



Ethical Trading Initiative
Respect for workers worldwide

ETI Guidance for Apparel & Textile members during the COVID-19 Outbreak

Short-term

We understand that many brands are facing huge challenges through-out their supply chains during this period. Equally we know that many suppliers and manufacturers are feeling the impact and will also be concerned with business continuity, however in the long run we all depend on each other and ultimately, workers. Therefore, we expect that when difficult decisions are taken, the impact upon workers and suppliers is fully assessed and action is taken in collaboration to minimise this as much as possible. We anticipate that there will be three main scenarios when orders may need to be cancelled:

1. Future orders where no costs have been incurred by suppliers or factories.
2. Ongoing orders where some costs have already been incurred, but more would be expected with continuation.
3. Completed orders with full costs already allocated.

ETI guidance in these three scenarios is as follows:

1. It is reasonable to cancel these orders without any further obligation, but we expect there to be dialogue with suppliers about post Coronavirus orders and support to retain capacity where possible. Ideally this could include a commitment to return with a commensurate order in future.
2. We expect members to have an inclusive dialogue with suppliers to fully assess the costs incurred so far with the aim of agreeing a reasonable way to share them. For work already completed, we would expect salaries to be paid in full by suppliers and we expect members to work hard to minimise the ongoing impact upon workers who will already be facing difficult circumstances. This will mean understanding the capacity of the factories to support their workforce and making extra efforts where necessary and possible. While there may be some brands that can accommodate this individually, we are working with others to seek sector-level support for immediate emergency assistance.
3. Payment for completed orders should be honoured and within reasonable time. Brands should consider early payment and not withhold payments to suppliers as workers need money for medication, food or to survive periods of isolation. Brands should also avoid using Force Majeure provisions in contracts for economic reasons or summarily terminating contracts. Brands are asked to work with their suppliers to ensure workers continue to receive salary payments to bridge the time of technical unemployment and work with suppliers to ensure that workers receive compensation packages in line with national and international standards.

Long-term

This crisis has demonstrated more powerfully than before that there is a need for a long-term sector-wide improvement programme that supports the development of effective worker protection systems in the sourcing countries where global brands operate. ETI supports the demand for the future proofing through the establishment of unemployment funds and social health schemes in

sourcing countries to help mitigate the effects of unemployment now and in the future. ETI undertakes to work with other MSIs, trade unions and industry organisations to develop a practical programme involving International Financial Institutions (e.g. World Bank Group & International Monetary Fund). We understand that International Labour Organisation and Better Work have plans to take this forward and aim to support their leadership to deliver this.

This should lead to the development of a robust national social protection system post-crisis, which would include employment injury, paid sick leave and unemployment benefits. While the immediate aid and finance package can serve as seed-funding for such a system, a long-term finance mechanism needs to be developed which includes a contribution system as outlined in relevant ILO Conventions, and supplemented by a finance mechanism of international buyers when sourcing resumes. It should also strengthen domestic regulations including alignment with ILO Core Conventions, especially around Freedom of Association and Collective Bargaining as well as national Occupational Health and Safety systems.

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