



Fernando Moleres / Panos Pictures

Ethical Trade:

What it means for supplier companies

Increasing numbers of supplier companies are being asked by their customers to comply with a code of labour practice. This factsheet aims to answer some of the questions suppliers often ask about codes, how they will be affected by them and how they could benefit. Other ETI factsheets can be found at www.ethicaltrade.org.d/factsheets

Q What is ethical trade?

Ethical trade – or ethical sourcing, as it's sometimes called, can mean different things to different people. Some use it as an umbrella term to include all types of business practices that promote more socially and/or environmentally responsible trade. At the Ethical Trading Initiative (ETI) we only use the term when we're talking about the responsibility of buying companies for the rights of the workers in their supply chain. These include the right to earn a living wage, to be able to join or create a trade union, and to be free from harassment or discrimination.

Q What is the Ethical Trading Initiative (ETI)?

We are an alliance of global brands and retailers, trade unions, campaigning organisations and charities that work together to improve the lives of workers in global supply chains. We provide practical tools and guidance for buying companies to help them implement codes of labour practice in their supply chains, and are widely recognised as a global leader in this area.

Q I've been asked to get an audit of the ETI Base Code – what is it?

The ETI Base Code is a generic code of labour practice and is internationally recognised as a model code. All ETI member companies (see overleaf for a full list of members) and many other retailers and brands have adopted the Base Code and have committed to making sure their suppliers work towards it over time. Companies either adopt word-for-word, or incorporate it into their own company codes.

The provisions of the Base Code are based on the nine principles outlined in the box below.

ETI Base Code

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

The Base Code is based on the conventions of the International Labour Organisation (ILO), the international body that sets standards for labour law. And as labour laws in most countries are based on the ILO conventions, compliance with the Code is also normally a legal obligation. The complete version of the ETI Base Code and its accompanying 'Principles of Implementation' can be found on our website at www.ethicaltrade.org/d/basecode. It is available in ten languages.

Q Why am I being asked for an audit?

As part of their commitment to ethical trade, buying companies need to find out what working conditions are like in their supply chains, so they can identify any potential issues that need resolving. Campaigning organisations and increasingly, concerned consumers, also ask that companies monitor their suppliers. ETI member companies - and many others - inspect significant numbers of their suppliers against the ETI Base Code every year.

Q What can I do to make sure I pass the audit?

We expect our corporate members to use audits as a way of diagnosing problems, not as a 'pass or fail' test. In fact, it's very rare to find any company that's fully compliant with the Base Code.

If you supply an ETI member company, you should expect them to help you make any necessary improvements within a timeframe that works for both of you. ETI member companies should not stop trading with you if the audit uncovers only minor issues. However, if they uncover very serious issues, you will be expected to take immediate corrective action. If you do not do so, you may lose the business.

Q How do I arrange the audit?

We don't carry out audits against the ETI Base Code ourselves, as that's not our role as an organisation. However, many private certification and auditing companies have experience of carrying out audits against the

Base Code, and some of them have staff around the world. Below are some of the ones we know about:

- Bureau Veritas
- Impactt
- Intertek
- Pricewaterhouse Coopers
- SGS
- Verité

Please note we do not endorse any of the above organisations.

Q How can I make sure I get accurate results from the audit?

As the quality of audit firms and individual auditors varies tremendously, some tips on making sure you get accurate results are:

- Ask that the audit is carried out by local staff with appropriate language skills and cultural knowledge.
- Make sure the audit team has a gender balance that matches that of your workforce.
- Make sure the auditors carry out confidential interviews with workers.
- Ask for experienced auditors.
- Ask that auditors give a narrative account, rather than just ticking boxes.

You may also find a local non-governmental organisation in your area that has relevant skills and could either carry out, or participate in an audit.

Q Will I get a certificate?

After being audited, it is possible that you will receive a certificate of compliance with the ETI Base Code from the auditing company. You should be aware that ETI does not formally endorse any certificate that claims that a company is 'compliant with ETI' or 'compliant with the ETI Base Code'. We do not endorse any companies who carry out workplace audits, as we are not an accreditation body.

Q So how will I benefit?

As well as keeping customers happy, many suppliers who have invested the time and resources in improving conditions for their workers have found that their efforts have brought them business benefits, including:

- Boosting morale
- Reducing absenteeism
- Improving employee retention
- Increasing productivity
- Increasing profitability

It's also likely that as retailers and brands respond to increasing concern among Western consumers about workers' rights in supply chains, more and more of your customers will start asking you to comply with the ETI Base Code. So making the effort now should stand you in good stead for the future.

Q Why do I have to go through so many audits?

Life would be much easier if one audit was acceptable for all! There are many reasons why buying companies like to do their own audits. These include:

- There is no single internationally agreed code of labour practice. Although many companies – particularly those in the UK – follow the ETI Base Code, some follow other codes that have been developed by different 'labour standards initiatives'. ETI is working with these other initiatives to develop a single, internationally recognised code of labour practice, to make things easier for suppliers (see www.jo-in.org).
- Even where companies are auditing against the Base Code they often tag these audits on to quality and environmental audits.
- Audit methodologies are by no means 100% reliable - we often hear of cases where a supplier may be found compliant in one area by one buying company, while another will find them non-compliant. Buying companies often don't trust other peoples' audit reports for that reason.

Q Where does SEDEX fit in?

SEDEX (www.sedex.org.uk) is a web-based system created to help buying companies manage data on labour practices in their supply chain. Suppliers that join Sedex can input data on their labour practices, which can then be shared with their customers. The intended benefits for supplier members include less audits, as they are able to post their audit reports on the SEDEX system for viewing by all customers. ETI seek to engage with SEDEX to ensure that it incorporates our learning on what constitutes best practice in ethical trade.

Ethical Trading Initiative members

As at February 2007

Companies

- Adolfo Dominguez
- Asda
- Associated British Foods (Primark)
- Boots
- Chiquita Brands International
- Co-operative Retail
- DCC Corporate Clothing
- Debenhams Retail
- Dewhirst Group
- Ethical Tea Partnership¹
- Flamingo Holdings
- Fyffes Group
- Gap Inc.
- Greencell
- Inditex
- **London Underground**
- Madison Hosiery
- Marks & Spencer
- Marshalls
- Monsoon Accessorize
- Mothercare
- New Look Retailers
- Next Retail
- Pentland Group
- Premier Foods
- Quantum Clothing Group
- Rombouts
- Ringtons
- Rohan Designs
- Sainsbury's
- Supremia
- Tesco
- The Body Shop International
- Typhoo Tea
- Union Coffee Roasters
- WH Smith
- WIBDECO
- William Lamb Footwear
- World Flowers

Non-governmental organisations

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

Trade Unions

- International Trade Union Confederation
- International Textile, Garment and Leather Workers' Federation
- Trades Union Congress
- International Union of Food, Agricultural, Hotel, Restaurant, Catering, Tobacco and Allied Workers' Association (IUF)

Find out more

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

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

www.ethicaltrade.org/d/workbook

Go on an ETI training course

We hold regular training courses in ethical trade, which includes a one-day introduction aimed at those who want a quick overview of key concepts and some initial pointers on implementing a code of practice. Find out more at:

www.ethicaltrade.org/d/training

Visit our website - www.ethicaltrade.org

This has a wealth of reports, practical information and tools for companies seeking to trade ethically. For general background information about ethical trade, go to:

www.ethicaltrade.org/d/ethicaltrade

Come to our events

ETI hosts regular public seminars and other events for ETI members and non-members alike. They are a great place to exchange ideas and information, network with other companies and learn how to tackle critical issues in ethical trade. Find out more at:

www.ethicaltrade.org/d/events

Download the ETI poster for suppliers

Our Annual Report 2004/5 has on its reverse a poster for suppliers with five key messages for suppliers about complying with codes of labour practice. Printed copies of the poster are available from the ETI Secretariat and electronic copies in English, Spanish and Chinese are available at:

www.ethicaltrade.org/supplierposter