

ETHICAL TRADING INITIATIVE: HUMAN RIGHTS RISKS IN GLOBAL SUPPLY CHAINS



For workers' rights. For better business.

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INTRODUCTIONS

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**Ethical
Trading
Initiative**

For workers' rights. For better business.

PODMORE
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WHAT WE WANT YOU TO KNOW

- There are human rights risks to workers in **all** supply chains in **all** sourcing countries
- Your business has a responsibility to take active steps to reduce these risks
- Auditing alone is not enough
- There are tools and resources to help you build your knowledge of how to go about this
- ETI is a key resource within the industry

WHAT WE'LL COVER TODAY

- Who are ETI and what role do we play
- What sort of risks are we talking about
- Why should your business care about this
- Theories and concepts
- Tools to help deliver on responsibilities
- How to set in place an action plan

WHO ARE ETI?

ABOUT THE ETHICAL TRADING INITIATIVE

- Founded in 1998, ETI is the leading membership organisation promoting respect for workers' rights
- Our unique approach brings together companies, NGOs and trade unions
- Our vision is a world where all workers are free from exploitation and discrimination

91 company members including:



19 NGO members including:



4 trade union members:



KEY FEATURES OF ETI

- Guidance
- Toolkits
- Membership
- Training



ETI BASE CODE

- The ETI Base Code is an international code of labour standards
- It is based on the UN Guiding Principles on Business and Human Rights ('UNGPs') and the ILO Core Conventions
- ETI members subscribe to implementing the principles of the Base Code through our roadmap



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

*Internationally agreed core human rights. All UN member states, whether or not they have ratified the relevant ILO conventions, are obliged to meet these labour standards.

WHAT ARE THE RISKS TO WORKERS?

WHAT IS ETHICAL TRADE?

- Ethical trade is about the role companies play in upholding the rights of workers
- It applies to direct employees and those working across the supply chain
- All workers should enjoy:
 - safe working conditions
 - reasonable hours
 - fair pay
 - no harsh treatment or discrimination



THE CASE FOR ETHICAL TRADE

- Exploitative labour practices continue across the globe
 - 168 million children engaged in child labour with half of them in hazardous work
 - ~ 60 million garment workers worldwide, very few of whom have access to their rights
- Pakistan factory fires in 2010 and Rana Plaza collapse in 2013: examples of a systemic failing to protect and empower workers
- Businesses' approach to managing risk through compliance proved insufficient



'Wake up call' as luxury fashion brands criticised over supply chain slavery risk

sustainable fashion
Guardian sustainable
business

Luxury brands: higher standards or just a higher mark-up?

4 MIN READ



Research challenges assumption that there is a link between the cost of clothing and the way it is produced, explains Tansy Hoskins



Tansy Hoskins

Wed 10 Dec 2014 07:00 GMT

index ranking commitments to tackle slavery and forced labour.

ashion houses Dior,
f the major retailers
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Fashion industry

Chanel shoes, but no salary: how one woman exposed the scandal of the French fashion industry

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QUARTZ

MADE IN ITALY

Italian workers are earning near sweatshop wages to make luxury clothes in their homes

By Marc Bain • September 21, 2018

NEWS & ANALYSIS

Inside Fashion's Shadow Economy

Within a distressed labour market, thousands of low-paid home workers i
luxury garments without contracts or insurance.

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Did 'SLAVE LABOR' make your designer bag? New report finds luxury brands like Prada, Fendi and Dior rank among the worst retailers for protecting workers from exploitation

TheChain is a nonprofit that grades companies based on the supply chain use to make their products
ry brands like Prada, Fendi, and Christian Dior received low marks for ng on factory laborers that are vulnerable to exploitation
rel brands like Adidas, Lululemon, and Gap received high grades for making fort to ensure fair labor practices

. ZILBER FOR DAILYMMAIL.COM

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FT Investigations Life & Arts

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Dark factories: labour exploitation in Britain's garment industry

In parts of Leicester, workers are paid as little as £3.50 an hour. Why is no one being held responsible?

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Exposed: Sweatshop 'slaves' earning just 44p an hour making 'empowering' Beyonce clobber

EXCLUSIVE by JAMES MILLS

7th May 2016, 11:01 pm | Updated: 19th May 2016, 5:35 am

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Rana Plaza

Rana Plaza collapse: 38 charged with murder over garment factory disaster

Three defendants also charged for helping complex owner Sohel Rana flee after incident in which five garment factories fell in 2013, killing 1,135 people



This article is 8 months old

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Reuters in Dhaka

Monday 18 July 2016 16:28 BST



WHY DO THESE PROBLEMS PERSIST?

Low prices &
poor purchasing
practices

Lack of visibility

Complex supply
chains

Greed &
corruption

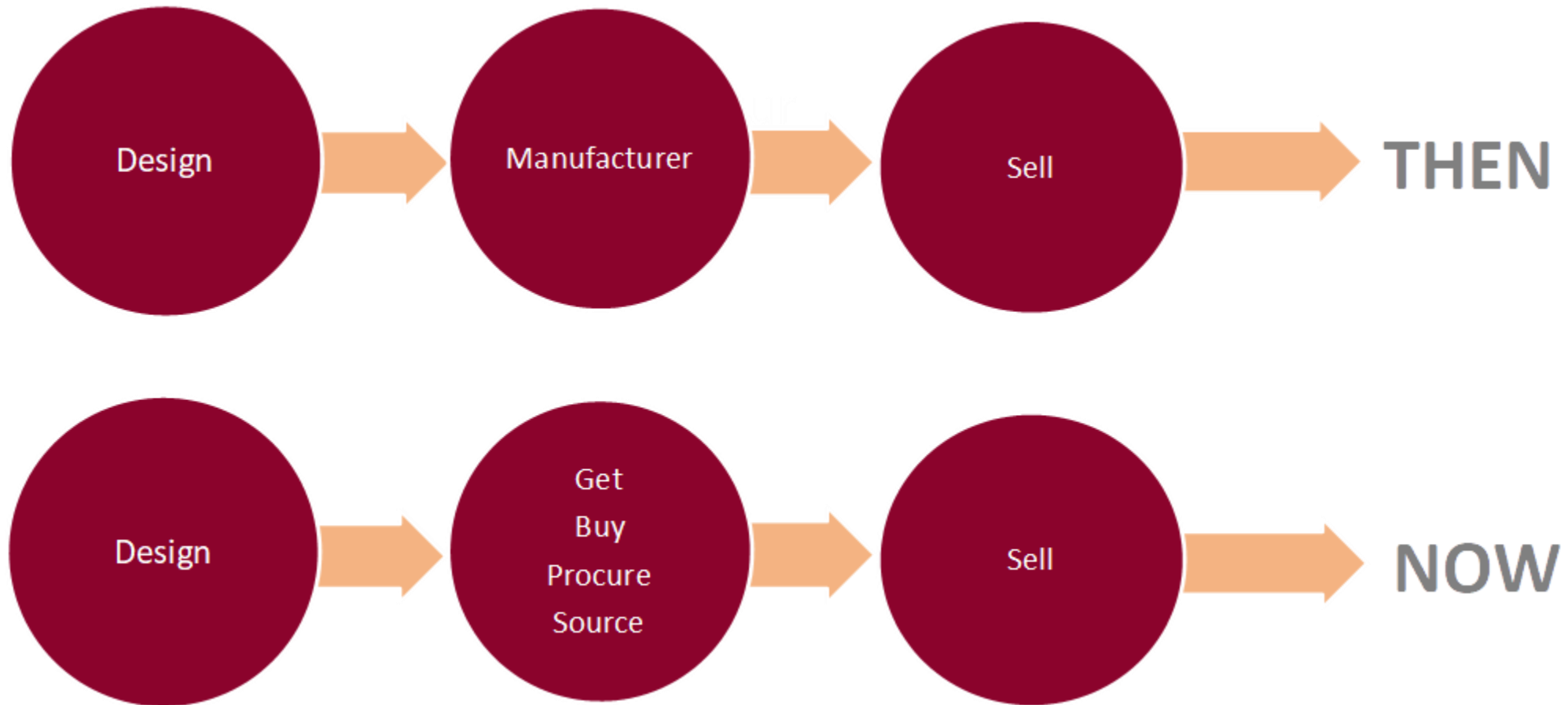
Over-reliance
on audit

Lack of
transparency

Lack of
legislation and
regulation

Poor law
enforcement

WHAT'S CHANGED?



EVOLUTION OF SUPPLY CHAINS

- From near to far
- From known to unknown
- From predictable to unpredictable
- From regulated to unregulated
- From visible to invisible (and back again...)
- Resulted in unintended consequences and risks
- Impacts on poor and vulnerable



WHY ISN'T AUDITING ENOUGH?

- **The pros of auditing:**
 - Routine checking against local law and international standards, professional auditors know the right questions to ask, a formalised reporting opportunity, “something is better than nothing”.
- **The cons of auditing:**
 - Dishonesty in the system, double book keeping, no tangible progress on the big global issues of child and slave labour, achieving living wage, excessive hours, abuse of most vulnerable workers.
- **So, what to do?**
 - See for yourself, ask the difficult questions, find out if other brands work there.

WHY SHOULD YOUR BUSINESS CARE ABOUT THIS?

GROWING PRESSURE ON COMPANIES



Regulation



Consumer expectation

Investor pressure

Media & NGO scrutiny



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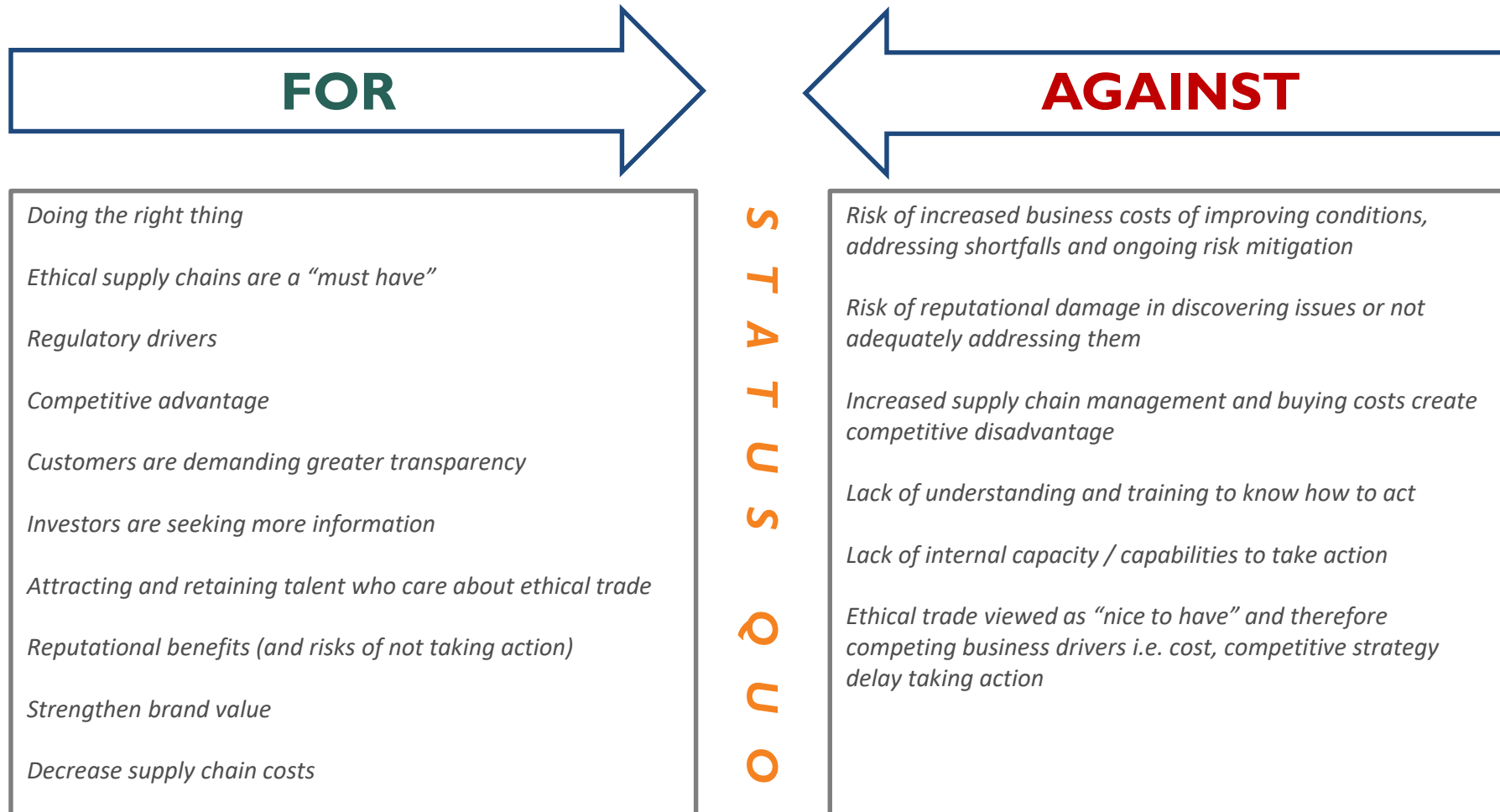
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ETHICAL TRADE DRIVERS



Question for discussion: which of these have you experienced? Are there others?

INTRODUCING SOME THEORIES & CONCEPTS

INTERNATIONAL LABOUR ORGANISATION

‘CORE CONVENTIONS’

- The main aims of the ILO are to promote rights at work, encourage decent employment opportunities, enhance social protection and strengthen dialogue on work-related issues
- 8 'fundamental' basic human rights conventions:
 - freedom of association and right to collective bargaining
 - elimination of forced and compulsory labour
 - elimination of child labour
 - elimination of discrimination in respect of employment and occupation



International
Labour
Organization

THE UN GUIDING PRINCIPLES FOR BUSINESS AND HUMAN RIGHTS, OR THE 'UNGPs'



SO, WHO IS RESPONSIBLE FOR UPHOLDING HUMAN RIGHTS?

Buyer

Supplier

Government

Brand

Customer

Employer

Labour
agency

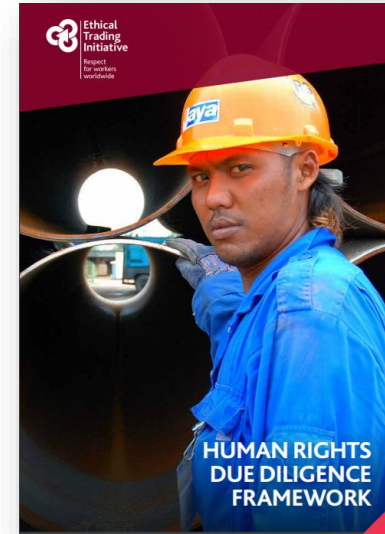
“Context”

All of the above?

WHAT TOOLS CAN HELP DELIVER ON THESE RESPONSIBILITIES?

HUMAN RIGHTS 'DUE DILIGENCE'

- A four-step process to enable business to both identify and act upon actual and potential human rights risks for workers in its operations, supply chains and the services it uses
- This approach to due diligence is holistic, inclusive, cost-effective and drives better outcomes for workers and better business



SOURCES OF INFORMATION ON LABOUR RISKS

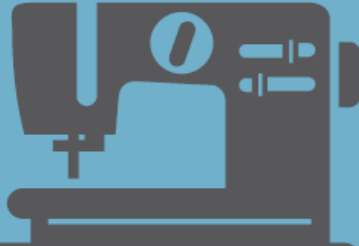
- Labour inspectorates
- ILO country briefings
- Trade union reports
- Other company experiences
- Labour rights' NGOs
- ETI projects
- Worker complaints
- Audit reports
- Other ideas?



FOCUS ON WORKERS

- Is there any form of worker representation or trade union organisation?
- How and where were they recruited?
- Who employs them?
- Recruitment fees
- Where do workers live?
- Are ID documents or travel documents retained?
- Is a contract in place?

Human rights due diligence must include a focus on the most vulnerable workers, these include:



CHILDREN



WOMEN



MIGRANT WORKERS

INTERNAL AND
CROSS BORDER



SEASONAL WORKERS

SUCH AS
AGRICULTURAL
WORKERS



CONTRACT AND AGENCY WORKERS

MARGINALISED GROUPS

SUBJECT TO
DISCRIMINATORY LAWS
AND TREATMENT



DOMESTIC WORKERS



BUYING RESPONSIBLY

- Brands' purchasing practices are proved to have clear knock-on effects for suppliers, and consequently, workers
- ETI research showed that, for example:
 - **39%** of suppliers reported accepting orders **below the cost of sustainable production**
 - **40%** of suppliers said that they were **likely to subcontract** orders to other companies because of low order prices
 - **60%** of suppliers expected to assume full responsibility for **financing ethical requirements**, including audits
- By examining and improving these practices, brands can create fertile ground for suppliers to deliver the principles of a Code of Conduct



Buyer's checklist: Labour-related costs

Before negotiating a price, ask your supplier to provide the 'real' cost of addressing the following labour issues and factor them into your calculations:

- Basic salary.
- Overtime premiums.
- Insurance (injury, health, pension).
- Leave (maternity, illness, holiday).
- Safety equipment.
- Health and safety measures eg safety equipment, adequate ventilation, adequate workspace and training for workers as part of establishing a broader health and safety culture, in which workers are empowered to identify and prevent hazards, and can voice any concerns through official channels.
- Recruitment and training of new workers.
- Skills upgrading for existing workers.
- Training for committees with worker representation.
- Human rights training for workers and supervisors.
- Wage compensation for worker representatives' non-production work time.
- 2% employers' charges for trade unions (in China and Vietnam).
- Safe drinking water; good canteen.
- Safe transport.
- Workplace childcare.

TRAINING FOR YOU & YOUR SUPPLIERS

- ETI offers training on:
 - the essentials of ethical trade
 - responsible buying
 - modern slavery
 - human rights due diligence
 - worker engagement
 - gender equality and inclusion
- Bespoke training
- UK or international
- Discounted rates to members



96%

*of ETI training is rated
'outstanding' or 'very good'
by delegates*

SETTING IN PLACE AN ACTION PLAN

BUILDING YOUR SUPPLY CHAIN: SOME PRINCIPLES

- Know your product, detailed understanding of all components
- Know where it came from and how it got to you (follow the money)
- Understand the processes, where they take place and what chemicals, natural resources and people are used along the way
- Be clear about the risks – legislative, COO, human and environmental impact.
- KEEP LEARNING, ASK QUESTIONS, BE NOSY, GO AND SEE IT....

GOVERNING YOUR SUPPLY CHAIN: GOOD PRACTICE

- Decide what's important to you
- Decide who is responsible for defining the standard, and who delivers it
- Create a set of standards that describe your beliefs, can be shared with your team, agreed with your supply chain, communicated to your customers
- Ethical trade statement, Code of Conduct, Manufacturing Agreement, Terms and Conditions of trade
- TALK TO YOUR PARTNERS IN YOUR SUPPLY CHAIN

YOUR ETHICAL TRADE STATEMENT – WHAT IT SAYS ABOUT YOU

- It should be factual, never say things you don't mean
- But it can be aspirational, its ok to set yourself future goals
- Focus on the things that are important to you, you don't have to compete with "Plan A" this year!
- Better to deep dive into something than skate on the surface
- Consider rolling it out...internally at first, then with your suppliers, and ultimately share parts of it with your consumers
- Measure it!
- Remember it's a brand asset, so give it some TLC.....

MOTHER OF PEARL: AMY POWNEY

- Creativity and ethics sit equally in our brand philosophy. We believe in delivering beautiful clothes without compromising on integrity.
- In 2018 we launched 'No Frills ', our first fully sustainable line of core classics for everyday wear. Doing our bit to slow fast fashion down, we are working towards making Mother of Pearl a fully sustainable brand.
-rather than having to simply trust a sweeping one page sustainability statement, we are providing you with individualised product information so you can really know what you are spending your money on.

IN SUMMARY

IN SUMMARY

- The role of ETI
- Take the time to understand your supply chain
 - Where are workers most at risk?
 - How do your (buying) practices affect workers?
- **Embed ethical trade** into your approach
 - ‘Tacking on’ CSR activities isn’t enough
 - Use ETI guidance and toolkits
- **Put in place an action plan**
 - Talk to partners in your supply chain
 - What is good practice?



COME AND JOIN US TO HEAR MORE

- Follow up session in January: bespoke training through BFC
- Ethical trade and the ETI Base Code
- Mapping your supply chains: where are your risks?
- Human rights due diligence: what is included and how does it work?
- Responsible purchasing practices
- Implementation and next steps planning

FOR FUTURE CONSIDERATION: ETI MEMBERSHIP

“

We have always found the ETI membership very helpful for our ET work and there is undoubtedly a lot of value we get from our membership. It makes us accountable, gives us more leverage with our work internally and in our supply chain and it helps us keep up with the ET developments in the world. It also helps us with our strategy and identifying gaps in our programme.

STELLA McCARTNEY

”



QUESTIONS?

THANK YOU

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