other companies, particularly their competitors.

Action plans should be circulated to:

- external members of the inspection team
- relevant personnel within the sourcing company
- the agent (if relevant)
- supplier management
- local union or worker representatives (where appropriate).

## 8.7 Who pays for corrective actions?

When asking suppliers to make a significant financial investment in the process of improvement, it is vital to negotiate sensitively, ensure the costs incurred can be managed, and keep in mind the commercial benefits for suppliers. ETI has not carried out extensive research into this area but it is worth noting that, in many cases, the improvements requested may simply enable the supplier to comply with the law. If this is the case, it should not be the responsibility of the buying company to pay for these improvements.

## 8.8 Following up corrective actions

It's important to consider how to follow up corrective actions. Our members use different methods for different types of situation. Some of these are:

- asking for written confirmation and evidence from the supplier of the action taken
- carrying out a site visit to confirm action taken
- scheduling additional audits to check on progress
- following up at the next scheduled audit.

Follow-up visits to workplaces will certainly improve your ability to effect real change. For intractable problems, you may need to continue talking to the supplier concerned and inspecting their workplaces more frequently – possibly up to four times a year – and over a longer period.

First visits may not supply sufficient information on all aspects of compliance with the code. Follow-up visits should be used to 'fill in the gaps' and double-check existing information. A second visit is likely to provide more contextual information which gives greater insight into the validity of the basic documentation and data. But the amount and quality of information depends on how you carry out your visits (see chapter 7).

Make sure there is enough resource to conduct follow-up visits and establish an agreed time-scale so that your company can demonstrate it is taking workplace issues seriously.

#### Resource

A case study of an ETI corporate member's experience of negotiating and implementing corrective actions can also be found in **Resource 31 Management approaches and systems for achieving corrective actions – experiences of an ETI member company.**



### 8.8.1 Who should follow up corrective actions?

Buyers and product technologists are in an ideal position to encourage suppliers to implement any changes. You can give them the task of monitoring action plans at their own meetings with suppliers.

Alternatively, if you have sufficient people in your own ethical trading team, your own staff should have explicit responsibility for making sure corrective actions are implemented.

Local trade unions and/or NGOs may also be willing to take on this work, although bear in mind that many will have capacity constraints (see section 10.3 on building the capacity of local organisations).

#### Suggested action points

- Agree internal guidelines for responding to critical, major and minor breaches of your code and make sure they are applied consistently and transparently by those responsible for agreeing and following up corrective action plans.
- Make use of other people in your company who have direct contact with your suppliers (such as buyers, technologists) to help follow up non-compliances.
- Where possible, try to involve relevant trade unions or other worker representatives in agreeing corrective action plans so that they respond to workers' priorities.
- Beware of unintended consequences. When agreeing corrective actions, try to work out solutions that address underlying causes as well as symptoms.
- When you identify problems that appear to be endemic to the country concerned, consider pooling your resources with other buying companies to develop joint strategies with shared suppliers and/or engage with government.

**Find out more**

ETI (2005) *Quick fix or lasting solution? Dealing responsibly with typical non-compliances*. 2005 Conference Briefing Paper No. 1  
[www.ethicaltrade.org/d/briefingpaper1](http://www.ethicaltrade.org/d/briefingpaper1)

ETI (2002) *Corrective actions: sharing best practice*. Summary of ETI members' roundtable. This includes practical tips based on the experiences of three member companies on how best to work with suppliers to implement corrective actions. It includes a discussion of the key challenges in negotiating corrective actions with suppliers, and ideas on how these can be overcome.

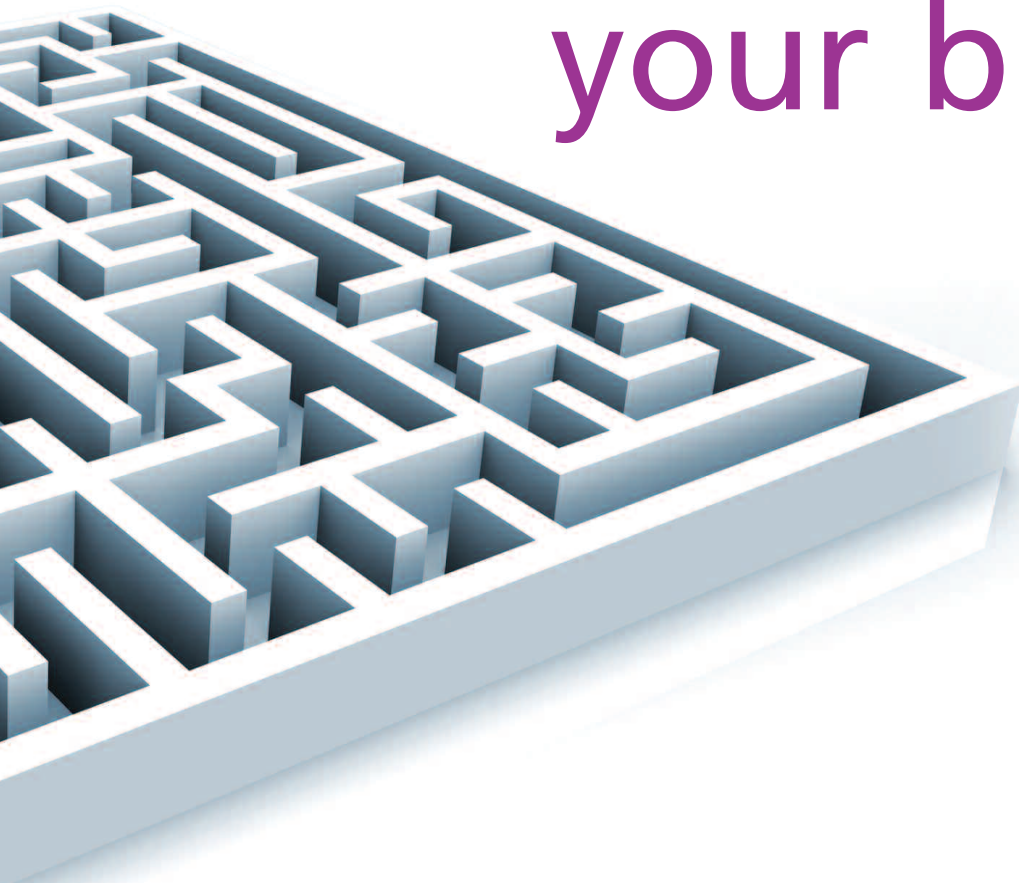
[www.ethicaltrade.org/d/rt-corrrections](http://www.ethicaltrade.org/d/rt-corrrections)



**Part 4**

Guidance for the more experienced

# Integrating ethical trade into your business



# Integrating ethical trade into your business

## This chapter's learning objectives are:

- Sourcing decisions, their impact on workers and possible solutions
- Common purchasing practices, their impact on workers and possible solutions
- Changing company culture – incentives and reward systems

## 9.1 Why it is important to integrate ethical trade into your business

If your company is really serious about wanting to improve working conditions in its supply chain, you need to think about how to integrate its ethical trade commitments into core business activities. This is because almost all the commercial decisions taken in different parts of your company can potentially worsen or improve working conditions in the supply chain.

The question of how commercial practices can be married with ethical trade principles is a daunting one. Although there is wide agreement that it needs to be done, there is much less certainty about how, given that all the different functions of the business – strategy, product design, purchasing, marketing, human resources and so on – would need to be involved.

Much of the work carried out to date has focused on company buying practices, as price and lead time negotiations with suppliers have a clear impact on suppliers' ability to comply with codes. The sections below look at some of the key areas where commercial relations with suppliers can make it difficult for suppliers to comply with company codes, and outline some practical steps that can be taken in the right direction.

## 9.2 Looking at your commercial relationship with suppliers

ETI corporate members often comment that the longer their relationship with their suppliers, the greater the likelihood that their suppliers will implement their codes of practice. They also say that the more they buy from any individual supplier, the greater the leverage they can exert to get them to implement their codes. It is certainly true that the commercial decisions companies take over who they source from, how much they buy, and how stable their relationship is with suppliers can all impact on working conditions.

The following table looks at the impact on suppliers and workers of some sourcing decisions that companies take. It also identifies a possible solution to each issue, and the potential benefit to your business of implementing the solution. Please note that ETI cannot make any formal recommendations at this stage, as our learning is not yet well developed in this area. However, it is worth exploring what others have suggested.

*"In examining our overall supply chain strategy, we realised that some of our [purchasing] decisions were not only impacting working conditions but also impacting quality, on-time delivery and cost."*

*Dan Henkle, Senior Vice President – Social Responsibility, Gap Inc.*

**Table 9.1 Sourcing decisions and their effects on workers**

Decision	What can go wrong	Impact on suppliers and workers	Potential solution	Potential business benefit of the solution
<b>Who to source from</b>	Sourcing through agents and mid-chain suppliers who don't provide information on workers	If you have no information on workers you cannot find out what their conditions are and therefore cannot improve them	Reduce your dependence on agents to increase the visibility of your supply chain  Include your code requirements into contracts with suppliers	Greater knowledge of your suppliers means less risk to your reputation
	Sourcing from suppliers with no interest in changing their practices	You have no potential to make a difference to the lives of the workers concerned and could be exploiting poor conditions	When you screen and select suppliers, use labour standards as a criterion alongside quality and delivery (see example below). Use the same criterion in service level agreements	Good labour standards mean greater productivity of supplier and better value for you
<b>How much you buy</b>	Buying too little	If you buy only a small proportion of a supplier's total output you have little leverage over your suppliers	Work with other companies sourcing from the same supplier to increase your leverage  Review your practices and consolidate your sourcing base	Increased efficiency of your ethical trade activities
	Buying too much	There is a danger of sourcing too much. If you buy 100 per cent of a supplier's output you will increase their dependence on your business and their vulnerability to the sourcing decisions you take. In turn, this increases the vulnerability of workers if you stop trading from the supplier concerned (see case study 9.1)	Make sure you are not the sole purchaser of any individual supplier  Make sure that exit strategies from suppliers build in protection for the workers who may be laid off as a result of your departure	Managing your own company's risk

**Table 9.1 Sourcing decisions and their effects on workers (continued)**

Decision	What can go wrong	Impact on suppliers and workers	Potential solution	Potential business benefit of the solution
<b>How long you stay with supplier</b>	Switching suppliers frequently	Supplier has no incentive to invest in making required changes	Develop long-term relations with suppliers	Greater potential for reporting positive impacts
	One-off relationship with suppliers	Reward supplier for investing in changes by continuing to trade with them	Increased co-operation from supplier	

**Case study 9.1 The dangers of creating supplier dependence – Nike in Indonesia**

Nike hit the headlines in 2002 for withdrawing orders from PT Doson in Indonesia as part of its overall strategy of moving production to the cheaper locations of Vietnam and China. Although Nike tried to help the factory find other buyers, it was unsuccessful and the factory closed down, leaving almost 8,000 workers without an income. Nike offered workers micro-loans and healthcare and funded nine vocational training programmes to help re-train the workers. And although it was widely criticised for failing to ensure that adequate severance pay was provided, it stated in its defence that it monitored the situation and that, after two years, all workers were paid their rights according to the law. It is worth noting here that the MFA Forum<sup>1</sup> places responsibility for severance pay with the supplier. This case study highlights the danger of taking 100 per cent of any given supplier's output, but also that it is possible for retailers and brands to put in place simple measures to mitigate the worst effects of factory closures.

**Case study 9.2 The benefits of long-term relationships with suppliers**

Marks & Spencer has been communicating regularly with its UK-based horticulture suppliers for several years. It works closely with suppliers to achieve growth through quality and innovation rather than trying to compete on price and favours suppliers who are 'visionary' rather than those who compete only on price. According to Marks & Spencer, this has facilitated long-term relationships with suppliers and has permitted a more open dialogue on ethical trade issues. Buyers work in teams with technologists and new product developers, all with equal status, which makes it easier for ethical trade performance to be incorporated into buying decisions. A senior manager sits outside these functions and sets the framework for work on ethical trade, providing additional support when required. Marks & Spencer says this more focused role has pushed ethical trade forward generally in this sector.

**9.2.1 Using ethical trade criteria when screening new suppliers**

Most ETI members screen new suppliers on ethical issues before starting a new commercial relationship with them. Depending on factors like the size of orders, the likely length of their relationships with the supplier, screening entails anything from an in-depth on-site audit to simply asking suppliers to complete a self-assessment questionnaire.

<sup>1</sup> The MFA Forum aims to mitigate the effects of the phase-out of the Multi-Fibre Arrangement. See section 10.4 for more information



If you choose to screen suppliers it is important to remember – and to let the supplier know – that initial screening is not a test that they will either ‘pass’ or ‘fail’. It is more useful to view it as a diagnostic tool which will help you assess how likely it is that abuses of workers’ rights are occurring, and to get an idea of how much work will need to be done for the supplier to become compliant.

Think about what minimum standards you will require from suppliers before you do business with them. For example you could decide any of the following:

- supplier is fully compliant
- no major breaches of the Base Code
- supplier agrees to comply with the Base Code within a set timescale
- supplier has met specific minimum standards on some or all of the code provisions

...and so on...

### Case study 9.3 Levi Strauss & Co.’s approach to screening suppliers

Levi Strauss & Co.’s policy is that no orders or branded samples are placed until the supplier is found to be compliant. “If the (initial) assessment yields ‘zero tolerance’ or ‘immediate action’ results, the supplier is given time to make necessary improvements. However, no production will be placed until a follow-up assessment proves the supplier’s compliance. For existing suppliers, the company will consider disengaging only if a supplier is unwilling or is not able to remediate.”

### Case study 9.4 Gap Inc.’s ‘multistep qualification process’ for suppliers

Gap has a ‘multi-step qualification process’ for its suppliers, which can take from one week to more than a year to complete. The process has three steps:

- the manufacturer provides written commitment to abide by the Gap Code of Vendor Conduct. They must provide unrestricted access to factory workers’ working and living facilities;
- an initial evaluation visit based on the Code;
- a decision by the compliance team.

#### Resource

**Resource 32** is a flowchart describing the procedure that one of our company members uses to make sure ethical trade is an integral part of considerations when evaluating new suppliers.



### 9.2.2 Using ethical trade criteria in contracts with suppliers

A simple way of integrating ethical trade into business relationships with your suppliers is to incorporate it into contractual relations with them. Some of our corporate members are starting to do this. In some cases, purchasing contracts require adherence to a defined code of labour practice such as the ETI Base Code. In other cases, the contract requires adherence to general operating standards, which implicitly include a labour code.

Some of our members do not have written contracts with suppliers. In these cases, some ask their suppliers to sign a document stating that they will comply with their code. This is a sensible interim step. However, it is worth noting that formal contracts with suppliers may help you implement your ethical trade strategy if used to communicate clearly the obligations of both parties to the contract – not just of the supplier. Greater transparency and predictability on the part of a buying company will help reduce a supplier's perceived risks and therefore increase the likelihood that they will invest in code compliance measures.

#### Resource

**Resource 33** shows excerpts from an ETI member company's standard 'compliance agreement' with its suppliers. The agreement, which must be signed by the supplier, outlines requirements for suppliers to comply with the company's code of conduct and national laws, and to allow inspectors unrestricted access to facilities.



#### Tip

Include statements to the following effect in your contracts:

- that the supplier accepts monitoring of their labour practices and will rectify any areas of non-compliance within an agreed time period;
- that the company will apply sanctions if agreed corrective actions are not undertaken satisfactorily within an agreed time period; and
- that the ultimate sanction will be disengagement from the supplier.



### 9.3 Common purchasing practices and their impact on working conditions

The table below looks at two key aspects of buyers' decision-making that affect suppliers' ability to comply with codes of labour practice:

- 1 *decisions about cost and risk* – for example, what price to pay suppliers, how prices are negotiated and how risk is apportioned between parties
- 2 *decisions about lead times* – how flexible suppliers are expected to be, how quickly they are expected to turn orders around, and so on.

It looks at some common trends and practices and the impact they are likely to have on workers. It also looks at possible solutions and the potential business benefits for each solution. Again, this table does not represent formal recommendations from ETI on these issues. However, it does represent a summary of the research that has been done and the experience of some companies.

**Table 9.2 Purchasing practices and their effects on workers**

Decision area	What is happening	Potential impact on workers	Potential solutions	Potential business benefits
<b>Cost and risk</b>				
<b>How much you pay</b>	Downward pressure on supplier prices	Low wages Long hours Poor health and safety standards Sub-contracting production	Negotiate fair prices – eg, modelling supplier costs to see if the supplier is pricing a product too low  Ensure pricing enables the supplier to meet international labour standards	Improved quality (excessive overtime and sub-contracting create problems for product quality)
<b>How you negotiate prices</b>	Online auctions are putting suppliers in tough competition on price	As above	Don't buy from online auctions!	Suppliers provide 'open book' costings, making labour costs visible. This will only work in a close business relationship  Improved quality
<b>How you apportion risk</b>	Asking suppliers to bear/share loss of margin for products reduced on promotion	Low wages	Bear entire loss of margin	Increased trust
	Asking suppliers to bear costs incurred through delays caused by your company	Low wages	Set up a scheme to compensate suppliers for costs incurred through these delays	Increased trust
<b>Lead times</b>				
<b>Seasonality</b>	Lots of peaks and troughs in demand for goods throughout the year	Affects suppliers' ability to provide secure and regular employment – increased outsourcing, use of informal labour  Increases suppliers' costs (higher number of smaller shipments) so creating pressure to reduce workers' wages	Improve your own production planning eg, manage production outside supplier peak periods  Train suppliers to improve production planning (see section 10.2.4)	On-time delivery  Helps build trust and confidence with suppliers

**Table 9.2 Purchasing practices and their effects on workers (continued)**

Decision area	What is happening	Potential impact on workers	Potential solutions	Potential business benefits
<b>Lead times (continued)</b>				
<b>Flexibility demands</b>	Suppliers getting asked to make last minute changes to orders	Often results in excessive overtime and sub-contracting	Improve forecasting to reduce last minute demands  Improve critical path management (see section 9.3.1 below)	Increased efficiency of internal processes  Increased confidence of on-time delivery
<b>Length of lead times</b>	Suppliers agreeing to unrealistic deadlines to secure orders	Excessive, mandatory and/or unannounced overtime  Bringing in extra labour through unauthorised sub-contractors	Improve production planning eg, get buyers to check production capacity before placing orders (see section 9.3.1 below)	Increased confidence of on-time delivery

### 9.3.1 Improving scheduling and critical path management

Production scheduling and critical path management are two areas where improved planning, transparency and efficiency can bring benefits for workers, for your company and your suppliers' business. Suggestions for making 'win-win' changes are outlined below.

#### Suggestions for improving production planning

- Could your company improve its forecasting? You could potentially reap commercial dividends and also improve the ability of your suppliers to plan ahead.
- Think about managing production outside supplier peak periods. Suppliers of seasonal products have peak manufacturing periods, during which their prices tend to be higher. Placing orders outside these periods can deliver lower prices and also help maintain continuous employment for suppliers' staff.
- Explore ways you could work with suppliers so they could produce other items during their downtime.
- Create a data management system that will allow you to see when supplier downtimes occur and what their production capabilities are.

### Case study 9.5 Gap Inc.'s experience of improving its production planning

- *Redesigning production processes.* They have been working with their garment manufacturers to streamline their production processes, while at the same time still allowing for the flexibility to react to trends. As a result, they have made significant progress towards ensuring that production calendars consistently reflect real manufacturing deadlines.
- *Securing commitment from colleagues.* The compliance team have also secured commitment from all the internal functions involved in developing products – from design and merchandising to sourcing and production – to monitor their performance against these new production schedules.
- *Ensuring that new production schedules are adhered to.* They plan to make the new production calendars a reality by ensuring that stricter adherence to production calendars is built into individual performance goals.
- *Involving suppliers earlier.* They are beginning to involve manufacturers earlier in the production cycle, so they can better understand Gap Inc.'s product design requirements.

### Suggestions for improving critical path management

- *Improve communications with your suppliers.* Think about actively involving your suppliers in setting up the critical path, so they are aware of it from the outset. You could also share the critical path with your suppliers by using shared computer or intranet systems. It will also help to inform the supplier of key dates on the critical path when you place your order, or at least to tell the supplier the order date and the delivery date when you place your order.
- *Streamline decision making.* Is senior management sign-off required for all buying decisions? If not, look at ways of simplifying the process to minimise delays when key managers are absent. Consider creating a database of key internal decisions taken (by whom, when and what) to improve accountability.
- *Make more dates 'critical'.* Some of the deadlines in the critical path are truly immovable – typically the shipping date for overseas products and the in-store launch. Others may be internal milestones, which are often disregarded, leading to compression of the final stages of the critical path. It's worth thinking about how you can stick to all the deadlines in the critical path, to minimise the chances of slippage.

### 9.4 Changing your company's culture

Buyers typically have a short-term focus, work in isolation from other departments and see ethical trade as conflicting with their objectives of getting the best prices. But getting your buyers on board is key to supporting any of the changes suggested above. To do so, you will need to:

- get your chief executive on board – see section 2.2 on the importance of having a senior champion to drive change throughout the business;
- raise buyers' awareness of how their behaviour and decision-making are affecting suppliers' ability to comply with your code;
- persuade them of the business case to changing their practices;
- incentivise buyers and suppliers.

### 9.4.1 Raising buyers' awareness

In our members' experience, few buyers are aware that their decisions and actions can affect working conditions in their supply chains. Opening their eyes to these impacts is key to getting them involved. Some suggestions are:

- Show them the types of buyer behaviour and decision-making that can contribute to poor working conditions (for example the above tables);
- Use external research to back up your case (such as Oxfam's *Trading away our rights* report – see the end of this chapter for information);
- Take your buyers to production sites to demonstrate what conditions are like – or at least show them photographs of factories and poor working conditions. Some examples are provided in **Resource 6**;
- Make sure you talk to buyers in their own language – avoid using 'CSR jargon';
- Think about bringing buying teams closer to technical and ethical teams. This may help your buying teams to understand the issues so you can work better together. A very simple but effective measure might be to co-locate teams (buyer, merchandiser, product designer, technical and ethical experts). Or you could have shared team meetings, or try having multi-disciplinary teams for certain projects.

### 9.4.2 Building a business case

Not enough work has yet been done to build a robust business case for reviewing purchasing practices. Until there is sound evidence that win-win solutions can be found, tables 9.1 and 9.2 should provide you with some helpful pointers from which to develop your case to buyers. You can also use arguments from section 1.2 on the overall business case for ethical trade to help you put across your argument.

### 9.4.3 Incentivising buyers and suppliers

If your company is like most, it will probably incentivise buyers on margin alone. A fuller system of incentives that includes other elements such as quality, ethical standards, team working, timing, innovation and so on might motivate buyers to think more broadly when making their buying decisions. Think about providing incentives to buyers to source from suppliers with good standards, to meet critical path deadlines and to communicate more effectively with suppliers, for example on design criteria, product specification, dates on the critical path and so on. Consider what commercial criteria, other than margin, could be used to measure and appraise buyers' performance in a way that incentivises them to consider ethical issues.

It is equally important that suppliers believe that their performance on labour standards counts when it comes to their customers' sourcing decisions. If suppliers are going to make lasting improvements to their labour practices, they need to have faith that whether they get business, and how much, depends at least partly on their commitment to improving working conditions. One possible solution is to include a supplier's history of compliance with labour standards as one criterion among others to determine whether a factory is suitable for production.

**Case study 9.6 Nike's 'balanced scorecard' approach**

Nike have been working to integrate corporate responsibility goals into the way they manage their contract manufacturing by adopting a 'balanced scorecard' approach to evaluating their suppliers. The idea is that buyers will make sourcing decisions based on a broad set of criteria that incorporate not only price, quality and delivery, but also health, safety, environmental and labour management practices of the supplier. While they see the introduction of the balanced scorecard as an important step forward, they recognise that they need to go further and look at ways of rewarding both buyers and suppliers for good performance on corporate responsibility goals. So, for example, they are considering performance bonuses to those who meet corporate responsibility goals.

**Case study 9.7 Otto Group – creating internal competition on ethical trade**

Buying officers at the Otto Group have to report on how many of their suppliers are compliant on ethical trade standards. This requirement creates internal competition between buyers on ethical performance issues. They have a database which catalogues each supplier's position on compliance. The rule is that the supplier has three chances: if they fail a second re-audit, they are delisted. This system makes it clear to suppliers that they need to meet labour standards – no matter how good they are on cost. Since this system applies to all suppliers in all countries, neither buyers nor suppliers can opt out – they have to accept that labour standards matter.

**Case study 9.8 Levi Strauss & Co. – integrating information on supplier compliance into business decisions**

Levi Strauss & Co. have a system for integrating information on supplier compliance into business decisions. Information on supplier compliance includes corrective action plans; existence of repeated violations; not implementing agreed corrective actions within the required timescale; and failure to demonstrate improvement over previous years. This is all consolidated into a simple model which is compared with other factors, including quality, strategy and volume.



### Suggested action points

- Consider using ethical trade criteria when screening new suppliers, bearing in mind the need to reassure them that this is not a 'pass/fail' exercise. Work out what your minimum requirements of suppliers should be. It may simply be evidence that the supplier is willing to improve.
- Consider including a standard clause in your contracts with suppliers that requires the supplier to work towards compliance with your code and makes it clear that the ultimate sanction will be disengagement.
- Discuss with relevant colleagues how the company can provide incentives for buyers to address ethical trade issues, for example in job descriptions, performance appraisal systems and so on.
- Remember that the length of your commercial relationships with suppliers and how much you buy from them can both impact on the effectiveness of your ethical trade strategy. Put 'mitigating measures' in place in your entry and exit strategies with suppliers and countries.
- Provide training and/or awareness-raising sessions for buyers to show them the effects of some buying practices (such as prices, lead times and so on) on suppliers' ability to comply with codes of conduct. Discuss the impact of low prices and the effect they have on suppliers' ability to pay their workers a living wage.
- Discuss with relevant colleagues how you could increase the predictability of orders for suppliers and/or improve critical path management to take the pressure off suppliers to increase outsourcing and/or use informal labour arrangements.

#### Find out more

Useful background materials on the issue of company purchasing practices and how they are impacting on workers' rights down the supply chain are:

ETI (2005) *Purchasing Practices: 'marrying the commercial with the ethical'*. Members' Roundtable Report  
[www.ethicaltrade.org/d/rt-purpract](http://www.ethicaltrade.org/d/rt-purpract)

Oxfam (2004) *Trading away our rights. Women workers in global supply chains*. Oxfam.

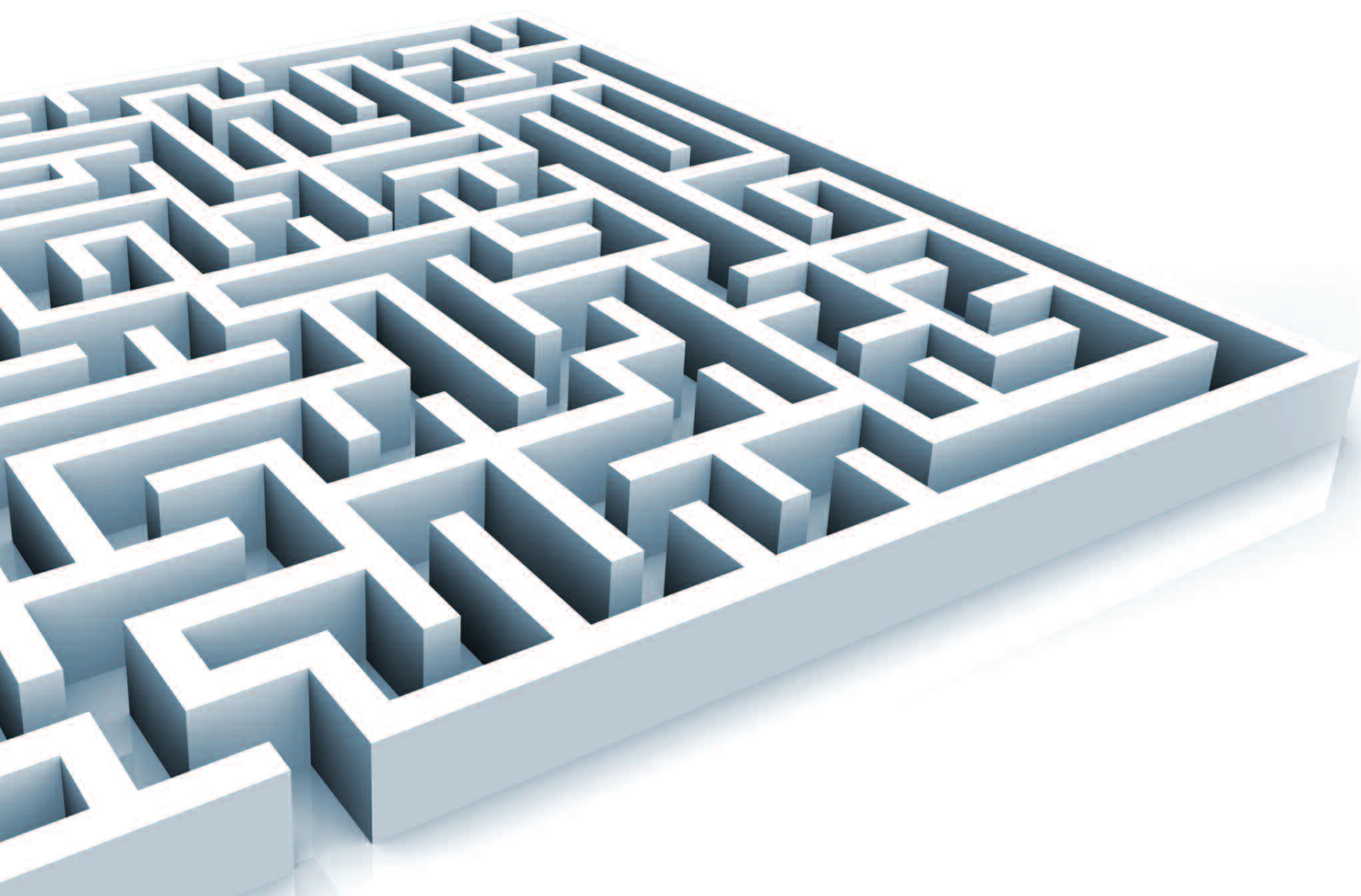
Acona/Insight (2004) *Buying your way into trouble? The challenge of responsible supply chain management*. Acona/Insight.

For more recent information about how companies are tackling the issue of integrating ethical trade into their commercial decision-making, read ETI (2005) *Bridging the gap between commercial and ethical trade agendas: Pioneering approaches to purchasing practices*. ETI 2005 Conference Briefing Paper No.5  
[www.ethicaltrade.org/d/briefingpaper5](http://www.ethicaltrade.org/d/briefingpaper5)

For more information on how ethical trade principles can be integrated into company sourcing strategies, read ETI (2005) *Moving production: Stalling the race to the bottom*. ETI 2005 Conference Briefing Paper No.4  
[www.ethicaltrade.org/d/briefingpaper4](http://www.ethicaltrade.org/d/briefingpaper4)



# Supporting wider change



# Supporting wider change

## This chapter's learning objectives are:

- Joining forces with other companies
- Helping build supplier capacity
- Building the capacity of local organisations
- Getting involved in multi-stakeholder initiatives
- Engaging with government

Once you have gained confidence and experience in assessing your suppliers and following up non-compliances, you can start thinking more strategically about some of the wider, systemic problems that may be constraining your suppliers' ability to comply with your code of labour practice. These include:

- lack of understanding among many suppliers of the business benefits of improving workers' conditions, what practical steps they can take and how trade unions and local NGOs could contribute;
- lack of the required knowledge and skills on the part of local trade unions and NGOs to engage with codes of labour practice;
- lack of understanding on the part of national governments of the importance of protecting workers' rights and how codes of labour practice can be used to promote compliance with national law.

It is unlikely that any single company can tackle any of these issues on its own. But our members are increasingly finding that joining forces with other companies and organisations can have an impact on systemic problems as well as tackling issues in individual workplaces. The rewards for working on any of these areas may not be immediate, but it is likely that they will be long-lasting.

## 10.1 Joining forces with other companies

Collaborating with your competitors may go against all your commercial instincts, but CSR and ethical trade are increasingly seen as non-competitive issues and growing numbers of companies are pooling resources. If you are still gaining experience in ethical trade, you could start by simply swapping information and experiences with other companies. ETI provides an ideal forum for this. Once you have started to develop trust with other companies you could start thinking about:

- sharing audit reports, then tackling corrective action follow-up together (see chapter 8)
- helping build supplier capacity (see section 10.2)
- lobbying government for better laws and more effective law enforcement (see section 10.5)

Here are some suggestions from our members based on their own experience of working with other companies:

- When deciding who to work with, look for companies with a similar structure and ethos to yours. You could also look at your supply base and work out where you share common suppliers or product categories with other companies;

*"To have impact we must join forces. There is a huge need to build stronger and broader alliances between businesses, trade unions, NGOs and governments to tackle labour rights at a strategic and sectoral level as well as in the workplace."*

*Alan Roberts*

*Chair, Ethical Trading Initiative*

- Bear in mind that many companies will be sceptical about the idea of collaboration, although those that are committed to ethical trade – for example, ETI members – are increasingly open to working with other companies;
- As with partnerships with trade unions and NGOs, personal relationships are key to building the required trust between partners;
- If you are nervous about sharing information, don't share anything unless you would be happy for it to be made public. It might help to employ an honest broker to manage the sharing of information and handle potential disputes over intellectual property;
- Agree a clear division of labour with agreed milestones so you can measure progress and manage expectations as you go along.

**Watch out!**

You may find that collaboration with other companies is forced upon you – for example, a trade union or NGO may bring an issue within a specific supplier to the attention of all the companies who buy from that supplier. If the issue is widespread or particularly serious, it might make sense to develop a joint response with other buyers to increase your leverage.

**Case study 10.1 The Brands Ethics Working Group in India**

The Brands Ethics Working Group in India is an informal grouping of global brands and retailers, key agents, auditing companies and the Fair Labor Association. Its members meet to share experiences of dealing with difficult non-compliance issues, develop a common voice and approach to key compliance issues and engagement with local factories, and build the capacity of these factories to improve labour conditions.

**Case study 10.2 The Kenyan Horticultural Ethical Business Initiative**

In 2002, a UK-based NGO, Women Working Worldwide, circulated a report of violations of workers' rights on Kenyan flower farms to ETI retailer members who were sourcing flowers from Kenya. One of the problems identified in the report was the way in which farms were being assessed: many organisations were using their own auditors or international certification bodies and few had established links with local trade unions or NGOs. In response to the report, a working group of interested ETI members was established called the ETI Flower Forum. In Kenya, NGOs, government, industry and other stakeholders formed the Horticultural Ethical Business Initiative (HEBI) to work together to assess the situation for workers on flower farms and create a common code and social auditing methodology.

In 2003, HEBI stakeholders developed and tested their new draft code and social audit methodology and 2003-4 brought changed practices for ETI company members in how they implement labour standards in their flower supply chains. While the work focused on Kenya, members also independently applied learning to other relevant areas of their supply chains. The combined work of participants in Kenya and the UK has led to some improvements in working conditions on Kenyan flower farms and to the establishment of systems for continuous improvement. [www.hebi.org.ke](http://www.hebi.org.ke)

## 10.2 Helping build supplier capacity

Chapter 5 looked at ways of communicating with suppliers to help them understand the business benefits of compliance, what practical steps they can take towards compliance, and how trade unions could contribute. All of these activities can be described as 'capacity building'.

Building suppliers' capacity can also involve:

- training and advice for suppliers and workers – for example, in human resource management or health and safety
- advice and training on productivity
- providing practical tools to help suppliers work towards compliance
- getting suppliers to share experiences and learn from each other
- helping suppliers develop management systems for code compliance.

The case studies below give some examples of companies which are already providing this kind of support.

### 10.2.1 Training suppliers

Training for suppliers could cover:

- the importance of workers' rights and codes of labour practice
- the requirements of national law
- management skills
- common non-compliances and how to deal with them.

#### Tip

Training doesn't have to be formal. For example, you could get your inspectors to give practical, on-the-job training to your suppliers and use audits as an opportunity to help build skills. Many of our members use their regular meetings with suppliers as an opportunity to help them develop managerial skills and so build their capacity to make improvements in workers' conditions that will also benefit their business. This could be as simple as providing recommended formats for records and reports, to help site managers get into the habit of proper record-keeping.



### Case study 10.3 On-the-job training for suppliers

When inspectors from one ETI member company visit factories, they ask the supplier to be present so they can explain what they are looking for, why certain issues are important and how improvements can be made. The company has also developed a factory assessment guidebook for suppliers which can be used for both assessing conditions and providing guidance to suppliers on what can be done.

If you decide to provide formal training to suppliers, you will need to:

- make sure it is relevant to the country and industry concerned
- use accessible language
- think about providing visual/pictorial examples
- organise it in such a way that it involves minimal disruption to workflow
- make sure you are ready to answer difficult questions (see section 5.2.5).

To get the most out of your resources, you might consider running training for several suppliers at the same time.

### Case study 10.4 Health and safety training on Indian tea estates

In 2003, Typhoo found that a group of its Indian suppliers had a low level of awareness of health and safety issues. To tackle the problem, it developed a half-day health and safety training course tailored for tea producers, designed to help them identify and resolve health and safety issues as part of their daily activities. A total of 39 producers attended the training, which covered the following topics:

- organisation
- policy
- hazard awareness and risk assessment
- emergency procedures
- accidents
- training and communication.

### Case study 10.5 The Impactt overtime project

The consulting company Impactt convened and managed a three-year collaborative project in China, working with 11 purchasing companies and with local partners to develop an innovative approach to tackling the issue of excessive overtime.

The purpose of the project was to demonstrate that by improving a factory's productivity, human resource management and internal communications, hours can be gradually reduced, while maintaining wage levels. The focus was on presenting a clear business case for factory managers and supporting continuous improvement.

Each purchasing company chose one of their supplier factories in China to work with on the project, which involved providing consultancy and training for factories from a number of local organisations.

Overall, all factories managed to reduce working hours, although most were still not able to achieve consistent compliance with strict Chinese labour laws. Most factories saw increased productivity and quality and also increased wages.

It is also worth thinking about how you build the capacity of your agents and licencees as well as your suppliers. The case study below shows one member's experience.

### Case study 10.6 Training agents in code compliance

During 2004, Levi Strauss & Co. product licensees' and agents' compliance staff were invited to attend one of four Core Assessor Training sessions. The purpose was to educate them on Levi's requirements and monitoring methods. The licensees and agents were then responsible for conducting pre-assessments of the factories, the results of which were later verified by the company's assessors. It was anticipated that building the capacity of the licensees' and agents' compliance staff would decrease the number of violations discovered at the factory at the time of the actual assessment, as well as time spent on remediating those issues.



### 10.2.2 Giving suppliers practical tools

Many of our members tell us that suppliers benefit from being given practical, simple tools to help them put their codes into practice. Section 5.4 suggested materials you could produce for suppliers to give to their workers. For the suppliers themselves, you could develop:

- written case studies demonstrating the benefits of improving workers' conditions (see examples in section 5.3.1)
- checklists for suppliers to assess their own compliance
- information leaflets on ethical trade, workers' rights and so on
- training materials in local languages for management and workers
- guidelines on how to comply with your code.

#### Case study 10.7 Collaboration to produce a workbook for suppliers

Co-operative Retail and other partners including Marks & Spencer collaborated to develop a workbook for suppliers which they are progressively introducing throughout their supply chains along with briefing seminars on how to use it. The workbook allows suppliers to assess their own level of compliance and identify areas needing attention. In this case, an external consulting company was used as an 'honest broker' to manage the process of producing the workbook and handle intellectual property issues.

#### Case study 10.8 Verité Vendor Guidebook

Verité, a non-profit social auditing and research organisation, has developed a 'Vendor Guidebook' as a tool for brands and suppliers to facilitate improvements in working conditions. The Guidebook is intended for use either in introductory settings or to deepen understanding of code standards and best practice and serves as a common reference point for brand and factory staff to identify specific compliance gaps as well as practical steps for addressing them. A number of brands have introduced the Guidebook at training seminars to clarify code standards for new vendors. For the brands' longer-term suppliers, small-group workshops introduce the Guidebook as a framework to help embed or strengthen systems to address the root causes of chronic issues such as harassment, excessive overtime, benefits and transparency. According to Verité, the response from the factories has been broadly favourable, with the vast majority of managers expressing appreciation for the practical support provided.

#### Case study 10.9: Management systems diagnostic tool

Levi Strauss & Co. has developed a diagnostic tool for suppliers. This allows suppliers to assess their own level of compliance with the company's code of conduct. The company says that this is the way to sustain working conditions because the supplier implements systems to ensure improvements are sustainable over time.

### 10.2.3 Getting suppliers to share experiences and learn from each other

You can help your suppliers to exchange non-competitive information on practical steps for improving workers' conditions. One good reason for doing this is to address a common perception among suppliers that they will be competitively disadvantaged by complying with codes. It is also an effective way of sharing of information and learning about 'what works' among suppliers.



### Case study 10.10 Marks & Spencer's benchmarking groups

Marks & Spencer holds collective meetings with its top suppliers every three months. Meetings take place at each other's production site on a rotating basis. Examples of concrete benefits include:

- updating group members;
- working together to help local communities on changes in labour law (groups in Morocco, Indonesia and Sri Lanka); offering employment to graduates from a school for deaf and blind children in India;
- running health and safety training days, to which all local suppliers are invited (groups in Portugal and Morocco).

#### 10.2.4 Helping suppliers build management systems

There is strong evidence to suggest that helping suppliers develop management systems – and integrating code compliance into those systems – encourages them to take greater ownership of the process. The idea is that addressing workers' conditions becomes part of how they do business, rather than a reaction to requests from distant customers.

You could support this by encouraging key suppliers to adopt the SA8000 standard. According to Social Accountability International, gaining SA8000 certification involves 'going beyond simple compliance to integrate the standard into their management systems and practices'. This will involve an initial investment in helping suppliers develop the required policies and procedures. However in the long run it should mean less time spent assessing worksites, so freeing up more time for problem-solving.

### 10.3 Building capacity among local organisations

As chapter 3 indicated, involving local organisations such as trade unions and NGOs in monitoring and improving working conditions is critical to achieving lasting change. But section 3.5 also highlighted that local organisations can sometimes lack the necessary skills, knowledge and resources to get involved with implementing codes of labour practice.

If you are already experienced in ethical trade, you may consider getting involved in activities that help build the capacity of local organisations to engage with codes of labour practice. If you do, it's important to make sure that you stick to the role of a facilitator and don't try to control activities or assume that you know what is needed. Most importantly, listen to what you are being asked for.

### 10.4 Multi-stakeholder initiatives

It makes sense to help build the capacity of local organisations as part of wider 'multi-stakeholder initiatives'. As section 6.5.2 indicates, local alliances including producers, suppliers, trade unions and NGOs have been established in specific industries in a few countries to raise awareness of codes, monitor their implementation and provide training and advice to local companies. Although these multi-stakeholder initiatives are few and far between, they are already 'on the ground' and have the potential to provide sustainable and cost-effective solutions to improving workers' conditions.

### Case study 10.11 The Wine and Agricultural Industry Ethical Trading Association in South Africa

In 1999, ETI began an experimental project to test different methodologies for inspecting workers' conditions in the South African wine sector. Early on in the project, the ETI working group overseeing the project realised that working with local stakeholders was vital to success.

First, it significantly reduced the learning curve for the retailers involved in our project, helping them adapt their methodologies and approaches to make them more sensitive to local circumstances and therefore better able to capture accurate information.

Second, we discovered that the best workplace inspection results came from mixed or multi-stakeholder teams. More robust results were obtained from co-operation with local social scientists and in particular, with local trade union officials.

Over the three years of our project, significant improvements were made in several aspects of labour practice including health and safety, child labour, housing, discrimination, and wages and benefits.

Our project stimulated unprecedented social dialogue among groups who had previously had no experience of collaborating. It created the impetus for the formation of the Wine Industry Ethical Trade Association (WIETA). This is a voluntary association of the different stakeholders in the South African wine industry, some of whom had been involved in the experimental project, and all of whom are committed to the promotion of ethical trade in this sector. Participants include trade union, producer, NGO and government representatives. In March 2006, WIETA broadened its scope to include other agricultural sectors such as fruit and flowers.

WIETA seeks to provide a local solution to continuing the work begun by our experimental project. It seeks to capitalise on the relationships and approaches developed by the pilot and to maximise pressure to continue the application of good labour standards and South African law.

WIETA's services include:

- educating members and workers on the code and the social auditing process
- sharing up-to-date information on best practice in implementing the code
- monitoring producer and grower members' compliance with the code
- assisting retailers to monitor their suppliers

Initially partly-funded by ETI, much of WIETA's funding now comes from the Common Customs Tariff rebate afforded to a percentage of South African wine exported to mainland Europe and the United Kingdom. Many of the UK retailers benefiting from this rebate have agreed that this saving will be returned to South Africa to fund various developmental initiatives in the wine industry.

For more detail see ETI (2004) *Inspecting labour practice in the wine industry of the Western Cape, South Africa 1998 – 2001: report of the methodology of the ETI pilot project*. Hard copies available from the ETI Secretariat.

### Case study 10.12 Multi-stakeholder action in Bangladesh

The MFA Forum is a network including ETI, brands/retailers, trade unions, NGOs and multi-lateral institutions working to try to mitigate the impact of the final phase-out of the Multifibre Arrangement on workers.

The MFA Forum Bangladesh aims to bring together key stakeholders in the national ready-made garments (RMG) sector in Bangladesh to agree and define time-bound strategies for building a responsible and competitive industry. As a result of a June 2005 multi-stakeholder conference in Dhaka co-hosted by the MFA Forum and United Nations Development Programme, an action plan was agreed to begin the planning and development process. It was agreed that the MFA Forum would focus on tackling the issues of pervasive non-compliance with international standards and raising quality and productivity so that Bangladesh is better able to compete in the post-MFA trading environment. In addition, it was agreed that the MFA Forum would help maintain the multi-stakeholder approach to 'responsible competitiveness' in the country and work with all stakeholders to accomplish this.

Current activities of the MFA Forum and its members include:

- regular meetings with stakeholders in Dhaka to move towards a more co-ordinated approach to building a responsible and competitive RMG sector;
- participating in the National Forum on Social Compliance convened by the Ministry of Commerce to pursue the goals set in the 2005 conference;
- a buyers' group, which is working out a common approach to compliance that will enable suppliers to meet expectations more easily, and to look at critical issues around company purchasing practices.

The MFA Forum is also working in Lesotho and other countries likely to be significantly affected by MFA phase-out. [www.mfa-forum.net](http://www.mfa-forum.net)

#### About the Multifibre Arrangement

The Multifibre Arrangement (MFA) provided many developing countries with preferential access to garment markets and shelter from global competition. Its final phase-out on 1 January 2005 means that these countries now have to retain and gain markets by achieving international competitiveness.

#### 10.4.1 Why get involved with a multi-stakeholder initiative?

There are many benefits to addressing poor working conditions through multi-stakeholder initiatives. These include:

- From existing experience, they are an effective way of tackling poor working conditions and their root causes at national and/or industry level. Because they involve all the main actors whose activities impact on workers' rights – government, workers' representatives, manufacturers/producers and buyers – they stand a better chance of developing long-term, lasting solutions than individual companies working in isolation.
- They provide an ideal opportunity for networking with other companies and organisations that specialise in workers' rights and labour issues. By getting involved you could increase your understanding of the agendas of a range of different organisations as well as sharing experiences in tackling tricky issues in ethical trade.

Of course, there are few opportunities to get involved with these types of initiatives but where there are, it's worth exploring how you could participate. Details of some multi-stakeholder initiatives can be found at the end of this chapter.

### 10.5 Engaging with government

Engaging with government is important because it should be government's job to protect workers' rights through the application and enforcement of national labour law. If governments did that job adequately, this would remove the need for buying companies to get involved with workers' conditions in the countries they source from.

However, national governments often lack understanding of the importance of protecting workers' rights and how codes of labour practice can be used to promote compliance with national law.

It is often difficult for companies working alone – particularly in sourcing countries which account for small amounts of their total purchases – to get governments to listen. But if you join forces with other companies and organisations, you can make a difference. These are some of the things you could do:

- *lobby government* to bring labour legislation into line with international labour standards and to prevent laws from being further relaxed;
- *raise awareness* of how governments can benefit from corporate ethical trade programmes and from promoting compliance with labour standards;
- *help build the capacity of labour inspectorates*. Labour inspectorates in many countries can be severely under-resourced. But inspectorate staff can be receptive to learning more about corporate codes of conduct and getting involved in monitoring their implementation. For example, you may wish to try involving a labour inspector in a factory audit. This will help make your approach to ethical trade more sustainable, as inspectorate staff are present 'on the ground' and therefore better placed to follow up issues. For inspectorate staff themselves, the potential benefits include:
  - unprecedented access to facilities
  - helping them develop communication and facilitation skills
  - helping them build a deeper understanding of the problems.

It is unlikely that any single company would have the resources to undertake any of these activities on their own. However there are increasing examples of companies who have joined forces with others to lobby governments and raise their awareness of workers' rights – and have got results.

### **Case study 10.13 Lobbying the UK Government to improve conditions for temporary labourers**

Labour providers in the UK play an important role in the agriculture and food packing and processing industries, but the nature of the business provides ample scope for abuse of workers and disregard for the law. Lack of effective controls meant that unscrupulous operators and even criminal gangs were able to present themselves as legitimate businesses.

In 2002, ETI convened a group comprising all the major supermarkets, representatives of growers, packers, wholesalers and importers, trade unions, labour providers and four government departments. The Temporary Labour Working Group (TLWG) as it became known, followed the Transport and General Workers' Union's lead in lobbying for licensing and registration.

In July 2004, the Group's goal of legislation was realised and the Gangmaster (Licensing) Act became law. As from autumn 2006, the newly established Gangmasters Licensing Authority has the power to issue and withdraw operating licences to employers of temporary workers in the agricultural sector. It is now a criminal offence for labour providers to operate without a licence. From December 2006 it will be illegal for labour users to use labour providers who do not have a licence. [www.lpcode.co.uk](http://www.lpcode.co.uk)

### **Case study 10.14 Government action in Cambodia**

The ILO Garment Sector Working Conditions Improvement Project, initiated in 2000, was born out of the US-Cambodian Textile Agreement signed in the same year. It provided increased access to the US in the form of quota bonuses for textile and apparel products made in Cambodia in exchange for industry and Government efforts to improve compliance with core labour conventions and national labour law. The Cambodian Government played a key role from the outset, giving manufacturers incentives to take part in the project's compliance monitoring programme by limiting access to the quota bonuses to those who participated in the programme.

Of course, it is no silver bullet – it will take a long time for working conditions to improve, and the elimination of textile and garment quotas has removed a key incentive for employer participation in the project. In 2005, the Cambodian Government also tarnished its reputation by being accused of mishandling an enquiry into the murder of a prominent union leader. But despite its limitations, this is one of the few examples of a trade agreement that provides positive incentives for labour standards compliance and could be replicated elsewhere.

## Suggested action points

- Look at the contacts you have with other companies which are sourcing from common suppliers and investigate whether they might be willing to pool resources with you to work on areas of common concern. These might include, for example, helping build supplier capacity and/or engaging with government to lobby them or raise awareness of issues.
- Consider providing training for suppliers. This could be on a specific, identified problem area or more general training on all aspects of your code of conduct, the importance of workers' rights and so on. To maximise cost-effectiveness, training could be provided to groups of suppliers. Informal, hands-on training can also be provided as part of the assessment process.
- Consider developing practical, step-by-step tools for suppliers to help them comply with your code. This is an area where it may make sense to share costs with other buying companies.
- Consider setting up forums for your suppliers to learn from each other – for example, through supplier conferences, workshops, local networks.
- Find out about multi-stakeholder initiatives in your key sourcing countries. Although they are few, their number is growing.

### Find out more

To find out about how some companies have helped build the capacity of their suppliers by helping them implement management systems for code compliance, read ETI (2005) *Managing compliance with labour codes at supplier level: A more sustainable way of improving workers' conditions?* ETI 2005 Conference Briefing Paper No. 3 [www.ethicaltrade.org/d/briefingpaper3](http://www.ethicaltrade.org/d/briefingpaper3)

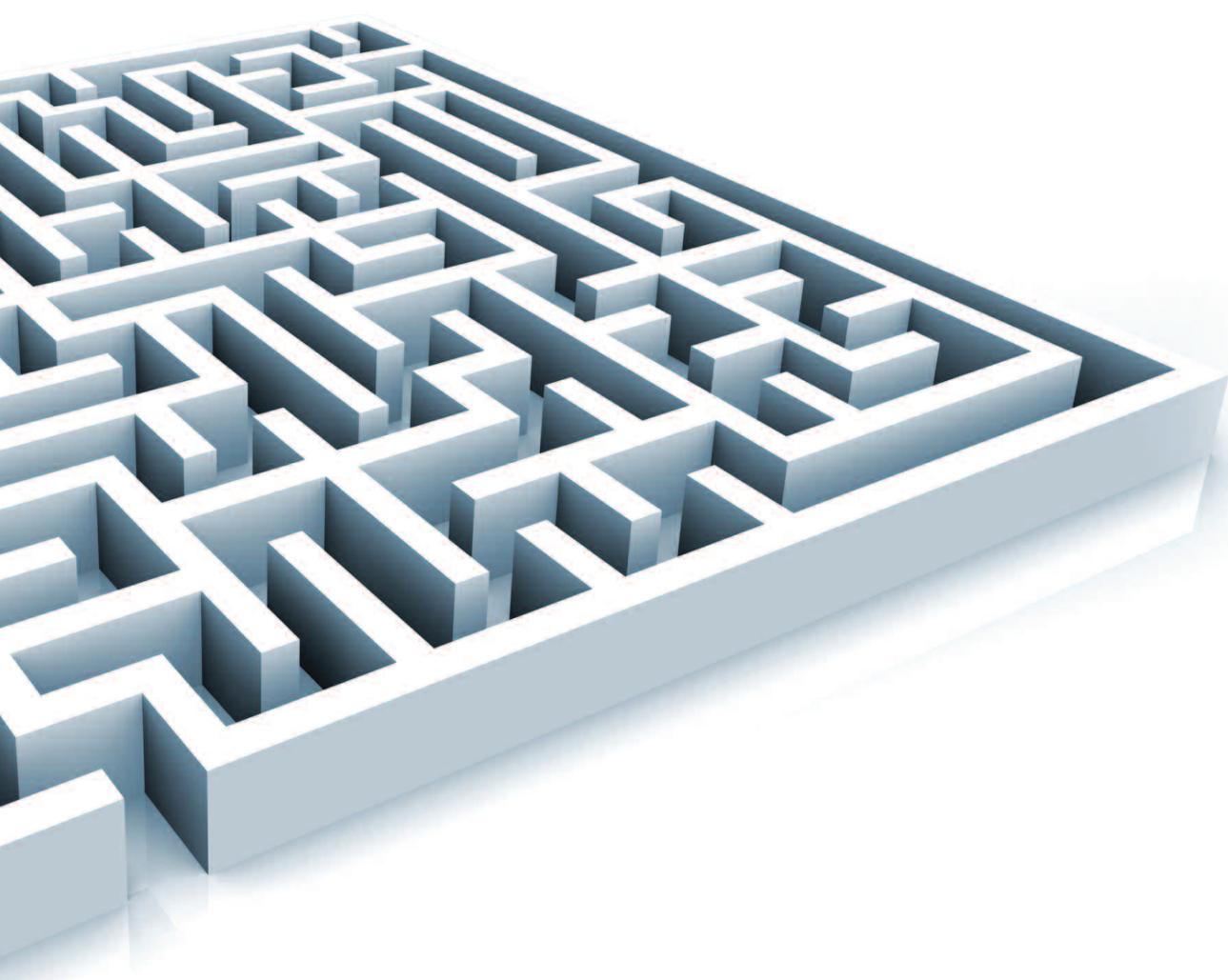
To find out more about ETI's involvement in the Kenyan flower industry, read ETI (2004) *Addressing labour practices on Kenyan flower farms: A report of ETI's involvement 2002-2004*. [www.ethicaltrade.org/d/kenyaflowers](http://www.ethicaltrade.org/d/kenyaflowers)

Those who are interested in learning more about the work of the Temporary Labour Working Group in UK agriculture should read Impactt (2006) *Temporary Labour Working Group Final Report* (forthcoming)

A useful background document on the implications for workers of the phase-out of the Multifibre Arrangement is the report of ETI's public seminar on the subject held in November 2004: ETI (2004) *MFA phase-out: Who gains? Who loses?* [www.ethicaltrade.org/d/sem-mfa](http://www.ethicaltrade.org/d/sem-mfa)



# Public reporting





# Public reporting

## 11.1 The benefits of public reporting

ETI does not give formal guidance or recommendations to our corporate members on what aspects of their ethical trade strategy they should publicly report on, but we do believe that public reporting should be a long-term goal as it can actually benefit workers in the long run. We encourage companies to be open about the issues they face in addressing working conditions in their supply chains, and about how they are dealing with them. The pioneers that have done so say that it has actually enhanced their reputation.

We believe that:

- public reporting can drive target setting, which in turn should drive improved performance;
- providing a 'warts and all' picture of the supply chain is increasingly seen as an indicator of a company's commitment to ethical trade;
- being honest about the challenges can encourage others to do the same and so helps foster a more collaborative way of solving the issues;
- being open, pragmatic and ready to talk about mistakes and challenges as well as successes will gain companies respect among their critics.

Several organisations provide guidance to companies on their public reporting, and it is worth exploring the standards and reporting initiatives referred to below.

Of course, there are risks involved. The most obvious is of damage to your reputation through adverse publicity, particularly if information on labour abuses is taken out of context. Consumers, the media and no doubt some companies can be very naïve about the issues and that leads to instant judgements. But they can and will learn if ETI and other players lead an informed public debate. This in turn will make it easier for sourcing companies to be more open. Consider how much more aware we are of environmental issues as a result of years of campaigns and media exposure.

## 11.2 Deciding what to report against

If you decide to report publicly on your ethical trade activities, consider reporting against the following types of indicators:

- *Management indicators* – your company's management of ethical trade and its activities to implement your code of conduct in the supply chain. Essentially this is the effort your company has put in, which can be broken down into 'inputs' (such as the number of people working on ethical trade); 'processes' (the methods you employ) and 'outputs' (such as the number of suppliers monitored).
- *Performance indicators* – the improvement in labour standards in your company's supply chain. You need to bear in mind that companies do not have direct control over all of this and many factors other than your company's efforts will have an influence.

ETI requires its members to prepare annual reports using these types of indicators (For further information on the indicators our members are required to report against, go to section 6.9).

*"Just producing this report proved to us that the value of reporting goes far beyond transparency. It becomes a tool for improving both our management of business and in giving us clues about what we need to do next."*

*Phil Knight,  
Chairman of Nike,  
on the publication of  
Nike's 2004 corporate  
responsibility report.*

### 11.3 Preparing credible public reports

When preparing any public reports, avoid 'greenwash'. You are likely to be communicating with a highly sceptical, if not critical, audience, which will instantly see through any attempt to gloss over problems. Be careful not to make any claims that cannot be backed up by evidence. It also helps to get your report verified. You could employ an external organisation to verify the information provided in your report. Many companies ask an independent, neutral organisation to verify their corporate social responsibility reports (see section 6.8 on verification). Sometimes verification statements are included within the report.

#### Tip

Listen to your stakeholders. Many companies invite key stakeholders to tell them their views on what they should be reporting on, and how.



#### Case study 11.1 Gap Inc.'s engagement with stakeholders on public reporting

Since 2002, Gap Inc. has worked with a group of independent organisations including ethical investment funds and CSR initiatives to explore opportunities for greater transparency and increased sustainability. The Public Reporting Working Group, as it is referred to by Gap Inc., issued a statement for the company's 2004 corporate social responsibility report commending it for "recognising that its code of conduct sits within [a] broader context of international human rights norms". The Group also noted that the report "is a strong first towards establishing Gap Inc. as a leader in public reporting."

#### Case study 11.2 Nike – pushing the boundaries of transparency

In 2004, Nike revealed the name of all the factories producing Nike-branded products worldwide with the aim of "jumpstarting disclosure and collaboration throughout the industry." Its move was praised by several campaigning and trade union organisations. For example, Canada-based labour rights initiative the Maquila Solidarity Network noted that the step "represents a major breakthrough toward greater transparency and corporate accountability in the industry" and the ITGLWF said: "Nike is to be congratulated on its decision." Since then, several other companies have followed suit and received a similarly positive response.

#### Suggested action points

- Agree internally how much of your ethical trade activities you are going to make public, and how much detail you are going to provide on your supply chain. If you do report publicly, include targets and report annually against them.

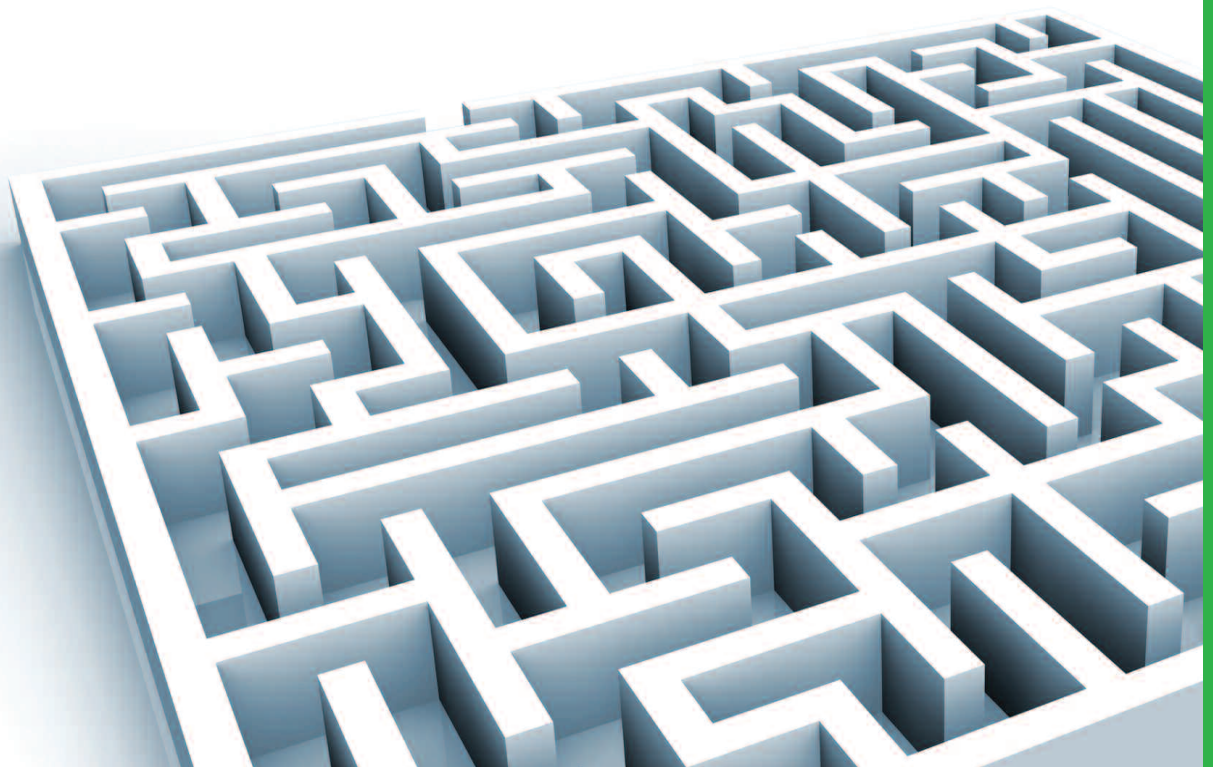
#### Find out more

The Global Reporting Initiative provides a framework – the GRI Guidelines – for companies to report their social, economic and environmental impacts. The framework is based on the principles that guide financial reporting. See [www.globalreporting.org](http://www.globalreporting.org)



The AA1000 Assurance Standard is a standard for assessing, attesting to, and strengthening the credibility and quality of sustainability reporting, and their underlying processes, systems and competencies. It provides guidance on key elements of the assurance process and is specifically designed to support assurance of reports based on the GRI Guidelines [www.accountability.org.uk](http://www.accountability.org.uk)

# Glossary and abbreviations



# Glossary and abbreviations

## Glossary

**Assessment:** A study to determine whether, and to what extent, labour practices comply with the provisions of a code of labour practice. The term can refer to the study of a workplace but can also apply to more general studies such as to an industry within a country.

A 'study' means a systematic investigation covering all points of the relevant code. Where this concerns a workplace it means a study involving the gathering of robust verbal, documentary, visual and physical evidence. Preliminary studies meant for detecting the likelihood that code provisions are not being observed are referred to as risk assessments and are understood to be less robust. Where such assessments do not involve the actual inspection of the workplace they are referred to as desk-based risk assessments.

Derivation: from the Latin *assessus*, the past participle of *assidere*, 'to sit beside, assist in the office of a judge'. To assess means 'to estimate or determine the significance, importance, or value of; evaluate.'

**Assessor:** A person who performs assessments or inspections. The term has no implications with respect to the qualifications of the individual or whether the individual is an employee of any particular kind of organisation.

**Audit:** A thorough formal examination of the labour practices of a particular workplace or company, based on corroborated evidence. The essence of an audit is the examination of evidence and the cross-checking of the evidence to establish its truth. This in turn

implies the observance of established rules and procedures concerning the gathering and evaluation of the various kinds of evidence.

Derivation: from the Latin *audire*, to hear. The primary meaning of the word audit is 'a formal, often periodic examination and checking of accounts or financial records to verify their correctness'. An audit is also a 'thorough examination and evaluation of a problem'.

**Code of conduct:** A code of conduct is a set of standards or rules for ethical behaviour. In the context of ethical trading a code of conduct (or, more accurately, a code of labour practice) is a set of standards concerning labour practices adopted by a company and meant to apply internationally and, in particular, to the labour practices of its suppliers and sub-contractors. These kinds of codes are in effect the unilaterally adopted policy of a company and are sometimes considered as one kind of voluntary private initiative. These codes of labour practice are interesting and controversial because of their international dimension and because they represent, to one degree or another, the acknowledgement of responsibility by one enterprise for the labour practices of another. Codes that do not have these two elements exist but do not have the same implications or raise the same questions. N.B. The terms 'code of practice' and sometimes 'standard' are often used synonymously with 'code of conduct'.

**Continuous improvement:** As a management concept this term usually refers to a system of constant or ongoing incremental

improvements to a process or product based on constant or ongoing examination and evaluation of the process or product. Used in this traditional sense the concept could be applied to ethical trading management systems. The term is controversial however where it refers to changes in situations involving non-compliance with provisions of the ETI Base Code or similar codes of labour practice that are based on minimum human rights standards. Interest in using this term in these situations arises from concern that suppliers may be unable to observe all code provisions immediately and that encouraging suppliers to make improvements is more responsible than abandoning the supplier and the workers the code is meant to protect. N.B. It is more accurate to use the term 'continual improvement'.

The problem is that violations of human rights are not treated in a relative manner. For instance the abomination of slavery is not affected by the number of slaves in any situation. For this reason the founding ETI members have agreed that, in the context of non-compliance with code provisions, the notion of continuous improvement refers to time-bound agreements for corrective actions provided that these corrective actions do not involve serious breaches of the code. This is explained in more detail in

**Resources 1 and 2** (ETI Base Code and Principles of Implementation).

## Corporate Social Responsibility

**(CSR):** A concept of business ethics based on the idea that companies have stakeholders who are broadly defined as anyone or group affected by the activities of the

company. The idea of CSR is that a company should be accountable to its stakeholders. For this reason the subjects of CSR focus on how companies should identify and 'engage' stakeholders and how they should determine, measure and report the impact of their activities on others (The terms social auditing and social reporting emerged in this context).

**Desk-based risk assessments:** A preliminary assessment by a sourcing company of its suppliers. The desk-based risk assessment normally takes the form of a questionnaire sent to suppliers with the intention of highlighting the areas of greatest risk in terms of labour practices. If part of a systematic process, it forms part of the sourcing company's monitoring strategy.

**Developing country:** A country that by gross domestic product and other economic indicators is deemed to be poor (in contrast with developed or emerging countries). N.B. Such countries are often referred to collectively as the Third World or the South.

**Ethical trading or ethical sourcing:** This refers to the assumption of responsibility by a company for the labour and human rights practices within its supply chain. The term concerns the behaviour of the sourcing company but does not imply complete responsibility or the existence of obligations that apply in every situation.

**Fair trade:** 'Fair Trade is an alternative approach to conventional international trade. It is a trading partnership which aims at sustainable development for excluded and disadvantaged producers. It seeks to do this by providing better trading conditions, by awareness raising and by campaigning' (FINE definition of

fair trade, as quoted in *Traidcraft Exchange Fair Trade Factsheet*, May 2003).

Fair trade differs from ethical trading in that its primary focus is on improving trading relationships rather than labour practices, it engages primarily with marginal producers, and aims to establish an alternative trading model rather than working within the confines of conventional international trading relationships.

**Global Union Federations (GUFs), formerly known as International Trade Secretariats:** These are international associations of trade unions organised by industry (sector) or by occupation. The memberships of these organisations are generally national trade unions. The number of GUFs has declined from a high of thirty-three in 1914 to ten today, due mainly to mergers. The GUFs are independent, autonomous organisations but have a mutually recognised relationship with the International Confederation of Free Trade Unions. At present two GUFs are members of the Ethical Trading Initiative.

**Inspection:** A visit made to a workplace by an authorised outside organisation or individual for the purpose of checking whether a code of labour practice is being applied. The essence of an inspection is that it is a discrete activity (rather than a continuous one) conducted in a thorough, critical manner.

In the context of ETI, the term has applied to visits made on behalf of the sourcing company by representatives of that company, by commercial auditing firms engaged by that company or jointly with other organisations such as NGOs or trade union organisations. This last kind of inspection is sometimes referred to as a multi-stakeholder inspection.

Derivation: from the Latin *inspicere*, to look into or examine. To inspect means 'to look at carefully; examine critically, especially in order to detect flaws, errors etc.' An inspection is 'a critical examination'.

**International Labour Organisation (ILO):** One of the oldest and most important functions of the ILO is to set international labour standards. The ILO is unique within the United Nations system for its tripartite structure and for its ability to supervise the application of its standards. This tripartite structure gives employers' and workers' representatives – the 'social partners' of the economy – an equal voice with those of governments in shaping the policies and programmes of the organisation.

**Monitoring:** In the context of the workplace, monitoring refers to the surveillance of labour practices against a standard by a person (or persons) with a continuous or frequent presence in the workplace and unobstructed access to management and staff.

Examples: A manager with a designated monitoring function, continuously or frequently in the workplace in question; an employee in that workplace with a designated monitoring function eg, a union delegate; a government or local authority official who is assigned to a particular workplace for monitoring purposes and is continuously or frequently present in the workplace.

'Frequent', in this context, means being present in the workplace sufficiently often as to be able to detect variations from normal behaviour.



Derivation: from the Latin *monere*, to warn. A monitor is something that 'reminds or warns' and the verb 'to monitor' means 'to watch or check on (a person or thing) as a monitor'. The essence of monitoring is continuous observation, as, for example, in a heart monitor or a TV monitor. In the context of a code of labour practice, monitoring means observing workplaces covered by a code to determine whether the provisions of the code are being observed. This can be contrasted with the term 'inspection' or 'audit' which can describe activities that are not continuous or necessarily repeated.

Sometimes the term 'monitoring' is used to refer to all of the various checking or surveillance activities that a sourcing company may undertake in the process of giving effect to its code of labour practice. These activities may be constant but the use of the term in this way would not have implications for any specific workplace unless that workplace was subject to continuous or frequent surveillance.

**Multi-stakeholder code of conduct:** An agreed code of conduct that is accompanied by or part of a larger arrangement between companies and NGOs and/or trade union organisations. These arrangements involve follow-up activities meant to give the code effect, either through experimental projects or through certification programmes. In addition to ETI, the US-based Fair Labor Association and Social Accountability International could be said to have multi-stakeholder codes as an integral part of their organisations and purpose.

**Social auditing and social reporting:** An audit of a company's performance and impact across a range of social

indicators, including industrial relations, community impact, social dialogue, stakeholder consultation, observance of labour standards and contribution to social infrastructure. These terms were developed in the context of Corporate Social Responsibility (see definition) and are meant to cover a wider range of a company's performance than respect for minimum labour standards in the supply chain. They cannot be used interchangeably with terms such as monitoring, inspection and verification as used in the context of ethical trading.

**Sourcing company:** The company purchasing product from another company either for direct or indirect onward sale to the consumer. ETI corporate members are all sourcing companies, and include both retailers and intermediaries/primary marketing organisations. N.B. These may also be called 'buying companies'.

**Supplying company:** The company selling product to a 'sourcing company'. In most circumstances the supplying company will be involved in manufacturing or processing. In many instances, the company will be located in a 'developing country', but this need not be the case. ETI members' responsibilities apply to suppliers wherever they are located.

**Stakeholder:** As developed for the concept of Corporate Social Responsibility, the term refers to any individual, community or organisation that affects or is affected by the operations of a company. Stakeholders may be internal (eg, employees) or external (eg, persons performing work who are not employees, also customers, suppliers, shareholders, financiers, the community). The term 'stakeholder' is part of an 'ecological' approach to understanding the impact of a

company's performance. It applies to all of the organisations and individuals affected but regardless of the extent to which they are affected or to their relative importance. All 'stakeholders' are not equal and should not be treated equally. The workers whose working conditions are the subject of codes of labour practice are recognised as having the greatest 'stake' in ethical trading.

**Third party** (audit, assessment, inspection, monitoring, verification etc): An audit or inspection carried out by a party other than the supplier (first party) or the sourcing company (second party).

The term 'third party audit' (or inspection, assessment etc) can be misleading because it implies an independence that may not exist. In actual practice, third party audits are usually conducted by organisations in some form of agency relationship with one of the parties. A third party audit would be independent only where the person paying for the audit is not able to influence the results by virtue of the fact that they are paying for the audit. This would also imply the existence of rules governing the audit process that were widely accepted as unbiased and robust.

**Trade union organisation:** There are two kinds of trade union organisations – those that have workers as members and those that have trade unions as members. This term is used to refer to both kinds of organisations. The first kind of organisation usually has as its main purpose representation of employees including collective bargaining with employers and is most often organised on a national basis by industry or sector. Sometimes these organisations are organised by occupation or by enterprise instead of by industry or sector.

The other kind of organisation groups trade unions. Where this is done at the national level, they are referred to as national trade union centres (the Trade Union Congress is the national trade union centre for the UK). At the international level, the Global Union Federations are industry or occupation-specific organisations whose membership is made up of national trade unions who represent workers in that industry or occupation in different countries.

Finally, there are international organisations which have national trade union centres and GUFs as affiliates. These include the International Confederation of Free Trade Unions (ICFTU), the European Trade Union Confederation (ETUC) and the Trade Union Advisory Committee to the OECD (TUAC).

**Verification:** In the context of codes of labour practice, verification concerns the impartial examination and certification of claims made about the actual observance of code provisions by suppliers or of claims made about the activities that a company undertakes to give effect to its code. The essence of verification is about the credibility of public claims. Verification implies a re-examining of the evidence in order to establish that previously reported results are accurate.

Because it is about credibility, verification would have to be conducted according to rules and processes by qualified persons and organisations where the rules, processes and qualifications are previously established through a process widely regarded as legitimate and authoritative. Verification would have to be independent of the workplace being examined and of any authority that carried out an inspection or assessment being

verified. Although some commercial enterprises offer 'verification' services and some multi-stakeholder initiatives 'certify' auditors or workplaces, these enterprises and initiatives do not have sufficiently widespread acceptance of their legitimacy or authority.

Verification would be a rules-driven process where organisations and individuals performing verification follow carefully defined standards and obey rules that cannot be changed by the company that has engaged them to perform verification. The thinking is that both organisations and individuals would receive 'accreditation' from an organisation created for this purpose. Verification would then be the process to the 'certification' (of workplaces, companies or ethical trading management systems).

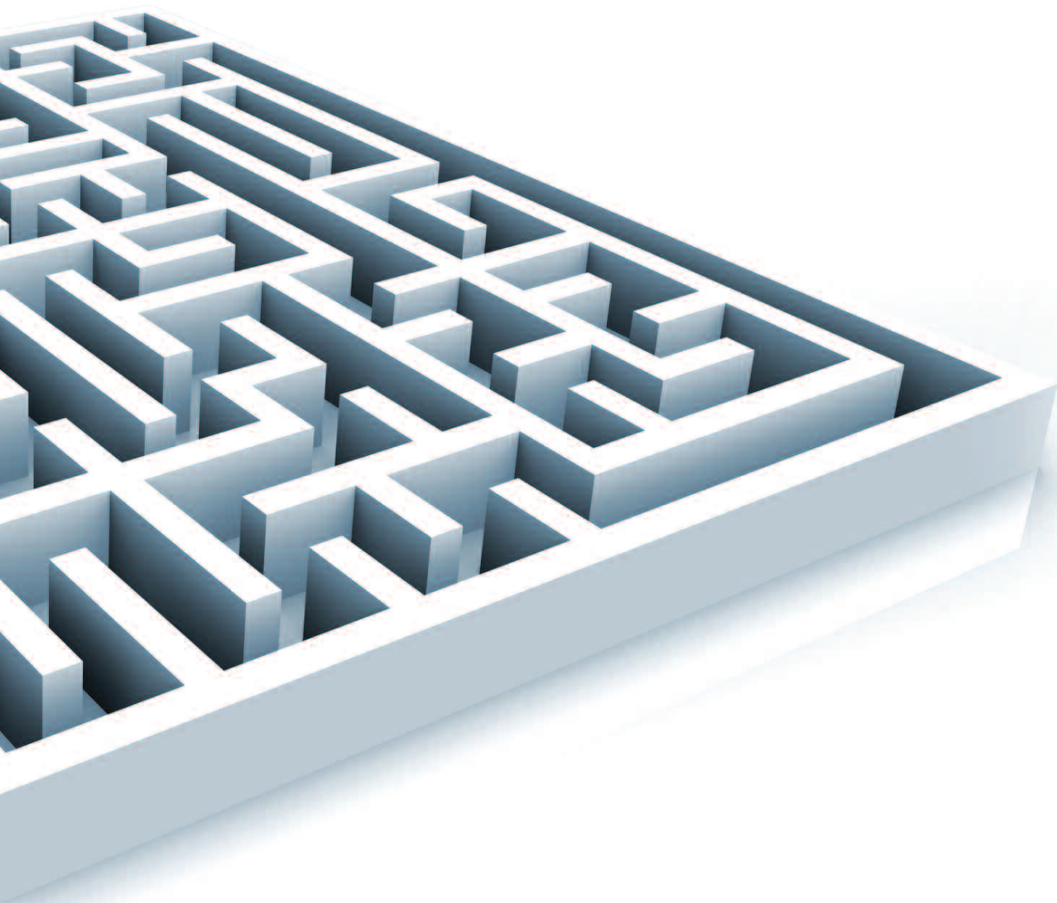


## Abbreviations

AEAAZ	Agricultural Ethics Assurance Association of Zimbabwe
CCC	Clean Clothes Campaign
DFID	Department for International Development
ETI	Ethical Trading Initiative
FCO	Foreign and Commonwealth Office
FLA	Fair Labor Association
FWF	Fair Wear Foundation
GUF	Global Union Federation
HEBI	Horticultural Ethical Business Initiative
ICFTU	International Confederation of Free Trade Unions
ILO	International Labour Organisation
ITGLWF	International Textile, Garment and Leather Workers' Federation
IUF	International Union of Food, Agricultural, Hotel, Restaurant, Catering, Tobacco and Allied Workers' Associations
LECAWU	Lesotho Clothing and Allied Workers' Union
MFA Forum	Multifibre Arrangement Forum
NGO	Non-governmental organisation
PMO	Primary marketing organisation
SAI	Social Accountability International
SRI	Socially responsible investment
T&G	Transport and General Workers Union
UNDP	United Nations Development Programme
WIETA	Wine and Agricultural Industry Ethical Trading Association
WRAP	Worldwide Responsible Apparel Production Certification Program
WRC	Workers Rights Consortium

**Part 5**

# Resources



# Resource 1: ETI Base Code

*The following text has been adapted from Purpose, Principles, Programme: ETI membership information, available from the ETI website [www.ethicaltrade.org/d/ppp](http://www.ethicaltrade.org/d/ppp) or the ETI Secretariat, and should be considered in the context of the Principles of Implementation and ETI's overall purpose as set out in this document. The Principles of Implementation are also reproduced in **Resource 2**.*

## Preamble

**The ETI Base Code reflects the most relevant international standards with respect to labour practices, and is used as the basis of all ETI's work.**

ETI member companies are expected to adopt this Base Code, or to adopt their own code so long as it incorporates the Base Code. Member companies must require that suppliers meet agreed standards within a reasonable timeframe, and that performance in this regard is measured, transparent and, ultimately, a precondition to further business.

The observance of some provisions in the Code may not be immediately realisable in all cases. Some suppliers may be unable to meet all the terms within a short time or, in some cases, they may be constrained by national law. Reasonable timeframes and the existence of any constraints not controllable by the supplier may be taken into account. Failure to observe certain standards requires rapid corrective action for member companies to continue any business relationship with the supplier concerned. These include the use of forced, bonded or involuntary prison labour as well as physical abuse or discipline, and extreme forms of intimidation.

The provisions of this Code constitute minimum and not maximum standards, and this Code should not be used to prevent companies from exceeding these standards. Companies applying this Code are expected to comply with national and other applicable law and, where the provisions of law and this Base Code address the same subject, to apply that provision which affords the greater protection.

At the time of joining ETI, member companies may stipulate the scope of application of their code provided that this is clearly indicated in the preamble of their code and that company publicity concerning their code also indicates its scope of application. The scope of application may be certain products made or

marketed by the company, or the activities of any designated part of the company. In any event, the ETI Base Code shall always apply to all work performed within the scope of application.

## The ETI Base Code

### 1 Employment is freely chosen

- 1.1 There is no forced, bonded or involuntary prison labour.
- 1.2 Workers are not required to lodge 'deposits' or their identity papers with their employer and are free to leave their employer after reasonable notice.

### 2 Freedom of association and the right to collective bargaining are respected

- 2.1 Workers, without distinction, have the right to join or form trade unions of their own choosing and to bargain collectively.
- 2.2 The employer adopts an open attitude towards the activities of trade unions and their organisational activities.
- 2.3 Workers' representatives are not discriminated against and have access to carry out their representative functions in the workplace.
- 2.4 Where the right to freedom of association and collective bargaining is restricted under law, the employer facilitates, and does not hinder, the development of parallel means for independent and free association and bargaining.

### 3 Working conditions are safe and hygienic

- 3.1 A safe and hygienic working environment shall be provided, bearing in mind the prevailing knowledge of the industry and of any specific hazards. Adequate steps shall be taken to prevent accidents and injury to health arising out of, associated with, or occurring in the course of work, by minimising, so far as is reasonably practicable, the causes of hazards inherent in the working environment.

- 3.2 Workers shall receive regular and recorded health and safety training, and such training shall be repeated for new or reassigned workers.
- 3.3 Access to clean toilet facilities and to potable water, and, if appropriate, sanitary facilities for food storage shall be provided.
- 3.4 Accommodation, where provided, shall be clean, safe, and meet the basic needs of the workers.
- 3.5 The company observing the Code shall assign responsibility for health and safety to a senior management representative.

#### **4 Child labour shall not be used**

- 4.1 There shall be no new recruitment of child labour.
- 4.2 Companies shall develop or participate in and contribute to policies and programmes which provide for the transition of any child found to be performing child labour to enable her or him to attend and remain in quality education until no longer a child; 'child' and 'child labour' being defined in the appendices of *Purposes, Principles, Programme: ETI membership information*.
- 4.3 Children and young persons under 18 shall not be employed at night or in hazardous conditions.
- 4.4 These policies and procedures shall conform to the provisions of the relevant ILO standards.

#### **5 Living wages are paid**

- 5.1 Wages and benefits paid for a standard working week meet, at a minimum, national legal standards or industry benchmark standards, whichever is higher. In any event wages should always be enough to meet basic needs and to provide some discretionary income.
- 5.2 All workers shall be provided with written and understandable information about their employment conditions in respect to wages before they enter employment and about the particulars of their wages for the pay period concerned each time that they are paid.
- 5.3 Deductions from wages as a disciplinary measure shall not be permitted nor shall any deductions from wages not provided for by national law be permitted without the expressed permission of the worker concerned. All disciplinary measures should be recorded.

#### **6 Working hours are not excessive**

- 6.1 Working hours comply with national laws and benchmark industry standards, whichever affords greater protection.
- 6.2 In any event, workers shall not on a regular basis be required to work in excess of 48 hours per week and shall be provided with at least one day off for every 7 day period on average. Overtime shall be voluntary, shall not exceed 12 hours per week, shall not be demanded on a regular basis and shall always be compensated at a premium rate.

#### **7 No discrimination is practised**

- 7.1 There is no discrimination in hiring, compensation, access to training, promotion, termination or retirement based on race, caste, national origin, religion, age, disability, gender, marital status, sexual orientation, union membership or political affiliation.

#### **8 Regular employment is provided**

- 8.1 To every extent possible work performed must be on the basis of a recognised employment relationship established through national law and practice.
- 8.2 Obligations to employees under labour or social security laws and regulations arising from the regular employment relationship shall not be avoided through the use of labour-only contracting, subcontracting, or home-working arrangements, or through apprenticeship schemes where there is no real intent to impart skills or provide regular employment, nor shall any such obligations be avoided through the excessive use of fixed-term contracts of employment.

#### **9 No harsh or inhumane treatment is allowed**

- 9.1 Physical abuse or discipline, the threat of physical abuse, sexual or other harassment and verbal abuse or other forms of intimidation shall be prohibited.

## Resource 2: ETI Base Code Principles of Implementation

*The following text has been adapted from Purpose, Principles, Programme: ETI membership information, available from the ETI website [www.ethicaltrade.org/d/ppp](http://www.ethicaltrade.org/d/ppp) or the ETI Secretariat, and should be considered in the context of the ETI Base Code and ETI's overall purpose as set out in this document. The ETI Base Code is also reproduced in **Resource 1**.*

### Principles of implementation

ETI member companies adopt the following principles with respect to implementation of the ETI Base Code:

#### 1 Commitment

- 1.1 The company gives its membership of ETI, the Code and its implementation process an informed and explicit endorsement.
- 1.2 This commitment is communicated throughout the company and to its suppliers and sub-contractors (including closely associated self-employed staff).
- 1.3 A member of senior management is assigned responsibility for the implementation of compliance with the Code.
- 1.4 The Code and the implementation process is integrated into the core business relationships and culture.
- 1.5 The company will ensure that human and financial resources are made available to enable it to meet its stated commitments.

#### 2 Monitoring, verification and reporting

- 2.1 Member companies accept the principle that the implementation of codes will be assessed through monitoring and verification, and that performance with regard to monitoring practice and implementation of codes will be reported annually.
- 2.2 Companies will engage with other members in the design, implementation and analysis of experimental projects and working group activities to identify good practice in monitoring and verification and share this experience with other members.
- 2.3 Company members will draw on this experience in establishing, where relevant with other ETI members' work, plans to implement programmes of monitoring, verification, and reporting, and will report progress against these programmes to and through ETI.

- 2.4 Workers covered by the Code shall be provided with a confidential means to report failure to observe the Code and shall be otherwise protected in this respect.

#### 3 Awareness raising and training

- 3.1 All relevant personnel are provided appropriate training and guidelines that will enable them to apply the Code in their work.
- 3.2 Suppliers are made aware of the Code, and of the company's commitment to sourcing from suppliers who observe the standards in the Code.
- 3.3 Workers whose work is covered by the Code are, where possible, made aware of the Code and implementation principles or procedures.

#### 4 Corrective actions

- 4.1 Member companies commit themselves, on the basis of knowledge gained from the monitoring, to:
  - 4.1.1 Negotiate and implement agreed schedules for corrective actions with suppliers failing to observe the terms of the Code, i.e. a continuous improvement approach.
  - 4.1.2 Require immediate cessation of serious breaches of the Code, and
  - 4.1.3 Where serious breaches of the Code persist, to terminate any business relationship with the supplier concerned.

#### 5 Management procedures, pricing and incentives

- 5.1 Negotiations with suppliers shall take into account the costs of observing the Code.
- 5.2 Understanding and implementation of company policy with respect to its code of labour practice shall constitute a positive performance measure when assessing appropriate personnel.

## Resource 3: ILO Conventions relevant to the ETI Base Code

The table below lists and describes the key International Labour Organisation (ILO) Conventions and Recommendations relevant to the nine clauses of the ETI Base Code (see **Resource 1** for the full text of the ETI Base Code). For the most relevant Conventions, the table includes a description of the content of each Convention; however, in all cases reference should be made to the full text of the Convention concerned. All Conventions and Recommendations can be found in full on the ILO Website at [www.ilo.org](http://www.ilo.org)

### Summary of relevant ILO Conventions and Recommendations

ETI Base Code clause	Relevant ILO Conventions and Recommendations
1. Employment is freely chosen	<p><b>C29 – Forced Labour Convention, 1930</b></p> <p>This Convention requires the suppression of forced or compulsory labour in all its forms. Forced labour is “all work or service which is exacted from any person under the menace of any penalty and for which the said person has not offered himself voluntarily.” The ILO Committee of Experts has held that this definition is sufficiently wide to cover debt-bondage.</p> <p>For the purposes of this Convention, the term ‘forced labour’ does not include obligations such as military service or other normal civic obligations. Also excluded is work exacted as a consequence of a criminal conviction.</p> <p><b>Also relevant to this Convention:</b></p> <p><i>R35 – Forced Labour (Indirect Compulsion) Recommendation, 1930.</i></p> <p><b>C105 – Abolition of Forced Labour Convention, 1957</b></p> <p>This Convention prohibits the use of any form of forced or compulsory labour – including work following a criminal conviction – as a means of:</p> <ul style="list-style-type: none"> <li>• political coercion or education, or punishment for the expression of political or ideological views</li> <li>• workforce mobilisation for purposes of economic development</li> <li>• labour discipline</li> <li>• punishment for participation in strikes, or</li> <li>• racial, social, national or religious discrimination.</li> </ul>
2. Freedom of association and the right to collective bargaining are respected	<p><b>C87 – Freedom of Association and Protection of the Right to Organise Convention, 1948</b></p> <p>The right of workers to join a trade union of their choice is a key principle for the ILO and is enshrined in this Convention. The right to freedom of association also includes the right to independence from government and employer interference and the right for trade unions to elect officials and organise their own affairs. Freedom of association has also been held to cover (with some exceptions for the public sector and emergency situations) the right to strike.</p>



### Summary of relevant ILO Conventions and Recommendations (continued)

ETI Base Code clause	Relevant ILO Conventions and Recommendations
2. Freedom of association and the right to collective bargaining are respected (continued)	<p><b>C98 – Right to Organise and Collective Bargaining Convention, 1949</b></p> <p>This Convention provides for protection against anti-union discrimination, for protection of workers' and employers' organisations against acts of interference by each other, and for measures to promote and encourage collective bargaining.</p> <p><b>Also relevant:</b></p> <p><i>C135 – Workers' Representatives Convention, 1971</i>  <i>R143 – Workers' Representatives Recommendation, 1971</i>  <i>C154 – Collective Bargaining Convention, 1981</i></p>
3. Working conditions are safe and hygienic	<p><b>C155 – Occupational Safety and Health Convention, 1981</b></p> <p>Health and safety is a key concern of ILO labour standards. There are about seventy Conventions and Recommendations in this area. Convention 155 is the principal measure. Under this Convention, employers are made responsible for ensuring that work and equipment are safe and that the health of employees is not put at risk.</p> <p><b>Also relevant to this Convention:</b></p> <p><i>R164 – Occupational Safety and Health Recommendation, 1981</i></p> <p><b>Convention relating specifically to Safety and Health in Agriculture:</b></p> <p><i>C184 – Safety and Health in Agriculture Convention, 2001</i></p>
4. Child labour shall not be used	<p><b>C138 – Minimum Age Convention, 1973</b></p> <p>This Convention provides that the minimum working age should not be less than the age for completing compulsory schooling and in no event less than 15 (14 in limited circumstances in less developed countries).</p> <p>More rigorous standards apply in the case of hazardous work where the minimum age may not be less than 18.</p> <p><b>Also relevant to this Convention:</b></p> <p><i>R146 Minimum Age Recommendation, 1973</i></p> <p><b>C182 – Worst Forms of Child labour Convention 1999</b></p> <p>This Convention calls for a proactive strategy to achieve the elimination of child slavery, forced or compulsory labour, child prostitution, pornography, drug trafficking or other work which is likely to harm the health, safety or morals of children.</p> <p><b>Also relevant to this Convention:</b></p> <p><i>R190 Worst Forms of Child Labour Recommendation, 1999</i></p>
5. Living wages are paid	<p><b>C131 – Minimum Wage Fixing Convention, 1970</b></p> <p>Under this Convention, states are required to establish a system of minimum wages, which has the force of law. In determining the level of minimum wages states must consider the needs of workers and their families, the general level of wages in the country, the cost of living, social security benefits, and the relative living standards of other social groups. Economic factors must also be considered, including the requirements of economic development, levels of productivity and the desirability of attaining and maintaining a high level of employment.</p>



**Summary of relevant ILO Conventions and Recommendations (continued)**

ETI Base Code clause	Relevant ILO Conventions and Recommendations
5. Living wages are paid (continued)	<p><b>C95 – Protection of Wages Convention, 1949</b></p> <p>This Convention imposes a wide range of requirements aimed at ensuring that workers are paid their wages regularly and in legal tender, rather than in the form of promissory notes, vouchers or coupons. Wages must be paid directly to the worker concerned and deductions from wages are permitted only where prescribed by law or collective agreement. In cases of bankruptcy, workers must be treated as privileged creditors in respect of unpaid wages – subject to limits set by law.</p>
6. Working hours are not excessive	<p><b>C1 – Hours of Work (Industry) Convention, 1919</b>  <b>C30 – Hours of Work (Commerce and Offices) Convention, 1930</b>  <b>C106 – Weekly Rest (Commerce and Offices) Convention, 1957</b>  <b>C14 – Weekly Rest (Industry) Convention, 1921</b></p> <p>The ‘Hours of Work Conventions’ require – subject to a wide range of exceptions – that working hours shall be limited to eight hours a day and forty-eight hours a week.</p> <p>The ‘Weekly Rest Conventions’ – again subject to exceptions – provide that workers should be entitled to one full day’s rest every week.</p>
7. No discrimination is practised	<p><b>C100 – Equal Remuneration Convention, 1951</b></p> <p>This Convention calls for equal pay for men and women for work of equal value. The Convention applies to basic wages or salaries and to any additional emoluments.</p> <p><b>Also relevant to this Convention:</b>  <i>R90 – Equal Remuneration Recommendation, 1951</i></p> <p><b>C111 – Discrimination (Employment and Occupation) Convention, 1958</b></p> <p>This Convention calls for a national policy to eliminate discrimination in access to employment, training and working conditions, on grounds of: race, colour, sex, religion, political opinion, national extraction or social origin, and to promote equality of opportunity and treatment.</p> <p><b>Also relevant to this Convention:</b>  <i>R111 – Discrimination (Employment and Occupation) Recommendation, 1958</i></p>
8. Regular employment is provided	<p>Although there is no unique Convention dealing solely with regular employment, Conventions relevant to this clause of the ETI Base Code include the following:</p> <p><b>C95 – Protection of Wages Convention, 1949</b>  <b>C158 – Termination of Employment Convention, 1982</b>  <b>C175 – Part-Time Work Convention, 1994</b>  <b>C177 – Homework Convention, 1996</b>  <b>C181 – Private Employment Agencies Convention, 1997</b></p>

**Summary of relevant ILO Conventions and Recommendations (continued)**

ETI Base Code clause	Relevant ILO Conventions and Recommendations
9. No harsh or inhumane treatment is allowed	<p><b>C29 – Forced Labour Convention, 1930</b></p> <p>See above.</p> <p><b>C105 – Abolition of Forced Labour Convention, 1957</b></p> <p>See above.</p>
Other Conventions and Recommendations relevant to the ETI Base Code	<p><b>C175 – Part-time Work Convention, 1994</b></p> <p><b>C183 – Maternity Protection Convention, 2000</b></p> <p><b>C177 – Home Work Convention, 1996; and</b></p> <p><b>R184 – Home Work Recommendation, 1996</b></p> <p><b>C159 – Vocational Rehabilitation and Employment (Disabled Persons) Convention, 1983; and</b></p> <p><b>R168 – Vocational Rehabilitation and Employment (Disabled Persons) Recommendation, 1983</b></p>

## Resource 4: Ethical Trade Self Assessment Tool

The ETI Self Assessment Tool was developed to help member companies assess their performance in ethical trade, but it can be used by any company who wants a quick way of checking whether they are a 'beginner', an 'improver', an 'achiever' or a 'leader' in ethical trade [www.ethicaltrade.org/d/selfassess](http://www.ethicaltrade.org/d/selfassess)

### Management indicators: Self assessment

#### Principle 1: Commitment

	Beginner	Improver	Achiever	Leader
<b>Endorsement and advocacy</b>	<p>As a member of ETI it has adopted the Base Code and is committed to its implementation.</p> <p>Not yet widely known for its commitment to ethical trade.</p>	<p>Has communicated its obligations as an ETI member to all of its suppliers and widely within the company.</p> <p>Publicly endorses the ETI Base Code and Principles of Implementation.</p>	<p>Takes a proactive stance to ensure that all relevant staff (i.e. those whose work impacts on ethical trading issues) and external stakeholders are clear about what the company's commitment to ethical trade requires in practice.</p> <p>Its commitment to ethical trade is widely known.</p>	<p>Acts as an advocate for ethical trading, the challenges it poses and the role of ETI.</p>
<b>ETI participation</b>	<p>Is committed to join/has already joined a pilot project/working group but has not yet made a significant contribution.</p>	<p>Has been an active member of at least one pilot project or working group.</p> <p>Actively participates in other ETI activities, although at this stage mainly by listening and asking questions.</p>	<p>Ready to share its experience freely with other ETI members.</p> <p>Makes a significant contribution to a wide range of ETI activities including involving its suppliers in projects</p>	<p>Takes a leading role in ETI activities and involves its suppliers whenever appropriate.</p>
<b>Senior responsibility</b>	<p>One or more senior managers are engaged with the topic.</p>	<p>A designated senior manager (at or near Board level) is responsible for the subject but he/she is still developing an understanding of the key issues.</p>	<p>The designated senior manager has the necessary support from the highest levels in the company and the skills, experience and enthusiasm required to drive change both internally and down the supply chain.</p>	<p>The designated senior manager is clearly identified with and widely known as a champion of ethical trade. He/she is seen as having strong support from the highest levels of the organisation.</p>

**Principle 1: Commitment (continued)**

	<b>Beginner</b>	<b>Improver</b>	<b>Achiever</b>	<b>Leader</b>
<b>Internal communication</b>	Recognition of the importance of the subject is confined to certain groups of staff, perhaps just those who are directly involved in ethical trade.	Ethical trading issues are widely discussed in the company with all relevant staff (including buyers and other commercial staff, as well as those technical teams directly involved in the topic) having been briefed on the subject.	All relevant staff receive regular updates and briefings on ethical issues.  More widely, all staff in the company have been made aware of the company's commitment to ethical trade.	All relevant staff are involved in regular briefing meetings and discussions on how to promote ethical trade and have a good appreciation of and commitment to the subject.  All staff are aware of the broad ethical issues in the supply chain and, in outline, of the company's programme to address those issues.
<b>Resources</b>	Sufficient for the (relatively low) level of activity.	Sufficient resources are available to make an increased commitment to developing an ethical trading programme: including the production of policies and working documents and the handling of data resulting from assessments.	The company has committed resources necessary to support a fully developed ethical trading programme: sufficient to monitor supplier performance and ensure that the resulting data is appropriately analysed and corrective actions are systematically followed.	Additional resources are available to take a lead in identifying and resolving particularly difficult and intractable issues.
<b>OVERALL</b>	<i>The company is in the early stages of establishing an ethical trade programme.</i>	<i>Commitment is being translated into action.</i>	<i>The company is actively managing its ethical trading issues.</i>	<i>The company is a leader in the field of ethical trade.</i>

## Principle 2: Monitoring, independent verification and reporting

	Beginner	Improver	Achiever	Leader
<b>Risk Assessment</b>	Has conducted a desk-based risk review of its supply chain, identified generic issues (eg, relating to product, country or type of supplier) and has begun to consider implications.	Has sought standardised information from all suppliers, which it analyses to prioritise activity.	Well-established systematic assessment of risk throughout the supply chain including site visits where appropriate.	The results of risk assessments and the methods used to assess risk are both regularly reviewed and, if necessary, revised to manage changing circumstances.
<b>Inspection</b>	Some inspections but on an ad hoc learning basis.	Structured inspection regime by trained personnel but limited coverage.	Systematic inspections by dedicated, qualified personnel of whole supply chain at intervals dictated by assessment of risk.	Uses input from other stakeholders and learning by others to tailor inspection methodology to local conditions.  Particular in-depth inspections are used to investigate subtle or intractable problems.
<b>Workers' views</b>	Has established a confidential whistle-blowing system for workers but it is little used.	Requires suppliers to inform workers of whistle-blowing system.  All inspections involve substantial element of worker interviews.	Input sought from trade unions and other local stakeholders prior to inspection.	In consultation with trade unions and other appropriate organisations takes special measures to encourage workers to report failures to observe Code.
<b>Verification</b>	Little work has been done on this issue.	Exploring ways of verifying results of risk assessments and inspections.	Third party experts verify results of risk assessments and inspections, but this tends to be on a sampled basis.  Trade unions and NGOs are also invited to review some inspection results.	Trade unions and NGOs are actively involved in inspections; invited to review all risk assessment and inspection results; and asked to comment on processes used.  Third party experts conduct systematic verification on sampling basis.
<b>Data management and reporting to ETI</b>	Beginning to collect information but there is insufficient data for a comprehensive ETI report.	All data on risk assessments and inspections is held in system which allows for analysis and reporting. There are still some gaps in the company's reporting to ETI.	Data is held in systems which facilitate ready analysis to identify trends and patterns and ease of reporting, enabling it to provide reliable data and thoughtful analysis.	Data for last 3 years or more is readily available for analysis. The company reports innovative approaches which provide inspiration for others.

**Principle 2: Monitoring, independent verification and reporting (continued)**

	<b>Beginner</b>	<b>Improver</b>	<b>Achiever</b>	<b>Leader</b>
<b>Public reporting</b>	Reports its membership of ETI, its commitment to ethical trade, provides an overview of the supply chain and describes the issues in general terms.	Reports on its supply chain programme but tends to focus on inputs and processes.	Its reports reflect the effort put in, the problems tackled and the challenges ahead.	Reports openly on status of the supply chain with full commentary on supplier performance and problem issues.
<b>OVERALL</b>	<i>The company has begun to review and report the issues in its supply chain.</i>	<i>Developing a monitoring programme and produces outline reports on progress.</i>	<i>Produces comprehensive and credible reports on its supply chain.</i>	<i>In-depth reports supported by independent assessments.</i>

**Principle 3: Awareness raising and training**

	<b>Beginner</b>	<b>Improver</b>	<b>Achiever</b>	<b>Leader</b>
<b>Internal training</b>	Has identified training needs of staff closely involved in ethical trade and organised training programme.	<p>Dedicated ethical trade staff have received formal off-the-job training.</p> <p>All other staff closely involved in ethical trade (buyers, technical/quality) have received initial training.</p>	<p>All dedicated ethical trade staff receive regular on-the-job briefings and the opportunity to share learning with and from others in the industry.</p> <p>Other staff closely involved in ethical trade receive regular refresher/update training.</p> <p>Staff whose jobs impact on ethical trade (eg, senior managers in buying, commercial, logistics and finance) have been trained in the meaning of the Code and its practical implications.</p>	<p>A continuous process of training and development and exposure to industry best practice for all staff closely involved with ethical trade.</p> <p>Staff whose jobs impact on ethical trade receive regular briefings on good practice, ongoing challenges and case studies from the company's supply chain.</p>

**Principle 3: Awareness raising and training (continued)**

	<b>Beginner</b>	<b>Improver</b>	<b>Achiever</b>	<b>Leader</b>
<b>Supplier guidance and training</b>	Has begun informing suppliers of the requirements of the Base Code.	Code is fully integrated into all supplier policies.  Key contacts in suppliers have received guidance on the meaning and practical effect of the Code.  Suppliers' questions on Code compliance are dealt with promptly and constructively.	The company has taken active steps to assist suppliers with compliance.  It has provided tools and documents to suppliers and, where specific problems have been identified, clear and practical guidance is provided.	The company seeks to maintain long-term relationships with suppliers and to invest in awareness raising and capacity building (eg, by providing training for key personnel and encouraging engagement with local stakeholders and with other suppliers to share learning and good practice).  There is a history of working alongside suppliers to generate improved working conditions.
<b>Worker awareness</b>	When company informs suppliers of requirements of Code it also asks suppliers to inform their workers.	All suppliers are required to actively communicate the Code, perhaps by placing copies of the Code in appropriate language(s) on site notice boards and by referring to the Code in employee contracts.	Suppliers' communications with their workers provide additional background and context, perhaps including guidance on Code compliance and details of relevant local law.  Suppliers inform workers of their plans for improvements, enabling workers to hold the supplier company accountable in the event that changes are not made.	Suppliers engage with trade unions (or other workers' representatives) to develop agreed improvement plans.
<b>OVERALL</b>	<i>The company has begun the process of identifying training and awareness-raising needs.</i>	<i>The company is addressing the needs for training and initiating awareness-raising.</i>	<i>Provides appropriate training to all involved in ethical trade and is improving awareness of suppliers and their workers.</i>	<i>Highest quality internal training and long-term engagement with the needs of suppliers and their workers' representatives.</i>



## Principle 4: Corrective actions

	Beginner	Improver	Achiever	Leader
<b>Identifying and prioritising issues</b>	Has identified some required improvements and communicated them to suppliers, albeit on an ad hoc basis.	Systems in place to capture results of risk assessments and inspections and to ensure the required improvements are identified and communicated to suppliers.	Data from monitoring is reviewed, issues requiring action are identified and those issues and priorities for action are promptly communicated to the suppliers.	Data is regularly reviewed to prioritise the most significant issues and to identify common and persistent problems which require special attention, including a degree of quantitative analysis of inspection findings.
<b>Engaging with suppliers</b>	The required improvements are communicated to suppliers.	Action plans and clear timescales are agreed with suppliers.	Priorities are discussed and action plans and timescales are developed in consultation with suppliers.	Suppliers are encouraged to identify solutions themselves with the involvement of their workers' representatives.  Where change will require significant costs or investment there are arrangements for cost-sharing with or commercial incentives for the supplier.
<b>Follow up</b>	Developing systems but too early for meaningful comment.	Systems in place to check progress against action plans.  Evidence of improvements.	Robust systems for monitoring progress against action plans.  Most significant improvements are being resolved within the agreed timescales.  Developing alternative approaches to resolving intractable problems.	Systematically monitors overall progress of suppliers and there is a history of sustained improvements.  Almost all significant improvements are achieved within a reasonable timeframe.  Has a history of involvement with projects to learn how to resolve intractable issues and of working with suppliers to put that learning into wider practice.

**Principle 4: Corrective actions (continued)**

	<b>Beginner</b>	<b>Improver</b>	<b>Achiever</b>	<b>Leader</b>
<b>Termination of supplier relationship</b>	Problems have been dealt with on a case-by-case basis.	Guidelines on the unacceptable behaviours which may lead to termination are being developed but are not yet fully operational.  The company is adjusting how it deals with suppliers in the light of its developing thinking.	Clear guidelines have been communicated to suppliers and are being followed in practice.	Guidelines are communicated to suppliers at the outset of the relationship, attention is drawn to them whenever there appears to be a problem and they are carefully followed.
<b>OVERALL</b>	<i>Addresses the need for corrective actions as they come to light.</i>	<i>Has developed systems for recording and following up necessary corrective actions.</i>	<i>Has well-established systems for identifying and following up corrective actions to ensure improvements are being made.</i>	<i>Achieves sustained improvements by working with suppliers to identify persistent problems, identify solutions and to share learning.</i>

**Principle 5: Management procedures, pricing and incentives**

	<b>Beginner</b>	<b>Improver</b>	<b>Achiever</b>	<b>Leader</b>
<b>Commercial terms</b>	Suppliers are required to comply with the Base Code but negotiations on price and risk sharing take little account of these factors.	The company is developing its understanding of the costs of Code compliance and how these should be accommodated in commercial terms.	Some elements of the cost of Code compliance are understood and allowed for in negotiations on commercial terms.	Commercial terms take full account of supplier's ethical performance.  There is clear and explicit understanding from both parties of the relationships between agreed prices and the costs of compliance, which are openly included in the negotiation of margins.
<b>Integration of ethical and commercial criteria</b>	Has begun to identify tensions between commercial purchasing practices and the need to raise labour standards.	Recognition of suppliers with high labour standards but tendency to require them to meet the same commercial terms as other suppliers.	Suppliers with best labour standards are clearly identified and prioritised throughout the company, resulting in better long-term relationships.	Robust labour standard indicators which are given equal weight to commercial indicators in the management of the supply chain.  Operational staff are clear about how to balance commercial and ethical objectives and when issues should be referred to higher management.

**Principle 5: Management procedures, pricing and incentives (continued)**

	<b>Beginner</b>	<b>Improver</b>	<b>Achiever</b>	<b>Leader</b>
<b>New suppliers</b>	New suppliers are expected to comply with labour standards, although in practice lower labour standards are sometimes accepted from new suppliers.	New suppliers have to meet the same labour standards as existing suppliers.	Systems in place for assessing new suppliers' compliance with labour standards.	Rigorous systems in place for ensuring new suppliers meet labour standards.
<b>Staff responsibility and incentives</b>	Staff directly responsible for labour standards have those responsibilities included in their job descriptions, have been set objectives relating to the development and management of labour standards and will be assessed against those objectives as part of their review and appraisal.	<p>All staff closely involved in labour standards have the topic included in their job descriptions.</p> <p>Where labour standards constitutes a significant proportion of their role it is included in the objectives against which they are appraised and rewarded.</p> <p>Objectives are typically based on management actions but some consideration has been given to quantified performance indicators.</p>	<p>Labour standards features in job descriptions and objectives of wide range of staff including buyers and commercial.</p> <p>The company has developed objectives relating to management activity and measures of performance which form part of their appraisal and rewards structure.</p>	<p>Improving labour standards has equivalent status to other aspects of job description.</p> <p>Where remuneration is linked to quantified objectives these include both commercial and labour standard indicators.</p>
<b>Critical path</b>	<p>Suppliers are informed of key dates when order is placed.</p> <p>The company has attached little importance to its own role in ensuring conformance with critical path.</p>	<p>Critical path is communicated to suppliers.</p> <p>The company shows inconsistent compliance with agreed order dates and forecasting of demand.</p>	Company has a reasonable record of ensuring orders are placed on time and demand forecasts are reasonably accurate.	<p>Lead times and delivery dates are agreed with suppliers after discussions which take account of ethical trade issues such as working hours.</p> <p>The company has a good record of sticking to the agreed critical path.</p> <p>Suppliers are able to recover costs or other compensation in the event that the company does not meet agreed order deadlines.</p>

**Principle 5: Management procedures, pricing and incentives (continued)**

	<b>Beginner</b>	<b>Improver</b>	<b>Achiever</b>	<b>Leader</b>
<b>OVERALL</b>	<i>The company has identified the key personnel responsible for ethical trade and is considering the wider commercial issues</i>	<i>The company has clearly defined the role of staff involved in ethical trade and is developing performance indicators for both staff and suppliers.</i>	<i>The company has a well-established and systematic approach to ethical trading with clear responsibilities and incentives for staff and suppliers.</i>	<i>The company's management of ethical issues is fully integrated into its commercial management with robust procedures and incentives.</i>

**Management indicators: Self assessment summary**

	<b>Beginner</b>	<b>Improver</b>	<b>Achiever</b>	<b>Leader</b>
<b>Principle 1: Commitment</b>	<i>The company is in the early stages of establishing an ethical trade programme</i>	<i>Commitment is being translated into action</i>	<i>The company is actively managing its ethical trading issues.</i>	<i>The company is a leader in the field of ethical trade</i>
<b>Principle 2: Monitoring, independent verification and reporting</b>	<i>The company has begun to review and report the issues in its supply chain.</i>	<i>Developing a monitoring programme and produces outline reports on progress.</i>	<i>Produces comprehensive and credible reports on its supply chain.</i>	<i>In-depth reports supported by independent assessments.</i>
<b>Principle 3: Awareness raising and training</b>	<i>The company has begun the process of identifying training and awareness-raising needs.</i>	<i>The company is addressing the needs for training and initiating awareness-raising.</i>	<i>Provides appropriate training to all involved in ethical trade and is improving awareness of suppliers and their workers.</i>	<i>Highest quality internal training and long-term engagement with the needs of suppliers and their workers' representatives.</i>
<b>Principle 4: Corrective actions</b>	<i>Addresses the need for corrective actions as they come to light.</i>	<i>Has developed systems for recording and following up necessary corrective actions.</i>	<i>Has well-established systems for identifying and following up corrective actions to ensure improvements are being made.</i>	<i>Achieves sustained improvements by working with suppliers to identify persistent problems, identify solutions and to share learning.</i>
<b>Principle 5: Management procedures, pricing and incentives</b>	<i>The company has identified the key personnel responsible for ethical trade and is considering the wider commercial issues.</i>	<i>The company has clearly defined the role of staff involved in ethical trade and is developing performance indicators for both staff and suppliers.</i>	<i>The company has a well-established and systematic approach to ethical trading with clear responsibilities and incentives for staff and suppliers.</i>	<i>The company's management of ethical issues is fully integrated into its commercial management with robust procedures and incentives.</i>



## Resource 5: News headlines about poor working conditions

Newspaper cuttings exposing poor working conditions in company supply chains can help focus the minds of senior management. Examples of positive stories in the press about companies who are committed to ethical trade can also help.

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Campaigners are still concerned about conditions in garment factories. Women comprise 70 per cent of the workforce in garment factories such as this one in China, which has one of the most

**The ethical revolution sweeping through the world's sweatshops**

sale

**SHOP UNTIL THEY DROP**



- UK stores shocked by conditions in their Chinese factories
- Three-year inquiry reveals the human cost of cheap goods

By Martin Hickman  
Consumer Affairs Correspondent

Clothes and toys on sale in Britain's high streets are made in China. Workers forced to endure illegal, exhausting and dangerous conditions, according to a new study. It will increase the pressure on retailers to monitor the conditions in which their products are made. A three-year investigation into booming export factories for companies such as Marks & Spencer and Debenhams discovered the human cost of China's "economic miracle". It found an army of powerless rural migrants toiling up to 14 hours a day, almost every day. Many were allowed just one day off a month and paid less than 250 a month for shifts that breached Chinese law and International Labour Organisation rules. Despite evidence of the

How you be an ethical shopper

CONTINUED ON PAGE 2

**Customers want it cheap, workers pay heavy price**

SHANGHAI: As the quality control manager of Joyfaith, a company in suburban Shanghai that makes clothing for pets, Luo Guogong has two difficult choices: Either force workers to put in long periods of overtime, which could endanger their health, or fail to meet the deadlines of the company's clients.

**SPOTLIGHT**  
By WANG ZHENGHUA

— and they constantly seek price cuts and shorter lead times."

In fact, many business owners in the Yangtze and Pearl River deltas, where most labour-intensive businesses are located, share Luo's problem. What's more, other parts of China will soon face the same issue as the concept of corporate social responsibility spreads from coastal areas to the hinterlands.

**Standard goes undercover to**

**Revealed: East End sweatshops where they pay workers only £3.75 an hour to make clothes for Topshop**

**H**UNCHING over a bench in a bitterly cold warehouse, a young Lithuanian woman carefully stitches the sleeves onto a smart blue jacket. An old gas heater sits at her feet, pumping out air to try to keep her warm. By the vast, dirty windows sit three Bangladeshi men

By Victoria Fletcher

factories are increasingly urged to comply with codes of conduct on labour, health, safety and environmental standards as China, widely regarded as the world's factory, is becoming a target of the global corporate social responsibility campaign.

All the while, Western buyers continually demand goods at lower prices delivered at faster speed, squeezing the profits of Chinese suppliers and tempting them to violate codes of conduct.

>> Page 5, Worker



## Resource 6: Photographs of poor working conditions

*Photographic evidence of poor working conditions can help raise awareness of staff across the company about the importance of ethical trade. Note that the examples below are all health and safety issues, which are relatively easy to capture.*



Soap dispenser



Extension cable across walk ways



Ladies toilets



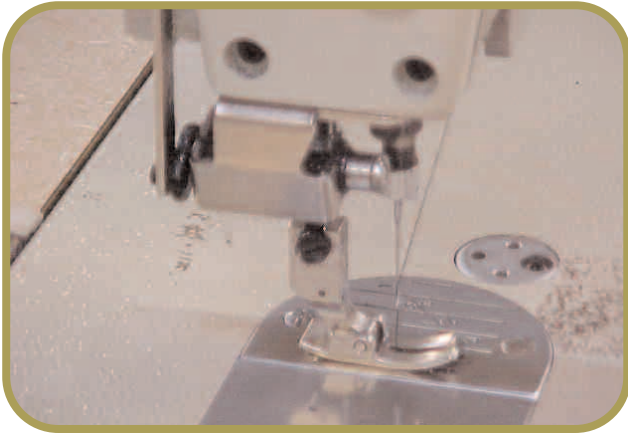
This is the main entrance to these toilets



Poor hygiene in men's toilets



Wash basin in men's toilets



**No needle guards**



**Unsafe electrics**



**Poor aisle discipline**



**Guillotine obstructing aisle when in operation**



**External fire escape, very difficult to reach from inside loft and no warning signage on the inside of this door to inform of drop**



**Unsafe storage**



## Resource 7: Winning support for ethical trade within your own company: experiences of one ETI member company

*Extract from a presentation made by an ETI member company at a members' roundtable, 4 February 2003.*

### Slide 1: Evolution – not revolution

- Work with what you've got

### Slide 2: What helped?

- A condition of trade
- Supplier partnerships
- A budget
- External experts
- Culture of fair business
- Level playing field

### Slide 3: What hindered?

- Poor sales
- Short leadtimes
- Margin requirement
- Ignorance

### Slide 4: Communicate

- Business risk
  - Reputation damage
  - Company value
  - 60% is brand
- Business opportunity
  - Employer of choice
  - Increased value

### Slide 5

60% of company value is linked to brand reputation.

### Slide 6: Understanding – but no action?

- Identify champions
  - And give them tools (manuals, training, a system)
- Make it part of the day job
  - Find out what is possible
  - Kiss (keep it simple)

### Slide 7: Celebrate success

- Capture hearts and minds
- Measure progress (no matter how small)
- Showcase best practice
- Demonstrate value

Then communicate and train others.

### Slide 8

This worked for us.

What worked for you?

## Resource 8: Knowledge management checklist

*Prepared by Incomes Data Services for ETI.*

Knowledge management (KM) sets out from the position that 'learning' cannot always be reduced to 'training', given that the sorts of knowledge and competencies that organisations need to acquire and retain in ethical trading are broad and complex. In fact, an over-hasty resort to 'training' can be counter-productive (as well as a waste of money) if it deflects organisations from thinking strategically about what their knowledge and learning needs really are.

A KM perspective might help:

- identify issues where training needs to be augmented by other learning mechanisms;
- isolate areas where training is unsuitable for meeting knowledge and learning needs; and
- pinpoint potential cost-saving opportunities through sharing knowledge and experience.

This checklist is intended to help decide which learning needs might be met by the effective use of knowledge held within the organisation.

### Knowledge management checklist

Knowledge management	Notes
<b>Analysing competencies:</b> Which competencies do you consider to be crucial in auditing labour practices? Is formalised training appropriate for acquiring them? See <b>Resource 19: Competencies for Assessors</b>	
<b>Managing information and knowledge:</b> Does anyone exercise the role of 'knowledge manager' or 'knowledge broker' in your (part of the) organisation – whether they have a formal title or not?	
Is there a clearing or reporting mechanism where information arrives in the organisation at many different points?	
Who sees which information? For example: <ul style="list-style-type: none"> <li>• in-country information</li> <li>• supplier information</li> <li>• names of contacts and experts</li> <li>• applicable codes and standards</li> <li>• auditors' reports</li> </ul>	
Who decides whether information has a value – and on what criteria?	

**Knowledge management checklist (continued)**

Knowledge management	Notes
<b>Managing information and knowledge (continued)</b>	
How is information stored – and who decides?	
How is information disseminated?	
Who has access to what?	
<b>Developing knowledge:</b> What opportunities are there for buyers/technologists to meet ethical sourcing staff – in which ‘tacit’ and explicit knowledge of the business can flow in one direction, and ethical sourcing knowledge in the other?	
<b>Developing processes:</b> How is the effectiveness of your inspection regime assessed and against what criteria?  Have you identified competencies, values and approaches which need to be developed?	
<b>Securing knowledge:</b> What mechanisms exist to ensure that knowledge is transferred when individuals leave?	
Are the ‘political’ understandings and other aspects of tacit knowledge passed to operational staff, and how, when ethical sourcing gets devolved from an original high-level ‘champion’ in the organisation to a department or middle-manager?	
What mechanisms are in place to ensure that newly-appointed staff can access informal knowledge and technique?	
Is there scope for ethical trading staff to participate in commercial or technical employees’ induction programmes?	
<b>Transmitting knowledge:</b> Are there coaching or mentoring arrangements in the ethical sourcing function to promote transmission of knowledge and technique?	
How is formalised learning transferred within the organisation?	

# Resource 9: Checklist for choosing training providers

*Prepared by Incomes Data Services for ETI.*

The following are intended to offer some basic pointers to choosing and/or negotiating with a training provider. ETI does not endorse or recommend any particular training provider.

## Some preliminary pointers:

- Does your organisation have a human resources/training department which can advise on standards and policy?
- Does the course fit your precise needs or do you need customisation?
- What is the prospective scale of your training needs - would a training provider work with you to develop and maintain a tailored course? What savings could this yield?
- Look carefully at the faculty/trainers available for your course. Are their backgrounds and experience likely to match the needs of the particular group involved?
- Check any claims made by providers about:
  - a) whether they offer a 'professional qualification' or are 'accredited'. Which body has accredited them, and what is its standing?
  - b) whether individuals can move to practical activity in auditing following a course.
- Global organisations are only as good as their local presence - although they may have standardised processes and can mobilise wider resources to offset any local weaknesses.
- Organisations offering strategic introductions to corporate social responsibility are good for initial ideas and for sensitising executives to the issues, but cannot realistically be expected to give detailed practical knowledge or depth.

## Checklist for choosing training providers

Details of provider	Comments
Address and contact person	
What type of organisation is it? For example: <ul style="list-style-type: none"> <li>• Consultancy</li> <li>• Business school</li> <li>• Other academic institution</li> <li>• Certification organisation</li> <li>• Public agency</li> <li>• Non-governmental organisation</li> <li>• Other</li> </ul>	
<b>Location and dates of courses:</b>  Will the provider offer a course at your premises or in another location worldwide?	

**Checklist for choosing training providers (continued)**

Details of provider	Comments
Are there any additional cost implications? What is the capacity of the provider – measured against your prospective needs?	
Is the organisation accredited by any other institution for this course? If so, which?	
<b>Details of course:</b>	
Does the course require pre-existing qualifications, knowledge or experience? If so, specify:	
Do course participants need to do any advance preparation or reading?	
What is the main stated aim of the course?	
How many people will be on the course in all?	
If the provider is offering a basic course, can they also offer more advanced training on a consistent basis?	
Does the course offer the option for a break in training and return?	
What literature and materials can course participants take away with them afterwards?	
<b>Details of trainers:</b>	
What is the status of the trainer(s) on the course your staff will receive? For example: (one or more may apply) <ul style="list-style-type: none"> <li>• Full-time employees of provider</li> <li>• Part-time/Freelance employee of provider.</li> <li>• Academic</li> <li>• Consultant</li> </ul>	
What is the professional background of the trainers? <ul style="list-style-type: none"> <li>• Academic</li> <li>• Consulting</li> <li>• Auditing (of labour practices or other eg, environment performance)</li> <li>• Buying</li> <li>• Quality assurance</li> <li>• Health and safety</li> </ul>	
<b>Cost:</b>	
What is the cost per participant of the course?	

**Checklist for choosing training providers (continued)**

Details of provider	Comments
What does the cost cover?	
What additional direct (travel, accommodation) and indirect (salaries) expense will be incurred?	
<b>Feedback:</b>	
Will the provider give you names and contact details of existing or past clients?	
Can you choose which to contact?	
What was the assessment of other clients of (a) the provider in general, and (b) the specific course or services you are interested in?	

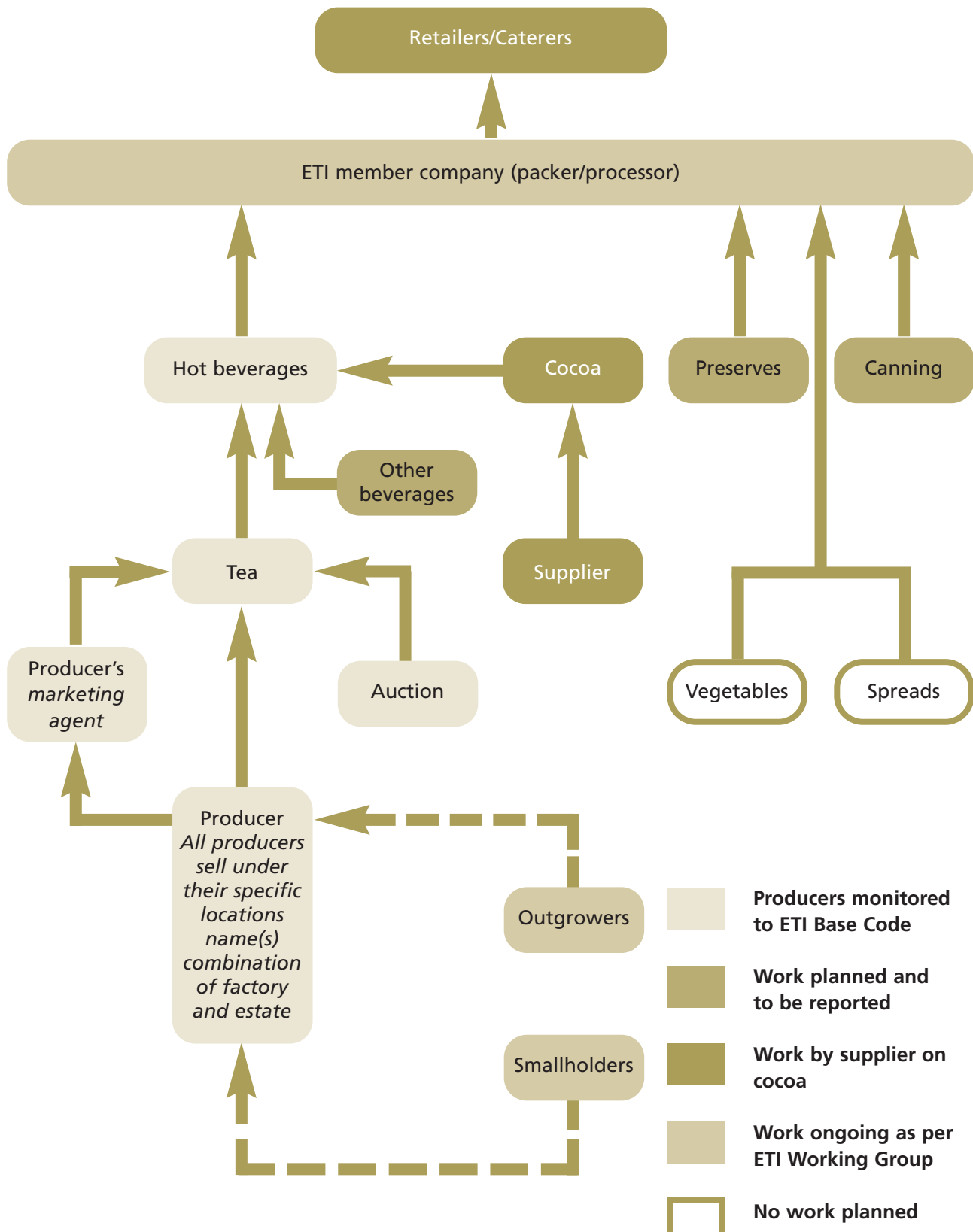
## Resource 10: Tips on establishing contact with NGOs

*Extract from 'Working with the activists', Ethical Corporation, January 2004.*

1. Be prepared for rejection. Not all groups will immediately be willing to meet. Do not take the initial 'no' as a final answer, but also avoid pushing too hard if reluctance is first shown. Don't just walk away, never to contact the group again. Persistence will generally pay off, and groups are likely to respect companies that show determination to make contact.
2. Two-way communications is absolutely key to success. Avoid formal selling-style presentations, but rather establish a genuine dialogue. Take the time to carefully listen and absorb what the NGO has to say and clearly demonstrate willingness to hear it out.
3. Don't take criticism personally and don't become defensive. It is inevitable that some NGOs will use such meetings to express their disapproval, sometimes in strong and robust terms. There may also be many inaccuracies in what the NGO has to say. If the relationship is to be improved, it is important to keep the heat down and respond in a measured way.
4. Encourage high level engagement on both sides. NGOs will want to talk with senior management and often the CEO. In turn, the company should request similar status of participation from the NGO. While not all meetings need to be undertaken at the most senior levels, it is advisable for key decision-makers to be directly involved in this process.
5. Do good homework and gain a comprehensive understanding of each group prior to meeting with them. Know exactly who the participants are going to be and their backgrounds and roles in the NGOs they represent.
6. Try to meet groups individually. Small meetings are most productive. Sometimes such meetings can't be avoided, but it is best not to face a gamut of different groups en masse.
7. Obtain agreement that meetings should be held in confidence. NGOs will generally not want companies to publicise these encounters. They will be concerned about being used as some kind of public relations 'pawn'.
8. Establish a clear agenda, preferably ahead of the meeting, along with clear goals so as to begin the process of managing clear expectations and avoiding unprepared discussions. Try to identify the specific issues about which the NGO might have concerns.
9. Seek common ground. Look for opportunities to build some kind of meaningful co-operation that will be of mutual benefit.
10. Always be transparent and truthful. Trust is absolutely key, and this can only be created with a genuine spirit of honesty.
11. Respect is also paramount. Never underestimate the NGO. Highly educated and intelligent people work for these groups.
12. Always agree on how to practically and realistically follow up on each meeting. It's better to leave with some 'baby steps' in mind, rather than have some over-ambitious goals at the outset that cannot be easily fulfilled.
13. Bear in mind that this is the beginning of a process and expect further work and contact. Try to agree on a critical path towards another meeting and agree timelines.
14. Be prepared to adapt and change where necessary and possible. It is no use simply meeting with NGOs in an attempt to persuade them that everything the company is doing is perfect!



## Resource 11: Example supply chain map (food supplier)



## Resource 12: Example supply chain (food retailer)

*The following is a description of the supply chain of J Sainsbury Ltd., an ETI member company, extracted from their annual report to ETI for 2002.*

### Extent of known supply chain

The complexity of supply chains can often be underestimated. They are in reality complicated supply webs. The nature and infrastructure of this web will consequently dictate the type of traceability, monitoring and auditing programmes. It is important therefore that this is understood better and for Sainsbury's the supply web can be categorised under the following areas:

#### Non-foods

This diverse area covers products such as detergents, toys and cookware. Many of these products are sourced from Asia. Often elements of the product are produced in bulk for a number of customers and only become part of a Sainsbury's product when later selected and packed in the UK.

Products are primarily sourced by agents in the UK, who may themselves buy from other agents in the source country. Historically, not all supply points have been routinely visited but a sample check or a small number of sites may have been included as part of a visit to a country to obtain an understanding of some of the typical standards.

It is now a requirement that any new site identified as high-risk supplying Sainsbury's directly must have a basic social audit prior to being approached to supply or within a certain time frame after becoming a supplier. Whilst most sourcing points are identifiable, it is still possible that a small number are unknown. Even where the main supply points are known, it has not always been possible historically to identify the location of any subcontracting or home working.

### Primary agricultural and fresh products

*Fruit and vegetables:* Sainsbury's produce is sourced worldwide, with a large number of products from Africa and Latin America. These are primarily sourced by UK importers who deal with a number of packhouses, which in turn are supplied by a co-operative, individual farms or a large number of smallholders. The packhouses may pack products in bulk or in customer sized packs or in both. Sainsbury's Quality Assurance Managers routinely visit UK importers, own- brand packhouses and a sample number of the supplying farms. Full traceability exists going back to the packhouse but beyond that varying degrees of traceability exist according to the crop and complexity of supply. However, even if traceability were complete, there would be insufficient resources to visit them all since this would involve many thousands of farms. Therefore Sainsbury's aim is to continue to influence suppliers to further engage with others back through the supply chain.

*Fish:* Sainsbury's uses a limited number of direct fish suppliers. All fish can be traced to specific fisheries and farms. Sainsbury's Quality Assurance Managers or appropriately trained supplier personnel have visited all high and medium risk sites.

*Meat, chilled convenience and dairy:* there is 100% traceability of primary meat to source and these sources are primarily from low risk countries. The majority of perishable products are also sourced from low risk countries with 100% traceability. Raw materials for products such as ready meals may be sourced worldwide and, in the future, suppliers will be asked to review sourcing issues. Sainsbury's plans to run workshops for suppliers on this subject in 2003.

### **Grocery and ambient stable products**

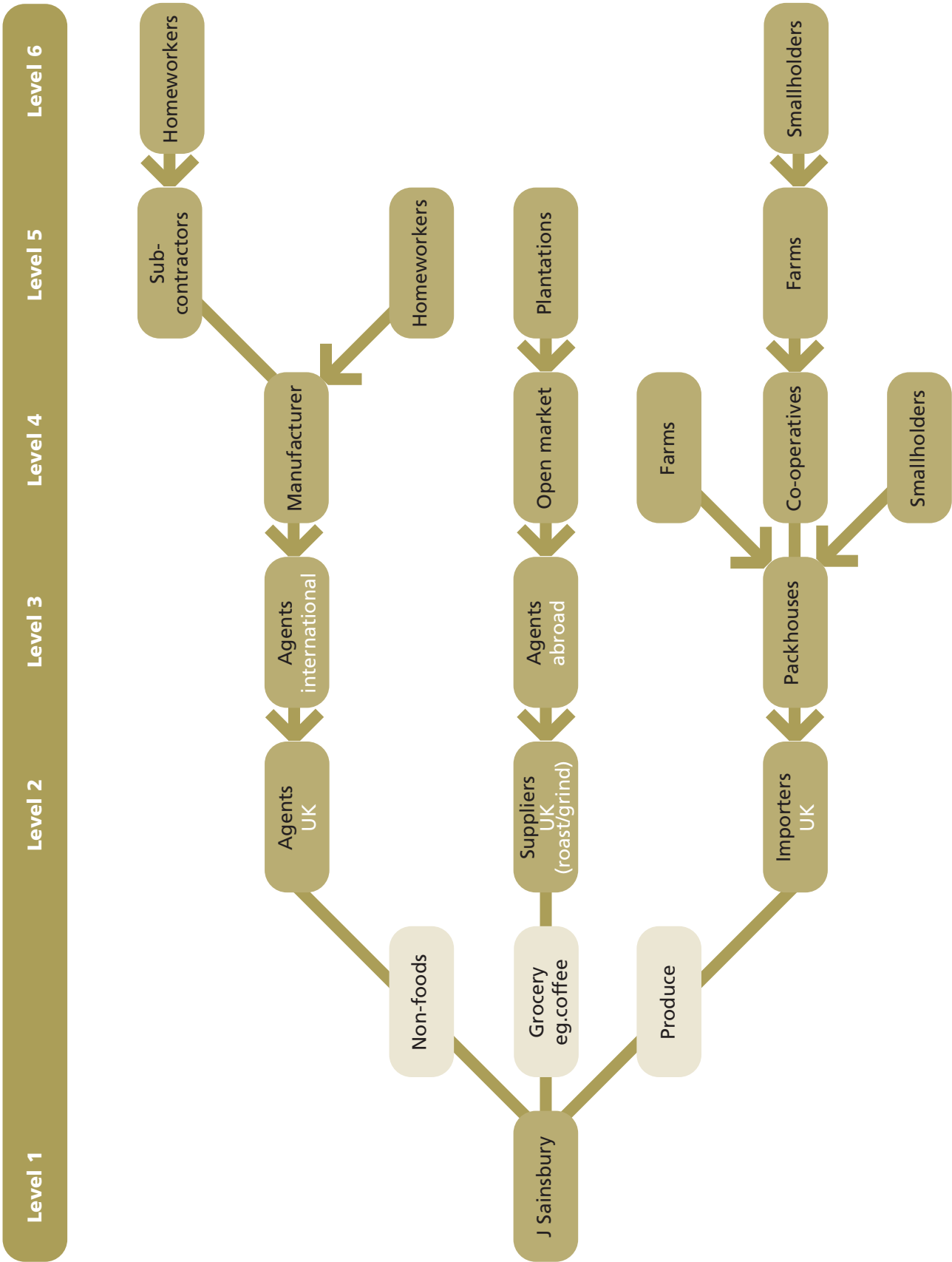
Imported canned products and wines are generally sourced through agents. However, there is 100% traceability to factory and these are routinely visited as part of an auditing plan. Rice and sugar packers are regularly visited and there is traceability to the supplying mills. Flourmills are routinely visited and flour is sourced from low risk countries. There is 100% traceability for beers, soft drinks, bakery and frozen products that are generally sourced from low risk countries.

*Commodity products:* Tea packing sites are routinely visited and have traceability back to sourcing country, and from there to the plantations. Whilst Quality Assurance Managers have, on occasion, visited plantations, they do not routinely do so.

Cocoa and nuts do not have the same level of traceability due to the way products are traded. Direct chocolate suppliers are routinely visited, and the suppliers of bulk chocolate have been visited. Cocoa beans originate from a number of countries and the manufacturers buy beans from open markets.

For coffee, as with any commodity product, the supply chain is a complex one: from the many smallholder farmers, co-operatives or plantations, through millers, brokers, traders, exporters and importers to the roasting/grinding companies and retailers. Coffee beans are sourced from a large number of producing countries, and the internal marketing of the coffee differs from country to country. Some coffees are sold through middlemen, some are sold through an auction system, or farmers may sell directly to an exporter. After being exported, the coffee is then sold on the worldwide commodity markets, represented by the international trade house, importers or even directly by the roasting industry.

Complexity of the supply chain  
Map of J Sainsbury Ltd. supply web



# Resource 13: Sample supplier self assessment form

*Example of a self assessment form for suppliers, created for members of the Supplier Ethical Data Exchange (SEDEX).*

## General Information

*(Please tick where appropriate)*

Management Systems	Yes	No	Other (please specify)
<b>0.1 Have you received a code of conduct covering labour standards from any purchaser?</b>  <b>0.1.1 From whom? (you can select more than one option)</b> <i>Options are: Geest, Marks and Spencer, Northern Foods, RHM, Safeway, Uniq. Waitrose and/or Other.</i>  Other: Please specify			
<b>0.1.2 Has the code been communicated to workers?</b>  <b>If Yes:</b> <b>0.1.2.1 How?</b> <i>Options are: Noticeboard, Trade Union, Workers Committee, Workers meeting or Other.</i>  Other: Please specify			
<b>0.2 Do you have an ethical trading policy statement defining your approach to labour standards and ethical trading?</b>			
<b>0.3 Is there an individual in a senior management position who ensures that the requirements of the policy are met?</b>			
<b>0.4 Do you have a procedure in place to evaluate and select your suppliers based on their ability to meet your defined standards?</b>			
<b>0.5 Are records kept that demonstrate your suppliers have participated in the ethical activities/monitoring you have requested?</b>			

(Please tick where appropriate)

Employment is freely chosen	Yes	No	Other (please specify)
<b>1.1 Do you have a signed (or equivalent) copy of a contract of employment with each worker?</b>			
<b>1.2 Do all workers have a copy of their contract of employment?</b>  <b>1.2.1 If no: How do you communicate terms of their contract to workers? (you can select more than one option)</b> <i>Options: Individual verbal communication, meeting with workers, displayed on noticeboard and/or other.</i>  If Other: please give detail			
<b>1.3 Are all workers free to leave the site during non-working hours or at the end of their shift? (this includes workers who live on site)</b>			
<b>1.4 Do you have a written procedure for resignation which is communicated to the workforce?</b>			
<b>1.5 Are all workers free to leave your employment upon giving reasonable notice?</b>  If Other: please specify			
<b>1.6 Do you hold workers' ID cards/passports?</b>  <b>If Yes: Are they originals or copies?</b>  If originals: <b>1.6.1 Is holding original ID papers a legal requirement in your country?</b>  <b>1.6.2 Are workers able to have their ID papers returned to them on request at any time?</b>			
<b>1.7 Are workers required to lodge deposits?</b>  <b>If Yes:</b> <b>1.7.1 What for? (you can select more than one option)</b> <i>Tools, uniforms, personal protective equipment, ID card and/or other</i>  If Other: please give details  <b>1.7.2 How much is the deposit?</b> <i>Enter amount and select currency</i>			

(Please tick where appropriate)

Employment is freely chosen ( <i>continued</i> )	Yes	No	Other (please specify)
1.8 Do you make loans or advances on pay to workers?			
If Yes:			
1.8.1 Do you record and communicate to workers the terms of the loan/advance repayments and the repayment period?			
1.9 Do you use any workers who are prisoners?			
1.9.1 Please provide details of the terms of employment			

Freedom of association and collective bargaining	Yes	No	Other (please specify)
2.1 Do you recognise trade unions?			
2.2 Are workers free to join trade unions of their choice?			
2.3 Are workers free to join workers' organisations of their choice (other than trade unions)?			
2.4 Do you have any trade unions or worker organisations/committees in your workplace that represent the views/ rights of workers?			
If Yes:			
2.4.1 What organisations for worker representation exist on site? ( <i>you can select more than one option</i> ) <i>Independent Trade union, Workers committee, Health and Safety committee, dormitory committee, government union and/or other.</i>			
If Other: Please give other details			
2.4.2 Are workers' representatives democratically elected by the workforce?			
2.4.3 Do you have regular meetings with the main trade union or workers' committee representatives in your workplace?			
If Yes:			
2.4.3.1 How often do you meet with them? <i>Weekly, monthly, 2 monthly, quarterly, six monthly, yearly and other</i>			
If Other: Please give details			



(Please tick where appropriate)

Freedom of association and collective bargaining ( <i>continued</i> )	Yes	No	Other (please specify)
<b>2.4.3.2 Are minutes of meetings taken?</b>  <b>2.4.3.3 How is the content of the meetings communicated to workers?</b> <i>Newsletter, Not communicated to workers, noticeboard and/or other</i> If Other: Please give details  <b>2.4.4 Are workers' representatives allowed to carry out their duties within working hours without losing pay?</b> If Other: Please give details			
<b>2.5 Does your company recognise collective bargaining by majority representation?</b>			
<b>2.6 Do you have collective bargaining agreements?</b>  If Yes: <b>2.6.1 Which workers are covered by collective bargaining agreements? (you can select more than one option)</b> <i>Permanent, temporary, hourly paid, piece rate, homeworkers, casual, seasonal and outworkers.</i> If Other: Please give details			
<b>2.7 What is the means of determining pay and conditions with any workers who are not covered by collective bargaining agreements?</b> <i>Workers councils, individual appraisal negotiation, consultation with trade unions, no negotiation, other</i> If Other: Please give details			

Accommodation	Yes	No	Other (please specify)
<b>3.1 Do you provide accommodation for workers?</b>  If No: <b>3.1.1 How do workers get to work? (you can select more than one option)</b> <i>Own car, foot, bicycle, public transport, company provided vehicle, other</i> <b>3.1.2 If Yes: Do workers have to pay for accommodation?</b>  If Yes: <b>3.1.2.1 How much do you charge per month for accommodation?</b> Enter currency and amount			

(Please tick where appropriate)

Accommodation ( <i>continued</i> )	Yes	No	Other (please specify)
<b>3.1.3</b> How many workers live in accommodation provided by you?			
<b>3.1.4</b> Which categories of workers do you provide accommodation for? (you can select more than one option) <i>Managers, supervisors, production workers, other.</i>  If Other: Please give details			
<b>3.1.5</b> Do you provide married/family accommodation?  If Yes: <b>3.1.5.1</b> Which categories do you provide married/family accommodation for? (you can select more than one option) <i>Managers, supervisors, production workers, other.</i>  If Other: Please give details  <b>3.1.5.2</b> Are married/family quarters sufficiently separate from the worksite to ensure that children cannot enter production or warehouse areas?			
<b>3.1.6</b> Do any workers' children live in the accommodation provided by the site?  If Yes: <b>3.1.6.1</b> Do you provide a safe place for children to play?  <b>3.1.6.2</b> Do you provide childcare during work hours?  <b>3.1.6.3</b> Do children have access to a school?  <b>3.1.6.4</b> Do children have access to medical care?			
<b>3.1.7</b> How many production workers share a room, on average?			
<b>3.1.8</b> Is all accommodation in a separate building from production areas?			
<b>3.1.9</b> Are there at least two fire exits from each floor of accommodation blocks?			
<b>3.1.10</b> Are all exits kept unblocked and unlocked all day and all night?  If Other: Please give details			

(Please tick where appropriate)

Accommodation ( <i>continued</i> )	Yes	No	Other (please specify)
<b>3.1.11 Do accommodation areas have fire alarms?</b>  <b>If Yes:</b> <b>3.1.11.1 How often do you test the fire alarm?</b> <i>Every 1 to 3 months, every 4 to 6 months, every 7 to 12 months, less often than every 2 years, never</i>  <b>3.1.11.2 How often do you practice the fire drill?</b> <i>Every 1 to 3 months, every 4 to 6 months, every 7 to 12 months, less often than every 2 years, never</i>  <b>3.1.11.3 Do you record the time it took to evacuate the production site?</b>  <b>3.1.12 Do you have a written fire evacuation procedure for accommodation areas?</b>  <b>If Yes:</b> <b>3.1.12.1 Is the fire evacuation procedure communicated to all workers, including new workers when they start work?</b>			
<b>3.1.13 Do you have at least the number of fire extinguishers, hoses and fire blankets specified by law?</b>			
<b>3.1.14 If there are gas appliances in accommodation, are these adequately maintained?</b>			
<b>3.1.15 Is there enough space for workers to sleep and store their belongings securely?</b>			
<b>3.1.16 Is accommodation segregated by sex (except in the case of married/family quarters)?</b>			
<b>3.1.17 Are toilets and washrooms clean and hygienic?</b>			
<b>3.1.18 Is clean drinking water available to workers at all times?</b>			

(Please tick where appropriate)

Children and young workers	Yes	No	Other (please specify)
4.1 What is the minimum age for working in your country?			
4.2 Do you have personnel records which include copies of evidence of the date of birth of each worker?  If Yes: 4.2.1 What evidence do you hold? (you can select more than one option) <i>Options: Birth certificate, family book, ID card, medical certificate, ration book, school leaving certificate and/or Other.</i>  If Other: Please give details			
4.3 Are all workers over the minimum legal working age?  If No: 4.3.1 Please give details of the ages of underage workers, how many hours they work and what tasks they perform.			
4.4 Have you ever discovered workers under the minimum legal working age in your workplace?  If Yes: 4.4.1 What action did you take?			
4.5 Do you have any workers above the legal minimum age of employment but under the age of 18?  If Yes: 4.5.1 How many workers above the legal minimum age of employment but under 18?  4.5.2 Do you keep a list of all workers under 18?  4.5.3 Do workers over the legal minimum age but under 18 do hazardous jobs?  4.5.4 Do workers over the legal minimum age but under 18 work overtime or at night?  4.5.5 Do workers over the legal minimum age but under 18 have regular medical examinations?			
4.6 Are people under 18 working or living on your production site exposed to risks from chemicals, pesticides, machines or tools, dust or excessive cold, heat or noise?			

(Please tick where appropriate)

In this section, when you are asked to enter details about payment, enter the amount, select a currency and the time unit by which workers are paid eg per hour, per week.

Wages	Yes	No	Other (please specify)
<b>5.1 What is the legal minimum wage applicable to your industry by law/collective agreement?</b> <i>Not known, there is no official minimum wage in this country/Enter details</i>			
<b>5.2 Do all permanent workers, receive at least the minimum wage for standard working hours?</b>			
<b>5.3 How much does the lowest paid permanent worker earn for standard working hours in each pay period?</b> <i>Not applicable/Enter details</i>			
<b>5.4 Do all piece rate workers receive at least the minimum wage for standard working hours?</b>			
<b>5.5 How much does the lowest paid piece rate worker earn for standard working hours in each pay period?</b> <i>Not applicable/Enter details</i>			
<b>5.6 Do all temporary, casual and seasonal workers receive at least the minimum wage for standard working hours?</b>			
<b>5.7 How much does the lowest paid temporary/seasonal/causal worker earn for standard working hours in each pay period?</b> <i>Not applicable/Enter details</i>			
<b>5.8 Do all homeworkers and outworkers receive at least the minimum wage for standard working hours?</b>			
<b>5.9 How much does the lowest paid outworker/subcontractor/homeworker earn per pay period?</b> <i>Not applicable/Enter details</i>			
<b>5.10 How are employees paid? (you can select more than one option)</b> <i>Cash, direct to bank, cheque and/or other</i>  If Other: Please specify other			

(Please tick where appropriate)

Wages	Yes	No	Other (please specify)
<b>5.11 How often do workers receive their wages?</b> <i>Daily, monthly, weekly, other</i> If Other: Please specify			
<b>5.12 Are workers paid in national currency?</b> If Other: Please specify how workers are paid			
<b>5.13 How are wages calculated for each type of worker?</b> <i>This section has been moved to the wage calculation area</i>			
<b>5.14 Are all workers paid a premium rate for overtime work?</b>  If Yes: <b>5.1.4.1 What premiums do you pay?</b>			
<b>5.15 Do you make deductions from workers' pay?</b>  If Yes: <b>5.1.5.1 What deductions do you make? (you can select more than one option)</b> <i>Social security, tax, fines, accommodation, food, savings scheme, transport, other</i> If Other: Please specify other deduction			
<b>5.16 Do workers receive payslips clearly setting out how their wages are calculated and any deductions made?</b> If Other: Please give details			
<b>5.17 Do permanent workers receive paid annual leave as specified by national law?</b>  If Yes: <b>5.1.7.1 How many days?</b>			
<b>5.18 Do permanent workers receive paid sick leave as specified by your national law?</b>  If Yes: <b>5.1.8.1 How many days?</b>			
<b>5.19 Do permanent workers receive the maternity leave specified by national law?</b>  If Yes: <b>5.1.9.1 How many days?</b>			
<b>5.20 Do temporary workers receive paid annual leave as specified by national law?</b>			

(Please tick where appropriate)

Wages ( <i>continued</i> )	Yes	No	Other (please specify)
If Yes: 5.20.1 How many days?			
5.21 Do temporary workers receive paid sick leave as specified by your national law?  If Yes: 5.21.1 How many days?			
5.22 Do temporary workers receive the maternity leave specified by national law?  If Yes: 5.22.1 How many days?			

**Wage calculation****You will need to specify what kind of workers you have:**

- Permanent
- Temporary
- Homeworkers/outworkers
- Casual and
- Seasonal

**You will need to specify if they are paid:**

- Piece rate
- Hourly rate
- Monthly salary
- Other – if you select 'other' you need to provide details of payments

Working hours	Yes	No	Other (please specify)
6.1 What is the legal maximum working week, including overtime, in this country?			
6.2 How many hours do your employees work in a standard work week?			
6.3 What is the maximum number of overtime hours that employees work in a week in peak season?			
6.4 Is overtime compulsory?  If Yes or Other: 6.4.1.1 How do workers request not to work overtime?			
6.5 Do workers have at least one day off per week?			
6.6 How are the hours worked by workers recorded? <i>Manually, swipe card, time clock, other</i>  If Other: Please give details			



(Please tick where appropriate)

Discrimination	Yes	No	Other (please specify)
7.1 Do you have an equal opportunities policy?			
7.2 Are there some jobs that you would prefer a man or woman to do?			
If Yes: 7.2.1 What are these jobs?			
7.3 Do workers receive equal pay for equal work, regardless of sex, ethnic origin, race, caste, tribe or religious belief?			
7.4 What percentage of supervisors are women?			
7.5 Are different ethnic groups represented at supervisor and managerial level in equivalent proportions to their representation in the workforce?			
If Other: Please give details			
7.6 Are union representatives treated in the same way as other workers?			
If No: 7.6.1 Please give details			
7.7 Is pregnancy testing part of your recruitment process?			
7.8 Do you dismiss workers who become pregnant?			
7.9 What special arrangements do you make for pregnant workers in the workplace (eg, breaks, special working conditions)?			
7.10 Are workers able to return to their jobs after having a baby?			
If Other: Please give details			

(Please tick where appropriate)

Regular employment	Yes	No	Other (please specify)
<b>8.1 Do you keep an up-to-date register of employees?</b>			
<b>8.2 Do you employ any casual temporary or seasonal workers?</b> If Yes: <b>8.2.1 Do you have an up-to-date list of casual, temporary and seasonal workers?</b>  <b>8.2.2 Do all casual, temporary and seasonal workers receive pay and benefits in line with the law?</b> If No: <b>8.2.2.1 Please supply details?</b>			
<b>8.3 Do you employ apprentices or people on sponsored training programmes?</b> If Yes: <b>8.3.1 How long is the maximum apprenticeship period?</b> <i>Less than 1 month, 1-3 months, 3-6 months, 6-12 months, 1-2 years, 2-3 years, more than 3 years</i>  <b>8.3.2 How much are apprentices or trainees paid for standard working hours per pay period?</b> <i>Amount per: hour, day, week, 2 weeks or month</i>			
<b>8.4 Do your new workers have probationary periods?</b> If Yes: <b>8.4.1 What is the maximum term of probation?</b> <i>1 month, 2 months, 3 months, 4-6 months, 7-12 months or more than 12 months</i>			
<b>8.5 Do you repeatedly use fixed-term or short-term contracts?</b>  If Other: Please give details			
<b>8.6 Do you use agency labour?</b> If Yes: <b>8.6.1 How many labour providers do you use?</b>  <b>8.6.2 Please provide the names of the labour providers that you use on a regular basis</b>  <b>8.6.3 Do you have any systems in place to ensure that the labour provider(s) you use meets labour standard requirements?</b>			

(Please tick where appropriate)

Regular employment (continued)	Yes	No	Other (please specify)
<b>If Yes: Please give details</b>			
<b>8.6.4 Do you have a contract with agencies/labour providers?</b>			
<b>If Yes:</b>			
<b>8.6.4.1 Does the contract specify rates of pay and health and safety responsibilities of each party?</b>			
<b>8.6.5 Do all agencies have documentation proving that each worker is entitled to work?</b>			
<b>If Other: Please give details</b>			
<b>8.6.6 Are you confident that all agencies have taken reasonable steps to ensure that the documentation is genuine?</b>			
<b>8.6.7 Before commencing work each day, do all agencies provide you with a fully completed and signed list of agency workers?</b>			
<b>If Other: Please give details</b>			
<b>8.6.8 Does a member of staff check and record that for all workers (including agency staff) there is an available, valid document authorising them to work in the country?</b>			
<b>If Other: Please give details</b>			

Discipline	Yes	No	Other (please specify)
<b>9.1 Do you have a formal disciplinary procedure?</b>			
<b>If Yes:</b>			
<b>9.1.1 How do you ensure that workers understand the disciplinary procedure? (you can select more than one option)</b>			
<i>Give workers copies of procedure, verbally explain procedure, put procedure on noticeboard, workers sign a slip to confirm they have understood the procedure, procedure is included in workers contracts, other</i>			
<b>If Other: Please give details</b>			
<b>9.2 Do you have a formal grievance procedure?</b>			

(Please tick where appropriate)

Discipline ( <i>continued</i> )	Yes	No	Other (please specify)
<b>If Yes:</b> <b>9.2.1 How do you ensure that workers understand the grievance procedure? (you can select more than one option)</b> <i>Give workers copies of procedure, verbally explain procedure, put procedure on noticeboard, workers sign a slip to confirm they have understood the procedure, procedure is included in workers contracts, other</i>			
<b>9.2.2 Do supervisors and managers receive training on disciplinary and grievance procedures?</b>			
<b>9.3 Do you keep records of disciplinary actions taken and grievance procedures?</b>			
<b>9.4 Do you conduct physical searches of workers?</b>  <b>If Yes:</b> <b>9.4.1 Please give details</b>			

Health, safety and hygiene	Yes	No	Other (please specify)
<b>SECTION 3.1: HEALTH AND SAFETY MANAGEMENT</b>			
<b>3.1.1 Is there a senior manager responsible for health and safety?</b>  <b>If Yes: State their Name and Position</b>			
<b>3.1.2 Do you have a health and safety committee on which workers are represented?</b>			
<b>3.1.3 Are you aware of all health and safety laws and regulations relevant to your workplace?</b>  <b>If Yes:</b> <b>3.1.3.1 How do you keep yourself informed about changes in health and safety regulations?</b>			
<b>3.1.4 Do you carry out health and safety risk assessment?</b>  <b>If Yes:</b> <b>3.1.4.1 When was the last health and safety risk assessment carried out?</b>  <b>3.1.4.2 Were any high risk areas identified?</b>			

(Please tick where appropriate)

Health, Safety and Hygiene ( <i>continued</i> )	Yes	No	Other (please specify)
<p>If Yes:</p> <p><b>3.1.4.2.1</b> Please briefly summarise the key risk issues found in the risk assessment</p> <p><b>3.1.4.2.2</b> Have you developed action plans for all high risk areas?</p>			
<p><b>SECTION 3.2: HEALTH AND SAFETY TRAINING</b></p> <p><b>3.2.1</b> Do workers receive health and safety training relevant to their job?</p> <p>If Yes:</p> <p><b>3.2.1.1</b> What does the health and safety training cover? (you can select more than one option)</p> <p><i>Fire evacuation, machinery and tools, manual handling, storage, handling, use and disposal of hazardous materials including chemicals and pesticides, use of personal protective equipment</i></p> <p><b>3.2.2</b> Do you have records of health and safety training?</p>			
<p><b>SECTION 3.3: WORKER HEALTH</b></p> <p><b>3.3.1</b> Do you provide workers with personal protective equipment appropriate for the work they do?</p> <p>If Yes:</p> <p><b>3.3.1.1</b> Is the personal protective equipment you provide free of charge?</p> <p><b>3.3.2</b> Do you have an accident book in which all accidents, however minor, are recorded?</p> <p>If Yes:</p> <p><b>3.3.2.1</b> How many accidents, however minor, have been recorded in the last 12 months?</p> <p><b>3.3.2.2</b> Have steps been taken to prevent the reoccurrence of these accidents?</p> <p><b>3.3.3</b> Do you have well-stocked first aid boxes in every area of the production site?</p> <p>If Yes:</p> <p><b>3.3.3.1</b> Are first-aid boxes locked?</p> <p><b>3.3.4</b> Is each shift covered by a trained first aider?</p>			

(Please tick where appropriate)

Health, safety and hygiene ( <i>continued</i> )	Yes	No	Other (please specify)
3.3.5 Do you have any further medical facilities/sick room on site?			
3.3.6 Please give details of further medical facilities (on site and off site) in case of an emergency			
<b>SECTION 3.4: FIRE SAFETY</b>			
3.4.1 Is there a named and trained worker on each shift who is a Fire Officer and a Deputy Fire Officer in case of illness?			
If Other: please give details			
3.4.2 Do you have a written fire evacuation procedure?			
If Yes:			
3.4.2.1 Is the fire evacuation procedure communicated to all workers, including new workers when they start work?			
3.4.3 Do you have a fire alarm that can be clearly heard in all areas of the production site?			
If Yes:			
3.4.3.1 Do you test the fire alarm?			
If Yes: How often do you test the fire alarm?			
3.4.4 Do you practice the fire drill?			
If Yes:			
3.4.4.1 How often do you practice the fire drill? <i>Every 1-3 months, every 4-6 months, every 7-12 months, every 13 months – 2 years or less than every 2 years</i>			
3.4.4.2 Do you record the time it took to evacuate the production site?			
3.4.5 Do you have an adequate number of fire extinguishers, hoses and fire blankets?			
If Yes: Are the fire extinguishers appropriate for the fire risks in each area of the production site?			
3.4.5.1 Is all fire fighting equipment regularly checked?			

(Please tick where appropriate)

Health, safety and hygiene (continued)	Yes	No	Other (please specify)
3.4.6 Are exit routes kept free from obstructions?			
3.4.7 Are there enough fire exits for all workers to leave all buildings safely in an emergency?			
3.4.8 Are all fire exits unlocked and unblocked during working hours?			
3.4.9 Are fire exits and escape routes marked with signs with pictures as well as words in a language that workers understand?			
3.4.10 Is smoking banned in production and storage areas?			
3.4.11 When was electrical wiring last checked by a qualified electrician? <i>Within last 12 months, 1-2 years ago, longer than 2 years ago or never</i>			
<b>SECTION 3.5: MACHINERY</b>			
3.5.1 Do you have written procedures for each machine or tool giving details of how to use it safely?			
3.5.2 Do all machines and tools have adequate safety guards?			
3.5.3 Are all machines and tools regularly maintained?			
3.5.4 Are noise levels monitored?			
<b>SECTION 3.6: HAZARDOUS MATERIALS</b>			
3.6 Do you have a complete list of all chemicals used on your site (including chemicals, pesticides, fertilizers and cleaning fluids)?			
If Yes:			
3.6.1 Do you have a material safety data sheet (MSDS) for each chemical in a language which workers understand?			
3.6.2 Do you use any hazardous materials on your site (including chemicals, pesticides, fertilizers)?			



*(Please tick where appropriate)*

Health, safety and hygiene ( <i>continued</i> )	Yes	No	Other (please specify)
If Other: Please give details			
<b>3.6.3 Do you have written procedures for the safe storage, use and disposal of each hazardous material including chemicals and pesticides, in a language workers can understand?</b>			
<b>3.6.4 Do you keep a list of all workers who work with hazardous material including chemicals and pesticides? Yes/No</b>			
If Yes:			
<b>3.6.4.1 Do workers working with hazardous materials including chemicals and pesticides receive an annual health check?</b>			
<b>3.6.5 Are hazardous materials including chemicals and pesticides kept in sealed containers in a locked storeroom which is in a separate building?</b>			
If Other: How are hazardous materials stored?			
<b>3.6.6 Are all containers for hazardous materials labelled with instructions for storage, use and disposal in a language workers can understand?</b>			
<b>3.6.7 Do you use any pesticides?</b>			
If Yes:			
<b>3.6.7.1 Do you allow undiluted pesticides in the field environment?</b>			
<b>3.6.8 Are showers and first aid facilities provided for everyone working with hazardous materials, including chemicals and pesticides?</b>			
<b>3.6.9 Is air quality monitored as appropriate (eg, for solvent and dust levels)?</b>			

*(Please tick where appropriate)*

Health, safety and hygiene ( <i>continued</i> )	Yes	No	Other (please specify)
<b>SECTION 3.7: HOUSEKEEPING AND HYGIENE FACILITIES</b>			
<b>3.7.1</b> Is the workplace clean and tidy?			
<b>3.7.2</b> Do you provide unlimited access to clean drinking water during working hours?			
<b>3.7.3</b> Do you provide at least 1 toilet for every 25 workers?			
If No:			
<b>3.7.3.1</b> How many toilets do you provide for every 100 workers?			
<b>3.7.4</b> Are there separate toilets for men and women?			

## Resource 14: Excerpts of sample draft letter to sourcing factories

*This is a draft letter from an ETI member company, designed to be sent to its suppliers to inform them of the company's ethical trade policies and its commitment to working with suppliers to improve their business practices .*

...is a subsidiary company of Company X, which is known for its brands and businesses in [names of brands]. Company X aspires to be a company of excellence. To attain this we need to be an organisation that is perceived as having a high degree of integrity and as being socially responsible.

We also aspire to be a good corporate citizen, which has two facets. These are environmental and human rights policies, and activity in charitable and community-based projects. We are beginning to implement the human rights and environmental policies throughout the whole group. A large part of this initiative is being more aware of the impact of our business activity in the communities where we source our product range; many of these communities are in the developing world.

Our focus will be on compliance with local law and local regulations, matching the best practices in the country concerned. We are aware however that these standards are sometimes lacking or well below international norms and in such cases we will become active in promoting better conditions [.....]

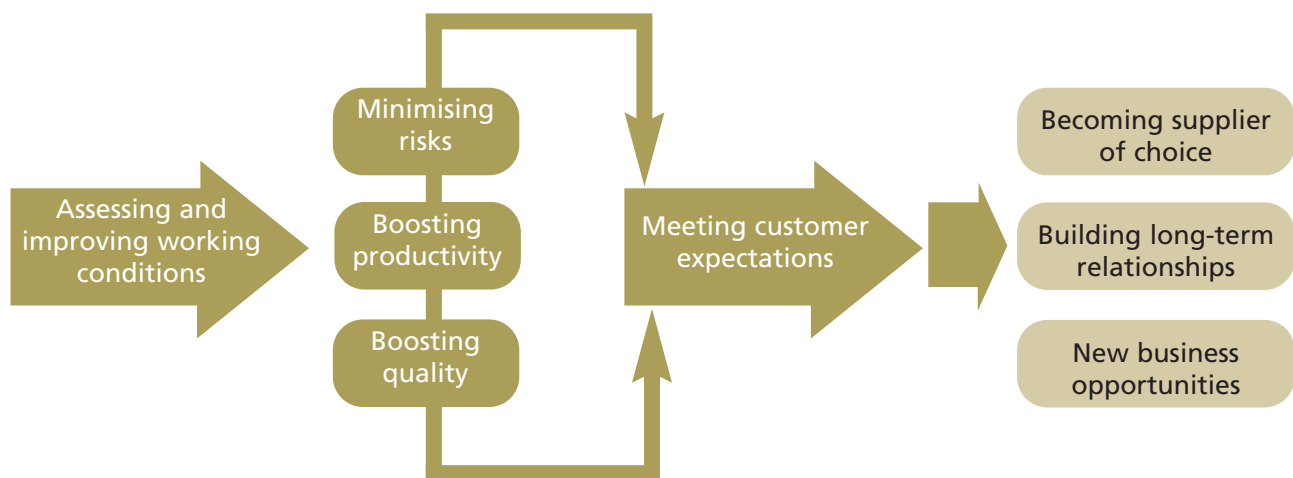
To enhance sustainable improvements, we work actively with local and international partners from the commercial, governmental and non-governmental sectors. To this end, we are members of organisations such as the Ethical Trading Initiative, the International Business Leaders Forum and support the United National Global Compact.

Our agents, buyers and quality control staff will be visiting your factory with an expanded mandate over the next 2-3 years. We strongly believe that by working together on these issues we can improve our business as well as yours. We hope that you agree and that you will help us implement these policies, which are attached.

## Resource 15: Diagram outlining the business benefits of compliance for suppliers

*This diagram forms part of a 'Supplier Workbook' developed by Co-operative Retail, Marks & Spencer and other ETI members which aims to help suppliers understand what practical steps they need to take to comply with codes of labour practice (see case study 10.7 for more information).*

### The benefits for your business



- Identify risks
- Finding solutions
- Bringing your workplace into line with the Co-operative Group's standards

- Reduced risk of harm to workers
- Reduced risk of accidents
- Reduced risk delays
- More efficient workforce
- Able to attract & keep skilled workers

- The customers of The Co-operative Group trust us to supply products that are made in good conditions, by people whose health, labour and human rights are protected.

- Global purchasers want to buy from suppliers who can demonstrate good working conditions and labour standards
- Keep ahead of your competitors
- Create new opportunities for your business in the global market

## Resource 16: Presentation to suppliers on the business benefits of compliance

*This is an example of a presentation given by a food company to its suppliers, with case studies of how suppliers' businesses have benefited from complying with different principles of the ETI Base Code.*

### SLIDE ONE

#### What benefits to your business?

Key issues in improving a business:

- Costs – reduced costs, increased profit levels
- Quality of operations – increased quality of operations, improved quality and consistency of product

### SLIDE TWO

#### Business benefits

How have our suppliers improved their costs?

- Increased productivity
- Reduced sickness/absenteeism
- Reduced breakages, repairs
- Tightened and simplified labour controls

### SLIDE THREE

#### Business benefits

How have our suppliers improved quality of operations?

- Increased skill levels of workers
- Motivated and focused workforce
- Tightened operational controls and procedures
- Creating an environment where people like to work

### SLIDE THREE

#### Example 1: Health and safety

**Problem:** In one factory, health and safety were very poor and there was no training of workers.

**Solution:** Workers' health and safety committee formed and members sent for detailed training. The committee now manages and implements health and safety in the factory.

#### Result

- Risk of accidents reduced
- Less sick leave required
- Workers work without fear of injury
- Increased individual skill levels

#### Benefit

Cost  
Cost  
Quality  
Quality

### SLIDE FOUR

#### Example 2: Wages

**Problem:** Workers were not paid overtime and benefits; overtime was continually carried forward unpaid; no details of wages were available to workers.

**Solution:** All overtime and benefits are now paid and detailed payslips provided.

#### Result

- Workers now fully motivated
- Loyalty of workers increased; keep skilled individuals
- Reduced absenteeism
- Less industrial action/agitation

#### Benefit

Quality  
Cost/Quality  
Cost  
Cost

## SLIDE FIVE

### Example 3: Discrimination (possible harassment)

**Problem:** Females on site worked in the lowest positions and could not access any charge hand/supervisor position. They were also vulnerable to harassment from male workers, as they had no avenue to convey sensitive female problems/issues.

**Solution:** Targeted and trained females to be supervisors and increased female participation on health and safety committee. Females now have senior figures to report problems to – the factory is female-friendly.

#### Result

- Increased productivity from women
- Increased focus from women
- Reduced absenteeism
- Increased ability to keep skilled women

#### Benefit

Cost  
Quality  
Cost  
Cost & quality

## SLIDE SIX

### Example 4: Housing

**Problem:** The housing was in a poor condition, lack of clean water, toilets unusable.

**Solution:** Management set up worker-run housing committee to manage housing (participatory approach), report/repair system put in place.

#### Result

- Less management time on housing
- Workers empowered and motivated
- Reduction in on-going repairs
- Reduced vandalism
- Improved hygiene

#### Benefit

Cost  
Cost/quality  
Cost  
Cost  
Cost/quality

## SLIDE SEVEN

### Example 5: Working hours

**Problem:** Long and excessive working hours.

**Solution:** Workers trained to be multi-skilled, flexibility to work in many areas. Tight control of overtime and detailed shift planning.

#### Result

- Less wages paid at overtime rate
- Workers less tired and more focused
- Reduced sick list/accident issues
- Flexible, multi-skilled workforce

#### Benefit

Cost  
Cost/quality  
Cost  
Quality/cost

## SLIDE EIGHT

### Example 6: Disciplinary

**Problem:** Disciplinary system used through deduction of hours, days worked and fines (illegal?). Punishment unpredictable and excessive.

**Solution:** Clear, transparent and enforced warning system put in place with appeal procedure.

#### Result:

- Culture of fear disappeared
- Discipline improved
- Unfair punishment eliminated
- Production standards improved

#### Benefit

Quality  
Quality  
Quality  
Quality/cost

## Resource 17: Supplier social compliance workshop agenda

*This is an example of an agenda for a supplier 'social compliance' workshop organised by an ETI member company for a group of its suppliers.*

### Sample agenda for supplier social compliance workshop

Time	Item	Content
09:30 – 09:50	Welcome & introduction	
09:50 – 10:00	Outline of social compliance standards	Outline detail of the provisions of company code and ETI Base Code.
10:00 – 10:40	Bangladeshi law, common violations and solutions	Presentation of requirements for achieving compliance – common regional non-compliances and potential solutions.
10:40 – 10:55	Sedex	Overview of Sedex, benefits to retailer and supplier.
10:55 – 11:45	Group workshop and coffee “Celebrating success”	Participants work in small groups, sharing improvements they have made in their factories towards compliance, community projects etc.
11:45 – 12:30	Small group feedback	Groups feedback to all participants.
12:30 – 13:00	Implementing company codes – a supplier's perspective	One supplier shares their experience of implementing a company code and the ETI Base Code, concentrating on the business benefits.
13:00 – 13:45	Break	
13:45 – 14:00	Training video	Audio visual aid for worker training.
14:00 – 14:30	An NGO perspective	Local NGO is invited to speak about their work and how they can help suppliers implement different aspects of compliance.



**Sample agenda for supplier social compliance workshop (continued)**

Time	Item	Content
14:30 – 15:15	Group workshop “Ongoing challenges”	Participants work in small groups, sharing what they consider to be ongoing challenges or barriers to achieving compliance and discussing potential solutions.
15:15 – 16:00	Small group feedback	Groups feedback to all participants.
16:00 – 16:20	Improving productivity to achieve social compliance	A presentation of the inputs and outputs of the China overtime project to motivate suppliers to address similar issues locally.
16:20 – 16:30	Benchmarking group	Presentation on the setting up of a local supplier benchmarking group, outlining achievements and successes of other groups.
16:30	Feedback form and close	

# Resource 18: Checklist for choosing interpreters and translators

*Prepared by Incomes Data Services for ETI.*

The following checklist is intended to provide guidance on assessing your language and interpretation/translation needs, and on choosing or negotiating with interpreters and translators.

## Checklist for choosing interpreters and translators

Issues	Notes
<b>Languages:</b> Have you carried out a language audit of your organisation or department?	
What official languages are spoken in the country in which you are operating?	
Are there any rules on use of language at the workplace (for example, specifying what languages contracts must be in or for communication between staff)?	
What languages are spoken at the workplace by: <ul style="list-style-type: none"> <li>managers?</li> <li>employees?</li> </ul>	
In what language is it customary for employees to be spoken to individually at the workplace?	
In what language(s) are key documents likely to be written?	
<b>Translation/interpretation needs:</b> Is your need for (one or more may apply): <ul style="list-style-type: none"> <li>translation of documents: if so – locally and/or at your HQ?</li> <li>simultaneous interpretation at small or formalised meetings?</li> <li>consecutive interpretation in small meetings?</li> <li>consecutive interpretation during one-to-one meetings?</li> <li>consecutive interpretation off site for social purposes?</li> </ul> Are there any meetings on or off site solely with employees and/or employee representatives?	
How many interpreters will you need and for how long? (If the meetings are intensive, you will need two interpreters at least, and allow for time to rest).	

**Checklist for choosing interpreters and translators (continued)**

Issues	Notes
Is the gender and/or age or social attribute of the interpreter likely to be of importance when attending interviews?	
<b>Sourcing translators/interpreters:</b> Do you have a suitable person in your organisation?	
Can other organisations help (NGOs, trade unions, ILO, other)?	
Do you have access to an interpreter or contact with an agency?	
What are the qualifications and experience of the interpreter(s)?	
Do you have any references or recommendations?	
Do they have specific experience in the field of labour inspections, labour and industrial relations issues?	
If not, what advanced support can be organised in terms of terminology and approach?	
What is the daily cost (fee plus expenses) of each interpreter?	

# Resource 19: Desired competencies for assessors

**Prepared by Incomes Data Services for ETI.**

This table of desired competencies is a summary of:

- responses from corporate members to this questionnaire survey carried out as part of the ETI training needs assessment carried out in 2001;
- ETI's experience and learning as synthesised in this workbook.

## Desired competencies for assessors

Skills for assessors	Notes
Formal training in auditing of labour practices: <ul style="list-style-type: none"> <li>• Trained by which training provider?</li> <li>• Level of training?</li> <li>• Was training accredited by any other body?</li> </ul>	
Proven ability to run an audit in a professional manner	
Accumulated experience in carrying out inspections of labour practices	
General auditing skills in other fields	
Ability to carry out extensive audits of labour practice in off-shore environments	
Competence at reviewing factory documents and interviewing workers	
Ability to elicit information on social rather than technical issues	
<b>Local knowledge/cultural fluency:</b> Knowledge of local culture, law, employment and development issues	
Understanding of business sector in countries concerned	
Appropriate language skills	
Understanding about poverty and social development	
<b>Legal/ETI/Code knowledge:</b> Understanding of international labour standards	

*Desired competencies for assessors (continued)*

Skills for assessors	Notes
Understanding of relevant local legislation and standards	
Understanding of the ETI Base Code	
Understanding key labour and social issues of the country	
Understanding the implications of the industry labour requirements on the social and welfare system	
<b>Personal qualities/skills:</b>	
Able to relate to employees on site	
Communication skills with range of stakeholders	
Interpersonal skills and knowledge of participatory approaches	
Interview techniques	
Assertiveness	
Diplomacy	
Thoroughness	
<b>Business skills/knowledge:</b>	
Manufacturing or operational experience (ie, at factory floor/farm level)	
Industry knowledge	
Organisational and planning ability	
Understanding of company policies and procedures	
An appreciation of the business relationships involved	
Technical competence on health and safety standards and procedures	

## Resource 20: Worker education leaflet

*This is the text of a worker education leaflet developed as part of the ETI Collective Risk Assessment Project, to inform workers about the process of risk assessment. The leaflet should not be used in isolation from the other tools that make up the ETI Collective Risk Assessment Methodology, which can be found at [www.ethicaltrade.org/d/cra](http://www.ethicaltrade.org/d/cra). The leaflet could be adapted for use with other types of workplace assessment.*

The goods you make/produce are sold in shops in Britain. Soon there will be an important visit to your workplace by an organization which has been asked by the companies which buy your goods to find out more about the conditions and rights at work of the workers who make them. The companies that sell them and their customers want to know more about your working lives, so please help to make sure all your work colleagues (including temporary workers) know about this visit.

The visit is linked to the work of a much bigger project, based in Britain, called the Ethical Trading Initiative (ETI). The ETI is an alliance of companies, trade unions and human rights and international development organisations who are working together to promote better working conditions and respect for workers' rights. This visit is one of many that aims to find reliable ways of gathering that information.

(Name of Company), which buys your products to sell in Britain wants to know especially:

- If your workplace is a safe and healthy place to work
- If wages are adequate for you and your families to lead decent lives
- If you are free to join independent trade unions and negotiate with the management about wages and conditions
- If all workers, regardless of their sex, ethnic group, religion or political opinions, are free from harassment at work and are treated equally and fairly in getting and keeping a job, and in getting training and promotion.
- If there is any forced work, including any forced or unpaid overtime, or if overtime hours are too many, and whether pay is ever withheld as a punishment
- If children are working in your workplace and if they are can they go to school.
- If local labour laws are being enforced

A representative of (buyer, name of auditor) will spend a day here on (date) to discuss these questions with

workers and management. You are invited by (buyer) and your management to take part and tell (name of auditor) about any problems related to those issues. (Buyer) can then discuss with your management how to make the necessary improvements.

The management of (workplace) is helping this process by distributing this information to you. You are also encouraged to take part. (Name of auditor) will choose a number of workers, men and women, from different grades, to discuss workplace conditions and rights, hear what you think is done well and also your suggestions for improvements. (Name of auditor) will also discuss these matters with the workers' elected representatives (for example, your independent union shop stewards). Please discuss ideas before the visit.

The interviews with (name of auditor) will be confidential. No worker will be identified to the management by (name of auditor) and (name of buyer) has made it clear to the management that workers must be able to speak freely and not be punished in any way for speaking to the auditors during the visit (including your pay, and no loss of pay for the time taken during the interview). Any worker who is concerned about that should contact (name and address of auditor) or (name and address of union rep) or (buyer). Your involvement is very important to (buyer) who you can contact at: (phone, email contacts etc)

More information on this process is available from (name and address of union rep and/or auditor)

We need your active involvement to ensure this visit is useful. Please share this information with your colleagues and be prepared for the visit on (date of audit). After the audit the management will share with you the results and details of actions to be taken.

Signed  
name and address of auditor

## Resource 21: Oxfam GB labour and environmental self assessment form

Oxfam GB believes that as an NGO they also have responsibilities to workers in their supply chains and that they need to 'practise what they preach' to companies. They are also a retailer and have a brand to protect. The ethical purchasing policy was approved by Oxfam trustees in 1997, committing Oxfam GB to seek to purchase goods and services which "are produced and delivered under conditions that do not involve the abuse or exploitation of any person and which have the least negative impact on the environment". The policy includes the ETI Base Code.

Implementation is led by the Supply Relationship Manager and based within the Strategic Supply Department. Tools include a supplier questionnaire, which is risk-rated, and labour and environmental assessments carried out by trained staff. Increasingly, the approach is to integrate ethical risk management into Oxfam GB's wider supply management strategies, and to build the skills of purchasers to assess suppliers at selection stage and during the relationship. For more information see

[www.oxfam.org.uk/suppliers](http://www.oxfam.org.uk/suppliers)

A sample form used by Oxfam GB to guide their labour and environmental assessments is included below as an example audit procedure and checklist. It should be noted that Oxfam GB adapts the procedure and form depending on the context of each audit.

### Oxfam GB ethical purchasing policy – labour and environmental assessment (version July 2003)

#### Pre-assessment – one month before

- Dialogue with supplier about need for a labour and environmental assessment, put in context of supplier relationship. Ensure good understanding of Oxfam and approach.
- Send letter:
  - Explain purpose of the day, ie, to assess the company's labour and environmental standards against Oxfam's Code of Conduct for Suppliers, to look at what policies/procedures they have, how they are managed and the employees' experience of them. Also to discuss how their own suppliers are assessed.
  - Explain the process: two-three assessors, format of day and use of report.

- Ask supplier to communicate these to workers – use ETI worker leaflet.
- Request completion of pre-assessment questionnaire and updated supplier questionnaire if necessary, and relevant documents e.g. employment handbook, copies of policies.
- Consult union if appropriate, and agree best process of involving them.

#### Assessment format: six hours total

- Setting the scene: 15-30 minutes
- Management interview: 1½ hours
- Site walk-through: 30 minutes
- Group worker interview: 8-12 workers for 45-60 minutes
- Policies & procedures review: 30 minutes
- Assessor discussion: 30 minutes
- Feedback of strengths, weaknesses, recommendations: 30 minutes
- Agree timetable for implementing recommendations and feedback to workers: 15 minutes.

#### Opening meeting

Explain the purpose of the assessment, as above. Give background to Oxfam and our expectations of suppliers:

- Introduce Oxfam as organisation including role of relevant department.
- General expectations of suppliers eg, good quality product in right place at right time etc.
- Ethical purchasing policy/code of conduct for suppliers important for Oxfam because we campaign very publicly for good employment standards and want to 'practise what we preach', in order not to undermine our mission or harm our reputation. Only want to do business with well-run companies.
- Make clear nothing we learn will make us drop them as a supplier (unless it is very serious and there is no willingness to address the problem).
- Looking for a commitment to the standards and continuous improvement:
  - In their own company
  - in their supply chain.

Clarify process during and after the assessment.



## Management interview (including worker representative if possible)

Questions	Prompts	Information given
<b>Oxfam policy</b> Have you read and understood Oxfam's ethical purchasing policy/code of conduct for suppliers?	When did you first hear about it? Communicated to staff?	
Why important for Oxfam?	Your customers?	
<b>Company policies</b> What policies does the company have for labour/environmental standards? eg, health and safety, equal opportunities, training & development, environment.	Questions arising from supplier questionnaire.	
Capacity to implement them?	Lead person? Skills, resources? Reporting?	
<b>Labour standards</b> How do you recruit people?		
How do you keep up to date with employment legislation?	How do you know if compliant?	
Describe any structures for collective representation.	Collective bargaining? Membership of union? Other?	
How do workers know their rights?	Induction? Contracts? Intranet?	
How do you consult and inform people about decisions which affect them?	Regular meetings?	
How does someone raise an issue concerning them?		
Grievance procedure?	Example?	
How do you manage health and safety?	Policy? Risk assessments? Training?	
Health and safety improvements in last 12 months?	Examples. Ongoing risks.	
Pay in relation to the minimum wage? Industry standard?	Last updated?	
Anyone paid piece-rate?	Homeworkers?	
What other benefits are available, eg, sick leave, maternity leave, pensions?	Check handbook.	

**Management interview, (continued)**

Questions	Prompts	Information given
<b>Oxfam policy (continued)</b> Normal working week?		
Pattern of overtime?	Always optional? Limit?	
How do you ensure equal opportunities in recruitment/pay/promotion procedures?	Training of managers?	
Do you hold information on employees' profiles eg, gender, ethnic origin, disability?	At different levels?	
Employee turnover?		
Changes in production/employment planned?	Layoffs?	
<b>Environmental management</b> Do you have an environmental policy/management system?		
Capacity to implement it?	Lead person? Skills/resources? Reporting?	
How do you keep up with new legislation?	Example affecting company?	
Main risks in your business?		
Recent improvements?	Plans?	
Other environmental issues eg, biodiversity?		
<b>Sourcing from suppliers</b> Can you summarise your supply base for goods/services?	UK-based? Developing country?	
Do you have a policy/code of conduct covering suppliers' labour and environmental standards?	Communicated to suppliers?	
Capacity to implement it?	Lead person? Skills/resources? Reporting?	
Main risks in supply chain?		
Do you assess labour/environmental standards?	How?	
<b>Supply relationship</b> Any questions/issues in the supply relationship with Oxfam?		

## Site walk-through: observations and questions

Questions	Answers and Observations
1 Lifting and machinery in process? What is helping to minimise this?	
2 Repetitive jobs?	
3 Testing of equipment?	
4 Prevention of injury on machinery? Procedure for cleaning machines? Protective equipment: Where? How?	
5 Industry-specific hazards? Protective equipment?	
6 Chemicals/hazardous substances: Which used? Storage? Any hazards in use?	
7 Health and safety poster displayed and completed?	
8 Fire exits clear? Lead to place of safety? Extinguishers checked etc?	
9 First aid box complete – what happens if someone has accident?	
10 Canteen adequate?	
11 Toilets for workers clean and well maintained?	
Other general observations	

## Group worker interview

### Selecting workers

Ask for a list of workers on site that day, pick 8-12 names randomly then check the selection is a reasonable reflection of, eg, gender/race/roles and adjust if necessary (supplier managers should not make selection or be present during worker interview). If appropriate, agree different alternative process with union representative.

### Setting the scene

Introductions; reminder of what Oxfam buys; repeat purpose of the day and why important for Oxfam.

Make clear we will not drop them as a supplier on the basis of what we hear (unless it is very serious and there is no willingness to address the problem). We are looking for commitment and continuous improvement. Lastly nothing will be attributed to any individual: the feedback will refer to general points made only. Invite questions about the process.

### Selecting questions

Skip those which are not relevant or an issue, probe those areas where there is a need to cross-check workers' perspective in light of answers given to date by management.

## Questions for workers/employees

Questions	Prompts	Information given
How did you hear about the job?	Induction? Covers?	
Does everyone have a written contract?	Covers?	
Where do you get information about your rights?		
How do you raise an issue bothering you?	Union/works council/meetings	
How would someone report a grievance?	Example?	
Are you consulted/informed about decisions which affect you?	How well does this work?	
How do you find the working conditions?	Heat, light, dust, stress, boredom.	
Where do you have drinks/eat lunch?	Good facilities?	
Night shift?		
Take work home?		
How effective are health and safety training/procedures?	Examples. Concerns?	
How do you find the wages?	Comparison with other employers? Cost of living?	
Women paid the same as men for equivalent work?		
Always paid on time?	In full?	
Tell us about overtime working.	Can you refuse? Premium paid?	

**Questions for workers/employees (continued)**

Questions	Prompts	Information given
Any concerns about working hours?		
What happens if you're ill?	Entitlement? See contract.	
What happens if a better job comes up in the company?	Equal opportunities for women? Can work part time?	
Ethnic minority or disabled people here?	Problems? Obstacles?	
Any homeworking?	Taking work home? Other homeworkers?	
Nightshift?		
Any cases of alleged harassment or bullying?	Examples? How managed?	
Risks to the environment from business practices?	Concerns? Improvements?	
How does working here compare with other places?	Recommend to others?	
What would you improve if you could?		
Any changes coming up?	Production, employment?	
Any questions for us?		

**Questions for homeworkers**

Questions	Prompts	Information given
How did you hear about the job?	Induction? Covers?	
What information are you given when you start working?	Contract Terms of engagement Company policies Complaints procedure	
Where do you get information about your rights?	Personnel officer, unions, pack.	
How do you raise an issue bothering you?	Complaints, union/works council/meetings	
Have you heard of any homeworkers who have complained to the company, what happened to them as a result?	Did they get any further work?	
Are you consulted/informed about decisions which affect you?	How well does this work?	

*Questions for homeworkers (continued)*

Questions	Prompts	Information given
What does your job involve?	Include delivery, collection, task.	
Are you provided with the tools you need for the job?	Scissors, paper. Who pays for them?	
What training do you receive?	Examples. Concerns?	
How is your rate of pay established?		
How do you find the pay rate, is it fair?	Comparison with other employers? Cost of living?	
Always paid on time?	In full?	
Is the work regular, how many hours?		
How do you find out when work is coming?	Advanced warning.	
How often do you receive work?		
Do you get any payments other than for the product?	Holiday, sick pay? Ease to claim?	
What paperwork do you receive?	Pay slips, delivery notes, collection notes.	
How do you get to know other homeworkers?	Social events.	
Any cases of alleged harassment or bullying?	Examples? How managed?	
How does working here compare with other places?	Recommend to others?	
Do you feel part of the company?		
What are the good things and what are the bad things about homeworking?		
What would you improve if you could?		
Any changes coming up?	Production, employment?	
Any questions for us?		

## Review of policies and procedures

Document name	Yes	No	Comments
<b>Policies</b>			
Quality			
Health and safety Signature of senior management, check date			
Equal opportunities			
Harassment and bullying			
Corporate social responsibility position statement/ ethical policy/company mission			
Environmental management			
Training and development			
Purchasing policy/code of conduct for sourcing goods/services			
<b>Employment records</b>			
Contract			
Employment handbook			
Wage slips			
Payroll records/clocking cards			
<b>Health and safety</b>			
Health and safety law poster, with three sections completed			
Machinery maintenance documentation			
Accident record book			
Other			



Feedback to management/workers representative

(also used as format for report)

Supplier

Location

Date

Strengths (S) Weaknesses (W) Non-compliances (NC)	Recommendations and corrective actions	Timescale

Next steps

- Communicate outcome to workers: agree process.
- Report completion: copy of the report will be provided to the contracted supplier (and to the evaluated factory management via them if different), normally within two weeks.
- Use of report: the report belongs to Oxfam and the contracted supplier, the supplier can provide it to any other customer if they wish.
- Report by supplier on progress: agree date, normally three months.

Record of process

Oxfam assessment team

Name	Role in team

Product:

Oxfam purchaser if different from above:

Summary of process followed, including time spent, number/gender of workers interviewed

Names and roles of managers/workers’ representatives interviewed

# Resource 22: Worker interview tool

*This checklist for worker interviews was developed as part of ETI's experimental project in Sri Lanka to test different auditing methodologies in the garment industry.*

## Identification

1. Location:  
Free Trade Zone: \_\_\_\_\_
2. Name of factory: \_\_\_\_\_
3. Interview date: \_\_\_\_\_

5. Sex: 1. Female ☐ 2. Male ☐

6. Date of birth: \_\_\_\_\_

7. When did you join this factory? \_\_\_\_\_

9. Hometown: \_\_\_\_\_

10. Job title: \_\_\_\_\_

11. Is your job

1. Skilled ☐ 2. Semi-skilled ☐ 3. Unskilled ☐

12. Employment

1. Permanent ☐ 2. Casual ☐  
3. Contract ☐ 4. Trainee ☐

13. Are you aware of ETI Base Code?

1. Yes ☐ 2. No ☐

If Yes,

How did you become aware of the Code?

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Did you receive the ETI brochure? Yes ☐ No ☐

Did you participate in the ETI training? Yes ☐ No ☐

14. Does the factory have a personnel policy handbook? Yes ☐ No ☐

If Yes,

a. Did you receive a copy? Yes ☐ No ☐

If Yes,

b. In what language? \_\_\_\_\_

c. Is the ETI Code displayed on the notice board? Yes ☐ No ☐

If Yes,

d. In what language? \_\_\_\_\_

## 1. Employment is freely chosen

When you first joined the company or while working were you asked to give any deposit to the factory? Yes ☐ No ☐

If Yes, what are they?

1. Money ☐ 2. One months' salary ☐  
3. Birth certificates ☐ 4. Other original documents ☐

If No.4 please specify \_\_\_\_\_

If the factory took any of the above when would you get it back?

1. If a request is made to the factory ☐  
2. On leaving the job ☐ 3. After leaving the job ☐

Are you free to decide to leave your job whenever you want to? Yes ☐ No ☐

If No,

Do you need to give the factory some notice? Yes ☐ No ☐

Do you have to forfeit one month's salary or pay a similar amount? Yes ☐ No ☐

If you have to leave employment due to an emergency how does the factory pay you for the days worked and holiday pay?

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Do they delay the payment? Yes ☐ No ☐

How is payment done?

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1.5 Are workers asked to give a letter of resignation stating they are leaving of their own accord even when they are dismissed?

1. Yes ☐ 2. No ☐ 3. Don't know ☐

## 2. Freedom of association and the right to collective bargaining

2.1 Is there a workers' council in your factory? Yes ☐ No ☐

If Yes,

1. Name of the president

2. Name of secretary

3. Your line representative

How were the members selected?

Have you made any requests through the workers' council? Yes ☐ No ☐

If Yes, what was your request?

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Do you know of any other people who made a request through the workers' council? Yes ☐ No ☐

Does the workers' council represent you and your needs? Yes ☐ No ☐

Are the workers' council minutes displayed on the notice board? Yes ☐ No ☐

If No, how do you hear about what has happened at the workers' council meetings?

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2.2 Is there a trade union in your factory? Yes ☐ No ☐

2.3 Is it independent of management? Yes ☐ No ☐

If Yes,

Please detail the union names and number of members per union.

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If Yes at 2.2,

Are you satisfied with the extent the union is recognized by the management? Yes ☐ No ☐

Is there a collective bargaining agreement either through union involvement or workers' councils?

1. Yes ☐ 2. No ☐ 3. Don't know ☐

2.4 Please detail why an independent of management trade union organization is not present?

a) Did workers give up their attempt to form a union? ☐

b) Was it raised as a dispute? ☐ c) Don't know ☐

2.5 If there isn't a union in the factory is it because there is

1. Not enough support from workers ☐

2. Obstruction by management ☐ 3. Don't know ☐

2.5.1 Was there any victimization brought against any person/people who wanted to unionize the factory

a. Yes ☐ b. No ☐

2.5.2 Was there an attempt to replace the union and establish a workers' council?

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2.6 If No, has any system been set up by the company to allow proper dialogue between workers and employers in the field of health and safety, food facilities, disciplinary practices?

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2.6.1 Does your company have a health and safety procedure in place? Yes ☐ No ☐

Please explain

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2.6.2 Does the company provide food facilities to you? Yes ☐ No ☐

What are they?

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Does the company have any disciplinary procedure to deal with the workers?

1. Yes ☐ 2. No ☐ 3. Don't know ☐

If yes, please explain

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Does the company provide any housing or boarding facilities? Yes ☐ No ☐

If Yes, please explain

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2.7 How effective is the relationship between management and the workers' representation?

1. Effective ☐ 2. Somewhat effective ☐  
3. Ineffective ☐ 4. Don't know ☐

2.8 Are the concerns of the workers recognized, evaluated and acted upon?

1. Yes ☐ 2. No ☐ 3. Don't know ☐

2.9 Has the company actively promoted this element of the ETI Base Code?

1. Yes ☐ 2. No ☐ 3. Don't know ☐

If Yes, how?

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2.10 How do you bring your grievances to management's attention?

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Have you brought up any grievances? Yes ☐ No ☐

Has anyone else brought up their grievances? Yes ☐ No ☐

When grievances are brought to management's attention what is the response from management?

1. Often favorable ☐  
2. Sometimes favorable ☐ 3. Seldom favorable ☐

### 3. Working conditions are safe and hygienic

3.1 Do you feel the factory is a safe environment to work in?

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If not, why?

Do you work with potential hazardous substances? Yes ☐ No ☐

Are workers provided with protective clothing/equipment as appropriate or necessary? Yes ☐ No ☐

If Yes, what?

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Do you have to pay for this? Yes ☐ No ☐

Can you wear shoes when you go to the toilets? Yes ☐ No ☐

Is there a first aid box? Yes ☐ No ☐

If Yes, where are the boxes located?

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Are they: Locked? ☐ Easily accessible? ☐

Is there a first aid room? Yes ☐ No ☐

Is there a nurse? Yes ☐ No ☐

Are workers allowed to stay in the first aid room until they feel better? Yes ☐ No ☐

Is the factory hot? Yes ☐ No ☐

Are the toilets clean? Yes ☐ No ☐

Is there soap in the toilet? Yes ☐ No ☐

Is there water in the toilets at all times? Yes ☐ No ☐

3.2 How are the conditions listed below?

Canteen facilities

Good ☐ Bad ☐ Satisfactory ☐

Toilets

Good ☐ Bad ☐ Satisfactory ☐

Factory floor

Good ☐ Bad ☐ Satisfactory ☐

3.3 Has anyone been injured at the workplace in the last year?

Yes ☐ No ☐

If Yes, what happened?

What do workers do when an accident happens?

Does the factory conduct fire training?

Yes ☐ No ☐

Does the factory conduct 6-monthly fire drills?

Yes ☐ No ☐

Does the factory conduct first aid training?

Yes ☐ No ☐

Other personal protective equipment training?

Yes ☐ No ☐

3.4 Are there dormitories?

Yes ☐ No ☐

If Yes, are they satisfactory?

Yes ☐ No ☐

Can you tell us about the facilities in the dormitories?

3.5 Do you have drinking water? Yes ☐ No ☐

Are there limitations to getting drinking water?

Yes ☐ No ☐

Is there a nurse/doctor in the factory? Yes ☐ No ☐

Is there a management person in charge of health and safety in the factory? Yes ☐ No ☐

3.6 Are there any limitations to using the toilets?

Yes ☐ No ☐

If Yes, what are they?

3.7 Do you get your lunch and tea breaks at the required times?

Yes ☐ No ☐

How do you feel about working in the factory?

Would you recommend this factory to a friend?

Yes ☐ No ☐

If No, why?

Are you proud to be employed in this factory?

## 4. Child Labour shall not be used

4.1 What is your date of birth?

4.2 When did you start working?

4.3 Are there workers younger than 16 years working in this organization?

Yes ☐ No ☐

4.4 Are there workers younger than 18 working in this organization?

Yes ☐ No ☐

4.5 Are these workers engaged in night work?

Yes ☐ No ☐

4.6 Are there any jobs that would be considered as hazardous work?

Yes ☐ No ☐

4.7 Does the factory employ workers under the age of 18 in these jobs?

Yes ☐ No ☐

4.8 Does the factory differentiate the number of overtime hours that under 18 workers could do?

Yes ☐ No ☐

4.9 Are the workers who are under 18 treated differently to older workers?

Yes ☐ No ☐

If Yes, explain

## 5. Living wages are paid

5.1 What is your present base wage?

5.1.1 What was your wage when you first began work?

5.2 What are the other payments available for you to earn or achieve?

1. Bonus ☐ 2. Attendance incentive ☐  
3. Production incentive ☐ 4. Others ☐

Are there instances that you don't receive the benefits that are due to you? Yes ☐ No ☐

If Yes, what are they?

What was your take-home wage last month?

How many hours of overtime did you work last month?

5.3 Does the factory deduct for late attendance?

1. Yes ☐ 2. No ☐ 3. Don't know ☐

If Yes, explain

5.4 Are fines used as disciplinary measures?

1. Yes ☐ 2. No ☐ 3. Don't know ☐

If Yes, explain

Are there penalties for not meeting the target? Yes ☐ No ☐

If Yes, explain

5.5 Do you know of any fines or other deduction that have been reduced from any other person's wages without their approval?

1. Yes ☐ 2. No ☐ 3. Don't know ☐

5.6 What are your expenses for the month on?

1. Food? ☐ 2. Board? ☐ 3. Transport? ☐  
4. Education? ☐ 5. Health? ☐ 6. Recreation? ☐  
7. Clothes? ☐ 8. Electricity? ☐ 9. Water? ☐  
10. Savings? ☐ 11. Other? ☐

If other please specify

5.7 How much money do you send home?

1. Monthly ☐ 2. Yearly ☐

5.8 What are the benefits that the factory provides?

1. Breakfast ☐ 2. Subsidized lunch ☐  
3. Medicine ☐ 4. Uniform ☐  
5. EPF ☐ 6. ETF ☐  
7. Transport ☐ 8. Workmen compensation issues? ☐  
9. Annual leave ☐

Other? (specify)

5.9 Is maternity leave provided to pregnant women?

1. Yes ☐ 2. No ☐ 3. Don't know ☐

If so, how many days are provided?

Do nursing mothers receive two hours of nursing breaks a day for one year?

1. Yes ☐ 2. No ☐ 3. Don't know ☐

Are workers who return after maternity leave provided their same job back at the same rate of pay?

1. Yes ☐ 2. No ☐ 3. Don't know ☐

5.10 Do you think you are paid a reasonable wage for the job you are doing?

## 6. Working hours are not excessive

What are your normal working hours?

6.2 Do you exceed the 48 hours of overtime per month?

1. Yes ☐ 2. No ☐ 3. Don't know ☐



6.3 If there is a personal reason, can you refuse to do overtime? Yes ☐ No ☐

If Yes, will you be punished for it? Yes ☐ No ☐

In the last month how much did you earn from doing overtime?

---

How are overtime hours recorded?

1. In the same time card/barcode? ☐ 2. Separately? ☐

Are you paid for all overtime hours? Yes ☐ No ☐

6.5 Do you know how you are paid for doing overtime? Yes ☐ No ☐

6.6 Do you work continuous day and night shift? Yes ☐ No ☐

If Yes, how are you paid for night shift?

---

6.7 Is there a nurse during night shift? Yes ☐ No ☐

Is there a vehicle during night shift? Yes ☐ No ☐

Do you get meals during night shift? Yes ☐ No ☐

Is transport provided after night shift? Yes ☐ No ☐

How often do you do night shift? Yes ☐ No ☐

If you are a woman do you work more than ten night shifts a month? Yes ☐ No ☐

Were you punished for refusing to do night shifts? Yes ☐ No ☐

6.8 Do you work on a Sunday? Yes ☐ No ☐

If Yes, How are you paid?

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Do you get a day off during the next five days? Yes ☐ No ☐

6.9 Can you refuse to work on the weekly holiday? Yes ☐ No ☐

If you don't work, does the factory penalize you? Yes ☐ No ☐

## 7. No Discrimination is practiced

7.1 When applying for a job at the factory, does the management consider the following?

1. Age ☐

2. Religion ☐

3. Nationality ☐

4. Married/non married? ☐

5. Disability ☐

6. Union member/  
political involvement ☐

7. Gender ☐

8. Sexual preferences ☐

Are there systematic methods of promoting workers?

---

In promotion, are any of the above points considered? Yes ☐ No ☐

Are increases in salaries done in a systematic and reasonable manner? Yes ☐ No ☐

Have you been treated fairly? In increases of salary Yes ☐ No ☐

Promotions Yes ☐ No ☐

Training Yes ☐ No ☐

Have you heard of any other person who has not been treated fairly? Yes ☐ No ☐

## 8. Regular employment is provided

Does the factory employ casual/contract workers?

Casual

1. Yes ☐ 2. No ☐ 3. Don't know ☐

Contract

1. Yes ☐ 2. No ☐ 3. Don't know ☐

When you joined this organization have you been given a letter of appointment? Yes ☐ No ☐

Was/is there a delay in giving this letter? Yes ☐ No ☐

In what language was it given?

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Does the letter state that you are a trainee or on probation? Yes ☐ No ☐

When does the training period or probationary period end?

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Do you get a permanent position? Yes ☐ No ☐

Have you completed six months? Yes ☐ No ☐

Were you confirmed after six months? Yes ☐ No ☐

8.3 Are there workers in your factory who are employed in the core production through labour contractors? Yes ☐ No ☐

Is there a practice of getting rid of workers who have been with the organization for a long time?

1. Yes ☐ 2. No ☐ 3. Don't know ☐

Are workers employed in regular employment subject to breaks of contracts?

8.4 Are you given a pay slip? Yes ☐ No ☐

If Yes, in what language?

Do you understand your pay slip? Yes ☐ No ☐

How are your wages paid?

1. By cash ☐ 2. By cheque ☐ 3. Deposited in a bank ☐

8.5 Are the wages paid on or before the 10th of the following month? Yes ☐ No ☐

8.6 Are the wages always paid on the same day each month? Yes ☐ No ☐

If there has been a delay in payment, what month did this happen and on which date were you paid?

Month \_\_\_\_\_

Date \_\_\_\_\_

8.7 Can you take your gratuity benefits and join the organization once again? Yes ☐ No ☐

## 9. No harsh or inhumane treatment is allowed

9.1 Have you received any of the following treatment from any person at your workplace?

Scolding? ☐ Threatening behavior? ☐

Speaking to you in a hurtful manner? ☐

Using bad language? ☐ Hitting? ☐

Psychological harassment? ☐ Sexual harassment? ☐

Any other harassment that you notice? ☐

If so what were the incidences? Please describe

9.2 Have you heard of anyone else who would have experienced the above?

These incidences happen:

Usually ☐ Sometimes ☐ Rarely ☐

What are the incidences?

These incidences happen:

Usually ☐ Sometimes ☐ Rarely ☐

9.3 Have you or any other person reported any of these incidences to management's attention? Yes ☐ No ☐

If such incidences occur can you bring it to the management's attention? Yes ☐ No ☐

If you can't, please explain

When an incident is reported, does the management take any action? Yes ☐ No ☐

Was the action taken sufficient? Yes ☐ No ☐

## Resource 23: Visual monitoring checklist from the ETI experimental project in China

### Visual monitoring checklist

#### Issues

##### Fire safety

- Are there elected fire wardens?
- How many fire exits are there?
- Is access to the fire exits uncluttered?
- Are the stairways clear of any obstructions?
- Are there sufficient fire exits?
- If no fire exits, are the windows barred?
- Are the fire exits clearly marked?
- Are the fire exits locked?
- Do the fire doors open outwards?
- If a multi-storey building, is there an outside fire escape?
- Are evacuation procedures practised?
- Is there an emergency lighting system?
- Are there sufficient fire extinguishers?
- Are the fire extinguishers clearly visible?
- Are the fire extinguishers easily removed from their position?
- Are the fire extinguishers signed and dated with service records?
- Are staff on each floor trained how to use the extinguishers?
- Are there usage instructions in the local language adjacent to the extinguishers?
- What are the contents of the extinguishers?
- Are the extinguishers accessible?

##### Sanitation

- Are there sufficient toilets and where are they located? (1-5 = 1, 6-25 = 2, 26-50 = 3, 51-75 = 4, 76-100 = 5)
- Are there sufficient washbasins? (as above)
- Are the conditions clean?
- Are the workers free to visit the toilets?

##### First Aid

- Is there an infirmary?
- Is the infirmary in a quiet place offering privacy?
- Are there first aid boxes on all floors?
- Are the contents of the boxes adequate?

##### Residential arrangements

- Fire, first aid and sanitation requirements should be as above.
- Accommodation building must be separate from

the factory building

- Are the sleeping quarters segregated by sex?
- Does each worker have their own sleeping area (minimum of 2 metres squared)?
- Does each worker have a lockable storage space?
- Are sleeping quarters lockable from the inside only?
- Are there clean hygienic kitchen and canteen facilities?
- Are cooking facilities available?
- Is a cold room or refrigerator available?
- Are the conditions clean, well lit/ventilated and heated if required?
- Is the access to and from the dormitory guarded or locked?
- Are there any recreational facilities available?

##### Employee demeanour

- Is there any reason for concern?

##### Working environment

- Is lighting adequate?
- Is ventilation adequate?
- Is heating provided where appropriate?
- Is the correct safety equipment accompanying the machines?
- Is there sufficient spacing between the machines and tables?
- Is safety signage sufficient?
- Have dangers in use of the machines been addressed?
- Check wiring for:
  - Broken plugs and sockets
  - To ensure that wires are not fed directly into sockets
  - That cables are not damaged, i.e. split, damaged or frayed
  - Cables do not run across the floor
  - There is sufficient headroom
  - Fuse boxes are guarded and in a cool place with no loose or exposed wires
  - That power sources and water inlets are appropriately spaced
- How is cutting waste disposed of?
- Is the access to the workplace guarded or unlocked?
- Are search facilities in operation?

## Visual monitoring checklist

### Issues (continued)

- Check safety of storage racking
- Are boxes piled too high?
- How is work in progress transported?
- Are the floors free from obstruction?
- Are the floors slippery?
- Are access areas restricted by overhead cables?
- Are safety aids available and being used?

### Hazardous chemicals

- Is there an up-to-date list of chemicals being used in the factory?
- Are material safety data sheets held for hazardous chemicals?
- Are hazardous materials kept in sealed containers in a separate storage facility?
- Is access to materials controlled?
- Are all container labels written in the local language?
- Are warning posters visible in areas where hazardous chemicals are stored?
- Do channels exist for workers to communicate their concerns about hazards to the management?
- Is there a complete list of workers who handle hazardous chemicals?
  - Is the appropriate personal protective equipment provided?
  - Are procedures in place to ensure protective equipment is used?
  - Is training given in:
    - Understanding the hazards
    - Handling and using the chemicals safely
    - Using personal protective equipment correctly
    - Cleaning up spills
    - Appropriate disposal of wastes
- Is the factory a no-smoking area?
- Have the managers contacted the suppliers and local authorities for advice on appropriate disposal?
- Are procedures in place to ensure that this advice is followed?
- Are medical records kept of workers handling hazardous chemicals?
- Is there an up-to-date accident book?
- Are the appropriate extinguishers placed near flammable chemicals?
- Is appropriate first aid available near toxic chemicals?

## Resource 24: Assessment feedback form for suppliers

*This form was developed by an ETI member company for its suppliers to provide the company with feedback on the assessment process.*

Product:

Supplier name:

Supplier contact/position:

Audited site:

Date of audit:

Auditing team:

*To ensure the continued development of best practice for ethical evaluations we would appreciate your response to the following questions. Whilst the completion of this form is not mandatory, your co-operation is much appreciated.*

- 1) Do you believe your company has benefited from the evaluation? Yes ☐ No ☐  
If Yes, how?

- 2) Do you have any comments about the process and/or or audit team?

---

3) Did your staff have any comments on the day?

---

4) Are there any improvements you would like to be included in the process for the future?

---

5) Please note any other comments you wish to make below

*Please send directly to the head office of [company name] in the UK for the attention of:*

[name]

[position]

[company]

[address]

[telephone]

[email]

## Resource 25: Audit checklist developed by the Agricultural Ethics Assurance Association of Zimbabwe (AEAAZ)

Source: Agricultural Ethics Assurance Association of Zimbabwe

### Labour, employment and social issues

Overview of audit checklist contents:

1. Employment
2. Collective bargaining
3. Health and safety
4. Child labour
5. Remuneration
6. Hours of work
7. Equal opportunity employment
8. Security of employment
9. Labour relations

### Requirement status:

'Must' represents a mandatory requirement. 'Should' is a recommended action but is not mandatory.

### 1. Employment

Issue	Status	Yes	Partial	No	Expected compliance date	Auditor's comments
<b>1.1 Employment is freely chosen</b>						
1.1.1 All employees are working on a voluntary basis.	Must					
1.1.2 Employees are free to leave their work place at the end of their contract.	Must					
1.1.3 Overtime is worked on a voluntary basis.	Must					



## 2. Collective bargaining

Issue	Status	Yes	Partial	No	Expected compliance date	Auditor's comments
<b>2.1 Freedom of association and rights</b>						
2.1.1 Employees have the right and freedom to:						
a) form or join a trade union of their choice	<b>Must</b>					
b) engage in the lawful activities of the trade union on the farm	<b>Must</b>					
c) participate in the activities of worker representative committees.	<b>Must</b>					
<b>2.2 Awareness of collective bargaining agreement</b>						
2.2.1 Availability of copy of Agricultural Labour Bureau (ALB) Handbook.	<b>Must</b>					
2.2.2 ALB Handbook kept up to date to include any amendments.	<b>Must</b>					
2.2.3 A copy of the Collective Bargaining Agreement is displayed so that all employees are aware of it.	<b>Must</b>					
2.2.4 Some farm personnel have successfully attended the ALB workshop on Agricultural Labour Law.	<b>Should</b>					

## 3. Health and safety

Issue	Status	Yes	Partial	No	Expected compliance date	Auditor's comments
<b>3.1 General</b>						
3.1.1 All employees are insured against work-related accidents/diseases in accordance with the Workers Compensation Insurance Fund.	<b>Must</b>					
3.1.2 A Health and Safety Officer has been appointed.	<b>Must</b>					
3.1.3 All employees are informed and consulted on health and safety matters through a Health and Safety Committee.	<b>Must</b>					

### 3. Health and safety (continued)

Issue	Status	Yes	Partial	No	Expected compliance date	Auditor's comments
<b>3.1 General (continued)</b>						
3.1.4 Adequate steps are taken to prevent accidents and injuries to health through health and safety measures and training.	<b>Must</b>					
3.1.5 All employees have the right to remove themselves from danger resulting from their work activity, where it poses an imminent and serious risk to their health and safety.	<b>Must</b>					
3.1.6 Employees have access to a paid Health Worker or clinic and facilities and appropriate training in hygiene and HIV/AIDS.	<b>Must</b>					
3.1.7 Female employees, certified to be pregnant, are prohibited from undertaking unduly heavy tasks, and are barred from handling chemicals.	<b>Must</b>					
3.1.8 An emergency response procedure is in place.	<b>Must</b>					
3.1.9 Employees are aware of the procedure.	<b>Should</b>					
3.1.10 The emergency procedures are posted on notice boards in the vernacular.	<b>Should</b>					
3.1.11 Employees have access to qualified First Aid personnel.	<b>Must</b>					
3.1.12 First Aid boxes are placed appropriately on the project.	<b>Should</b>					
3.1.13 These boxes are stocked in accordance with the recommended list and checked regularly by senior staff.	<b>Should</b>					
3.1.14 The project has a fire protection system to cope with small outbreaks of fire.	<b>Must</b>					
3.1.15 Employees are aware of fire protection system and information is posted (in vernacular) as to the procedures to be taken in case of a fire.	<b>Should</b>					

### 3. Health and safety (continued)

Issue	Status	Yes	Partial	No	Expected compliance date	Auditor's comments
<b>3.2 Health records</b>						
3.2.1 Work-related accidents and illness are recorded.	<b>Must</b>					
3.2.2 Confidentiality is observed concerning illness and accidents.	<b>Should</b>					
3.2.3 Safety-related or chemical exposure complaints from all sources are recorded.	<b>Should</b>					
<b>3.3 Water and sanitation at the workplace</b>	<b>Must</b>					
3.3.1 Potable water is available to the workforce at work sites.						
3.3.2 There are adequate sanitary facilities for the labour force at all work sites in accordance with given ratios.	<b>Must</b>					
3.3.3 There is a regular cleaning schedule for the toilets and the toilet area.	<b>Should</b>					
3.3.4 Hand basins, or running water, is made available at the work sites.	<b>Should</b>					
3.3.5 Where running water is not available, the water in the hand basins is changed at least three times per day.	<b>Should</b>					
3.3.6 Employees are instructed and required to wash their hands at specified intervals.	<b>Must</b>					
3.3.7 Non-potable water is supplied in a clearly-marked system, separate to that carrying potable water.	<b>Must</b>					
<b>3.4 Adequate and appropriate accommodation with sanitary and water facilities</b>	<b>Must</b>					
3.4.1 Based on date of registration with Code of Practice, and in accordance with the ALB Worker Welfare Plan:						
a) A 4-year plan for access to potable water and individual housing sanitation is being followed						

### 3. Health and safety (continued)

Issue	Status	Yes	Partial	No	Expected compliance date	Auditors' comments
b) A 10-year plan for housing for permanent employees is being followed.	<b>Must</b>					
3.4.2 The drinking water source(s) is analyzed and passed fit for human consumption at least twice a year.	<b>Must</b>					
<b>3.5 Other amenities</b>						
3.5.1 There are sports and social amenities available to employees of the project.	<b>Should</b>					
3.5.2 There is a specific place for employees to utilise at tea/lunch breaks.	<b>Should</b>					
3.5.3 There is a crèche and/or pre-school available for employees' children.	<b>Should</b>					
3.5.2 There is a specific place for employees to utilise at tea/lunch breaks.	<b>Should</b>					
3.5.3 There is a crèche and/or pre-school available for employees' children.	<b>Should</b>					

### 4. Child labour

Issue	Status	Yes	Partial	No	Expected compliance date	Auditors' comments
<b>4.1 Employment of children and young persons</b>						
4.1.1 A copy of the relevant legislation is kept at the farm/office.	<b>Must</b>					
4.1.2 No persons under 15 years of age are employed full-time.	<b>Must</b>					
4.1.3 Children between 13–15 years of age are only employed (in terms of SI 72 of 1997 as amended) during school holidays.	<b>Must</b>					
4.1.4 Records in terms of relevant legislation are kept of all children employed.	<b>Must</b>					
4.1.5 Children/young person's rate of pay must be the same proportional rate of pay as an adult.	<b>Must</b>					

#### 4. *Child labour (continued)*

Issue	Status	Yes	Partial	No	Expected compliance date	Auditors' Comments
4.1.6 No persons under 16 years of age handles or applies pesticides in terms of SI 205 of 1980.	<b>Must</b>					
4.1.7 Where an under-age person is found working, remedial action is taken.	<b>Must</b>					
4.1.8 There is a primary school on the farm. Where not, transport is provided to the nearest primary school.	<b>Should</b>					

#### 5. *Remuneration*

Issue	Status	Yes	Partial	No	Expected compliance date	Auditors' comments
<b>5.1 Wages, leave and contributions</b>						
5.1.1 All employees are contributing to the National Social Security Authority (NSSA).	<b>Must</b>					
5.1.2 Each employee is placed in a grade, in terms of the Collective Bargaining Agreement, appropriate to his/her occupation.	<b>Must</b>					
5.1.3 All employees are paid at least the minimum wage in accordance with the above grading.	<b>Must</b>					
5.1.4 Employees are paid in cash within the specified time limits.	<b>Must</b>					
5.1.5 A detailed wage slip is provided.	<b>Must</b>					
5.1.6 Overtime is paid in accordance with the legislation.	<b>Must</b>					
5.1.7 The rules and guidelines pertaining to overtime have been made clear to all employees.	<b>Must</b>					
5.1.8 Vacation and sick leave are paid in accordance with the legislation.	<b>Must</b>					
5.1.9 Maternity leave is paid in accordance with the legislation.	<b>Must</b>					
5.1.10 Performance-related incentive systems are in place.	<b>Should</b>					

## 6. Hours of work

Issue	Status	Yes	Partial	No	Expected compliance date	Auditors' comments
<b>6.1 Weekly rate, overtime and rest periods</b>						
6.1.1 Hours of work required by the Code of Practice are adhered to (48 hrs per week).	<b>Must</b>					
6.1.2 Overtime work is not required on a regular basis throughout the year.	<b>Should</b>					
6.1.3 Workers are allowed appropriate rest breaks during the day.	<b>Should</b>					

## 7. Equal opportunity employment

Issue	Status	Yes	Partial	No	Expected compliance date	Auditors' comments
<b>7.1 Selection, training and advancement</b>						
7.1.1 Equal employment opportunities exist in terms of critical selection and in accordance with ability to perform required duties.	<b>Must</b>					
7.1.2 All employees have equal opportunity for training, promotion and advancement, in accordance with their qualifications and ability to perform the required duties.	<b>Should</b>					

## 8. Security of employment

Issue	Status	Yes	Partial	No	Expected compliance date	Auditors' comments
<b>8.1 Contracts, records and disciplinary action</b>						
8.1.1 Labour records are kept in detail and maintained on a daily basis.	<b>Must</b>					
8.1.2 A Contract of Employment in terms of the Collective Bargaining Agreement, has been signed by the employer and each employee, including all seasonal and fixed-term contract employees.	<b>Must</b>					

## 8. Security of employment (continued)

Issue	Status	Yes	Partial	No	Expected compliance date	Auditors' comments
8.1.3 Each employee has a copy of the above Contract of Employment.	Must					
8.1.4 The Employment Code of Conduct is displayed so that all employees are aware of it. There is a translation in Shona or Ndebele.	Must					
8.1.5 Disciplinary cases and dismissals are dealt with in accordance with the Code of Conduct as set out in the relevant legislation.	Must					
8.1.6 All warnings in terms of B,C and D category offences of the Code of Conduct are recorded in writing at disciplinary proceedings, stating date, site and nature of offence.	Must					

## 9. Labour relations

Issue	Status	Yes	Partial	No	Expected compliance date	Auditors' comments
<b>9.1 Acceptable labour practice</b>	Must					
9.1.1 No persons are subjected to inhumane treatment, degrading language or sexual harassment.						
9.1.2 Disciplinary measures are reasonable and do not involve physical, verbal or psychological harassment.	Must					
9.1.3 There is a written policy to follow-up and investigate allegations of sexual harassment.	Must					



## Resource 26: Sample company audit report

*This is an example of an audit report developed by an ETI member for use with its garment suppliers. It combines 'formal' audit findings with other aspects of the assessment, including a description of the assessment process and checklists for interviews with managers and workers. It is worth noting that the company concerned does not circulate the section dealing with worker interviews, but keeps it confidential, to avoid potentially incriminating the workers concerned.*

### Audit report

Supplier :

Audit site:

Date of audit

Audit team:

Supplier name:

Address:

Telephone:

Email address:

Contact/position:

## 1. Factory details

Factory name

Address

Telephone

Email address

Contact/position

Product

Company X buying contact

Total number of employees

Standard applied: Company X Code of Conduct

### EXECUTIVE SUMMARY

#### Introduction

Company X is a UK-based retailer of womenswear, menswear, childrenswear and products for the home. Trading through in excess of 300 stores in the UK and 200 international stores, the company is committed to socially evaluating our supply base, in line with our Code of Conduct. The process that has taken place is fully documented in the following pages, and this report will be distributed to the contracted supplier and The Ethical Trading Department in Company X's Head Office.

**The Contracted Supplier is requested to forward a copy of this report to the audited factory.**

## 2. Description of the on-site audit process

- Opening meeting consisted of a presentation regarding:
  - Developing the partnership with the given supplier.
  - Clarifying any issues related to Company X self-evaluation form and Code of Conduct.
  - Explaining/defining the evaluation & audit process.
  - Clarifying any outstanding questions.
- The audit techniques used were:
  - Observations of the employment conditions and audit of occupational health and safety, including accommodation facilities when provided for the workers.
  - Examination of documents and company records (employee records, wages, hours, accidents, labour employment processes).
  - Interviews of employees (managers and workers).
  - Selection of interviewees was carried out by random numerical selection process and by working units eg, a production line/section/department/dormitory room.
  - The auditors' objective was to interview approximately five per cent of the total number of employees. It is the responsibility of the auditors to decide when they believe that sufficient information has been gathered.
- The closing meeting:
  - The audit team provided to the evaluated site management a general overview, explaining the strengths and non-compliances found during the audit.
  - Sensible implementation time-scales were agreed between the auditors and the site management.
  - The auditors explained that a copy of the report is provided to the contracted supplier, and to the evaluated factory management via the contracted supplier. It was further explained that the evaluation report, and its use, are the responsibility of the contacted supplier and Company X.

**Please give details of business ownership**

Owner

Percentage ownership

Partners

Percentage ownership

**Information on premises**

Owned ☐

Tenant ☐

Shared ☐

**Information on the supplier's market**

Current markets	Customers	In percentage terms how much of production against total turnover, manufactured/processed in this unit?
	Company X	

***Sub-contractor's name***

**Address**

**Telephone**

**Email address**

**Contact/position**

**Process**

**Frequency of use**

*Sub-contractor's name*

Address

Telephone

Email address

Contact/position

Process

Frequency of use

*Sub-contractor's name*

Address

Telephone

Email address

Contact/position

Process

Frequency of use

*Description of the site and manufacturing process*

Location, driving time from nearest city/town

Area/size

Number of floors and organisation/processes on each floor

Insert photograph of outside of factory

**Information on regulatory compliance seen**

Topic eg, fire safety, construction permit, environment.	Date of certification from/to	Government/independent body

**3. Audited activities****The following areas per site have been evaluated**

	Factory	Housing
No. of employees		

**The workforce structure was as follows**

		Male	Female
Total number of employees at this site	Full-time		
	Part-time		
	Casual		
	Homeworkers		
Management representatives (Included in above totals)	Managers		
	Supervisors		
	Clerical		

### Worker interviews

Total number of interviews	
Total number of individual interviews	
Total number of group interviews	
Number of men interviewed	
Number of women interviewed	
Number of people interviewed, living in the housing facilities provided by the factory (if applicable)	

### 4. The audit team and the auditees' representatives

Audit team			
Name	Nationality	Role in team	Spoken Languages

### Auditee's representatives

Name/Job title	Present at inspection			
	Opening meeting	Site inspection	Procedure/ documents review	Closing meeting

## 5. Observations

### Audit overview

#### Non-compliance report

Detail of non-compliance(s) /observation(s) - Evaluation -	Corrective action(s) And timescale	Detail of non-compliance(s) /observation(s) - Audits -
1.	Corrective action:  Timescale:	
2.	Corrective action:  Timescale:	
3.	Corrective action:  Timescale:	
4.	Corrective action:  Timescale:	
5.	Corrective action:  Timescale:	
6.	Corrective action:  Timescale:	
7.	Corrective action:  Timescale:	
8.	Corrective action:  Timescale:	
9.	Corrective action:  Timescale:	

**Recommendations** *(Based on best practices seen, we would also like to make the following suggestions)*



**A- Management Interviews****1. Company X Code of Conduct**

1.1	Are you aware of the Company X Code of Conduct?		
1.2	Did you understand the Code of Conduct?		
1.3	What measures did you take to implement the Code of Conduct?		
1.4	Did you communicate the contents of the Code of Conduct to the workers? If so in what way?		
1.5	Have you received any other companies' Code of Conduct? Which company(ies)? Have they conducted an audit?		

**2. Employment**

2.1	Detail how employees are hired (eg, advertisement, agency)		
2.2	From which provinces/countries do you recruit your labour?		
2.3	If practised, what payments are made to employment agents by yourselves?		
2.4	If practised, what payments do the employees make to the agents?		
2.5	What action do you take to protect potential employees from unscrupulous agents?		
2.6	Do you provide free transportation for immigrant workers?		
2.7	Does the company have a high ratio of non-regular employment?		
2.8	Do all employees, (perm or temp) receive written contracts stating terms and conditions? When are these issued? eg, wages, working hours, holidays, unions etc.		
2.9	What are your new employee induction procedures? (Fire drills, first aid, wages, toxic substances, health & safety)		
2.10	What is the average length of service of the factory workers? (or) What is the % labour turnover rate?		

**3. Forced labour**

3.1	Are all workers present in facility voluntarily?		
3.2	Are there any prisoners working at this facility?		
3.3	Does the factory have a policy on sub-contracting to prisons?		

**4. Child labour**

4.1	What is the youngest age of employees working in this facility?		
4.2	Is an employee's age verified upon employment? If yes, how?		
4.3	Are documents supporting age verification kept on record?		
<b>Young workers</b>			
4.4	Is there specific legislation for young workers?		
4.5	Are there any work experience or apprenticeship programs for school-age workers in this facility? If yes, please specify?		
4.6	How long are typical apprenticeships?		
4.7	What is the minimum age for participation in these programs?		
4.8	Does documentation from the local labour office/educational facility exist verifying these programs?		
4.9	What proportion of apprentices goes on to full-time employment?		
4.10	Are apprentices paid a salary? Please specify.		
4.11	What is the number of normally scheduled hours? And can these vary depending on the age of the worker?		

**5. Remuneration**

5.1	What is the legislative minimum wage? Is there an industry minimum wage?		
5.2	What is the minimum wage paid in this factory?		
5.3	Detail any bonus schemes and/or incentives, e.g. attendance bonus, productivity bonus, incentives for reaching the target.		
5.4	Do employees receive any additional benefits eg, food vouchers, company tokens etc?		
5.5	How are employees paid? eg, cash/cheque/direct to bank weekly/monthly		
5.6	Are the workers provided with an understandable wage statement? Please detail.		
5.7	Are employees paid by the hour or by piece-work?		
5.8	If paid by piece rate, does the system reasonably allow for earning the equivalent of the legal minimum monthly wage?		
5.9	Are employees compensated for overtime? If yes, please detail.		
5.10	Are employees given work to complete at home?		
5.11	Are employees compensated for accrued wages upon separation of employment?		
5.12	What other benefits are available, eg, insurance, savings programs, pensions, money transfer/repatriation?		
5.13	Please explain the workers' sick pay/leave provisions.		
5.14	Please give full details of the maternity/paternity, pay/leave provision.		
5.15	Does the company have a compassionate leave policy?		
5.16	Apart from taxation etc., are there any other deductions taken from employees wages?		
5.17	Are these deductions made with the permission of the worker concerned, eg, contractual compliance?		

**6. Freedom of association and the right to collective bargaining**

- |     |   |  |  |
|-----|---|--|--|
| 6.1 | Are there any independent union(s) in the factory?<br>If yes, please detail the name of the union(s) and number of members per union.   |  |  |
| 6.2 | If yes at 6.1, please detail the history of the collective bargaining agreements. How often are they negotiated?  |  |  |
| 6.3 | What is the relationship with the union? Have you had any problems? Do you see their role as a constructive one?  |  |  |
| 6.4 | If no at 6.1, do you know why workers do not want/need unions?  |  |  |
| 6.5 | If no at 6.1, has there been any system set up by the company to allow proper dialogue between employees and of employers in respect of working terms and conditions and accommodation (where provided)? Please describe the systems in place. How effective is this system in terms of employee awareness/participation? |  |  |
| 6.6 | How do workers report grievances? Are they documented?<br><br>Are appropriate follow up actions taken?  |  |  |

**7. Discrimination**

- |     |  |  |  |
|-----|--|--|--|
| 7.1 | Is there or has there been, any evidence of discrimination in relation to race, creed, nationality, colour, disability gender or sexual orientation? |  |  |
| 7.2 | Is there any evidence of intimidation or discrimination towards unionised workers and /or union representatives?                                     |  |  |
| 7.3 | Is there any evidence of discrimination amongst workers and/or managers in relation to the distribution of accommodation?                            |  |  |
| 7.4 | Is there a difference in wages between men and women performing the same task?   |  |  |
| 7.5 | What happens if somebody reports discrimination or harassment? (Procedures?)   |  |  |
|     |  |  |  |

**7. Discrimination (continued)**

- |     |   |  |  |
|-----|---|--|--|
| 7.6 | Do you have an equal opportunities program?   |  |  |
| 7.7 | Are workers subjected to a medical prior to starting work? Please detail. What are the possible consequences?                     |  |  |
| 7.8 | Are workers with special needs or disabilities employed? Are there any special arrangements made for these people? (Legislation?) |  |  |
| 7.9 | Does the company practice pregnancy screening before/during employment?   |  |  |

**8. First aid and working conditions**

- |      |   |  |  |
|------|---|--|--|
| 8.1  | Is there a management representative responsible for health and safety? Does he/she do regular, recorded safety tours? Is there a written health and safety policy? |  |  |
| 8.2  | Is there a health and safety committee? How does it operate?  |  |  |
| 8.3  | Does the representative have access to advice on local, national or international safety laws?  |  |  |
| 8.4  | Are risk assessments conducted on a regular basis?<br>(New processes, fire, materials handling)   |  |  |
| 8.5  | Are there any specific licences required for any parts of your production processes?  |  |  |
| 8.6  | Have there been any health and safety improvements made in the last 12 months? Examples?  |  |  |
| 8.7  | Are there accident records? Are there records of near misses? Are records analysed?   |  |  |
| 8.8  | Have you ever had to report an accident to local authorities? (What were the consequences?)   |  |  |
| 8.9  | Have you ever had any penalties from violations of labour laws? (What were the consequences?)   |  |  |
| 8.10 | Do you provide, free of charge, personal protective equipment? How do you evaluate its suitability/are records kept for frequency of changes?                       |  |  |

**8. First aid and working conditions (continued)**

8.11 Are employees trained (check new personnel) on the need for, and proper use of required safety and personal protective equipment? Do they use it? Do middle and senior management use it?		
8.12 Do any processes involve the use of hazardous chemicals?		
8.13 Are there any particular operations that require written procedures or permits?		
8.14 Do you notice workers having health problems related to their work? If so, does the company do anything about these health problems?		
8.15 Are there any medical facilities at the factory? Please detail.		
8.16 How many employees in the factory are trained in first aid?		
8.17 Are there any procedures in place to deal with serious injuries requiring medical attention?		
8.18 Who pays for workers' medical costs? Is there medical insurance? Who pays for it?		
8.19 What is your policy for new and expectant mothers?		
8.20 What types of warning systems are used in case of emergency? Are they adequate, efficient? Is the alarm routinely tested?		
8.21 What emergency fire fighting procedures are in place? How many fire wardens are there?		
8.22 Are fire evacuation procedures in place? Are employees trained for emergency evacuation? If yes, how often?		
8.23 If auditing a textile industry and/or any industry that has a department involving sewing: Is there a needle policy? Is it implemented? Is it efficient?		
8.24 What are the security guards' job instructions?		

**9. Housing/accommodation (if appropriate)**

9.1	Does the factory provide housing/accommodation for its employees and does the housing/accommodation comply with local building regulations?		
9.2	Are housing/accommodation blocks separate from the factory premises?		
9.3	How many employees does the factory house?		
9.4	Do you have a copy of any prevailing national, federal or local laws governing housing accommodations for employees?		
9.5	Are fuel and basic provisions provided?		
9.6	Are there any charges for accommodation or food?		
9.7	Is there any security at the workers' accommodation? Are guards posted and what are their duties?		
9.8	Are employees during off-work hours free to come and go as they please?		
9.9	If the factory operates a shift system, how do you control accommodation with such a shift system?		
9.10	Are workers paid more for living outside factories' accommodation?		

**10. Working hours**

10.1	What is the normal number of working hours, including overtime, allowed by law – per day and per week?		
10.2	How many hours is the factory open for production – per day and week?		
10.3	How many days per week does the factory produce?		
10.4	Do employees ever work seven days a week? If so, how often? Did that happen during the last three months?		
10.5	How many hours was the factory producing last week? Was that an average week?		



**10. Working hours (continued)**

10.6 Can employees refuse overtime without repercussions?		
10.7 How much time is provided to employees for breaks (in minutes)?		
10.8 Detail the holiday and annual leave provided to your workers.		

**11. Regular employment**

11.1 Does the company employ workers under labour only contracting, sub-contracting, or homeworking arrangements?		
Please detail how many and the reasons why.		
11.2 Does the employer, by doing so, avoid legal obligations arising from a regular employment relationship?		

**12. Environment**

12.1 Do you have a written environment policy?		
12.2 What are the local/national/international laws regarding the environment for your industry? Please detail.		
12.3 Have environmental risks and liabilities been formally risk-assessed?		
12.4 Are there any substances used that can pollute air, water or the planet?		
12.5 Can you provide details of factory compliance with these laws? Please explain how the company monitors its compliance level.		
12.6 Have you investigated energy saving means?		
12.7 How is all the above communicated to the workforce?		
12.8 Does this factory recycle or re-use material, or treat any discharged waste? If yes, please detail.		
12.9 Is there any contracted waste disposal? Please detail.		
12.10 Do you know how the contractor controls the waste disposal?		

**B- Factory and accomodation audit****1. Health and safety, first aid, working conditions**

1.1	Is there sufficient ventilation, heating and lighting?		
1.2	Is the housekeeping sufficient? Is the noise level adequate?		
1.3	Are the premises shared? Does this create additional risks?		
1.4	Are the electrical installations adequate and properly maintained?		
1.5	Are fuse boxes guarded with no exposed or loose wires?		
1.6	Is the machinery well-maintained? Is it equipped with protective operational devices and machine guards? How often are they inspected? Are lockout/tag out procedures used to protect maintenance staff and workers?		
1.7	Is there sufficient space between the machines?		
1.8	Do workplaces and operating procedures reflect sensitivity to ergonomics?		
1.9	Do any processes involve the use of hazardous chemicals?		
1.10	Is there an up-to-date controlled list of chemicals being used in the factory?		
1.13	Are hazardous materials kept in sealed containers in a separate storage facility?		
1.14	Are hazardous chemicals properly segregated? Are they stored in a well-ventilated area?		
1.15	Are material safety data sheets held for hazardous chemicals? Are they freely available?		
1.16	Is access to hazardous materials controlled?		
1.17	Are warning posters visible in areas where hazardous chemicals are stored and used?		
1.18	Are all container labels written in the local language?		
1.19	Are the appropriate extinguishers placed near flammable chemicals?		

**1. Health and safety, first aid, working conditions (continued)**

1.20 Is appropriate first aid available near toxic chemicals? Are eye baths available?		
1.21 Are the medical records of workers handling hazardous chemicals maintained and reviewed?		
1.22 Is personal protective equipment used as instructed?		
1.23 Is the personal protective equipment in good condition? Are there facilities for storage and are they well-maintained?		
1.24 Are workers trained (check new personnel) on the need for, and proper use of, required safety and personal protective equipment?		
1.25 Is there an up-to-date accident book and is it used to identify trends?		
1.26 What types of warning systems are used in case of emergency? Are they adequate/efficient?		
1.27 Are fire alarms on each floor? Is emergency lighting above exits?		
1.28 Is there an evacuation route plan and is this clearly posted throughout the factory?		
1.29 Are health and safety posters used?		
1.30 Is there a notice board?		
1.31 Are the floors clean, aisles marked and free from obstructions?		
1.32 Are emergency exit routes posted throughout the facility?		
1.33 Are emergency exit routes clearly marked, passable and unlocked during working hours?		
1.34 Do the exits lead to a place of safety?		
1.35 Are fire escapes available for buildings over one storey high?		
1.36 Are there fire extinguishers or other equipment on each floor and are they serviced on a regular basis?		

**1. Health and safety, first aid, working conditions (continued)**

1.37 Are first aid boxes supplied/equipped with the basic facilities?

1.38 Are there any procedures in place to deal with serious injuries requiring medical attention?

1.39 Is there a needle policy and are appropriate records kept?

1.40 Are sufficient and clean bathroom facilities available?  
How many toilets and washbasins are available?

1.41 Is potable drinking water available? Do all employees have equal access to this water?

1.42 If appropriate, are facilities for food storage provided?

**Housing/accommodation (if appropriate)**

1.43 Does the accommodation appear safe, clean and orderly?

1.44 Is sufficient space available, to allow segregation by gender or family group?

1.45 For singles, please specify how many employees to a room?  
Detail the approximate square feet per room.

1.46 Are written dormitory rules posted?

1.47 For families, please specify :-  
Average size of families?  
How many room(s)?  
Approximate square feet per room?

1.48 Are mats and beds available for each employee?

1.49 Are workers provided with lockers for personal items?

1.50 Are sufficient bathroom facilities available?

1.51 Are common or recreational areas available and with equal access to all employees?

1.52 Are common and bathroom areas clean, well-lit and ventilated?

**1. Health and safety, first aid, working conditions (continued)**

1.53 Are kitchen facilities for cooked food and refrigeration provided?		
1.54 Do all employees have equal access to the kitchen and laundry areas?		
1.55 Are there fire extinguishers or other equipment on each floor and are they serviced on a regular basis?		
1.56 Are fire escapes available for buildings over one storey high?		
1.57 Are emergency exit routes posted throughout the facility?		
1.58 Is there any security at the workers' accommodation? Are guards posted and what are their duties?		
1.59 Are employees free to come and go as they please outside working hours?		

**C- Worker interviews****1. Company X Code of Conduct**

1.1 Are you aware of Company X Code of Conduct?		
---	--	--

**2. Employment**

2.1 How did you hear about the job?		
2.2 How were you recruited?		
2.3 Did this incur any costs, (through an agency)?		
2.4 How do you travel to your place of work each day? Duration?		
2.5 (For migrant workers – normal working day and during overtime) Were you provided with free, clean and, comfortable transport when you first started? Will you have the same transport facilities when you eventually go home?		
2.6 Have you been medically checked on joining/ during your work?		

**2. Employment (continued)**

2.7 Do you have a contract/letter of employment specifying your working conditions? In what language?		
2.8 Did you receive an induction during the first week of your employment? (Fire drills, first aid, wages, toxic substances, health and safety)		
2.9 Are you aware of casual labour being employed? How regularly?		
2.10 Do new workers start as trainees?		
2.11 How does working here compare to other factories in this area/industry? Would you recommend this factory to a friend?		
2.12 Do you know if all workers present in the factory are here voluntarily?		
2.13 Were you requested to lodge 'deposits' or your identity papers before your employment could proceed? With whom?		
2.14 Do you know what notice period you have to serve, should you wish to leave?		
2.15 Are there any penalties to pay if you leave before the agreed term?		
2.16 Are workers allowed to appeal against such measures? Are appeals documented?		
2.17 Are you allowed to talk at your workplace?		
2.18 Does the company practice security searches when you leave the factory? If yes, please record how, and how regular.		

**3. Child labour**

3.1	How old is the youngest person employed at this factory?		
3.2	Do the young persons work at night or weekends? (either overtime or nightshift)		
3.3	Are there any work experience or apprenticeship programs for school age workers in this facility? If yes, please specify?		
3.4	How long are typical apprenticeships?		
3.5	What is the minimum age for participation in these programs?		
3.6	Are workers paid for their participation in programs? Specify the hourly rate.		
3.7	What is the number of normally-scheduled hours?		

**4. Remuneration**

4.1	Is your basic wage more than government/ industry minimum?		
4.2	Are you on a piece rate or on an hourly/daily/weekly/monthly wage?		
4.3	Are there any additional bonuses or incentives like attendance bonus, productivity bonus, incentive for reaching the target?		
4.4	Are any deductions withheld for any reason?		
4.5	Are these deductions made with your contractual permission?		
4.6	How would you compare your wages in this factory to similar factories in this area/trade?		
4.7	At what rate is your overtime paid?		
4.8	Do you receive a wage slip with details?		
4.9	How are your wages paid?:- Daily/weekly/monthly? In kind/cash/bank transfer?		
4.10	Are your wages paid on time?		



**4. Remuneration (continued)**

4.11 Do you understand how your wages are calculated?		
4.12 Do you get paid sick leave? How many days?		
4.13 Do you get paid maternity/paternity leave? How many days? How are they distributed?		
4.14 Are you set a production target? How does it work? What happens if you do not reach the target?		
4.15 Is any production done by homeworkers?		

**5. Freedom of association and the right to collective bargaining**

**6. Discrimination**

6.1	Are all workers given equal opportunity in this facility?		
6.2	Is there a difference in wages for men and women doing same task? If so, what is the difference?		
6.3	Were you given a medical prior to, and/or during, employment?		
6.4	Are workers with special needs or disabilities employed? Are there any special arrangements made for these people? Are they treated equally?		
6.5	Are the supervisors men/women?		
6.6	Is it difficult to make promotion? Is it more difficult for men or for women?		
6.7	Are men and women treated the same by supervisors? (What are the differences?)		
6.8	Are there any ethnic minorities working here? Are they treated equally?		
6.9	Have you seen or heard of anyone being harassed, bullied or assaulted? What action did management take?		
6.10	If present, are union members treated differently than non-union members?		
6.11	Is maternity leave granted with no loss of job?		
6.12	How is accommodation distributed? (if available)		

**7. First aid, working conditions**

7.1	Is the temperature regulation in the factory sufficient?		
7.2	Is there enough light in the factory?		
7.3	How many fire exits are there on your floor?		
7.4	Do you think that the fire exits signs are clearly posted?		
7.5	Are the fire exits always kept unlocked and always clear of obstructions inside/outside?		

**7. First aid, working conditions (continued)**

7.6 Do you know where the fire extinguishers are?  
Do you know how to use the extinguishers?

7.7 Do you ever get fire drills? If so, how often?

7.8 Where do you eat lunch? Are the conditions clean?

7.9 Can you leave your place of work for the toilet or for water?

7.10 Do you know of any accidents that have happened in the factory? What did they consist of? What happened to the workers who were involved in the accident?

7.11 Is there a first aid facility?

7.12 Are there trained first aid people in the factory?

7.13 Is there a person you can talk to about health and safety issues?

7.14 Have you been trained on the occupational health and safety risks of your work? Have you been trained in how to lift correctly?

7.15 Are protective and safety aids freely available?

7.16 Are there any dangers associated with your work?

7.17 If needs be, are pregnant women allowed to transfer to lighter duties?

7.18 Can you go to the doctor? Do you have to pay for this? Do you have medical insurance? Who pays for the medical insurance?

7.19 Do you know of anyone having any health problems that are related to their work?

7.20 Does the company do anything about these health problems?

7.21 Have any improvements been made lately in the health and safety situation in the factory?

**8. Housing/accommodation (where appropriate)**

8.1	Are you provided with your own sleeping area?		
8.2	Are you provided with personal lockable storage space?		
8.3	Are the sleeping quarters segregated by sex?		
8.4	Can you control locking of the door?		
8.5	Are you free to come and go outside of working hours?		
8.6	Are the living quarters well-ventilated?		
8.7	Are fuel and basic provisions provided?		
8.8	Are kitchen and laundry facilities provided?		
8.9	Are there cooked food facilities available?		
8.10	Is there a cold room/refrigerator available?		
8.11	Are the dormitories guarded?		
8.12	When are the dormitories locked?		
8.13	Are evacuation procedures practised?		
8.14	Are the fire exits unlocked at all times?		
8.15	Do you know where the fire extinguishers are? Do you know how to use the fire extinguishers?		
8.16	Does the shift system give you any reason for concern (noise, eating, washing facilities)?		
8.17	Are any recreation facilities available?		

**9. Working hours**

9.1	How many hours do you work on an average day?		
9.2	At what time do you start and at what time do you leave?		
9.3	What is the maximum number of hours worked in a week?		
9.4	Is there a lot of overtime? How many hours overtime did you work last month?		
9.5	Is it possible to refuse overtime?		
9.6	Are you provided with refreshments if you work overtime?		
9.7	How many days per week do you work? Do you sometimes have to work seven days per week? If so, how often did that happen in the last three months?		
9.8	Do you get any holidays? How many days? Is it difficult to take these days? Can you always take all your holidays?		
9.9	What rest periods do you take during the working day?		

**10. Regular employment is provided**

10.1	Do you know if there are workers employed under short-term contracts, sub-contracting, or home working arrangements?		
10.2	How often are short-term contracts renewed?		

## Resource 27: Questions for evaluating your inspection visits

*This may seem a daunting list, but it's intended to give an idea of the type of questions which are relevant: you don't have to ask all of them!*

### Questions for evaluating your inspection visits

Questions	Notes
<b>Pre-inspection – contact with supplier</b>	
• How were suppliers selected?	
• How were suppliers informed about the Base Code and the monitoring process?	
• What were suppliers' concerns?	
• How were suppliers' concerns dealt with?	
<b>Pre-inspection – contact with external participants</b>	
• Was an NGO/union/academic/professional auditor used?	
• How was the partner selected?	
• How was contact initiated?	
• When was contact made? Was this before or after consulting suppliers?	
• What negotiations took place with external participants?	
• What were the expectations of the external participants?	
• Was a protocol drawn up of how to work together?	
<b>Pre-inspection – desk audit</b>	
• What documentation was received from the supplier prior to monitoring?	
• Was there a documentation audit prior to the visit?	
• If so, how much of the information gathered through the documentation audit was relied on?	

### Questions for evaluating your inspection visits (continued)

Questions	Notes
<ul style="list-style-type: none"> <li>Was the information corroborated? If so, how and by whom?</li> </ul>	
<b>Pre-inspection – planning inspections</b> <ul style="list-style-type: none"> <li>What was the composition of the inspection team?</li> </ul>	
<ul style="list-style-type: none"> <li>What preparation did the inspection team undergo?</li> </ul>	
<ul style="list-style-type: none"> <li>How was the inspection planned? Who was consulted? How many days were allocated for the visit? How was responsibility delegated within the team?</li> </ul>	
<ul style="list-style-type: none"> <li>Was there any room for flexibility in the schedule?</li> </ul>	
<ul style="list-style-type: none"> <li>Was an audit planned to take place over pay day?</li> </ul>	
<b>Inspection – general</b> <ul style="list-style-type: none"> <li>How big was the workplace?</li> </ul>	
<ul style="list-style-type: none"> <li>Was the team accompanied by the site manager?</li> </ul>	
<ul style="list-style-type: none"> <li>Who did the inspection?</li> </ul>	
<ul style="list-style-type: none"> <li>Were ambience tests conducted, and tests for temperature, lighting, ventilation?</li> </ul>	
<ul style="list-style-type: none"> <li>Was there any external information on conditions in the workplace?</li> </ul>	
<ul style="list-style-type: none"> <li>What approach was taken towards recording data collected during the site visit?</li> </ul>	
<b>Inspection – observation</b> <ul style="list-style-type: none"> <li>How were observations recorded?</li> </ul>	
<ul style="list-style-type: none"> <li>Was evidence corroborated?</li> </ul>	
<ul style="list-style-type: none"> <li>Were dormitories visited?</li> </ul>	
<b>Inspection – interviews</b> <ul style="list-style-type: none"> <li>Who was interviewed?</li> </ul>	
<ul style="list-style-type: none"> <li>Who conducted the interviews?</li> </ul>	
<ul style="list-style-type: none"> <li>What form did worker interviews take?</li> </ul>	

### Questions for evaluating your inspection visits (continued)

Questions	Notes
• How many workers were interviewed?	
• Where did they take place?	
• Were management aware of who was interviewed?	
• Were there any discrepancies in information provided by workers and management?	
• Were workers and management asked different questions?	
• How long was spent on interviews with workers?	
• Were workers comfortable with being interviewed?	
• Were there any interviews with persons not connected to the workplace?	
• How was information gathered during the interview recorded?	
<b>Post-inspection review</b>	
• Was the evaluation shared with the supplier, management or workers?	
• How was data assessed and collated?	
• Who reviewed the data collected?	
• How were corrective action plans devised and when?	
• How were corrective action plans shared with the management and workers?	
• Was a timetable drawn up for the supplier?	
• Was feedback sought from the supplier/management/workers on the whole assessment process?	
• Was feedback sought from any external participants involved in the assessment process?	
• Who produced the written report and with whom was this shared?	



# Resource 28: Inspection report template used in the South African wine industry

## Section A: Company and site details

### Company name:

**Type of business:** Estate Co-op Grower Other

Products produced:

Inspection dates: Report date:

Report author: Location:

### Principle company contacts:

Name Position Languages spoken

### Employee profile:

Permanent Temporary Total

Male

Female

## Section B: Inspection team details

Name Role Ref Languages spoken

## Section C: Inspection scope and principle methodologies

Include legend

## Section D: Executive summary

Overview

Compliance status on nine Base Code clauses.

## Section E: General comments and observations

Overview of workplace and production processes.

Problems encountered in conducting monitoring.

Major positive and negative issues found through the monitoring.

### Section F: Detailed findings against the ETI Base Code

Draw up the following matrix for each issue in the Base Code:

Overview statement:

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---

Detailed assessment:

#### Sample for forced labour:

Code	Item	Status	Data Method	Auditor	Ref
1.1	Non-use of convict or other labour required to work on a non-voluntary basis.	Satisf	Worker interview	Etc	
1.1	Non-use of bonded labour.	Satisf	Worker interview	Etc	

References and comments:

### Section G: Management information

Overview statement:

---



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Detailed assessment:

Item	Status	Method	Auditor	Ref
Adequate resources to maintain awareness of workplace law.	Inadeq	Etc		
Adequate checks are made within the farm and winery to assess compliance with the workplace law.	No			
Adequate employment records.	Satisf			
Adequate disciplinary records.				
Adequate health and safety records.				

References and comments:

### Section H: Worker (non-management) sampling information

	Permanent on-farm	Casual/seasonal on-farm	Other casual/seasonal	Total	Percentage
African male		1		1	Etc
African female	2			2	
Coloured male			6	6	
Etc					

## Resource 29: Inspection report template used in Zimbabwe horticulture industry

### A. Inspection details

---

**Date of inspection**

---

**Date of report completion**

---

**Author of the report**

---

**Inspection team members**

---

#### 1 General profile

Description of workplace and production activity:

---

Number of workers:

---

General attitude of management:

#### 2 Issues arising from the inspection

Areas of non-compliance:

#### 3 Inspection process

Numbers of people interviewed:

---

Inspection model used:

#### 4 Methodology

Details of how interviews/data gathering were conducted:

#### 5 Documentation check

Comments regarding analysis of documentation:

## B. Detailed findings

Breakdown of report findings issue-by-issue. This should be set out to reflect the nine issues covered by the ETI Base Code. The detailed findings are set out in the following way:

**1 ETI Base Code and Annotated Base Code** Relevant wording from Base Code and Annotated Code, or local laws/standards.

**2 Matrix** See example below for forced labour

Indicators	Verified Findings	Respondents	Changes made
<i>eg, forced labour</i> All employees are working on a voluntary basis.	Hiring procedures confirm voluntary nature of employment.  Workers are required to present ID/birth certificates on hiring but these are not retained by employer.	Senior management  Forepersons/ Supervisors  Farm Development Committee members  Packhouse workers	No change.
Employees are free to leave workplace at the end of their working day.	Etc		

## C. Comments

Any additional information, comments, confusion, attitudes.

## Resource 30: Sample corrective action plan

*This 'corrective plan acknowledgement report' was developed by ETI for use as part of a Temporary Labour Working Group (TLWG) initiative to establish a voluntary code of practice and audit process for temporary labour providers in the UK food industry. The report could be adapted for use in other industries.*

*In July 2004, the Gangmaster (Licensing) Act was passed and the voluntary scheme developed by TLWG has now been replaced by a new statutory licensing regime.*

This Corrective and Preventative Action Plan Acknowledgement (CAPAR) report should be used in conjunction with the Code of Practice and Guidance for Labour Providers (Version 9 June 2004).

Following the audit process, involving Labour Provider, Labour User and Worker Interviews any identified non-compliances should be noted on the following sheet once identified.

In order for any Labour Provider to move towards compliance with the Code of Practice it is important that Provider and User work together and help one another. It should therefore have been made clear at the opening meeting of the intention to agree and share findings with the major parties involved (Provider & User).

Details of all non-compliances should be noted clearly together with the appropriate Code of Practice references, and **expected timescales (which may vary within each Critical, Major or Minor area)** for any corrective action. **Critical** non-compliances will normally be corrected with immediate effect, **Majors** may vary from immediate to a maximum of 28 days or if not considered too serious as soon as practical after that. **Minors** would normally be considered good practice if complied with and should where possible be corrected by the next audit (BNA).

The auditor, to ensure that serious issues have been corrected, should agree a time for any follow up visit.

What is also important as part of this corrective agreement, is that all parties sign and agree to all raised issues of non-compliance and that before this, any contentious matters are resolved amicably and to the satisfaction of all parties.

A copy of the signed agreement, together with a copy of all raised and agreed non-compliances, should be left with both Labour Provider and Labour User and the main copy retained by the auditor for both follow up action and future reference.

As the Code of Practice can be seen as the forerunner to licensing legislation of Labour Providers, which will begin to take effect in 2005, the importance of compliance must be stressed. It is paramount therefore that all those involved share some responsibility for their actions and help to weed out those who choose to exploit workers and abuse the system.

## Corrective and Preventative Action Plan Acknowledgement Report

### Audit details

Labour provider name or business name	
Labour provider address & tel no.	
Labour user name	
Labour user address & tel no.	
Auditor name	
Auditor address & tel no.	
Date of audit.	

### Details of non-compliances agreed.....LP.....LU.....Auditors

Code ref	Non-compliance	Agreed	Correction action & time Y/N	Agreed Y/N	Completion date

**Corrective and Preventative Action Plan Acknowledgement Report**  
**Signed stakeholder agreement**

This agreement acknowledges the findings of the audit completed on

at \_\_\_\_\_ on \_\_\_\_\_

by \_\_\_\_\_

All identified Non-Compliances (listed on sheets and initialled by all parties) have been discussed and agreed.

A Corrective Action Plan has been discussed and agreed with proposed correction times. A review visit will be undertaken by the auditor at a date to be agreed.

**Non-compliances and corrective action plan agreed**

*Signed – Auditor*

*Date*

*Signed – Labour provider*

*Date*

*Signed – Labour user*

*Date*

# Resource 31: Management approaches and systems for achieving corrective actions – experiences of an ETI member company

*Presentation from an ETI member company at the ETI members' roundtable on 'Corrective Actions', 1 October 2002.*

## Slide 1

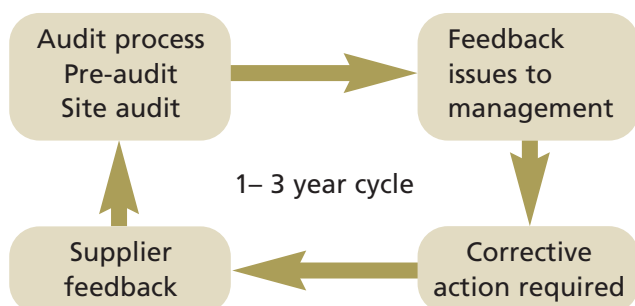
### How do we achieve corrective action and ensure it is sustainable?

Two key components:

- Management: The stakeholders responsible for the implementation of any corrective action.
- Systems: Tools through which we can develop, apply and manage solutions.

## Slide 2

### The company's audit cycle



## Slide 3

### Corrective action example

- Issue: Non-payment of accumulated overtime.
- Action: All outstanding overtime to be paid off, and all subsequent overtime to be paid monthly. Tight controls on overtime to be implemented.
- Supplier feedback: All overtime paid off and now being paid monthly. All overtime now tightly controlled.

## Slide 4

### What was the impact?

- Impact: Corrective action was successful. Overtime was fully paid and thereafter paid monthly.

The corrective action did not solve the underlying problem. Wage calculations were changed and re-calculated on a productivity calculation (rather than as a fixed daily rate). In practice this often meant 12 hours' work for about 8 hours' pay. This allowed the factory to meet productivity targets set by their head office creating a 'false economy'. Previous unpaid overtime had not been declared.

## Slide 5

### Why did the corrective action have a negative impact?

- We didn't correctly identify and address the manager's concerns.
- We didn't fully identify the underlying production factors why overtime was initially not paid.
- A system was not built for management to work through to identify solutions.

## Slide 6

### What were the solutions?

- Integrated production planning system.
- Workers to be multi-skilled.
- Flexible shift patterns.
- Labour requirement forecasts.
- Proactive machinery maintenance programmes.

### How was the solution implemented?

- Management and supervisor meetings to coordinate and plan production.
- Regular communication with shop stewards and labour representatives.



### Slide 7

#### What was the outcome?

Results:

- Factory meets productivity targets.
- Workers fully remunerated.
- Workers better motivated.
- Higher quality levels.
- Higher productivity levels.
- Management perception of labour standards and cost challenged.
- System in place to manage issues arising from production productivity issues.

### Slide 8

#### Characteristics of the solution

- Corrective action and solutions had to be implemented through management, thus their concerns/views needed to be taken into account.
- To ensure a sustainable and proactive solution it needed to be contained in a system.

### Slide 9

#### Management

- Auditors are on-site for a day or two, management is on site all the time.
- Management manage any corrective action.

Limited/enhanced by:

- Knowledge.
- Capacity and personnel turnover.
- Financial performance.
- Communication.
- Bureaucracy and administration.
- Socio-cultural factors.

### Slide 10

#### What is a system?

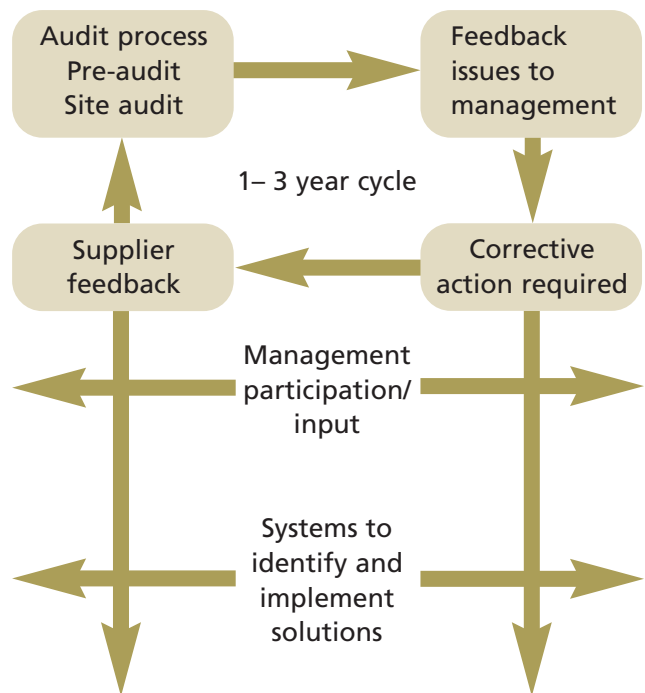
"A regular method of doing something."

#### What do we want from a system?

- It delivers the outcomes expected.
- It is robust and easy to use.
- It is transparent and auditable.
- It is practical to the sector/site i.e. limited paperwork.
- It is inclusive of relevant site stakeholders (unions, gender, tribes etc).
- It is sustainable.

### Slide 11

#### The company's present model cycle



### Slide 12

#### Examples of systems

##### Health and safety

Systems solution: Health and safety committee set-up with worker representatives (elected), shop stewards and management representative. Detailed training to committee.

Results:

- Risk of accidents reduced.
- Less sick leave required.
- Workers work without fear of injury.
- Increased individual skill levels.
- Committee manages and directs health and safety on-site.

### Slide 13

#### Examples of systems

##### **Wages**

Systems solution: Standard operating procedures, commonality of approach and input between accountant, clerks, supervisors and time keepers. Management and shop stewards can understand and are aware of procedures.

Results:

- Reduction in on-going repairs.
- Transparent system.
- Controls and checks put in place.
- Mistakes eliminated.
- More content workforce.
- Less labour unrest.

### Slide 14

#### Examples of systems

##### **Housing**

System solution: Management, unions and workers implement a housing committee made up of tenant representatives, male and female.

Results:

- Less management time on housing.
- Workers empowered and motivated.
- Reduced vandalism.
- Group manages and ensures standard of housing.

### Slide 15

#### What should the auditor do?

- Look to promote on-site systems to resolve issues.
- Promote good industry solutions.
- Encourage visits on multi-site operators.
- Build information on local resource networks for the producer to feed into.
- Push not just the ethical case, but also the business case.
- Ensure the process sits in a positive commercial context.

### Slide 16

#### What should the audit/auditor bring?

- Knowledge of the particular industry/process.
- Continuity of auditor (judgment, values, focus relationship building).
- Patience and trust.
- Knowledge to facilitate solutions and solution-building.

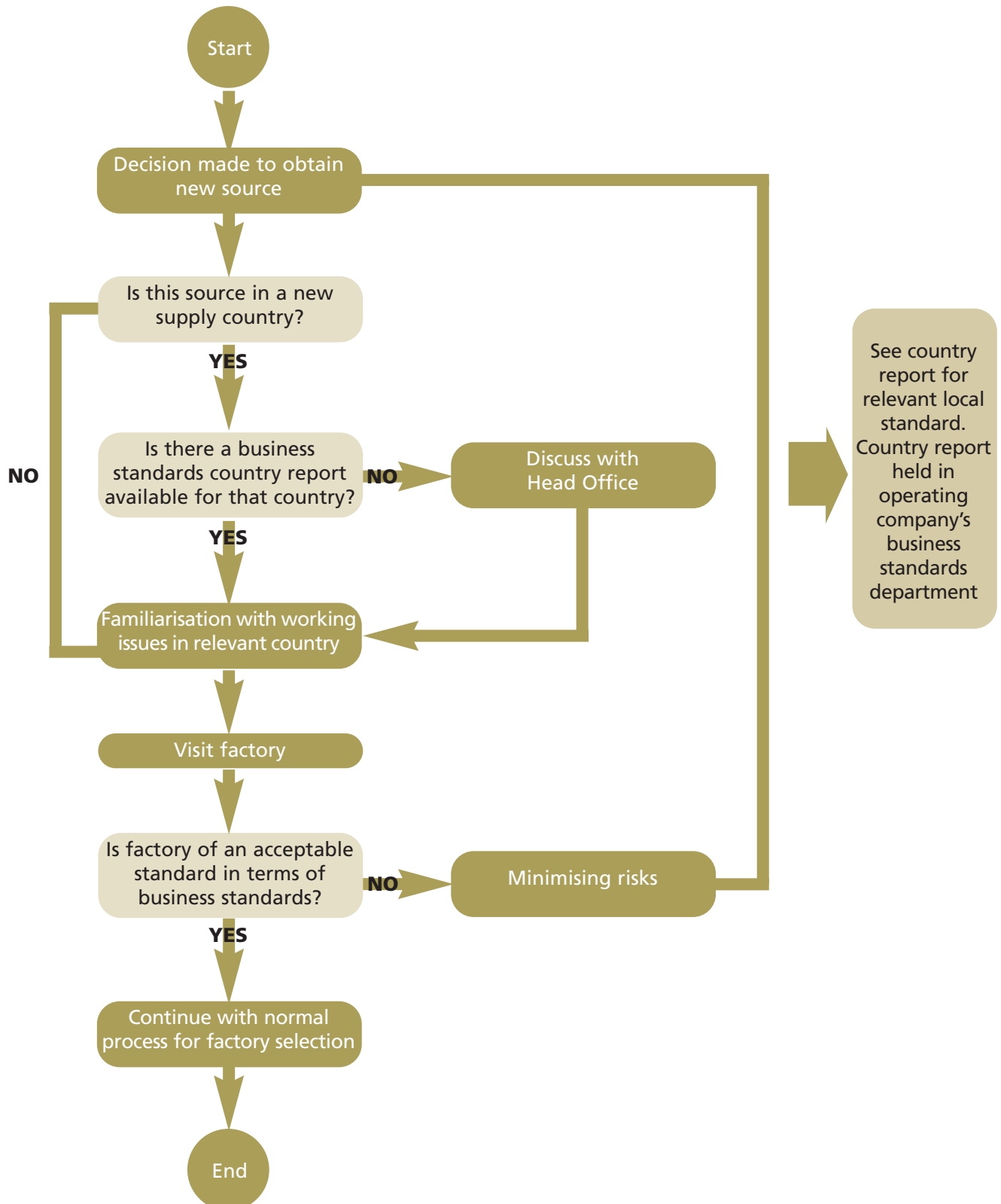
### Slide 17

#### End result

Systems in place: For the management and workers on-site to identify and resolve any issues arising; through the practical application of achievable solutions.

## Resource 32: Sample process for screening new suppliers

*This flow chart is used by an ETI member company to explain its process for screening suppliers on ethical trade issues.*



# Resource 33: Sample agreement with suppliers

*These are extracts from a ‘vendor compliance agreement’ developed by an ETI member company for use with its suppliers.*

## 1.0 Purpose

- 1.1 This section of the Vendor Handbook contains the **Vendor Compliance Agreement (VCA)**.
- 1.2 The VCA **must be signed by Vendor and all Vendor Affiliates** to evidence Vendor’s and Vendor Affiliates’ agreement to be bound by the **VCA before Vendor, and any facilities producing for Vendor**, undertake production of goods for a Purchaser.
- 1.3 The VCA must be signed and delivered to Company by Vendor and every other entity involved in Vendor’s production of goods for a Purchaser (Vendor Affiliates). Vendor Affiliates include, but are not limited to:
  - 1.3.1 Subcontractors.
  - 1.3.2 Joint Ventures.
  - 1.3.3 Facilities owned in part by Vendor.
  - 1.3.4 Facilities that are wholly-owned by Vendor but that are organized or incorporated as separate legal entities.
- 1.4 Periodically, or when there are changes to the VCA, Company may require existing Vendors and Vendor Affiliates mentioned above to re-sign the VCA.

## 2.0 Scope

- 2.1 Vendor: Any and all applicable personnel and departments that sign the VCA or produce goods for a Company Purchaser.
- 2.2 Company: All personnel that interact with Vendors and Vendor Affiliates.

## Vendor Compliance Agreement (VCA)

**NOTICE TO VENDOR AND VENDOR AFFILIATES: COMPLIANCE WITH ALL TERMS AND CONDITIONS OF THIS AGREEMENT IS A CONDITION OF DOING BUSINESS WITH COMPANY.**

### I. COMPLIANCE WITH ALL APPLICABLE LAWS

A. Statement of Commitment. Vendor and Vendor Affiliates understand that Company is committed to working only with Vendors, subcontractors, factories and facilities that operate in compliance with Company’s Code of Vendor Conduct as well as with all applicable laws, rules and regulations. These laws include, but are not limited to, laws relating to the employment conditions of their respective employees such as: (1) wage and hour, labor, child labor, and forced labor requirements; (2) health and safety; (3) immigration; (4) discrimination; (5) labor or workers’ rights in general (all of the above are referred to collectively herein as “Labor Laws”) and (6) environmental laws and regulations (hereinafter referred to as “Environmental Laws”).

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B. Legal Requirements. Vendor and Vendor Affiliates shall operate at all times in compliance with all applicable laws, rules and regulations, including but not limited to all Labor Laws and Environmental Laws. Vendor and Vendor Affiliate further represent and warrant that Vendor and Vendor Affiliate have complied and agrees to comply at all times with all applicable product performance, labeling, safety, and industry laws, rules and regulations, including, but not limited to, those identified in Section V of this Agreement.

D. Company-Approved Facilities. Vendor and Vendor Affiliate shall use only Company-approved facilities for the production of goods, components, trim, materials and packaging. Vendor further agrees that Vendor shall obtain prior written authorization from Company's Global Compliance department to use these facilities prior to the start of production, and expressly acknowledges that assigning, subcontracting or otherwise transferring Company goods or obligations without such prior written authorization in an unapproved facility is a material breach of this Agreement.

E. Vendor and Vendor Affiliate shall be solely responsible for the payment of any and all wages, benefits, social security, insurance, fees, unemployment and similar taxes applicable to the production of any goods for Company. Vendor and Vendor Affiliate further agree to procure and maintain in effect full coverage for all of its workers as required by the laws of the locality (ies), state(s), province(s) and country (ies) in which Vendor produces goods for Company (or if no such laws, at least what is standard in the industry): (1) old age/disability and death; (2) sickness and maternity; (3) work injury/occupational illness; (4) unemployment; and (5) family allowance.

F. Vendor represents and warrants that Vendor is currently and properly registered under the appropriate category of garment manufacturer in each and every state and/or country which requires any such (or similar) registration and in which Vendor does business, and further, that Vendor will continue to maintain any and all such registration(s) without interruption.

## VII. GENERAL PROVISIONS

A. To assess compliance with any of the terms of this Agreement, Vendor and Vendor Affiliate agree that Company and/or any of Company's representatives or agents shall be allowed unrestricted access to Vendor's facilities, dormitories, workers, and to all relevant records (and to the facilities and records of all Vendor Affiliates) and to all goods (including all materials, components and packaging) at all times, whether or not notice is provided in advance. Such access may include, but is not limited to, private interviews of workers and review of payroll records, timecards, piece rate tickets, job applications, safety and health records, etc. Vendor and any Vendor Affiliate shall not retaliate against workers in any way for communicating with

Company, including by means of termination of employment, reduction or elimination of benefits or opportunities for advancement, or physical or psychological harassment; nor shall Vendor or Vendor Affiliate coach workers for interviews or in any other way threaten, intimidate or otherwise influence them to prevent them from speaking honestly and directly. Furthermore, Vendor and Vendor Affiliate shall strictly comply with and observe all applicable employee privacy and/or data protection laws, including but not limited to, obtaining the consent, if required, of all employees to provide Company with access to personnel, payroll and other documents and to workers and management so that Company may conduct private interviews to test compliance with Company's Code of Vendor Conduct. Vendor and Vendor Affiliate shall comply with any other law, regulation or filing requirement associated with the transfer of such information to Company anywhere in the world. Vendor and Vendor Affiliate agree to indemnify, defend and hold Company harmless from and against any liability, claim, cost or expense arising from or in respect of a violation of said laws or regulations. Vendor and Vendor Affiliate shall comply with all applicable laws and Gap policies regarding record retention, including retention of records relating to employees, payroll, production, production costs, import and export, and shipping.

.....

C. Vendor and Vendor Affiliate shall take all steps necessary to ensure compliance with this Agreement and Vendor and Vendor Affiliate shall advise all respective employees, agents, representatives, subcontractors and any other persons or entities acting on Vendor's or Vendor Affiliate's behalf (collectively "Representatives") to comply with all conditions and procedures contained in and incorporated into this Agreement. Vendor and Vendor Affiliate further agree that any breach of this Agreement by any of the Representatives shall constitute a material breach by Vendor and/or Vendor Affiliate and shall entitle Company (in addition to any and all other remedies available at law, in equity or otherwise) to terminate or cancel any and/or all Commitments or POs with Vendor and/or to reject and return at Vendor's cost any or all goods for a full refund. Company shall also be entitled to withhold any amounts owed to Vendor under any Commitment or PO to offset any and all damages sustained by Company as a result of Vendor's or Vendor Affiliate's breach.

## Resource 34: Information sources and contacts on ethical trade

*This workbook does not claim to provide all the answers to ethical sourcing. It will raise as many questions as it answers. This resource signposts you to some of the places within ETI and beyond where you can find further information on ethical sourcing and related issues.*

### ETI publications

All ETI publications are available from the ETI Website ([www.ethicaltrade.org](http://www.ethicaltrade.org)) or from the ETI Secretariat. Our website also includes links to a range of other websites, publications and organisations relevant to ethical sourcing.

### Core publications

ETI, *Purpose, Principles, Programme: ETI membership information.*

ETI Annual Report 2002/2003 – *Harnessing Difference*

ETI Annual Report 2003/2004 – *Putting Ethics to Work*

ETI Annual Report 2004/2005 – *Driving Change*

ETI strategy 2005-8

### ETI Factsheets

ETI (2006) *Ethical trade: what it means for consumers*

ETI (2006) *Ethical trade: what it means for suppliers*

ETI (2006) *Ethical trade: what it means for small and medium sized businesses*

### Reports of ETI conferences and events

ETI (2005) *Quick fix or lasting solution? Dealing responsibly with typical non-compliances.* ETI 2005 Conference Briefing Paper No. 1

ETI (2005) *Finding common ground: Working with trade unions in supplier countries.* ETI 2005 Conference Briefing Paper No. 2

ETI (2005) *Managing compliance with labour codes at supplier level: A more sustainable way of improving workers' conditions?* ETI 2005 Conference Briefing Paper No. 3

ETI (2005) *Moving production: Stalling the race to the bottom* ETI 2005. ETI 2005 Conference Briefing Paper No. 4

ETI (2005) *Bridging the gap between commercial and ethical trade agendas: Pioneering approaches to purchasing practices.* ETI 2005 Conference Briefing Paper No. 5

ETI (2005) *Ethical trade: shaping a new agenda.* ETI 2005 Conference Briefing Paper No. 6 (Summary paper)

ETI (2005) *Freedom of association and collective bargaining,* report from an ETI members' roundtable held on 9 March 2005

ETI (2004) *MFA Phase-out: Who gains? Who loses?,* report from an ETI seminar held on 27 October 2004

ETI (2004) *Purchasing practices: 'Marrying the commercial with the ethical',* report from an ETI members' roundtable held on 7 July 2004

ETI (2004) *Prison Labour,* report from an ETI members' roundtable held on 5 February 2004

ETI (2003), *Key challenges in ethical trade,* report on the ETI Biennial Conference 2003

ETI (2003) *Worker participation & awareness raising in code implementation,* report from an ETI members' roundtable held on 19 June 2003

ETI (2003) *Working with local monitoring groups,* report from an ETI members' roundtable held on 20 March 2003

ETI (2003) *Effecting change in your own organisation,* report from an ETI members' roundtable held on 4 February 2003

ETI (2002) *Corrective actions – sharing best practice,* report from an ETI members' roundtable held on 1 October 2002

ETI (2002) *Labour standards for investors,* report from an ETI public seminar held in October 2002

ETI (2002) *Homeworkers,* report from an ETI members' roundtable held on 16 July 2002

ETI (2002) *Seasonal and foreign labour in the UK food industry,* report from ETI public seminars held in April/May 2002

ETI (2002) *HIV/AIDS in the workplace,* report from an ETI members' roundtable held on 17 April 2002

ETI (2002) *Issues affecting women workers,* report from an ETI members' roundtable held on 7 March 2002



ETI (2002) *ETI and corporate social responsibility*, report from an ETI members' roundtable held on 19 February 2002

### Other ETI resources

ETI (2006) *ETI homeworker guidelines – recommendations for working with homeworkers*

ETI (2005) *ETI smallholder guidelines – recommendations for working with smallholders*

ETI (2004) *Report of ETI Christmas cracker work*

ETI (2004) *Addressing labour practices on Kenyan flower farms: Report of ETI involvement 2002-2004*  
Available in English and Spanish

ETI (2004) *The risk assessment project – Towards a credible one-day risk assessment of labour standards*

ETI (2003) *Inspecting labour standards in the wine industry of the Western Cape, South Africa: Report on and ETI project on methodology*

### Other publications

#### Codes and ethical sourcing – general

Ascoly, N., Oldenziel, J., Zeldenrust, I. (2001) *Overview of recent developments on monitoring and verification in the garment and sportswear industry in Europe; Amsterdam, SOMO Centre for Research on Multinational Corporations*

Barrientos, S. and Smith, S. (2006) *The ETI code of labour practice: do workers really benefit?* Institute of Development Studies

B&Q (1999) *Being a better trading neighbour: DIY guide to improving working conditions in developing countries*; Eastleigh, B&Q

Blowfield, M.E. (1999) "Ethical trade: a review of developments and issues"; *Third World Quarterly* 20:4 Chichester, Wiley

Blowfield, M.E. (2000) "Ethical sourcing: a contribution to sustainability or a diversion?"; In *Sustainable Development*, November

Blowfield, M.E. (2000) "Fundamentals of ethical trading/sourcing in poorer countries."; In *A guide to developing agricultural markets and agro-enterprises*; Giovannucci, D. ed., Washington DC, World Bank

Burkett, B.W., Craig, J.D.R., Link, M. (2004) *Corporate Social Responsibility and Codes of Conduct: The Privatisation of International Labour Law* Montreal, Heenan Blaikie

Christian Aid (1997) *Change at the Check-out? Supermarkets and ethical business*; London, Christian Aid

Ferguson, C. (1998) *A review of UK company codes of conduct*; London, Department for International Development

Gonella, C., Alison, P., Zadek, S. (1998) *Making values count: contemporary experience in social and ethical accounting, auditing and reporting*; ACCA Research Report 57

Incomes Data Services and Cardiff Business School (1998) *Corporate codes of conduct and labour standards in global sourcing*

Insights (2001) Special edition on ethical sourcing, March, Falmer, Institute of Development Studies

Jamison, L., Murdoch, H., *Taking the temperature: Ethical supply chain management*; London, Institute of Business Ethics, July 2004

Jenkins, R., Pearson, R., Seyfang, G. (2002) *Corporate responsibility and labour rights: Codes of conduct in the global economy*; UK and USA, Earthscan Publications

Justice, D.W. (2003) *Corporate social responsibility: Challenges and opportunities for trade unionists*; Geneva, ILO

Malins, A., Blowfield, M.E., Nelson, V., Maynard, W., Gallat, S. (1999) *Ethical trade and sustainable rural livelihoods*; Chatham, Natural Resources Institute

McIntosh, M., Leipziger, D., Jones, K., Coleman, G. (1998) *Corporate citizenship: successful strategies for responsible companies*; London, Financial Times/Pitman

Murphy, D.Y., Bendell, J. (1999) *Partners in time? Business, NGOs and sustainable development*; UNRISD Discussion Paper 109; Geneva, UNRISD

Natural Resources and Ethical Trade Programme (2001), *Building awareness and support for codes*; Chatham, Natural Resources Institute, December. One of a series of briefing papers on codes of practice in the fresh produce sector

Natural Resources and Ethical Trade Programme (NRET) (2001) *Applying codes of practice in third world countries – what can **supermarkets** do to help?* Chatham, Natural Resources Institute, April

Natural Resources and Ethical Trade Programme (NRET) (2001) *Applying codes of practice in third world countries – what can **standard-setting bodies** do to help?* Chatham, Natural Resources Institute, April

Natural Resources and Ethical Trade Programme (NRET) (2001) *Applying codes of practice in third world countries – what can **importers** do to help?* Chatham, Natural Resources Institute, April

Natural Resources and Ethical Trade Programme (NRET) (2001) *Applying codes of practice in third world countries – what can **grower associations** do to help?* Chatham, Natural Resources Institute, April

Natural Resources and Ethical Trade Programme (NRET) (2001) *Applying codes of practice in third world countries – what can **growers and exporters** do to help?* Chatham, Natural Resources Institute, April

Pearson, R., Seyfang, G. (2000) "New Hope or False Dawn: voluntary codes of conduct, labour regulation and social policy in a globalizing world"; in *Global Social Policy* vol 1:1 pp 49-78, London, Sage Publications

Peters, G. (1999) *Waltzing with the raptors: a practical roadmap to protecting your company's reputation*; Chichester, Wiley

PIRC (1999) *Issues and trends in corporate social reporting*: PIRC survey 1999; London, Pensions Investment Research Company

Seyfang, G. (1999) *Private sector self-regulation for social responsibility: mapping codes of conduct*; Norwich, University of East Anglia

Tallontire, A., Blowfield, M.E. (2000) "Will the WTO prevent the growth of ethical trade: implications of the international policy environment for ethical trade schemes". In *Journal of International Development* 12, pp 571-584

Wheeler, D., Sillanpää, M. (1997) *The stakeholder corporation: A blueprint for maximising stakeholder value*; Pitman Publishing

Wick, I. (2001) *Workers' tool or PR ploy? A guide to codes of international labour practice*, Bonn, Friedrich Ebert Stiftung

### **Auditing supply chains**

Auret, D. (2002) *Participatory social auditing of labour standards: A handbook for code of practice implementers*; Harare, Agricultural Ethical Assurance Association of Zimbabwe

Clean Clothes Campaign (2005) *Looking for a quick fix: How weak social auditing is keeping workers in sweatshops*. Available at [www.cleanclothes.org](http://www.cleanclothes.org)

O'Rourke, D. (2000) *Monitoring the monitors: a critique of Pricewaterhouse Coopers labor monitoring*; Boston, Massachusetts Institute of Technology

O'Rourke, D. (undated) *Smoke from a hired gun: a critique of Nike's labor and environmental auditing in Vietnam as performed by Ernst & Young*; San Francisco, Transnational Resource and Action Center

Natural Resources and Ethical Trade Programme (NRET) (2001) *Integrated social and environmental auditing*; Chatham, Natural Resources Institute, December. One of a series of briefing papers on codes of practice in the fresh produce sector

Natural Resources and Ethical Trade Programme (NRET) (2001) *What are criteria, indicators and verifiers?*; Chatham, Natural Resources Institute, December. One of a series of briefing papers on codes of practice in the fresh produce sector

Natural Resources and Ethical Trade Programme (NRET) (2001) *Developing criteria, indicators and verifiers* Chatham, Natural Resources Institute, December. One of a series of briefing papers on codes of practice in the fresh produce sector

Social Accountability International, *SA 8000 Guidance Document*. This is a practical guide for those auditing against the SA 8000 standard, and it also serves as an implementation guide for the companies interested in adopting the SA8000 system

### **Building partnerships for ethical sourcing**

Taylor, J.G. and Scharlin, P.J. (2004) *Smart alliance: How a global corporation and environmental activists transformed a tarnished brand*; Yale University Press

Maquila Solidarity Network (2005) *Brand Campaigns and worker organizing: Lessons from Lesotho, Thailand and Honduras*

International Business Leaders Forum (2000) *The guiding hand: brokering partnerships for sustainable development*; London, IBLF, September. Available from [www.iblf.org](http://www.iblf.org)

International Business Leaders Forum (1998) *Managing partnerships: tools for mobilising the public sector, business and civil society as partners in development*. London, IBLF, February. Available from [www.iblf.org](http://www.iblf.org)

Natural Resources and Ethical Trade Programme (NRET) (2001) *Building multi-stakeholder institutions for developing and managing national codes of practice*; Chatham, NRI, December. One of a series of briefing papers on codes of practice in the fresh produce sector. Available from the ETI Secretariat

### **Business case for ethical sourcing**

Co-operative Bank (2005) *The Ethical consumerism report 2005*; The Co-operative Bank.

Department of Trade and Industry and Forum for the Future (2003) *Sustainability and Business Competitiveness – Measuring the benefit for business competitive advantage from social responsibility and sustainability*; report of a DTI/Forum for the Future workshop. Available at [www.societyandbusiness.gov.uk](http://www.societyandbusiness.gov.uk)



The Co-operative Group (2004) *Shopping with Attitude*, The Co-operative Group

Hurst, R., Murdoch, H., Gould, D. (2005), *Changing over time – Tackling supply chain labour issues through business practice*; report of Impactt's Overtime Project, London.

Nelson, J. (1998) *Building competitiveness and communities: how world class companies are creating shareholder value and societal value*; London, Prince of Wales Business Leaders Forum

Zadek, S. (1999) *Doing good and doing well: making the business case for corporate citizenship*; New York, The Conference Board Inc.

### **Child labour**

ILO, various guides and reports on combating child labour, Geneva, International Labour Organisation (ILO). These can be viewed and ordered on-line at: [www.ilo.org/public/english/support/publ/intro/index.htm](http://www.ilo.org/public/english/support/publ/intro/index.htm)

ILO (2001) *Good practices in action against child labour*; a synthesis report of seven country Studies 1997-98 by independent researchers

ILO (2002) *A future without child labour*; Global Report under the Follow-up to the ILO Declaration on Fundamental Principles and Rights at Work

Save the Children UK (2000) *Big business, Small hands: Responsible approaches to child labour*; London, Save the Children UK. This can be ordered on-line from the Save the Children website at: [www.savethechildren.org.uk](http://www.savethechildren.org.uk)

UNICEF report on the State of the World's Children [www.unicef.org/crc](http://www.unicef.org/crc)

UNICEF's Innocenti site also has regional information from Latin America and SE Asia [www.unicef-icdc.org](http://www.unicef-icdc.org)

ILO International Programme on the elimination of Child Labour (IPEC) and the ILO Statistical Information and Monitoring Programme on Child Labour (SIMPOC) – information on both from [www.ilo.org](http://www.ilo.org)

Global March Against Child Labour [www.globalmarch.org](http://www.globalmarch.org)

### **Costs of compliance**

Collinson, C. (2001) *The Business costs of ethical supply chain management: South African wine industry case study*; Chatham, Natural Resources Institute, May. Available at [www.nri.org/NRET/2606.pdf](http://www.nri.org/NRET/2606.pdf)

Collinson, C. (2001) *The Business costs of ethical supply chain management: Kenya flower industry case study*; Chatham, Natural Resources Institute, May. Available at [www.nri.org/NRET/2607.pdf](http://www.nri.org/NRET/2607.pdf)

### **Forced labour**

American Anti-Slavery Group [www.iabolish.com](http://www.iabolish.com) (has links to other slavery-related websites)

Antislavery [www.antislavery.org](http://www.antislavery.org) (has a search engine for finding information sources on forced labour)

### **Garment industry**

AccountAbility (2005) *Mapping the End of the MFA – A report by Accountability for the MFA Forum*; London, AccountAbility

MFA Forum (2005) *A collaborative framework for guiding post-MFA actions*, London, AccountAbility

Women Working Worldwide (undated) *Full report of research on garment industry subcontracting chains in nine countries*; Available at [www.poptel.org.uk/women-ww/](http://www.poptel.org.uk/women-ww/)

### **Gender**

Auret, D. and Barrientos, S. (2004) *Participatory social auditing: a practical guide to developing a gender-sensitive approach*; Institute of Development Studies, December

Barrientos, S., Dolan, C. and Tallontire, A. (2001) *Gender and ethical trade: A mapping of the issues in African horticulture*; Chatham, Natural Resources Institute, July

Barrientos, S., McLenaghan, S., Orton, L. (1999) *Gender and codes of conduct: a case study from horticulture in South Africa*; London, Christian Aid  
Clean Clothes Campaign (2005) *Made by women: gender, the global garment industry and the movement for women workers' rights*; Available at [www.cleanclothes.org](http://www.cleanclothes.org)

National Union of Plantation and Agricultural Workers of Uganda (NUPAWU), Friedrich Ebert Stiftung, *Guarding against sexual harassment at the workplace*. Friderich Ebert Stiftung

Prieto, M, and Bendell, J. (2002) *If you want to help us then start listening to us! – From factories and plantations in Central America, Women speak out about Corporate Responsibility*; Bristol, New Academy of Business, December 2002. Available at [www.new-academy.ac.uk](http://www.new-academy.ac.uk)

Women Working Worldwide (2004) *Core labour standards and the rights of women in international supply chains*, Seminar Report 2004. Available at [www.poptel.org.uk/women-ww/](http://www.poptel.org.uk/women-ww/)

### Impact assessment

Nelson, V., Ewert, J. and Martin, A. (2002) *The impact of codes of practice in the South African wine industry and Kenyan cut flower industry – Phase 1 report*; Chatham, Natural Resources Institute, June 2002. Available at

[www.nri.org/NRET/phase1report.pdf](http://www.nri.org/NRET/phase1report.pdf)

Nelson, V., Ewert, J. and Martin, A. (2002) *Methodological challenges for assessing the social impact of codes of practice*; Chatham, Natural Resources Institute, October. Available at [www.nri.org/NRET/methodological.pdf](http://www.nri.org/NRET/methodological.pdf)

### Integrating ethical trade into the business

Insight/Acona (2004) *Buying your way into trouble? The challenge of responsible supply chain management*. Available at

[www.insightinvestment.com](http://www.insightinvestment.com)

Oxfam (2004) *Trading away our rights: women working in global supply chains*. Available at [www.oxfam.org](http://www.oxfam.org)

### Health and safety

ILO (October 2002), *International chemical safety cards*; International Labour Organisation (ILO), Geneva. Practical information cards summarising health and safety information on chemicals used in industry. Useful for shop floor managers and workers. Available at

[www.ilo.org/public/english/protection/safework/cis/products/icsc/index.htm](http://www.ilo.org/public/english/protection/safework/cis/products/icsc/index.htm)

### Human and Labour rights general

The ILO website includes a comprehensive list of publications on labour issues which you can search by subject at

[www.ilo.org/public/english/support/publ/intro/index.htm](http://www.ilo.org/public/english/support/publ/intro/index.htm)

International Lawyers Committee for Human Rights' – Workers Rights Program

[www.lchr.org/workers\\_rights/workers\\_rights.htm](http://www.lchr.org/workers_rights/workers_rights.htm)

Amnesty International  
[www.amnesty.org](http://www.amnesty.org)

### Living wages

BSR (2004) *Living wage*: BSR Issue Brief. Available from [www.bsr.org](http://www.bsr.org)

Fair Labor Association (2003) *Beyond questions of principle: exploring the implementation of living wages in today's global economy*; a report on the Fair Labor Association's Living Wage Forum October 20, 2003, Columbia University

Rosenbaum, R. (1999) *Wages and the Purchasing Power Index*; CREA Working Paper No. 41; Hartford, USA, Center for Reflection, Education and Action (CREA)

Rosenbaum, R. (1999) *Application of the Purchasing Power Index in Haiti, Indonesia, Mexico and Hartford, CT*; CREA Working Paper No. 42; Hartford, U.S.A., Center for Reflection, Education and Action (CREA)

### Transparency

ETAG (2005) *Coming clean on the clothes we wear: Transparency report card*. Available at [www.maquilasolidarity.org](http://www.maquilasolidarity.org)

Gap Inc. (2004), *Facing challenges, finding opportunities 2004 Social responsibility report*.

Nike (2004) *Corporate responsibility report*

### Vulnerable groups of workers

Ellison, L. (2001) *Getting what's rightfully theirs? Monitoring the impact of the National Minimum Wage on homeworkers*; Leeds, National Group on Homeworking

Natural Resources and Ethical Trade Programme (NRET) (2001) *Managing codes in the smallholder sector*; Chatham, Natural Resources Institute, December. One of a series of briefing papers on codes of practice in the fresh produce sector

Temporary Labour Working Group (2004) *A licence to operate: new measures to tackle exploitation of temporary workers in the UK agriculture industry*. Available from the ETI Secretariat

Verité (2005) *Protecting overseas workers: Research findings and strategic perspectives on labor protections for foreign contract workers in Asia and the Middle East*. Available at [www.verite.org](http://www.verite.org)

## Contacts

The following is a selected list of organisations with specific labour expertise. For a full list of members and links to their websites, see the ETI website at

[www.ethicaltrade.org](http://www.ethicaltrade.org)

The International Labour Rights Fund provides a list of organisations working on labour rights issues at

[www.laborrights.org/links/](http://www.laborrights.org/links/)

### Non-governmental organisations with a specific focus on labour rights

*Oxfam GB* – Oxfam GB is a development, relief and campaigning organisation dedicated to finding lasting solutions to poverty and suffering around the world. Oxfam has programmes in sixty-six countries which include work around labour standards and fair trade. It is a member of ETI and has adopted the ETI Base Code in relation to its own suppliers. Oxfam GB is part of Oxfam International, a family of twelve Oxfams, sharing common values and increasingly working together. For more information see:

[www.oxfam.org.uk](http://www.oxfam.org.uk) (website of Oxfam GB),  
[www.oxfam.org](http://www.oxfam.org) (website of Oxfam International)  
and [www.maketradefair.org](http://www.maketradefair.org) (website of the Oxfam International Make Trade Fair Campaign).

*Contact details:*

Oxfam GB  
274 Banbury Road  
Oxford OX2 7DZ  
United Kingdom  
Tel: +44 (0) 1865 311311

### Child labour

*Save the Children UK (SCF)* – SCF campaigns on the issue of child labour and has extensive experience working to solve this issue.

*Contact Details:*

1 St John's Lane  
London EC1M 4AR  
United Kingdom  
Tel: +44 (0)20 7012 6400

[www.scfuk.org.uk/](http://www.scfuk.org.uk/)

### Forced labour

*Anti-Slavery International*

*Contact details:*

The Stableyard  
Broomgrove Road  
London SW9 9TL  
United Kingdom  
Tel: +44(0) 20 7501 8920

[www.antislavery.org](http://www.antislavery.org)

## Homeworkers

*Homeworkers Worldwide* – part of an international solidarity network of home-based workers organisations

*Contact details:*

Unit 20  
30-38 Dock St  
Leeds LS10 1JF  
United Kingdom  
Tel: +44 (0) 113 270 1119

[www.homeworkersww.org.uk](http://www.homeworkersww.org.uk)

*The National Group on Homeworking (NGH)* – support organisation for UK-based homeworkers.

*Contact details:*

Office 26  
30-38 Dock Street  
Leeds LS10 1JF  
United Kingdom  
Tel: +44 (0) 113 245 4273

[www.homeworking.gn.apc.org](http://www.homeworking.gn.apc.org)

## Women workers

*Central American Women's Network*

*Contact details:*

C/o OWA  
Bradley Close  
74-77 White Lion St  
London N1 9PF  
United Kingdom  
Tel: +44 (0) 20 7833 4174

*Women Working Worldwide* – a UK-based organisation which supports the struggles of women workers in the global economy through information exchange and international networking.

*Contact details:*

MMU Manton Building  
Rosamond Street  
West Manchester M15 6LL  
United Kingdom  
Tel: +44 (0) 161 247 1760  
Fax: +44 (0) 161 247 6333  
Email: [info@women-www.org](mailto:info@women-www.org)

[www.women-www.org](http://www.women-www.org)

### Small-scale producers

The following fair trade organisations have extensive experience of supporting and developing trading relationships with small-scale producers in developing countries.

*International Federation for Alternative Trade (IFAT)* – IFAT is a global network of over one hundred and sixty fair trade organisations in more than fifty countries, which works to improve the livelihoods and well-being of disadvantaged people in developing countries and to change the unfair structures of international trade.

*Contact details:*

International Federation for Alternative Trade  
Prijsestraat 24  
4101 CR Culemborg  
The Netherlands  
Tel. +31 (0) 345 535914

[www.ifat.org](http://www.ifat.org)

*Fairtrade Foundation* – The Fairtrade Foundation exists to ensure a better deal for marginalised and disadvantaged third world producers. It awards a consumer label, the FAIRTRADE Mark, to products which meet internationally recognised standards of fair trade.

*Contact details:*

Room 204  
16 Baldwin's Gardens  
London EC1N 7RJ  
United Kingdom  
Tel: +44 (0) 20 7405 5942  
Fax: +44 (0) 20 7405 5943  
Email: [mail@fairtrade.org.uk](mailto:mail@fairtrade.org.uk)

[www.fairtrade.org.uk](http://www.fairtrade.org.uk)

*Traidcraft* – the UK's leading fair trade organisation, which was set up in 1979. Traidcraft as an organisation consists of Traidcraft plc, a trading company, and Traidcraft Exchange, its linked charity which works to promote fairer trading systems as a solution to 'third world' poverty.

*Contact details:*

Kingsway  
Gateshead  
Tyne & Wear NE11 0NE  
United Kingdom  
Tel: +44 (0) 191 491 0591  
Fax: +44 (0) 191 497 6562  
Email: [comms@Traidcraft.co.uk](mailto:comms@Traidcraft.co.uk)

[www.traidcraft.org](http://www.traidcraft.org)

### Trade union organisations

*The International Confederation of Free Trade Unions (ICFTU)* – The ICFTU is a confederation of national trade union centres, each of which links together the trade unions of that particular country. Membership is open to bona fide trade union organisations, that are independent of outside influence, and have a democratic structure.

*Contact details:*

5 Boulevard du Roi Albert II, Bte 1  
1210 Brussels  
Belgium  
Tel: +32 (0) 2 224 0211  
Fax: +32 (0) 2 201 5815  
E-mail: [internetpo@icftu.org](mailto:internetpo@icftu.org)

[www.icftu.org](http://www.icftu.org)

*The International Textile, Garment and Leather Workers Federation (ITGLWF)* – The ITGLWF is the Global Union Federation for the textile, garment and leather industry, bringing together 217 affiliated organisations in 110 countries.

*Contact details:*

8 rue Joseph Stevens  
1000 Brussels  
Belgium  
Tel: +32 (0) 2 512 2606 or 512 2833  
Fax: +32 (0) 2 511 0904  
E-mail: [office@itglwf.org](mailto:office@itglwf.org)

[www.itglwf.org](http://www.itglwf.org)

*International Union of Food, Agricultural, Hotel, Restaurant, Catering, Tobacco and Allied Workers' Associations (IUF)* – this Global Union Federation exists to strengthen its member unions through co-ordination, campaigning, education and research.

*Contact details:*

Rampe du Pont-Rouge, 8  
CH-1213  
Petit-Lancy  
Switzerland  
Tel: + 41 22 793 22 33  
Fax: + 41 22 793 22 38  
Email: [iuf@iuf.org](mailto:iuf@iuf.org)

[www.iuf.org](http://www.iuf.org)

**Resource 34:** Information sources and contacts on ethical trade

*Trade Union Congress (TUC)* – a member of ETI with contacts world-wide, and extensive experience of the issues on the ground.

*Contact Details:*

International Department  
Trade Union Congress  
Congress House  
Great Russell Street  
London WC1B 3LS  
United Kingdom  
Tel: +44 (0) 20 7467 1279  
[www.tuc.org.uk](http://www.tuc.org.uk)

**UK Government**

*The Department for International Development (DFID)*

– DFID is the British government department responsible for promoting development and the reduction of poverty. It has offices throughout the developing world.

*Contact details:*

1 Palace Street  
London SW1E 5HE  
United Kingdom  
Tel (public enquiries):  
From inside the UK: 0845 300 4100  
From outside the UK: +44 (0)1355 84 3132  
Email: [enquiry@dfid.gov.uk](mailto:enquiry@dfid.gov.uk)  
[www.dfid.gov.uk](http://www.dfid.gov.uk)