

# PPA Self-Assessment Review<sup>1</sup>

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Reporting Year	2008-9
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## Part A – Basic Information<sup>2</sup>

PPA partner	Ethical Trading Initiative
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<b>Niche statement</b>	<p>The Ethical Trading Initiative (ETI) is an alliance of companies, trade union and non-government organisations that work together to promote the credible implementation of corporate codes of labour practice. ETI is widely recognised as the field leader in defining and disseminating corporate responsibility for promoting the rights of workers in global supply chains. ETI is a membership organisation which was founded in 1997 with the strong support of DFID.</p> <p>ETI members share a vision of a world where all workers are free from exploitation and discrimination and work in conditions of freedom, security and equity. ETI's aim is to enable workers throughout global supply chains to secure their fundamental rights by ensuring that they are treated in accordance with national laws and international labour standards.</p>
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	2004/5	2005/6	2006/7	2007/8	2008/9	2009/10	2010/11
<b>PPA funding (£)</b>			375,000	500,000	520,000	530,000	550,000
<b>As % of total organisational income</b>			31.0%	37.4%	39.0%*		

\* % Figure for 2008/9 taken from management accounts, since audited accounts not available at the time of writing

	2004/5	2005/6	2006/7	2007/8	2008/9	2009/10	2010/11
<b>Other DFID funding (£)</b>	462,276	322,963					

This PPA began on 1 July 2006. Funds received from DFID before this date are shown here and represent 39.0% and 26.5% of organisational income in 2004/5 and 2005/6 respectively.

<sup>1</sup> This self assessment review is only part of the reporting story. Organisations will be able to supply evidence, case studies and other material they feel will show impact on the ground

<sup>2</sup> Part A is a useful snapshot of the full relationship between DFID and each PPA holder.

There is an opportunity to expand on some of the non-financial aspects in Part D 'Partnership with DFID' but we wanted to expand Part A to reflect the fact that our partnership with DFID is not purely financial.

## Summary of partnership with DFID and other DFID funding<sup>3</sup>

ETI's partnership with DFID centres on the delivery of the PPA and we have had no other contractual relationship or funding beyond this since the partnership began.

Over the course of the PPA, the engagement between DFID and ETI has broadened to include engagement on a wider range of activities which include the following:

- Frequent contact with the Joint Trade Policy Unit (JTUP), which takes responsibility for co-ordinating links with the different teams within DFID that may have an interest in ethical trade. A representative from JTUP is a permanent observer at quarterly ETI Board meetings and ETI's main contact in DFID for queries on parliamentary questions and requests for information on ministerial speeches and policy papers related to ethical trade issues.
- Occasional contact with Gareth Thomas, Minister for Trade, Development and Consumer Affairs. The Minister has been a strong advocate for ethical trade, spoke at the ETI 10<sup>th</sup> Anniversary conference in October 2008 and contributed to other ETI initiatives such as a consumer-targeted "Ethical Pest" campaign and 10<sup>th</sup> anniversary film.
- Regular contact with communications and press teams to ensure co-ordination of communications about ETI and DFID announcements related to ethical trade.
- Regular contact with Civil Society Unit over all matters related to the PPA.
- Regular contact with Business Alliances Team (BAT) on broader issues of Corporate Social Responsibility. BAT co-ordinates relationships with other multi-stakeholder initiatives on CSR.
- ETI participates on the steering group of the newly formed Decent Work and Labour Standards Forum, which relates to the Equity and Rights Team. This Forum brings together companies, NGOs, academics and trade unions to maximize effective engagement between these stakeholders and DFID on how labour standards contribute to the development agenda. ETI has played an active role in setting up this new forum which launched in May 2009, prior to which we participated fully in its predecessor, the Labour Standards and Poverty Reduction Forum.
- Intermittent contact with DFID country programmes on issues relating to labour standards. Country programmes contacted over the course of the PPA include Bangladesh, Kenya and India.

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<sup>3</sup> This is intended to be a cumulative list of DFID contracts etc. from when your PPA began. If there is a large amount of information, please summarise by e.g. department and add any additional information to an appendix. We wanted to leave this section quite open to interpretation by each organisation. Note the wording has changed from 'relationship' to 'partnership'.

## Approximate % of total organisational expenditure allocated by sector or theme<sup>4</sup>

ETI allocates its expenditure to five management headings, reflecting organisational priorities as follows:

- **Developing capacity.** Building capacity in supplier countries
- **Building commercial leverage.** Increasing commercial leverage for ETI Base Code implementation through membership development and training
- **Promoting ethical trade.** Raising awareness of ethical trade and of ETI in the UK and in key supplier countries
- **Ethical trade tools for companies.** Developing and disseminating good practice tools
- **Support members.** Supporting members to work together more effectively and helping corporate members to integrate ethical principles into core business practices. Strengthening ETI Secretariat management capacity.

During 2007/08 and 2008/09 ETI spending was allocated as shown below. In each case these figures cover ETI's financial year to 31 March.

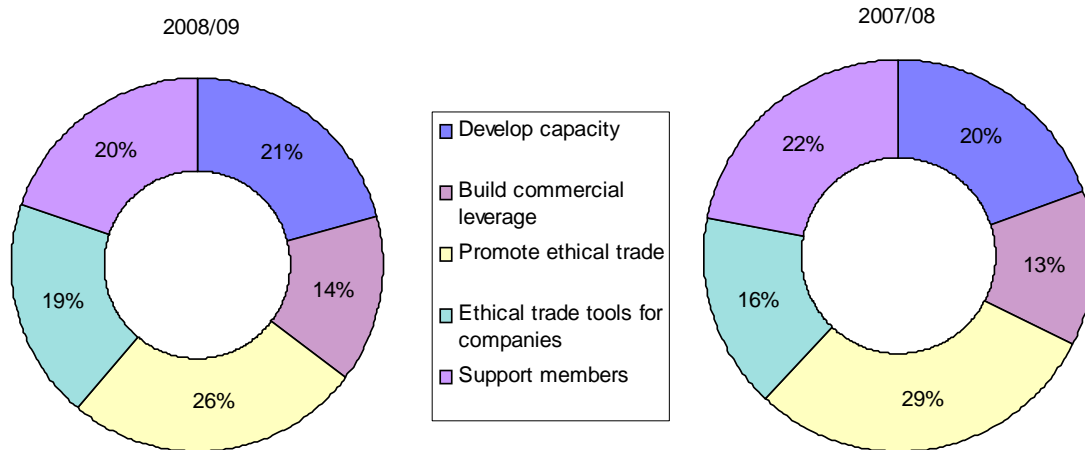


Fig.1 ETI expenditure 2007/8 and 2008/9

<sup>4</sup> This should provide an indication of your overall organisational allocations by sector or theme (i.e. not limited to your PPA).

The % breakdown may change from year to year and is intended to reflect key organisational priorities for the Reporting Year under assessment.

## Part B - Progress against PPA Strategic Objectives<sup>5</sup>

### Progress to date against PPA purpose statement

The purpose of this PPA is to *“Improve the incomes, working conditions and respect for the rights of millions of poor workers who are employed by companies that supply ETI members.”*

The number of workers employed by suppliers to ETI members has grown quickly from 3.3 to 8 million during the course of the PPA, greatly increasing the scale of our member’s impact. During 2008, a third of those employers agreed to make over 84,000 new improvements to working conditions. Many, but by no means all, of these improvements will have been of significant to workers, the most common of which were to reduce the chances of accident or injury at work, improve working hours and increase wages and benefits. ETI is measuring up well against the indicators of scale we aspired to at the beginning of our partnership.

However, recession threatens to undermine much of the good work done in recent years as demand, price and access to credit have all collapsed, creating huge job losses and worsening labour conditions. We are also concerned that corporate efforts are not sufficiently focused on action that will improve workers incomes and support sustainable approaches to improving labour rights through better industrial relations. We have sharply focussed our strategy on these issues for the remainder of the PPA.

Our project work with members has generated new learning in these and other important areas and our ambition is now tuning to larger programmes that involve many more companies. The PPA has supported ETI to become an effective training organisation and this has become a key part of our knowledge dissemination strategy. We now aim to extend our training programmes to supplier countries as awareness of and momentum for ethical trade grows in the north and south.

This challenges ETI to develop more effective methods for engaging our growing tri-partite membership in order to make the impact we aspire to.

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<sup>5</sup> The phrasing in this section is intended not to preclude referencing back to previous work in a different reporting period.

This is also an opportunity to generate a rich picture of PPA funding and demonstrate its value.

## Progress against PPA Performance Framework by each Strategic Objective

### Strategic Objective 1:

ETI members individually and collectively demonstrate improvements in the observance of the labour rights and employment conditions of millions of workers.

### Please explain choice of indicators reported on below <sup>6</sup>

We have chosen to report progress against all of the indicators in order to provide a full picture of progress we are making and the challenges we face.

### SO1 - Indicator 1:

A 10% increase in the number of improvement actions implemented by suppliers of ETI members against the standards of the ETI Base Code.

### Progress achieved and challenges faced<sup>7</sup>

Members reported annual increases in supplier improvement actions of 39% in 2007 and 55% in 2008. The total number of improvement actions agreed by suppliers to ETI's corporate members for the past three years is:

- 39,282 in 2006
- 54,700 in 2007 (+ 39%)
- 84,520 in 2008 (+ 55%)

Although ETI now has more members, these increases considerably exceed what can be explained by the growth in ETI membership. The rate of improvement actions per inspection has increased. These figures demonstrate a very significant extension of members' ethical trading activities into their supply chains and are firm evidence of the progress being made in identifying and tackling labour rights issues.

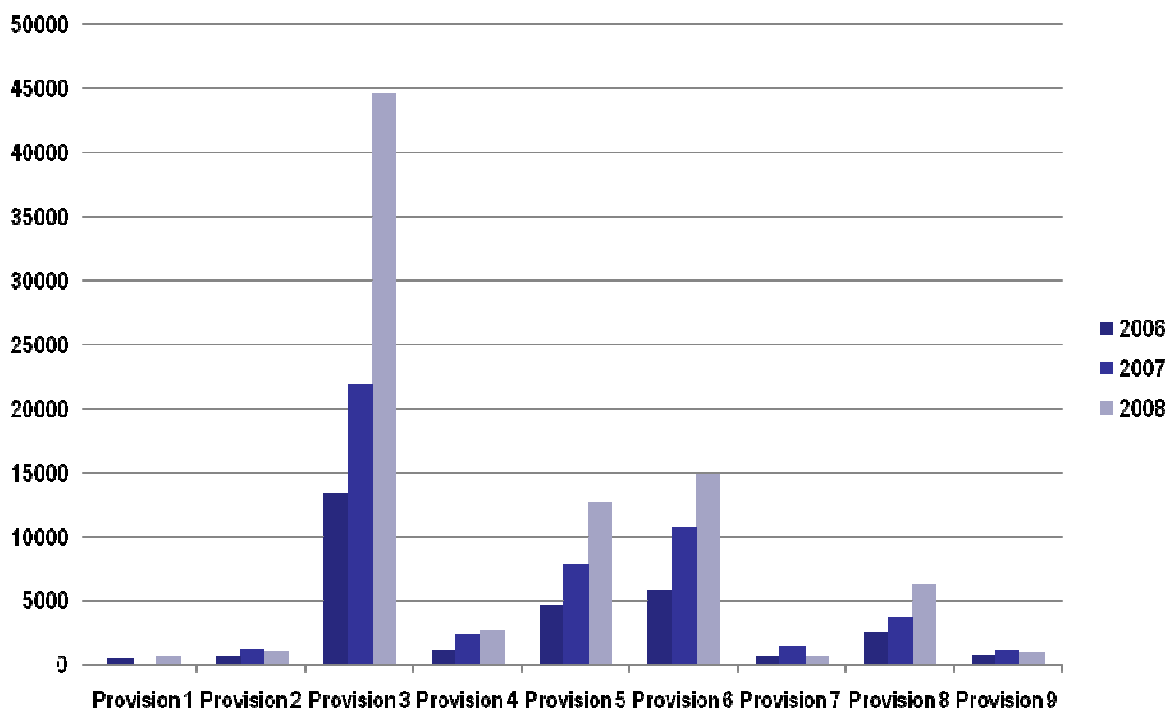
We face many challenges in encouraging and recording this progress, for example:

- As *Fig.2* (below) shows, the majority of improvement actions relate to Provisions 3, 5 and 6 of the ETI Base Code, covering safe and hygienic working conditions, living wages and working hours.. We are most concerned, especially during times of financial hardship to identify measures that rapidly improve worker's incomes and empower them to assert own rights. We have prioritised action on living wages (Provision 5) and freedom of association (Provision 2). (See indicator 2 below.)
- Improvement actions recorded do not always drive the changes from which workers will derive most benefit. For example, on wages, measures may improve record keeping and transparency of wage payment systems without improving wages themselves. We are reviewing our reporting mechanism this year with a view to improving how we measure impacts on workers.

<sup>6</sup> Agencies may choose to select just some of the indicators for each year of reporting. Please indicate and explain which indicators have been chosen.

<sup>7</sup> Indicate the period referred to: in some cases it may be artificial to focus just on the prior year, and a focus on overall progress may be more helpful

Fig 2 Improvement actions by ETI Base Code provision, reported by member companies 2006 - 2008



1 = Forced labour; 2 = Freedom of association; 3 = Health & safety; 4 = Child labour; 5 = Living wages; 6 = Working hours; 7 = Discrimination; 8 = Regular employment; 9 = Harsh treatment

### List any documentary evidence of achievements<sup>8</sup>

ETI members' annual reports for the years 2006, 2007 and 2008

*ETI members' annual reports contain detailed, sometimes commercially sensitive information. Copies are not included in this report; examples are available for inspection by DFID on request, subject to confidentiality agreement.*

Ergon Associates (2007) Analysis of Corporate Member's Reports to ETI 2006: Report to ETI Board, May 2007

Ergon Associates (2008) Analysis of Corporate Members' Reports to ETI: report for the year ending 31 December 2007

Ergon Associates (2009) Analysis of Corporate Members' Reports to the ETI: report for the year ending 31 December 2008

*Ergon Associates' analysis of members' annual reports contains confidential information and must not be distributed or reproduced without express permission of ETI*

<sup>8</sup> This can also be used as an opportunity to provide DFID with case studies, YouTube clips etc for 'building support for development'.

## SO1 - Indicator 2:

A demonstrable increase in the numbers of improvement actions implemented by suppliers of ETI members relating to wages and Freedom of Association and the Right to Collective Bargaining.

### Progress achieved and challenges faced<sup>9</sup>

Over past two years we have seen a cumulative increase of over 70% in improvement actions on trade union rights and a rise of the number of improvements by suppliers on wages of over 100%.

	2006	2007	2008
Improvement Actions: trade union rights	601	874 (+ 45%)	1038 (+ 19%)
Improvement actions: wages and benefits	5929	7780 (+ 31%)	12724 (+ 39%)

Table 1: Increase in improvement actions on trade union rights and wages 2006-2008

ETI is prioritising action on these issues above others, because of their impact on workers. We are developing programmes of activity in which we expect large numbers of members to participate. These initiatives look to scale up learning developed over the past year by members who have worked together to identify ways in which wages levels and industrial relations can be improved in supplier workplaces. What has been encouraging is the growing numbers of members undertaking such initiatives. Two examples are:

- A new alliance between Zara's owners Inditex and the International Textile, Garment and Leather Workers' Federation (ITGLWF) is helping the Spanish retailer develop a strategic approach to tackling workers' rights throughout its supply chain and to respond swiftly and effectively to major breaches of workers' rights when they occur. Workers in one Cambodian garment factory have already benefited. The Global Framework Agreement (GFA) between the ITGLWF and Inditex is the first of its kind to focus on the conditions of workers in a company's supply chain. Until now, the scope of GFAs between multinational companies and global trade union federations had been limited to a company's direct employees.
- Collaboration between UK fashion retailer New Look and one of its Bangladeshi garment suppliers on an initiative to raise wages and lower working hours is starting to bring benefits for more than 2,000 workers: in the first year, the wages of the lowest grade of workers increased by 24 percent, while overtime rates dropped by 46 percent.

### List any documentary evidence of achievements<sup>10</sup>

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<sup>9</sup> Indicate the period referred to: in some cases it may be artificial to focus just on the prior year, and a focus on overall progress may be more helpful

<sup>10</sup> This can also be used as an opportunity to provide DFID with case studies, YouTube clips etc for 'building support for development'.

Ergon Associates (2007) Analysis of Corporate Member's Reports to ETI 2006: Report to ETI Board, May 2007

Ergon Associates (2008) Analysis of Corporate Members' Reports to ETI: report for the year ending 31 December 2007

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Case study: SO1 indicator 2 Inditex and ITGLWF Global Framework Agreement

Case study: SO1 indicator 2 New Look & Echo design wages in Bangladesh

### SO1 - Indicator 3:

Over 10,000 supplier sites demonstrate improvement actions on working conditions in any given year

#### Progress achieved and challenges faced<sup>11</sup>

11,469 supplier sites were inspected during 2007 and 13,556 were inspected during 2008. Non-compliances were disclosed in almost all sites with the average number of non-compliances per inspection growing. This has driven the subsequent increase in improvement action reported in indicator 1 above.

	2006	2007	2008
Total scoped supply base	30,554	37,958	39,692
Number of inspections at supplier sites	9,308	11,469	13,556
Total number of Improvement actions recorded	39,282	54,700	84,520

*Table 2 Members' supplier sites and inspection data*

Capturing data of this nature presents a number of challenges. Inspections that generate the data are variable in quality. We know that, on average, 6.2 improvement actions were recorded for each site audited by ETI's corporate members during 2008; however we believe this to be an underestimate of the true average because we know that the recording method used by some members does not allow us to aggregate their improvement action data.

It should be noted that double counting could occur if any of ETI's corporate members, using systems such as Sedex, use data from the same audit for a shared supplier. Since the identity of supplier sites is anonymised in our members' reports we cannot assess the degree of overlap. However we know from talking to our members that many of the larger companies, contributing the greatest amount of data, prefer to conduct their own audits, even if they or their suppliers are participating in a data exchange arrangement.

<sup>11</sup> Indicate the period referred to: in some cases it may be artificial to focus just on the prior year, and a focus on overall progress may be more helpful



## List any documentary evidence of achievements<sup>12</sup>

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**What is the likelihood that Strategic Objective 1 will be achieved? Rate 1 to 5<sup>13</sup>**

**2**

**See footnote 10.**

## Strategic Objective 2:

More poor workers have greater awareness of their rights and are supported by civil society initiatives that help to realise them

## SO2 - Indicator 1:

5% increase in the use of ETI worker awareness tools by trade unions, NGOs, employers and ETI members. Baseline to be established from 2006/07 data.

## Progress achieved and challenges faced

Compared to the 2006/07 baseline of 1,005 our tools have been accessed 2,218 times in 2007/08 (+ 108%) and 1,801 times in 2008/09 (+ 69%).

<sup>12</sup> This can also be used as an opportunity to provide DFID with case studies, YouTube clips etc for 'building support for development'.

<sup>13</sup> Having the ratings at the end of each section puts more emphasis on the earlier narrative and qualitative information, rather than on the quantitative rating.

Ratings to be applied:

1. = Likely to be **completely** achieved, i.e. well on the way to completion (or completed)
2. = Likely to be **largely** achieved, i.e. good progress made
3. = Likely to be **partly** achieved, i.e. partial progress made
4. = Only likely to be achieved **to a very limited extent**
5. = **Unlikely** to be achieved

ETI tracks which organisations access resources aimed at promoting workers' awareness of their rights or have an element of worker awareness advice and guidance in them.

These resources are freely available for downloading from our website to member and non-member organisations and are promoted to key audiences. Many of these materials are produced in languages other than English.

	Apr 07- Mar 08	Apr 08 – Mar 09
Sri Lanka Cartoon Leaflet	222	209
Smallholder Picture Leaflet (all)	70	60
Smallholder Guidelines	93	101
Homeworker Guidelines	126	101
Supplier Poster	372	266
Buyer Poster	549	368
2005 Conference Briefing Papers	786	696
	2218	1801

*Table 3 Download statistics : worker awareness tools*

We can't tell from the download information how many times each of the materials was reproduced and some of our materials are designed to be.

As well as downloads of these materials, we have supplied hard copies of the ETI Smallholder Guidelines, the Homeworker Guidelines and our various posters and leaflets to members and others. For example, in Sri Lanka, 17,000 copies of a colourful and informative workers' brochure on the ETI Base Code in the two national languages, Sinhalese and Tamil, were distributed to workers. The brochure was written in a way that workers could understand the code and how it related to them and has been used extensively by other manufacturers in the region, not only those involved in the project.

### List any documentary evidence of achievements

ETI web download statistics  
Project report: Sri Lanka report redraft 3 - JD 12 Mar 09 (2)

### SO2 - Indicator 2:

50% increase by 2009 in the number of workers that have attended ETI supported training activities designed to promote awareness of their rights and strategies to help workers realise them. Baseline figure established from 2005/06 activity.

### Progress achieved and challenges faced

Against a 2005/06 baseline figure of 5,100 workers attending ETI-supported training on workers rights, we've achieved an increase of 141% during 2007 and 2008. In this period we have supported training for 12,280 workers to better understand and take appropriate action to realise their labour rights. Three particular programmes are of note.

In 2008, 4,500 Sri Lankan garment factory workers participated in labour rights awareness training conducted in four different factory sites, delivered by trainers with backgrounds in law and human rights who were independent of factory management. This represented a watershed for that particular industrial context; Sri Lankan manufacturers rarely allow independent trainers to have access to the workforce. They delivered

information on workers rights, which was agreed between the companies and local trade union and non-governmental organisations.

In India, ETI set up local infrastructure to establish the National Homeworker Group. We provided direct financial support for the group of £44,727 during the period to 31 March 2009. This project has enabled us to reach far down supply chains to largely illiterate homeworkers in the state of Uttar Pradesh (UP). It responds to the barriers faced by this highly marginalised sector of the workforce in realising their rights as workers.

The main reasons why homeworkers are vulnerable to exploitation and low wages are the informality of their work, the fact that written records are rarely kept, as well as high levels of illiteracy. The Bareilly Homeworker Group, a branch of the National Homeworker Group based in Bareilly, Uttar Pradesh, provided initial training to homeworkers on their rights. On the workers' request, ETI has supported it to develop and deliver training on basic record-keeping for the semi-literate. This is the first step towards their protection against non- or under-payment. During 2007 and 2008, 4000 homeworkers have attended ETI-facilitated training sessions on basic accounting tools.

In horticultural sites in Kenya, ETI has developed training to combat gender discrimination and sexual harassment of workers. This training is groundbreaking, since it focuses both on areas that are notoriously difficult to address and because it is targeted supervisors, who manage workers on a day-to-day basis. The pilot train-the-trainers programme, begun in 2008 at four sites, has cascaded to 56 supervisors during the reporting period. Feedback from this ongoing pilot has been highly encouraging.

### List any documentary evidence of achievements

*ETI project statistics, source documents available on request*

Project report: Sri Lanka report redraft 3 - JD 12 Mar 09 (2)

<http://www.ethicaltrade.org/in-action/projects/the-indian-national-homeworker-group/training-helps-change-behaviour>

*Supervisor Training Pilot Visit Update presentation: not included due file size, but available on request.*

<http://www.ethicaltrade.org/in-action/projects/eti-supervisor-training-project>

### SO2 - Indicator 3:

Workers in target groups report ETI training and materials raised awareness of their rights

### Progress achieved and challenges faced

Feedback from workers in target groups demonstrates training has been effective in raising awareness and pointing to strategies workers can use. Some examples from our project records

#### **Training in the Sri Lanka garment industry**

In total, 7000 workers have participated in training on their rights, including receiving a cartoon booklet in Sinhala and Tamil on their rights as workers. Feedback on the training and the booklet was very positive: At a mid-term evaluation of the work in Colombo, a local NGO member of the project reported to all stakeholders, "The booklet and the follow-up training for workers is really why workers know much more...if you say ETI at these factories, all the workers know what that means they should be getting."

#### **Training in Uttar Pradesh (garments)**

This has included running a large number of awareness-raising training sessions during 2007 and 2008, alongside the development of awareness-raising materials specifically tailored for homeworkers. This has helped increase their awareness of their rights as workers, as evidenced in minutes of meetings held by the Bareilly Homeworker Group, as well as in testimonials from homeworkers themselves. For example, Moonbigum, a 26 year-old homeworker from Bareilly told us, "I am very grateful for the training I've received. The health and safety training really demonstrated the importance of keeping my workspace clean and tidy.

The quality training has helped me in practical ways too - I get a better price for my work because it is of a better quality.”

### **Supervisor training in Kenya**

One supervisor who had attended these sessions told us, “From the training, I have learnt and appreciate the values of listening, appreciating and involving workers I supervise. This has helped a lot in improving our working relationship. Before, I would not listen to workers problems and whenever they made a mistake. Meeting production targets was an aspect I would not compromise on. Even if it meant workers remaining behind to continue working to complete such target, that had to be done. Today I appreciate the value of respecting working rights on working hours and always consult with them whenever my work situation demands.”

### **List any documentary evidence of achievements**

Case Study: Sri Lanka worker training

Project report: Sri Lanka report redraft 3 - JD 12 Mar 09 (2)

Project report: Bareilly contractor meeting\_final 3003

<http://www.ethicaltrade.org/in-action/projects/the-indian-national-homeworker-group/training-helps-change-behaviour>

*Supervisor Training Pilot Visit Update presentation: not included due file size, but available on request.*

<http://www.ethicaltrade.org/in-action/projects/eti-supervisor-training-project>

**What is the likelihood that Strategic Objective 2 will be achieved? Rate 1 to 5.  
See footnote 10.**

**1**

### **Strategic Objective 3:**

A growing number of businesses (north and south) are aware of ethical trade and take actions to ensure labour laws and standards are implemented.

### **SO3 - Indicator 1:**

ETI gains five new corporate members each year.

### **Progress achieved and challenges faced**

ETI increased its corporate membership by 11 from 43 to 54 in 2008. At the time of writing this report, we have already recruited five new members during 2009. We anticipate at least having at least as many new applications during the second half of the year.

2008 was ETI's 10th anniversary year and we used it as an opportunity to launch a series of communications initiatives designed to raise buying companies' awareness of ETI and ethical trade. We:

- Held a 10th anniversary conference attended by over 450 delegates from all over the world. We produced a video from the conference which we are using to promote engagement with ETI. The video is on youtube and our new website and has been viewed 275 times.
- Produced two films about the business case for ethical trade for retailers and suppliers and respectively. So far we have distributed over 2,500 free copies of the DVD to our members as well as conference participants and others.
- Produced a short awareness-raising film about ETI and ethical trade. 1000 copies of the DVD have been distributed to businesses, civil society organisations, journalists, academics and other

organisations and it has been viewed 340 times on youtube.

- We also engaged proactively with consumer media to raise awareness of consumers about how to encourage retailers to behave more responsibly, and proactively liaised with the DFID Press Office to obtain ministerial support for a media campaign called 'Be an ethical pest'. We created an 'ethical pest' facebook group which now has nearly 300 members. As a result of our media outreach we achieved:
  - 1 major feature article in The Times newspaper
  - 7 substantial feature articles in target trade magazines including Retail Week, The Grocer and Drapers Record.
  - 4+ short features in target consumer magazines
  - A 5-minute feature on the Homeworker Project on the World Service, plus two features of the 'ethical pest' campaign on BBC regional radio stations.

### List any documentary evidence of achievements

A complete, up-to-date list of all ETI members is available on our website [www.ethicaltrade.org](http://www.ethicaltrade.org)

ETI's 10<sup>th</sup> anniversary DVD <http://www.youtube.com/watch?v=XGHQV19mCP8>

*Newspaper cuttings included as hard copy only*

### SO3 - Indicator 2:

At least 75% of ETI corporate members reporting in any year demonstrate progress in applying the ETI's 5 principles' of implementation across their business.

### Progress achieved and challenges faced

During 2008/09, 76% of reporting members demonstrated improvement in applying ETI's principles of implementation.

As well as providing supplier site performance data, ETI company members self-assess their performance against 24 indicators, derived from ETI's Principles of Implementation. In their analysis of members' reports, Ergon Associates independently assess members' performance against these indicators, using agreed "pen picture" criteria. Performance is graded as Beginner, Improver, Achiever or Leader. Progress is defined in terms of moving up a category in the assessment scale (for example from Improver to Achiever) and is judged in terms of Ergon and ETI's assessment of member progress, rather than the member's own self-assessment.

We have looked at the number of members that demonstrate progress on at least one element of the ETI Principles of Implementation. Members do not have to report during their first year; 34 of ETI's member companies reported both in 2007 and 2008. Of these, 26 (76%) have improved their ranking in at least one indicator. One member made improvements in 20 out of the 24 indicators. The greatest number of improvements related to Principle 2: monitoring, independent verification and reporting, and to Principle 4: corrective actions.

The greatest challenge relates to Principle 5: management procedures, pricing and incentives. While many companies have top-down commitment to ethical trade and active CSR departments, more needs to be done to embed ethical trading principles into the commercial heart of business practices.

We try all the time to find ways to improve our systems. As part of this process we conducted a review of the ETI Principles of Implementation, which we completed in February 2009. We are currently updating the management indicators that relate to the revised Principles.

### List any documentary evidence of achievements

ETI Principles of Implementation (for information)

ETI members' annual reports for the years 2007 and 2008

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### **SO3 - Indicator 3:**

At least two case studies show that companies (north and south) are implementing ETI's good practice guidelines including guidelines of purchasing practices

#### **Progress achieved and challenges faced**

Case studies from five ETI members show they are working with their suppliers from around the world to implement good ethical trading practices.

Asda is taking a series of practical steps to integrate ethical considerations into its buying decisions, combining training with new incentives for buyers. All buyers must now attend a one-day training session on ethical trade, and there are plans to invite people from the field to share their own experiences and to communicate the often harsh realities of life for many workers.

Madison Hosiery has done groundbreaking work with ETI to develop and implement ETI's homeworker guidelines.

The challenges of getting suppliers to buy in to ethical trade include limitations on their resources and time and scepticism about the business benefits. Marks & Spencer has introduced a range of initiatives designed to build supplier support for ethical trade, including conferences and other events, a dedicated website and awareness-raising DVDs.

Next's ethical trade team developed a series of awareness-raising conferences for suppliers across its key sourcing countries. In total, it delivered six conferences to a total of 278 key suppliers in the UK, as well as India, China and Thailand. In addition, over 500 Next buyers and 300 technical and quality staff received similar training.

Tesco has introduced compulsory training for commercial staff and 'ethical champions' within the buying team to help build support for ethical trade within the company. Peter Grove, Tesco UK Category Director in Non-Foods, says that the training was "terrifying" but tremendously useful: "Now, when I'm in a factory with my technical manager, while I may not always know what I'm looking for to the same extent as him, I have the confidence to pipe up and question something if I think it looks a bit suspect". Grove says his whole perspective on his work has changed since he's done the training. "Now, when I look at a product, I think 'that's a great product, where has it come from? Does it look labour intensive or machine-made? What are conditions in the factory like?', not just 'how can we beat our competitors with this product?'"

#### **List any documentary evidence of achievements**

Case study: SO3 Indicator 3 Asda's work on purchasing practices

Case study: SO3 indicator 3 Madison Hosiery's work on homeworkers

Case study: SO3 indicator 3 Marks & Spencer's work to build supplier buy-in for ethical trade

Case study: SO3 Indicator 3 Next supplier conferences

Case study: SO3 Indicator 3 Tesco getting buy-in

**SO3 - Indicator 4:**

ETI continues to receive at least 1000 requests from businesses for good practice guidelines in any one year.

**Progress achieved and challenges faced**

ETI has received 1086 requests via our website between March 2008 and April 2009 for specific good practice guidelines, which we monitor for the purposes of the PPA. Some materials, such as the ETI Workbook (ETI's ethical trade manual for companies) are available free of charge to members, but are sold to non-members. We sold 45 copies of the Workbook to non-member companies. We entered into a licensing agreement with PASA to allow 1,700 NHS procurement staff have access to the workbook.

These download and sales figures considerably under-represent how much advice and information ETI provides to businesses on a daily basis in response to specific e-mail and telephone requests. We are also frequently invited to participate in members' and non-members communication events concerning ethical trade.

ETI also runs a range of training courses for members and non-members. Our open training programme comprises four one-day workshops, which help participants build the foundations of a sound ethical trade policy and strategy and support them in addressing the more challenging and emerging aspects of ethical trade. This course is intended for company ethical trading managers and for civil society staff who deal with ethical trading issues. We completely rewrote the training materials during 2008 and in that year trained 109 people, 85 of whom were from companies.

We run tailored training sessions for companies. Typically such an event might be a half-day session for buyers, designed to gain their buy-in for ethical trade.

We have seen a considerable increase in interest in our training towards the end of the reporting period and are currently developing bespoke training events for more than ten separate businesses.

**List any documentary evidence of achievements**

Download records  
 ETI 10<sup>th</sup> Anniversary DVD  
 ETI Supplier/Retailer DVD  
 Secrets and Lies DVD  
 Training09\_Final\_A4

**What is the likelihood that Strategic Objective 3 will be achieved? Rate 1 to 5.**  
**See footnote 10.**

**2**

Improved legal protection for poor workers through building consensus for policy change between business, civil society and government

#### SO4 - Indicator 1:

Civil society organisations in 2 countries report that participation in ETI facilitated engagement with government has contributed to improved legal protection for poor workers by 2009 with 2 more by 2011<sup>ii</sup>.

#### Progress achieved and challenges faced

ETI action has contributed to improved legal protections for workers over the past two years. Two examples are:

##### **Improved access to health insurance and state-funded credit.**

ETI has continued to provide support to the National Homeworker Group (NHG) in India, which has engaged with the Indian Government to increase access of homeworkers in Uttar Pradesh to official artisan cards. Over 3,700 homeworkers now have artisan cards as a result of the group's registration campaign. According to NHG, this is a major achievement, as the cards provide a gateway to government-funded benefits, including discounted health insurance and access to credit (see case study).

##### **Uzbekistan Government ratifies ILO conventions on forced and child labour providing greater protection for workers in the cotton industry.**

Over the past year ETI has been able to help mobilise and co-ordinate the activities of its members as part of a broader international alliance lead by the Environmental Justice Foundation (EJF). ETI has engaged directly with the Uzbek government, expressing members' concern about working conditions and in particular child labour in the harvest of Uzbek cotton. ETI has called on the Uzbek government to implement a meaningful ban of child labour and forced labour and to work with international organisations including the ILO to seek independent verification that such measures are effective.

The EJF has reported a shift in the regime's willingness to adopt labour standards as a result of this international pressure and an important component of this was pressure caused by ETI member companies, following ETI advice, banning use of Uzbek cotton in their garments. In May 2009, the Uzbek Government signed International Labour Organisation conventions that commit the country to stop using child labour in its state-sponsored industry, ratifying Convention 138 on the minimum age into employment and Convention 182 on the worst forms of child labour.

#### List any documentary evidence of achievements

Case study: SO4 Indicator 1 Artisan cards increase access to state-funded benefits in India

<http://www.ethicaltrade.org/in-action/projects/the-indian-national-homeworker-group>

YouTube video about the Bareilly Homeworker Group: <http://www.youtube.com/watch?v=zvx0cgfQ7ml>

Case study: SO4 Indicator 1 Lobbying the Uzbek Government

**What is the likelihood that Strategic Objective 4 will be achieved? Rate 1 to 5.**

**See footnote 10.**

**3**



**Strategic Objective 5:**

ETI enables the private sector to participate effectively with the trade union movement and NGOs in support of DFID's objectives.

**SO5 - Indicator 1:**

Annual feedback from 50% of ETI corporate members shows that ETI has enhanced their ability to engage with trade unions and NGOs in order to improve conditions for workers

**Progress achieved and challenges faced**

ETI held more than 100 face-to-face liaison meetings with individual member companies to discuss their relationship with ETI and particular initiatives during 2008. Their engagement with civil society organisations is always discussed in such meetings, although a formal record of the conversation is not necessarily kept unless problems are disclosed.

We gather feedback on this issue in a number of other ways. We gather formal feedback from corporate members through their annual reports. Ten members (20%) specifically commented on how ETI has facilitated their relationship with trade unions and or NGOs. ETI's effectiveness in this area is evidenced by a steep rise (from 6% in 2007 to 22% in 2008) in the number of ETI's corporate members reporting using trade unions to inspect their suppliers' workplaces.

For example, one member said of these plans "Involvement of other stakeholders, particularly NGOs and labour organisations will add to understanding of the local situation and specific difficulties relative to country."

Since the last PPA self-assessment, ETI has arranged 76 tripartite meetings and events, from single issue working groups to our major biennial conference, at which member companies and civil society organisations engage with each other to improve conditions for workers..

Feedback on relationships between ETI caucus groups is not confined to corporate members. Civil society organisations have also reported that ETI has made it easier for them to work with companies. For example, ETI is working with the International Textile, Garment and Leather Workers Federation, with member companies and with non-members to help resolve a dispute between workers, their trade union and their former employer at a leather goods factory in Turkey, who were unfairly dismissed for being trade union members.

**List any documentary evidence of achievements**

ETI members' annual reports for the years 2006, 2007 and 2008

*ETI members' annual reports contain detailed, sometimes commercially sensitive information. Copies are not included in this report; examples are available for inspection by the PPA review team on request, subject to confidentiality agreement.*

Conference, training and publications feedback questionnaires.

*Copies are not included in this report; examples are available for inspection by DFID on request*

**What is the likelihood that Strategic Objective 5 will be achieved? Rate 1 to 5.**

**See footnote 10.**

**1**

### What lessons are being learned from this PPA?

#### Good practice and knowledge generation

Examples of new ETI earning that inform better policy and practice.

- Discrimination and sexual harassment faced by women workers in the Kenyan agricultural sector have proved intractable in the past, but can be tackled through effective training of supervisors.
- Inroads can be made in reducing working hours and raising incomes through creating greater efficiencies in supply chain and production processes, strengthening industrial relations and greater industry collaboration.
- Improving homeworkers' wages and conditions can be achieved by building trust, improving transparency and increasing collaboration within complex supply chains.
- We have developed and helped share learning on how companies can understand, predict and respond to the incidence of bonded labour in parts of their supply chains.
- We have developed new techniques and approaches to help improve industrial relations in China, despite restrictions on freedom of association and collective bargaining.

#### Effective communication and knowledge dissemination

- The provision of quality training and practical tools is vital to changing business behaviour. Despite the recession, we have experienced a rapid up-take of ETI's new ethical trade training courses. We have increased our internal capacity to manage, develop and promote our training in the UK, and are exploring strategies to extend training into key supplier markets.
- We have invested in learning how our audiences want to receive information about ethical trade. As a result we have redesigned our website into a "shop window" for our learning, employed use of more case studies, short films and information campaigns communicated through new media.
- Increased public awareness of ethical trade issues, combined with cynicism about the behaviour and accountability of big business, especially during recession, is contributing to a distrust of their CSR messages. An influential driver of public opinion is the regular media exposes of poor labour standards supply chains. While important in raising awareness and driving corporate action it tends to polarise and oversimplify issues. Even well-performing companies fear speaking openly about the challenges and the achievements in this environment. We need to develop clear, simple messaging that empowers consumers to make ethically informed choices, while supporting our corporate members to engage with consumers more confidently and transparently. We have strengthened our staff capacity and are looking for funding beyond the PPA to respond to this challenge.

#### Organisational strategy and impact

- The global recession is having a devastating impact on jobs and working conditions, so creating increased reputational risks for companies buying from poor countries. We see this as an opportunity to increase the demands we make of our member companies.
- We have therefore re-focused our organisational strategy for the remainder of the PPA on the core areas we believe will drive most change for workers. These are delivering higher wages, better industrial relations and integrating ethics into company buying practices. We will retain our focus on vulnerable workers.
- We have also reviewed our Principles of Implementation, which our members are required to follow in implementing the ETI Base Code. The new Principles place greater emphasis on building supplier capacity to provide decent conditions, improving industrial relations, integrating ethical trade into core business practices and transparency.
- We now need to improve our measures of how companies achieve such change and a key challenge for the year will be to revise our indicators of corporate performance and the annual reporting mechanism itself. One improvement over the past year has been to establish validation visits to 20% members to assess the quality of the information they are sending us.

<sup>14</sup> We left this section fairly open to interpretation.

Additionally, it's an opportunity to show the reach and value PPA money has.

## Part D – Partnership with DFID<sup>15</sup>

### Partnership with DFID

The level and intensity of engagement described in Section A has increased since the partnership began, adding mutual value and useful spin offs. Some recent examples:

- We advise DFID on ethical trade issues and on how to engage the private sector - for example, providing input into ministerial speeches, DFID publications and most recently in the establishment of the proposed Responsible and Accountable Garment Sector Challenge Fund.
- During 2008 we collaborated on initiatives to raise the profile of ETI and ethical trade. Gareth Thomas endorsed the “ethical pest” consumer campaign <http://www.ethicaltrade.org/get-involved/be-an-ethical-pest>; appeared in one of a series of short films broadcast on YouTube <http://www.youtube.com/watch?v=XGHQV19mCP8> and engaged in debate with over 500 industry participants at ETI's 10<sup>th</sup> anniversary conference in October 2008.
- Following initial contact with DFID, we have developed new “Ethical Procurement for Health” guidance with the NHS <http://www.pasa.nhs.uk/PASAWeb/NHSprocurement/Sustainabledevelopment/Ethicalprocurement/> and engage with the DEFRA sustainable clothing roadmap providing two demonstration projects in the action plan <http://www.defra.gov.uk/environment/business/products/roadmaps/clothing.htm>
- ETI supports the creation of strong ethical legacy for the 2012 Olympic Games by advising LOCOG on how to establish robust ethical procurement practices.

Success factors in making such engagement work include:

- “Champions” in the Joint Trade Policy Unit and Business Alliances Team proactively promote contact between ETI and policy colleagues where there is likely to be mutual interest.
- DFID has become a more demanding partner, approaching ETI for advice and with suggestions. This has supported our success in penetrating public procurement and growing our membership. Our systems for capturing learning and monitoring progress have improved as a result of the demands of our partnership.
- PPA funding is not tied to specific projects, it allows us to take risks, respond quickly to seed new ideas or support key work that is not easy to fundraise for.
- The partnership provides added incentive to focus efforts on the poorest workers such as homeworkers, migrant and women workers. ETI has developed unique expertise in these areas and there is clear evidence that this is influencing companies to be more sensitive to the needs of these vulnerable people.

We have a number of suggestions about how the partnership could be further improved.

- Co-operation to raise awareness of consumers on ethical trade issues and choices. We think there is a need for targeted research.
- DFID could play a more assertive role with some key partners in stressing the importance

<sup>15</sup> Again, we wanted to focus on partnership over relationship here and have left this section open to interpretation by each organisation.

This is where the mutual accountability framework will slot in, once it has been developed by DFID.

This is an opportunity to expand on some of the information in Part A on the partnership between DFID and PPA holders and a chance to flag up issues.

Again, there is a shift in emphasis from a purely financial relationship to a partnership that is also about learning, accountability and communication with other parts of DFID beyond the Civil Society team.

of enforcing the rule of labour law. UK business and their southern suppliers need a more enabling environment in which competition can be based on decent work. There is strong synergy between the big DFID programmes and key UK source markets and labour rights are an important component of MDG1.

- Better co-ordinated communications. ETI have not always been made aware of consumer-oriented campaigns that DFID are running and we could potentially add value to these. It would be helpful to have regular meetings to update each other on campaigns relevant to ethical trade. The new ETI website has specific issue briefings and could link to particular content on the DFID website or drive relevant news stories.
- ETI staff often deliver training to businesses and could include some information about DFID in these sessions. It may also be good for some DFID staff to attend these events.
- ETI would like to use more ministerial quotes in our publications as appropriate, and believe we can provide better recognition of DFID's support to ethical trade and ETI through the placement of DFID logos and information about our PPA with DFID on the website and in our major publications.

## **Part E – Corporate Governance and Organisational Change<sup>16</sup>**

### **Provide evidence of how your organisation demonstrates good corporate governance, whether this has changed as a result of the PPA, and if so how.**

Two defining characteristics of ETI mean that we take our responsibilities in these areas very seriously. Firstly ETI is accountable for its self-governance to over 70 member organisations. Secondly ETI is itself a labour rights organisation demanding accountability from its members on their workplace labour standards.

The ideas embodied in the ETI Base Code and Principles of Implementation are central to ETI's own internal policies and ways of working. We are committed to providing a safe, secure and fair workplace, which provides equal opportunities and has due regard for our organisation's impact on our stakeholders and our environment. We comply in all respects with UK employment and equalities legislation. ETI's internal policies are set out in detail in the ETI Staff Handbook, which is regularly updated. It covers:

- Hours of Work
- Absence
- Probationary Period
- Payment of Salary
- Overseas Consultants
- Holiday Entitlement

<sup>16</sup> This section is about both ticking the basic legal compliance boxes and showing that PPA holders are pioneering dynamic new approaches to e.g. environmental standards.

This also provides an opportunity for PPA holders and other organisations in the sector to learn from each other and presents PPA holders as at the forefront of new approaches to good corporate governance, accountability, transparency, organisational change etc.

This is an opportunity to list which standards and codes you are signed up to (e.g. HAP, Sphere etc).

Emphasising how PPA funding has contributed to improving governance and change in your organisation and how this learning has been shared in order to strengthen the sector will also provide more material to demonstrate the reach and value that PPA funding has.

- Pension
- Data Protection and Security of Information
- Health and Safety
- Travel and Subsistence
- Disciplinary and Appeals Procedure
- Grievance Procedure
- Dependent Care Policy
- Employee Care Policy
- Email and Internet Policy
- Equal Opportunities Policy
- Flexible Working Policy
- Flexible Working Policy for employees with child care responsibilities
- Maternity Policy
- Paternity Policy
- Remote Working Policy
- TOIL Policy
- Training and Development Policy
- Environmental Policy
- Stress Policy

The ETI Base Code is itself derived from international standards covered by the relevant conventions and recommendations of the International Labour Organisation. The ILO's conventions are legally binding on states that ratify them and its recommendations are intended to act as guidelines for employment practice.

The nine provisions of the ETI Base Code are:

- Employment is freely chosen;
- Freedom of association and the right to collective bargaining;
- 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.

We have a clear process for embedding these principles into our ways of working. We start from the beginning with members, staff and directors. Each receives a comprehensive induction including documented material, containing all relevant policies and procedures. In the case of new ETI staff members, this includes awareness of their workplace rights and responsibilities as well as how ETI works and their place in the organisation.

Our recruitment processes take account of UK equalities legislation. All application forms are anonymised before going before the recruitment board for short-listing. We do not require employees to have Criminal Records Bureau checks as their work does not bring them into contact with children or vulnerable adults. Nor do we keep details of children or vulnerable adults on our system.

Our premises are as DDA compliant as possible and, although building layout prevents us from having wheelchair access, we have a plan in place for disability requirements that include hiring a ramp. Our ground floor meeting rooms and toilet are fully accessible and publications available online can be adapted to a variety of typefaces to suit the visually impaired.

ETI's environmental policy is covered in the Staff Handbook. It is mostly concerned with energy saving and recycling, but we are committed to using Fairtrade and green products wherever feasible.

None of this has changed as a direct result of the PPA but it has enabled us to employ the correct people with the necessary knowledge to build good governance and keep it current.

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<sup>i</sup> The five principles of implementation are: Commitment, Monitoring, Verification and Reporting, Awareness Raising and Training, Corrective Actions of suppliers and Management Procedures, Pricing and Incentives. A company's progress in implementing each principle is measured by assessing how far they have met 3-6 key performance indicators. In 2008, ETI is consulting with stakeholders to review the principles of implementation. If the principles are amended significantly, this may alter the data reported by members to ETI and require key performance indicators to be adjusted as in future years.

<sup>ii</sup> This indicator refers to "improved protection for poor workers" meaning changes in the law or better implementation of existing laws. Such engagements between civil society and government can stimulate enhanced enforcement of law through both government activity and that of private enterprise.

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#### Note on High Level Objective 1

##### re: baseline for demonstrating improvements for Indicators 1, 2 and 3

Indicators 1, 2 and 3 are numerical measures based on statistics drawn from the independent analysis of members' annual reports to ETI. They seek to track the scale of improvement actions by ETI members.

- Indicator 1 baseline: in the baseline calendar year ending 2006, there were 39282 improvement actions counted in total (as opposed to 3600 improvement actions during 2003).
- Indicator 2 baseline: in the baseline calendar year ending 2006, 601 of the total improvement actions related to the ETI Base Code on Freedom of Association and 5929 related to actions on Wages

Because the range of membership is growing, it is helpful to view improvements in context. (For instance, as well as tracking the raw total of numbers of improvement actions, by noting changes in the types and range of companies implementing actions and the proportion of improvement actions tackling more difficult issues such as wages and freedom of association.)

Under Means of verification for High Level objective 1, the analysis of project reports and the collection of case studies on improvements in working conditions help to inform all three indicators 1 to 3. For instance, case studies help illustrate detailed examples of what is implemented and achieved as improvement actions in the supply chains of ETI members.

#### Note on Case studies (referred to in Indicators 3, 6 and 9)

Case studies will be used to demonstrate achievement against HLOs 1, 2 and 3. Data collection for case studies will be carried out in a variety of ways, depending on the focus of the case study, the location of activities being described, and the individuals and organisations involved (as implementers and/or target beneficiaries of the activities). Methods will include review of documentation, discussion at project group meetings, telephone and face-to-face interviews (with members, partners, participants, beneficiaries, etc), questionnaire surveys (where appropriate), etc. Case studies will include quotes and evidence from workers and managers where relevant and possible.