Foreign Trade Association

ANNUAL REPORT 2015 – 2016

Free Trade. Sustainable Trade.
About FTA

The Foreign Trade Association (FTA) is the leading business association of European and international commerce that promotes the values of free trade and sustainable supply chains. Uniting over 1,800 retailers, importers, brands and national associations, FTA improves the political and legal framework for trade in a sustainable way. FTA includes the Business Social Compliance Initiative (BSCI) to support participants to improve working conditions in factories and farms worldwide. It also provides the Business Environmental Performance Initiative (BEPI) to facilitate improved environmental performance in global supply chains.

FTA Membership in Numbers

1,811 Member companies + 13 Associations

1,824 MEMBERS

1,784 BSCI/ITP

96 BSCI/ITP BEPI

40 ITP only

Representing:

35 countries across 4 continents

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Dear readers,

2015 was a year of transition and growth for FTA. Over the past year, FTA experienced continued membership growth; increasing from 1,500 members to more than 1,800 members. Now in 2016, we foresee promising and exciting developments coming our way.

Trade plays a major role in economic growth, innovation, investment and jobs, lifting millions of people out of poverty. Following various FTA lobbying efforts through its International Trade Policy (ITP) service, in October 2015, it welcomed the EU’s long-term trade policy strategy presented by Trade Commissioner Malmström. Throughout this strategy FTA was pleased to see a strong focus on sustainability, more transparent decision making and an ambitious negotiation programme.

Trade can only lead to prosperity for all if it is combined with responsible labour and environmental standards. With this in mind, international sustainability standards are needed such as those provided through the Business Social Compliance Initiative (BSCI) and the Business Environmental Performance Initiative (BEPI).

A significant development in 2015 was the consolidation of BSCI and BEPI under the holistic service ‘FTA Sustainability’. While our International Trade Policy department ensures that FTA succeeds in promoting a liberal, yet sustainable, framework for trade, FTA Sustainability has a clear objective to develop synergies between the initiatives towards enhanced sustainable supply chain management.

FTA Sustainability has undergone a rapid transition over the past year. The year 2016 welcomed the full implementation of BSCI 2.0 audits in participants’ supply chains. Following a soft launch in 2015, many tools were provided and efforts made to prepare BSCI participants and their producers for the full application of this system.

Cooperation being a key value of the association, the announced merger between BSCI and the French social compliance initiative, Initiative Clause Sociale (ICS) was well received. Becoming official on 1 January 2017, the two initiatives will unite their efforts towards true implementation of sustainable supply chains based on the values of transparency and responsibility. BEPI also strengthened ties with the Zero Discharge of Hazardous Chemicals (ZDHC), with which it aims to leverage efforts to address challenges around chemical management in the supply chain.

A final key milestone for all FTA members was the successful launch of the FTA Academy in 2016. This powerful platform supports all FTA members’ understanding of trade challenges and the development of sustainable supply chains.

With the many ambitious objectives to enhance its advocacy work, to deliver value-added activities and to scale up collaboration efforts, FTA depends on its motivated network to deliver continued success. The President and Director General would like to thank its motivated team for their commitment in building FTA’s success. A further thanks is extended to its Board of Directors who have passionately shaped the association over the years, the BSCI Steering Committee who have developed its social compliance initiative as well as members involved in the various Working Groups, Committees and National Contact Groups who have supported the association and shared its vision.

We wish you an enjoyable read!

1 May 2016, Brussels

Ferry den Hoed  
FTA President (until 1 June 2016)

Christian Ewert  
FTA Director General
OPEN TRADE AND SUSTAINABLE VALUE CHAINS

While trade is a driver of economic growth, increased protectionist tendencies continue to hamper global economic recovery. Against this challenging environment, open trade and sustainable value chains are essential means to stimulate inclusive development and create high-value employment. In the past year, FTA has made systematic efforts to promote these objectives and values.

FTA’S MAIN ACHIEVEMENTS: CONTRIBUTING TO EU TRADE POLICY

EU STRATEGY ‘TRADE FOR ALL’ – STRONG FOCUS ON SUSTAINABILITY

In October 2015, EU Trade Commissioner Cecilia Malmström, presented a long-term trade policy strategy with a strong focus on sustainability, more transparent decision making and an ambitious negotiation programme. These elements and the proposed actions correspond, to a large extent, to the suggestions put forward by FTA in two strategic manifestos, the FTA Road Map in 2014 and the FTA Statement to the European Commission in June 2015. FTA welcomed the increased focus on the link between free trade and sustainability. The involvement of all actors in this discussion should lead to a better understanding of the nature of international trade and sustainable global supply chains.

FTA PUSHES EU TO MOVE TO A TRANSPARENT ANTI-DUMPING SYSTEM

For many years FTA has expressed concern over the EU’s reluctance to adopt adequate independent scrutiny of the data collected during anti-dumping/subsidy investigations to verify that decisions are fair and accurate. FTA’s proposal, detailed in its June 2015 position paper, is for the EU to employ a system similar to the Administrative Protective Order (APO) used in the U.S. The APO is a non-disclosure agreement that allows authorised persons to access confidential data. These persons are bound to strict confidentiality requirements and held to severe sanctions.

FTA’s position paper was well received by Commissioner Malmström and it was reflected in the new trade policy strategy. If implementation is successful, this will be a major improvement to established practice and a significant success for FTA.

EU-TURKEY CUSTOMS UNION ENHANCEMENT

In response to the duties on shoes and other products, FTA’s March 2015 position paper called for an overhaul of the Customs Union to include a dispute settlement process. Following subsequent meetings, the European Commission announced that it intended to assess the possibility of enhancing the Customs Union, and in March 2016, it initiated a public consultation to which FTA contributed. FTA believes that Turkey should remove a number of trade barriers, including additional duties and tests on footwear, clothing, furniture, bags and other products, before negotiations start. FTA continues to closely follow this issue.

NEW EU-VIETNAM TRADE DEAL

On 2 December 2015, the EU and Vietnam concluded negotiations for a highly-ambitious free trade agreement. Entertaining close links with negotiators from both the EU and Vietnam, FTA has continuously called for a driven and timely delivery. The retail and import sectors stand to benefit greatly from the agreement, due to a lowering and gradual abolishment of 99 percent of tariffs, a reduction of technical obstacles to trade [such as the abolition of Economic Needs Tests in Vietnam] and the facilitation of investments and commercial presence. In addition, the agreement provides for a comprehensive and binding sustainability chapter. After a lengthy ratification process, the new agreement will take effect by the end of 2017 or beginning of 2018.

WTO MINISTERIAL IN NAIROBI – FTA PULLING OUT ALL THE STOPS

From 15-18 December 2015, the World Trade Organisation (WTO) held its 10th Ministerial Conference in Nairobi, Kenya, where FTA was present as part of the advisory team to the EU Delegation and also organised a high-level panel discussion as a side event of the conference. Subsequently, FTA and EuroCommerce, a Brussels-based trade association, garnered global business support for a joint statement representing 25 business organisations and close to €10 trillion in combined turnover.

In the run-up to Nairobi, FTA organised a panel debate at the WTO Public Forum in October 2015 and published a position paper on the Ministerial, where it called for the inclusion of issues that impact businesses. Despite failing to propose a roadmap for the future of the WTO, FTA welcomed the agreements reached in Nairobi due to their potential for fostering trade and development.

FTA Advocates: International Trade and Sustainable Supply Chains

Trade Commissioner Malmström presenting the keynote speech at the FTA Trade Conference 2015
TOP SOURCING OF THE FUTURE – EASTERN EUROPE IS BACK

The Trade Barometer is FTA’s business activity indicator that assesses members’ sourcing expectations at the global level. In 2015, members were asked about their views on future sourcing developments and key buying markets in the coming three years. FTA members believe that Eastern Europe (43 percent), India (40 percent), Vietnam (39 percent), China (38 percent), Bangladesh (36 percent) and Turkey (24 percent) are the sourcing markets most likely to grow in importance.

FTA IN ACTION 2015-2016

INTERNATIONAL TRADE POLICY

TURKEY – RESTRICTIVE MEASURES ON FOOTWEAR

In August 2014, Turkey introduced customs duties of 30 percent and 50 percent on footwear imported from third countries in free circulation in the EU and insisted on testing for phthalates. By the first quarter of 2016, footwear duties cost several well-known shoe retailers in excess of €120m, plus €4m for warehousing and average delays of 19 days. The duties are clearly contrary to the Customs Union and also conflict with the General Agreement on Tariffs and Trade [GATT]. Following pressure from FTA, both Commissioner Malmström and MEPs have raised the issue with Turkish Ministers. However, the measures remain as a dispute settlement procedure is missing from the current Customs Union and as Turkey demands to be part of Transatlantic Trade and Investment Partnership (TTIP) as well as other bi-lateral negotiations demands which are unlikely to be met.

CUSTOMS LAW AND PROCEDURES

FTA SUBMITS COMPREHENSIVE COMPENDIUM ON REX

A new self-certification system by exporters will replace the system of certification of origin by public authorities as of 1 January 2017. The new registered exporter system (REX) works without the involvement of responsible authorities in the exporting country; a declaration by the registered exporter on a commercial document is sufficient to grant preferential treatment. In March 2016, FTA submitted a detailed collection of questions and suggestions for improvements. The main points of criticism focus on the lack of clarity on obligations resulting from the REX status and the potentially limited protection for the importer.

TTIP NEGOTIATIONS HEATING UP – FTA ACTIVELY ENGAGED

Negotiations on TTIP intensified during 2015, generating debates across the spectrum. In February 2016, FTA published a position paper on TTIP in support of faster progress since the agreement will lead to growth on both sides of the Atlantic. The negotiations must be conducted transparently, with comprehensive information and involvement of stakeholders.

FTA is also actively engaged in the ‘Alliance4TTIP’ campaign led by associations in favour of reaching an agreement, and through direct meetings with high-ranking EU officials. FTA continued its close cooperation with the United States Fashion Industry Association (USFIA) and released an opinion piece on EurActiv.com in July 2015, stressing the need to start an unbiased public debate about TTIP.

FTA Annual Report 2015 - 2016
FTA AT EUROPEAN PARLIAMENT WORKSHOP: NEW GSP+ WORKS

The implementation of the revised GSP+ system two years ago was successful. Nevertheless, GSP+ requires a long-term approach to ensure sustainable results. Countries currently under GSP+ investigation should therefore not be considered for GSP+ status withdrawal for exceeding the income limit. As underscored at a high-level workshop with Commissioner Malmström in February 2016, FTA called for an increase in the relevant income per capita and consideration of equal income distribution.

THE GENERALISED SYSTEM OF PREFERENCES IN A NUTSHELL

<table>
<thead>
<tr>
<th>Scheme</th>
<th>What is it?</th>
<th>Which Countries?</th>
</tr>
</thead>
<tbody>
<tr>
<td>GSP</td>
<td>Standard agreement: Import duty reductions on about 66 percent tariff lines. Restrictions on competitive sectors.</td>
<td>India, Indonesia, Sri Lanka, Ukraine, Vietnam</td>
</tr>
<tr>
<td>GSP+</td>
<td>The same 66 percent tariff lines as GSP but deeper tariff cuts; under condition that beneficiary countries ratified and implemented series of international conventions</td>
<td>Armenia, Bolivia, Costa Rica, Ecuador, Georgia, Guatemala, Mongolia, Peru, Pakistan, Philippines</td>
</tr>
<tr>
<td>Everything But Arms (EBA)</td>
<td>Full duty free, quota free access for all products – except arms and ammunition – for least-developed countries on 99 percent of all tariff lines.</td>
<td>Bangladesh, Cambodia, Ethiopia, Laos, Madagascar, Mali, Myanmar/Burma, Nepal, Senegal, Tanzania</td>
</tr>
</tbody>
</table>

UNION CUSTOMS CODE: MANY PAGES, NO REVOLUTION

The Union Customs Code (UCC) came into force on 1 May 2016. Despite this, a revolution in the customs field is not expected, since the accompanying IT solutions will not be available before 2020. There are three key changes in the UCC, some of them unfavourable:

- The first sale concept was deleted, while license fees became a part of the customs value if fees are paid to a third party;
- A guarantee must be paid for goods in temporary storage; and
- Non-preferential rules of origin were specified for some products of chapter 72 and 73.

Throughout 2015, FTA actively supported a more ambitious transformation of the EU customs system, while insisting to keep proven practices. In July 2015 FTA called for the removal of list rules in a communication sent to Commissioners Malmström, Moscovici and Bienkowska. In addition, in September FTA co-signed a joint business statement in favour of the first-sale principle, but critical of the expansion of the amount of royalties and customs fees.

Spotlight: Is the Time Right for an Ambitious EU-China Free Trade Agreement?

Economic relations between the EU and China have been dynamic over the last few decades, however many barriers remain, such as tariffs, technical obstacles and government-driven distortions. In July 2015, FTA commissioned the Centre of European Policy Studies (CEPS), one of the leading think tanks on EU affairs, to conduct a study on the economic impact of a potential EU-China free trade agreement based on the best available econometric model. The study identified three conclusions:

1. A trade deal is expected to have significantly positive effects: national income by 2030 increase by 1.87 percent in China and 0.76 percent in the EU in a best case scenario;
2. Gains for the EU and China would be close to €170b, meaning the agreement could generate the GDP of a country the size of Czech Republic; and
3. All 28 EU member states would win from a possible agreement; the range of GDP various from 0.47 percent for Portugal to 1.97 percent for Slovakia.

The FTA Trade Conference on 20 April 2016 gathered more than 200 high-level participants to discuss ways to translate the tremendous importance of bilateral trade into stronger cooperation, notably through an ambitious trade agreement. Read more on page 23.

FTA Director General, Christian Ewert presenting at the FTA Trade Conference 2016
TRADE DEFENCE MEASURES

China’s Move to Market Economy Status

The EU classifies China as a non-market economy and therefore it conducts anti-dumping investigations based on prices from a third country market economy instead of China. FTA believes this results in artificially high dumping margins and therefore higher duties.

Alternative methods are permitted, but this concession expires on 11 December 2016. EU producers believe that the EU anti-dumping system will be rendered ineffective and it will lead to increased dumping. While FTA sees that the regulation allows for price and cost adjustments to be made when calculating duties and that the anti-subsidy instrument would be unaffected. However, owing to the objections of EU producers and many MEPs, it seems highly unlikely that the EU legislation will be amended by the end of 2016, paving the way for China to bring a case before the WTO.

A Review of FTA’s Monitoring of Anti-Dumping Duties

FTA has continuously monitored the EU anti-dumping investigations over the past year and reported progress to its members:

- In February 2016, a European Court of Justice (ECJ) ruling on the measures imposed on leather footwear in 2006 allows companies importing from more than 200 Chinese exporters to obtain reimbursements, provided that the claim was filed before March 2014.
- In February 2016, the anti-dumping duties imposed on imports of iron and steel fasteners (screws, nuts and bolts) from China in 2009 were repealed after an unfavourable compliance report from the WTO Appellate Body.
- In August 2015, the prohibitively high duties imposed on imports of candles from China were repealed after an expiry review.
- In May 2015, the duties on bicycles from China extended to Cambodia, Pakistan and the Philippines.

ENVIRONMENTAL AND CONSUMER AFFAIRS

FTA Takes Critical Stance on Parameters of CMR Restriction

While the retail sector is fully committed to removing particular hazardous substances from the market, FTA’s response in March 2016 to the European Commission consultation on carcinogenic, mutagenic or toxic for reproduction (CMR) substances raised concerns about the methodology and scope of the restriction process. This position was echoed by a large number of business associations in a joint declaration that was brought to the attention of all relevant EU Commissioners.

FTA REACH Seminar on Communication of Chemicals in Supply Chains

The 9th FTA Seminar on REACH and Regulatory Compliance took place in Brussels on 22 September 2015. The event, co-organised with FTA’s environmental initiative BEPI, provided the opportunity to explore challenges and share practical advice on improving communications on chemicals in supply chains as well as to provide updates on EU chemicals legislation and product-related rules.
TRADE POLICY OUTLOOK FOR 2016/2017

Today’s global value chains require a flexible and modern trade policy with simple rules. The principles underlying many of today’s regulations date back to when global sourcing was at levels far lower than today and terms such as ‘global value chains’ were not yet considered. European trade is increasingly embedding social and environmental standards into its core business and operations, now impacting developing countries. In light of this, FTA will continue to develop priorities with the following considerations:

• Responsible supply chains remain a top priority for the retail sector; cooperation will be extended with the EU and sourcing countries;
• A modern customs legislation putting economic operators at the centre of attention;
• Transparency must make its entry into EU’s trade defence policies and anti-dumping investigations;
• Prompt and smooth ratification of the trade deals with Vietnam and Canada; and
• The time is not for new measures on the use and restriction of chemicals, but for ensuring enforcement of the current set of rules.

SUSTAINABLE SUPPLY CHAINS

SUSTAINABLE DEVELOPMENT IN ASIAN MANUFACTURING SECTOR

Increased trade, in combination with good governance and sustainable business practices, are strong drivers to enhance economic growth and prosperity worldwide. FTA has completed multiple activities in key sourcing markets to meet this expectation.

In light of the opening of Myanmar’s economy in 2010 and the recent democratic elections, FTA Director General, Christian Ewert, visited the country in October 2015 for meetings with political and business leaders. Since 2016, FTA has been involved in an informal EU working group aimed at fostering business outreach to Myanmar, including the promotion of sustainable business practices.

FTA has also further developed its relations with Sri Lanka. An economic renaissance is taking shape after years of internal conflicts and FTA is supportive of the reintegration of the country into the GSP+ scheme. At a meeting with the Sri Lankan Ambassador Rodney Perera in February 2016, FTA encouraged Sri Lanka’s ambition to comply with demands for GSP+.

CONSULTATION ON SUSTAINABILITY IMPACT ASSESSMENTS OF EU TRADE NEGOTIATIONS

In August 2015, FTA submitted detailed input to a survey to the EU’s Sustainability Impact Assessments (SIA), which is an integral part of European trade negotiations. The review of the SIA is also a response to the criticism that EU trade agreements are not sufficiently sustainable. In a nutshell, FTA underscored the pertinence and high quality of the SIA, while emphasising the need to pay more attention to the retail and import sector when analysing sector-specific impacts.

RETAIL SECTOR SUPPORTS EU FLAGSHIP INITIATIVE ON SUSTAINABLE GARMENT SUPPLY CHAINS

The European Commission is currently preparing an EU flagship initiative on responsible management of supply chains in the garment sector. Through a written contribution in August 2015, FTA fully endorses this initiative and supports a potential European framework in response to the many programmes kicked off by EU member states that bear the risk of duplication of efforts and standards.
FTA Sustainable Supply Chains

TRANSFORMING SUSTAINABLE GLOBAL SUPPLY CHAINS

2015 saw a significant structural change for FTA’s sustainability initiatives, BSCI and BEPI, as they were united under the one holistic service ‘FTA Sustainability’. BSCI supports companies committed towards improving working conditions in factories and farms worldwide, while BEPI provides companies with a system to improve the environmental performance of producers. Together, this service aims to provide a common approach with impactful results.

Under the leadership of Darrell Doren, FTA Senior Director for Sustainability, who joined the association in 2015, FTA Sustainability has a clear and driven objective to develop synergies between BSCI and BEPI, towards transformed sustainable supply chain management.

A HOLISTIC APPROACH TO FTA SUSTAINABILITY NATIONAL CONTACT GROUPS

To enhance dialogue among FTA members participating in the sustainability initiatives as well as with our key stakeholders, FTA encourages the creation of Sustainability National Contact Groups (NCGs) in countries of significant demand. Under the leadership of a Chair and with the operational support of a Coordinator, NCGs have five main objectives:

1. Exchange of information and experiences among members;
2. Exchange of information and feedback between members and the FTA secretariat;
3. Communication about BSCI and BEPI at the national level;
4. Lead dialogue with local stakeholders; and
5. Outreach to potential FTA members.

Today, eight FTA Sustainability NCGs are established in Belgium, Denmark, Finland, France, Germany, the Netherlands, Switzerland and Sweden.

ENHANCING EXTERNAL ENGAGEMENT IN SWITZERLAND

The Swiss NCG organised two major meetings in 2015 uniting members through workshops and networking opportunities. While providing support to enhance FTA Sustainability engagement, stakeholder dialogue significantly increased through cooperation with various high-level events. Furthermore, the NCG presented BSCI to the Foreign Policy Commission of the Swiss Parliament and was involved in the consultation processes for new legislations on public procurement.

DUTCH MEMBERS’ OUTREACH TOWARDS IMPROVED SUPPLY CHAIN SUSTAINABILITY

Alongside two Dutch NCGs, a CEO meeting took place in spring 2015. This meeting resulted in lively and open discussions between retailers and importers on the importance and challenges of social compliance within their commercial relations. The NCG also engaged in the Dutch Plan of Action working groups; co-chaired by BSCI together with the Dutch Association of Textile Department Stores (VGT). Together they developed a document offering practical guidelines on implementing Due Diligence in global supply chains. This is available at www.gidrd.nl.
2015 was a strategic year for BSCI. Building on the launch of the upgraded BSCI Code of Conduct in 2014, in 2015 all participating companies transitioned their producers and service providers towards the implementation phase of the new and reinforced social compliance system, BSCI 2.0. In addition, the initiative has put in place a series of actions to strengthen the efficiency and impact of its activities: improving the quality of social audits at factories and farms; reinforcing capacity building services to empower supply chain actors; and promoting stakeholder engagement to achieve greater impact.

**STRONGER PILLARS OF ACTIVITIES**

More than 1,000 recommendations were generated by BSCI participants, following a brainstorming survey on the most important trends in labour compliance and future developments of BSCI. Of these, four main expectations were integrated in the BSCI 2015/2016 strategy:

1. Increase demand for high-quality social audits and clarity in audit ratings;
2. Create more practical content for the capacity-building workshops of BSCI participants and their producers;
3. Provide targeted support and advice for SMEs; and
4. Reinforce National Contact Groups: the local community of FTA.

**BSCI 2.0: LEADING THE WAY TOWARDS A SOCIALLY RESPONSIBLE SUPPLY CHAIN**

BSCI 2.0 draws on the lessons learned in the last decade of BSCI implementation and integrates the latest international standards for business and human rights. It is a timely and enduring new approach that takes the vision and values of socially responsible supply chains beyond social audits and strict compliance. In addition, BSCI 2.0 generates long-term business value by integrating social responsibility into participants’ business processes and relationships with their business partners along the supply chain.
POWERFUL IMPLEMENTATION TOOLS

Following the launch of the revised BSCI System Manual, 2015 gave priority to the development of upgraded tools and resources to support BSCI participants and their suppliers to integrate BSCI 2.0 into their internal management system and business activities. Some of BSCI’s accomplishments include:

- **Upgraded BSCI System Manual**: The manual is now available in eight languages;
- **Easy Guide to BSCI 2.0**: This short guide introduces the key elements of the System Manual, including useful resources and practical actions from getting started to more advanced levels of engagement;
- **Get Ready to BSCI 2.0**: This monthly newsletter column offers companies a step-by-step approach towards BSCI 2.0 as well as operationally-focused resources to support communications and internal implementation; and
- **BSCI 2.0 Webinar Series**: A series of live webinars to support participants to better understand the changes in companies’ daily work with regard to handling BSCI. In addition, more than 20 web-based tutorials were developed.

THE BUSINESS CASE BEHIND BSCI 2.0

BSCI 2.0 implementation presents a strong business case for both BSCI participants and their business partners, independent of their size, sector of operation or line of business:

- Consumers and client-companies expect the development of controls and processes towards improved working conditions;
- BSCI 2.0 is in line with the most significant international norms on human rights therefore managing stakeholders’ expectations;
- BSCI 2.0 implementation helps to establish a credible system to operate and prepare for future regulation; and
- BSCI participants enable their business partners to increase their efficiency and make a positive impact on their long-term performance.

IMPROVING WORKING CONDITIONS IN 2015

BSCI’s vision is carried out through three pillars: monitoring, empowering and engaging. These are designed to drive greater social compliance and improved working conditions in international supply chains, reinforced by the commitment of BSCI’s participants.

BSCI’s Global Activities: This map demonstrates the global impact of BSCI in 2015 through activities under its three pillars: monitoring through auditing, empowering through workshops and engaging through stakeholder activities.
A TRANSITION IN AUDITING TOWARDS BSCI 2.0

As BSCI transitioned from implementing the Code of Conduct 2009 to BSCI 2.0 in 2015, a soft launch period was in effect, which enabled audits from both methodologies to be conducted in parallel. The roll out was set out in two phases:

- 1 May 2015 till 1 January 2016: participating companies that feel sufficiently prepared could begin auditing against BSCI 2.0. In either auditing scenario, the audit validity is two years between two full audits and a maximum of twelve months between a full audit and a follow up or two follow up audits.
- From 1 January 2016: only BSCI audits 2.0 can be requested and conducted.

TRENDS IN SOCIAL COMPLIANCE AMONG PRODUCERS

In 2015, 15,923 audits conducted, rising from 12,486 in 2014. A reason for the increase in audits over the past year can be due to the transitional phase towards BSCI 2.0, when all BSCI participants were encouraged to embark on BSCI 2.0 audits. The graph below show the percentage of areas of improvement in each of the five top sourcing countries per chapter of the audit report. This shows that the most frequent labour challenges are Occupational Health and Safety, Social Management System and Cascade Effect and Workers’ Involvement and Protection.

AUDIT QUALITY FRAMEWORK STRENGTHENED

Auditing companies play a strategic role in working towards reliable social audits as they check that audits remain high-quality assessments of working conditions. BSCI’s Audit Integrity Programme is designed to ensure that BSCI’s values and principles are consistently maintained throughout the auditing process. In 2015, a new Quality Control (QC) audit was introduced to evaluate the performance of auditing companies conducting BSCI audits. During a BSCI audit, a QC assessor follows the official audit, evaluating the skills, knowledge and professionalism of the auditor. This new audit-quality control provides additional oversight to the existing programme and sets the foundation for the development of a strengthened auditing quality framework.

STRATEGIC AUDIT PARTNERSHIPS CREATED

Through BSCI’s objective to continuously improve the efficiency of its monitoring process, in 2016 the BSCI pool of auditing companies was revised in order to ensure the quality of audits and build more strategic relationships.
BSCI - EMPOWERING

Our experience over the years has shown that by involving workers, they can begin to be empowered. Workers are in the best position to recognise if policies and processes are working effectively and they are also often the best source of information to address how improvements can be made.

INNOVATION AND COLLABORATION IN CAPACITY BUILDING

Capacity building is a key channel to integrate the principles of BSCI 2.0 into existing business operations and to empower companies in a consistent and sustainable way. Workshops for BSCI and their producers in the food and non-food sector are designed to integrate BSCI 2.0 into internal management systems and to tackle specific labour challenges. The breadth and depth of training has been extended in terms of topics, languages and countries covered.

A COMMUNITY OF HIGHLY-QUALIFIED TRAINERS

To raise the quality of all capacity-building activities, FTA undertook a thorough review of its service providers and increased investment towards improving trainings. As a result, a selected number of highly-qualified providers were chosen to become part of a ‘community of trainers’. Our trainers are now service partners – collaborating on the development of materials, sharing best practices and offering support to each other.

Spotlight: Remediation Plans

BSCI 2.0 gives factories and farms the responsibility to develop a remediation plan within 60 days after their audit. Remediation plans, which are shared with BSCI participants and auditors, are considered a central element towards real ownership and continuous improvement of producers. Given their importance, in 2015, BSCI worked with Elevate, a BSCI service partner, to launch a new workshop on how to draft a remediation plan. The workshop gives producers an understanding of the purpose and components of such a plan; it helps them to identify corrective actions, root causes and preventive actions; and it facilitates effective practices for implementation of the remediation plan.

“The workshops we have rolled out with BSCI are key for ensuring sustainable improvements at workplaces. The positive feedback received from more than 250 participants demonstrates the need to leverage the remediation planning process as a core aspect of continuous improvement.”

Ian Spaulding, President and CEO - Elevate
Spotlight: Successful FTA Visit Sees Launch of Grievance Pilot Programme and Training on Workers’ Involvement

Grievance mechanisms are a core part of BSCI 2.0, urging participants to go beyond monitoring and focus on entrepreneurial responsibility. In order to continue building better relations between employers and workers, BSCI launched the Grievance Mechanisms pilot.

Together with several service providers including Impactt Ltd, a UK-based consultancy specialising in ethical trade, human rights, labour standards and international development, FTA initiated this project in 2015, engaging multiple producers with BSCI participants to build an effective model for capacity-building mechanisms, with the goal of widespread adoption. Producers and BSCI participants work hand in hand to actively tackle the identified priority issues towards developing effective and established grievance mechanisms at the factory level.

The objective was to empower the factory management to drive a better informed workforce to improve business efficiency, identify and fix workplace issues in a cost effective manner before they become more serious and encourage worker participation in daily operations. Lessons learned from the pilot project will be shared at the FTA Sustainability Conference 2016.

“Impactt’s experience in conceiving and developing the pilot project, as well as delivering subsequent capacity building activities has helped demonstrate that, with the right support, managers and workers can change perceptions of each other. The benefits and positive impacts of effective and appropriate Grievance Mechanisms and genuine dialogue, encourages more engaged, motivated workforces whilst also supporting reputational improvements with stakeholders”

Dionne Harrison, Director – Impactt Ltd. FTA Partner in delivering successful Grievance Mechanism pilot

The Empowering Programme 2015 in a Nutshell

<table>
<thead>
<tr>
<th>Capacity Building Workshops 2015</th>
<th>Europe</th>
<th>Asia</th>
<th>South America</th>
<th>Africa</th>
</tr>
</thead>
<tbody>
<tr>
<td>195</td>
<td>66</td>
<td>119</td>
<td>6</td>
<td>4</td>
</tr>
</tbody>
</table>

- 67 for participants in 11 countries

WORKSHOP TOPICS INCLUDED
- Managing my BSCI Programme 2.0 Advanced
- Improving Conditions on the Factory Floor
- Grievance Mechanism

Total Attendees: 797

+ 128 for producers in 14 countries

WORKSHOP TOPICS INCLUDED
- Drafting a Remediation Plan
- Fair Remuneration and Decent Working Hours
- Fire Safety

Total Attendees: 2,687

49 webinars training 740 attendees

Total of 244 BSCI training activities empowering 4,224 supply chain actors

LAUNCH OF THE FTA ACADEMY

A major project in 2015 was the development of the new FTA Academy. This is a powerful platform to build sustainable supply chain capacity focused on an empowered coaching model where all FTA members, business partners and service providers can learn the necessary skills to champion the cause of international and sustainable trade. The FTA Academy has replaced the BSCI Academy, combining all capacity building activities for both BSCI and BEPI and integrating training material on International Trade Policy services. Accommodating almost 47,000 users in a choice of 12 languages, the FTA Academy utilises a unique supply chain logic enabling members to cascade the values and principles they are committed to through their supply chains. The Academy prides itself on its wide variety of learning materials, face-to-face sessions and webcasts.

"Impactt’s experience in conceiving and developing the pilot project, as well as delivering subsequent capacity building activities has helped demonstrate that, with the right support, managers and workers can change perceptions of each other. The benefits and positive impacts of effective and appropriate Grievance Mechanisms and genuine dialogue, encourages more engaged, motivated workforces whilst also supporting reputational improvements with stakeholders”

Dionne Harrison, Director – Impactt Ltd. FTA Partner in delivering successful Grievance Mechanism pilot
BSCI - ENGAGING

Non-compliance with labour rights often stems from systemic political, economic or cultural challenges in sourcing countries. Transformation of supply chains requires engagement from a wide range of stakeholders. A core component of BSCI is to actively engage in stakeholder dialogue to find common ground and increase support for BSCI’s programmes. BSCI’s engagement reaches out to governments, business associations, buyers, suppliers, trade unions and NGOs.

BSCI IN MOROCCO

IMPROVING LABOUR RELATIONS IN MOROCCO

In January 2015, BSCI brought together representatives of Oxfam, International Labor Organization (ILO) and trade union federations, among other key stakeholders, for a round table meeting on the development of social dialogue in the Moroccan agriculture sector. The discussions highlighted the need for greater partnerships between unions and employers, the importance of skills development particularly in relation to union officials and executives, as well as the need for awareness campaigns from civil society groups and stakeholders involved in workers’ rights to promote a culture of social dialogue. The round table was followed by a practical workshop for producers of the agricultural sector of Agadir on how to organise the election of worker representatives.

BSCI IN TURKEY

BSCI HOLDS ROUND TABLE TO TACKLE PLIGHT OF MIGRANT WORKERS IN TURKEY

On 15 January 2015, BSCI facilitated the third in a series of round table meetings at Kadir Has University, Istanbul. Turkey is third most important sourcing country for BSCI participants. With refugees fleeing war-torn Syria together with Turkey’s geographic location at the gateway to Europe, concerns are mounting over working conditions. In 2015, the Office of the United Nations High Commissioner for Refugees (UNHCR) estimated that the number of refugees and asylum-seekers in Turkey in 2015 was over 1.9 million, including 1.7 million Syrian refugees. The round table united leading representatives from NGOs, government, academics and labour union representatives. Sessions mainly focused on providing updates on national legislation for migrant workers and an overview of steps being taken to improve their situation.

FTA PARTNERS WITH FLA TO SUPPORT COTTON SUPPLY CHAIN IN TURKEY

Several BSCI participants with producers sourcing cotton-based textiles or apparel in Turkey participated in the special research project ‘Action-based Approach to Investigating Upstream Cotton Supply Chain in Turkey for a Collaborative Action Plan’. The project aims to develop in-depth knowledge on the presence of child labour, seasonal migrant labour and labour issues on cotton farms related to the increase in migration of Syrian nationals. The project was undertaken in partnership with the Fair Labor Association (FLA), a non-profit association promoting adherence to international and national labor laws, and Development Workshop, a Turkish NGO involved in governance, social development and youth projects.

The long-term goal is to support companies to increase the sustainability of their cotton supply chain and mitigate risk in these areas. While the research itself will give more insight into the level of the labour challenges for the cotton supply chain in Turkey. The ultimate goal is to develop a series of concrete actions to address these challenges going forward.

BSCI SUPPORTS SYRIAN REFUGEES TO OBTAIN WORK PERMITS

BSCI has taken further action to support the protection of Syrian migrant workers at risk of labour exploitation. Following the Temporary Protection Legislation passed by the Turkish government in 2014 allowing Syrian refugees to register for residency permits, a second law on the employment of foreigners, must be approved in order to enable them to apply for work permits and be fully integrated into the workforce.

Despite progress, authorities have been postponing this crucial step. To push this forward, BSCI encouraged its participants to endorse a joint letter by FLA in partnership with Ethical Trade Initiative (ETI) and Fair Wear Foundation (FWF). Following the letter’s request to the Turkish government to address this issue at the next Council of Ministers meeting, BSCI was pleased to learn that the regulation was passed in January 2016.
The positive results achieved so far confirm that the decision to embark together on this project was the right move for both organisations. The merger will provide greater leverage for our members to drive forward social compliance and will consolidate the efforts of both initiatives towards greater impact.

Christian Ewert, FTA Director General

In March 2016, it was announced that BSCI and the Initiative Clause Sociale (ICS) will officially unite their efforts from 1 January 2017. ICS represents 20 major French and Belgian retailers working to improve sustainability in global supply chains. The merger will allow the two organisations to join forces to implement a common vision for the future: sustainable supply chains based on the values of transparency and responsibility. Discussions during 2016 will focus on the implementation phase of the merger, in which operational matters related to the integration and equivalence of audits, systems and platforms will be clarified.

BSCI AND ICS WORK TOWARDS MERGING EFFORTS

BSCI OUTLOOK FOR 2016/2017

Following the development of FTA Sustainability, 2016 will see the roll out of a new overarching strategy for this FTA division, known as the ‘Objective Goals Strategies Measures’ (OGSM) framework. Working together to achieve the same overall objective is more critical than ever for BSCI and the association as a whole. External pressure on members, economic uncertainty for producers and a shifting landscape for stakeholders require a new level of focus. The OGSM gives us this focus. By developing four critical areas for BSCI and FTA Sustainability as a whole, we set out clear objectives for the year to come. We strive to:

- Encourage more ‘sustainable supply chains’ through reliable audits and effective capacity building;
- Develop our ‘membership services’ through reduction of duplicate audits, strengthened strategic alliances and tailored supportive programmes;
- Enhance our ‘growth and transformation’ through targeted membership growth, along with a sectorial approach to improving working conditions; and
- Build ‘sustainability operations’ through the delivery of high quality and effective services, including that critical ‘Zero Tolerance’ issues found in supply chains are addressed within 24 hours.

BSCI OUTLOOK FOR 2016/2017

In March 2016, it was announced that BSCI and the Initiative Clause Sociale (ICS) will officially unite their efforts from 1 January 2017. ICS represents 20 major French and Belgian retailers working to improve sustainability in global supply chains. The merger will allow the two organisations to join forces to implement a common vision for the future: sustainable supply chains based on the values of transparency and responsibility. Discussions during 2016 will focus on the implementation phase of the merger, in which operational matters related to the integration and equivalence of audits, systems and platforms will be clarified.

"The positive results achieved so far confirm that the decision to embark together on this project was the right move for both organisations. The merger will provide greater leverage for our members to drive forward social compliance and will consolidate the efforts of both initiatives towards greater impact”.

Christian Ewert, FTA Director General
2015 was a key year of development for BEPI. As BEPI participants doubled over the past year, now standing at 96 companies, further developments took place to support participant engagement including BEPI platform updates and an expanded focus on capacity building. In parallel, BEPI implementation at the producer level has evolved in 2015 as BEPI saw the first producers in China complete the full BEPI cycle. BEPI now sets to expand to new territories. In order to reinforce its impact, BEPI has embarked on concrete stakeholder engagement programmes aimed at scaling environmental performance improvement.

NEW DEMANDS FOR ACCOUNTABILITY

Two major international developments on environmental issues took place in 2015. At the end of the year COP21, known as 'the Paris Agreement', welcomed a global climate change deal. This binding agreement, due to enter into force in 2020, sets out a global plan to limit the increase in global temperature to well below 2°C. In addition, the 2030 Agenda for Sustainable Development was adopted, which includes a set of Sustainable Development Goals (SDGs) to end poverty, fight inequality and injustice, and tackle climate change by 2030. One SDG of particular note to BEPI is sustainable consumption and production. Together, the Paris Agreement and SDGs increase the demands expected of the business community for environmental assessment and accountability.
BEPI - MONITORING

Through the BEPI methodology, companies can assess factories and farms against the 11 BEPI Environmental Performance Areas. 2015 saw advancements in BEPI’s monitoring approach as its platform was launched and underwent several key updates giving participants visibility of their supply chain beyond the first tier. The BEPI platform also provides an overview of the environmental conditions at factories and farms by analysing their performance against the 11 environmental areas.

BEPI PLATFORM GOES LIVE

The BEPI platform, launched in 2015, provides an information hub that aims to avoid duplication of efforts and provide guidance for participants, their producers and service providers alike. Over the past year, the platform has evolved and now gives visibility beyond the first tier to BEPI participants, allowing for improvements to be made in the entire supply chain. The platform is designed to support all steps in the BEPI Framework, providing:

- A system for BEPI participants to involve producers beyond tier one and have them complete a free self-assessment;
- A list of the environmental target areas most relevant to their supply chain;
- An easy-to-use environmental performance gap analysis for participants to identify priority producers and assign improvement activities;
- Access to BEPI guidance documents;
- Access to BEPI service provider directories, with selected experts from respected companies;
- Environmental performance records on all producers in one place;
- A system to monitor and benchmark improvements; and
- Access to assessment results.

The platform also enables producers to:

- Perform a free self-assessment to create the baseline for an environmental performance improvement path;
- Gather and report key environmental indicators in one place; and
- Access information and resources such as producer guidance.

ASSESSING PRODUCERS’ PERFORMANCE

Once a BEPI Self-Assessment has been completed, an analysis can be made of the producer’s performance on environmental management by environmental area. The shortlisting of most impactful environmental areas, or ‘hot spots’, allows for a focused analysis. The graph below shows the most commonly shortlisted hot spots and how producers scored on their self-assessment against these areas.

The top five hot spots are: energy use, greenhouse gases [GHG] and transport; waste management; wastewater; and pollution prevention and chemicals. Based on the producers’ Self-Assessment results in 2015, the graph below provides an overview of how the performance areas are distributed by sector:

NEW BEPI ASSESSORS AND CONSULTANTS SELECTED

BEPI completed its first round of expert consultant and assessor recruitment in China to support the rollout of BEPI across this major market. Environmental consultants play a critical role in supporting and advising producers during the BEPI improvement process, to implement changes based on identified critical environmental areas. Assessors, on the other hand, must be qualified and experienced to assess the results of these implemented changes against BEPI criteria, to close the cycle.
**BEPI - EMPOWERING**

By raising the knowledge and understanding of environmental management systems and environmental challenges faced by factories, BEPI helps participants and their producers to integrate environmental performance at the heart of business culture and develop their supply chains in a way that respects the environment. BEPI rolled out workshops and introduced new training for participants and producers through the newly-launched FTA Academy.

**NEW TRAINING TO EMPOWER SUPPLY CHAIN ACTORS**

In 2015, BEPI launched trainings and information materials to support participants and their producers familiarise themselves with BEPI. BEPI supported its participants through providing live and recorded webinars, network support through Sustainability NCGs, along with joint meetings and webinars with the Hong Kong Productivity Council (HKPC). HKPC is the implementation agent for the Hong Kong Government-funded Cleaner Production Partnership Programme (CPPP), which allows factories in Hong Kong and Guangdong to assess funding for cleaner production projects. All relevant training materials are available on the FTA member-exclusive training platform, the FTA Academy (see page 14).

**BEPI PROVIDES ENVIRONMENTAL TRAINING TO CHINESE PRODUCERS**

In October 2015, two producer workshops were held in Shanghai and Shenzhen, welcoming around 40 active FTA members and their producers. The workshops gave specific attention to the widely-accepted Global Social Compliance Programme (GSCP) Environmental Reference Tools, on which the BEPI system is based, along with practical insights into the BEPI improvement phase for attendees to better understand the value it brings to producers. In addition, a further training was provided to attendees on China’s two primary environmental challenges; chemicals and water.

"BEPI enables Åhléns to manage environmental risks and development in our supply chain in a structured way with a clear benefit for the producer in cost savings and securing legal compliance. The focus on environmental issues are increasing in many countries e.g., in China, one of our most important production countries, and BEPI helps us to improve our factories’ environmental management and reduce risks and costs.”

Ulrika Fernstedt, CSR Developer - Åhléns

**JOINT SEMINAR ON CLEANER PRODUCTION FOR SUSTAINABLE SUPPLY CHAINS**

In November 2015, BEPI partnered with HKPC to hold a seminar to demonstrate the importance of environmental performance and to introduce the CPPP. Set up in 2008 by the Environmental Protection Department of Hong Kong with the Economic and Information Commission of Guangdong Province CPPP encourages and facilitates Hong Kong-owned factories in Guangdong and Hong Kong to adopt cleaner production technologies and practices.

**NEW CORPORATE VIDEO LAUNCHED**

A short corporate presentation was launched in 2015 to explore a range of environmental challenges experienced during the production process. Using animation, the video takes viewers on a journey through the BEPI process, from the producer's self-assessment, through the improvement phase and towards the process measurement, showing how environmental impacts can be reduced.
BEPI - ENGAGING

BEPI believes that its greatest impact can be achieved through collaboration, building on good industry practice. From its foundations, which are based on the GSCP Environmental Reference Tools, BEPI aims at leveraging efforts and reducing duplication towards durable environmental performance improvement in global supply chains. Over the past year, BEPI has developed strategic partnerships with international organisations in order to provide participants with the tools and connections needed to meet the supply chain challenges of today and the future.

CLEANER PRODUCTION FOR SUSTAINABLE SUPPLY CHAINS IN CHINA

Through several joint activities, BEPI and HKPC provide environmental performance projects for Chinese producers. In March 2015, FTA signed a Memorandum of Understanding with HKPC, agreeing that BEPI’s Improvement Phase and CPPP’s On-site Improvement Assessment Project are similar in approach. BEPI now accepts CPPP’s approach in lieu of its Improvement Phase, while HKPC provides eligible producers with access to available funding.

BEPI AND ZDHC WORK TOGETHER TO ELIMINATE HAZARDOUS CHEMICALS

In April 2016, BEPI became an Associate Member of the Zero Discharge of Hazardous Chemicals (ZDHC), a group of leading value-chain affiliates and associate contributors, committed to advancing towards zero discharge of hazardous chemicals. BEPI aims to address the challenges companies face concerning chemical management in the supply chain. Through its ZDHC membership, BEPI works with members and stakeholders on areas such as Manufacturing Restricted Substances List (MRSL), effluent guidelines, audit protocol, training and data management.

EXPLORING ENVIRONMENTAL DEVELOPMENT IN THE SWISS BUSINESS SECTOR

In April 2016, FTA held a round table in Bern, Switzerland to evaluate current developments in terms of sustainable business and stakeholder expectations. The meeting engaged FTA members, sustainable business associations, NGOs and leading experts in the environmental field to examine the progress made at local level. Thanks to its outreach and capacity, it was agreed by stakeholders that BEPI has the right magnitude and potential to have tangible impacts to improve sustainability in supply chains worldwide.

BEPI OUTLOOK FOR 2016/2017

Through the strategy provided by FTA Sustainability known as the ‘Objectives, Goals, Strategy and Measures’ (OGSM), BEPI will continue on its path towards membership growth and extended collaborative efforts. Following the OGSM, BEPI strives to:

- Support members’ implementation of ‘sustainable supply chains’ through expanding the scope of suppliers engaged in BEPI to include Bangladesh and India as well as to provide a wide range of environmental training activities through the FTA Academy;
- Increase ‘membership services’ including the further development of the BEPI platform along with the creation of issue-specific modules to support participants’ efforts, such as the Supply Chain Chemical Management module;
- Continue BEPI on its journey towards targeted ‘growth and transformation’ engaging new and diversified members. In 2016, environmental considerations will play a central role in the FTA Sustainability NCGs; and
- Promote ‘sustainability operations’ by enhancing the system and services provided for members and their producers. In 2016, BEPI will have its first review of the efficiency and applicability of its framework, in collaboration with the BEPI Task Force and other technical stakeholders.

BEPI TASK FORCE

- Chair: Anna Vetsch - Coop
- Ulrika Fernstedt - Axstores, Ahléns
- Pauline Keraudy - Groupe Beaumanoir
- Lea Rankinen - SOK Corporation
- Kathrin Rutishauser - Migros
- Minna Saari - Kesko
- Federica Suess - Gries Deco
FTA TAKES ACTION

FTA believes that successful trade incorporates a modern legislative trade framework together with social and environmental supply chains. Here is a snapshot of some of FTA's core achievements in top sourcing countries level in 2015.

FTA IN CHINA

Throughout 2015, FTA organised and engaged in several high-level meetings to drive forward FTA's values in China, its members' most important sourcing country. On 9 December 2015, BSCI co-organised two Sino-European CSR round tables with the China WTO Tribune, an influential national news portal on Corporate Social Responsibility under the Ministry of Commerce. The round table officiated by Christian Ewert, FTA Director General and Darrell Doren, Senior Director Sustainability, gathered a wide range of key stakeholders to explore 'Due Diligence and Responsible Supply Chains'. Industry leaders shared experiences and methods to build responsible supply chains as well as guidance for companies to carry out social and environmental due diligence.

FTA also gained high-level visibility on the Chinese scene, for example through the 8th International Conference on CSR Reporting on 3 December where Joyce Chau raised the opportunities and challenges brought about by the ‘Belt and Road Initiative’, a government initiative that aims to unlock trade potential and strengthen economic development in the region. Joyce highlighted that while taking global supply chain development to a new level, companies must put extra effort into managing information flow and disclosure in a socially responsible way to remain sustainable and competitive in the global market.

On 10 December 2015, BSCI was honoured to receive the 'Excellent Partner of CSR Award' from CNTAC in China. The award was also granted to twelve other well-respected organisations that have been supportive of the development of corporate social responsibility in the Chinese-textile industry over the last decade.

With regard to FTA’s International Trade Policy work, in September 2015, FTA's leadership met with the Chinese Mission to the EU, including Head of the Mission, H.E. Ambassador Yang Yanyi, to discuss the current framework and improve the number of barriers for trade between China and the EU. In this context, the FTA Trade Conference 2016 gathered more than 200 participants to explore the impact of a potential EU-China free trade agreement, following an in-depth research study conducted by the Centre For European Policy Studies (CEPS).

FTA IN BANGLADESH

The rapid pace of industrialisation in Bangladesh has continued to challenge FTA members sourcing from this important country. Political tensions, worker security and freedom of association have remained a top priority for BSCI and its participants in 2015.

Following the escalation of political unrest in Bangladesh along with a transportation blockade hampering imports and exports, FTA took various actions to support its members’ trading activities through various high-level exchanges. At a European Parliament meeting on 22 September, FTA was invited to share update on the country’s progress and to assess the implementation of the Sustainability Compact, an agreement by European institutions, ILO and the Bangladesh Government to improve labour rights, working conditions and factory safety in the Ready-Made Garment (RMG) industry in Bangladesh.

Additional meetings with high-level political representatives included Prof. Gowher Rizvi, Personal Advisor to the Bangladesh Prime Minister in October and Ismat Jahan, Bangladesh Ambassador in December. The FTA secretariat took these opportunities to discuss the country’s political situation, raise FTA members’ sourcing obstacles and to present FTA’s new publication ‘FTA Focus: Is Bangladesh a Success Case?’, a well-received contribution highlighting the extraordinary social and economic developments experienced by Bangladesh in recent years.
Worker security, specifically fire safety, has remained of paramount concern to BSCI participants. While providing workshops for more than 150 producers on ‘Fire Safety’ and ‘Occupational Health and Safety’ in Bangladesh, BSCI reminded participants to pay additional attention to these risks and to check the regularly updated Bangladesh Accord website for structural safety inspection reports, an important complement to BSCI’s social compliance audits that provide enhanced risk assessment.

Raising awareness of the importance of worker empowerment is key for Bangladesh’s garment sector to continue on its path to development. Alongside worker security and fire safety, freedom of association issues were also raised in 2015 following a violent attack against a group of unionists. During a visit from FTA Director General, Christian Ewert to Bangladesh in October, BSCI organised the round table ‘Capacity Building – Blessing or Curse for the Bangladesh RMG and Leather Industry?’ together with 20 key stakeholders including the ILO, Save the Children and Bangladesh Garment Manufacturers and Exporters Association (BGMEA). The meeting drew on the importance of training as an investment for a skilled workforce, while further coordination efforts are required to reduce duplication and improve learning on key issues like freedom of association.

Christian Ewert took the opportunity of his visit to further promote capacity building in the garment sector through an interview with Bangladesh’s largest English-language newspaper, ‘The Daily Star’.

In positive developments, the Rana Plaza Donors Trust Fund, set up by the ILO to compensate victims of the Rana Plaza factory collapse in Bangladesh, finally met its target of $30m. This major victory was backed by global consumer encouragement and supported by BSCI through a Joint Statement together with the Ethical Trading Initiative (ETI) and Social Accountability International (SAI) ‘BSCI, ETI and SAI Urge Bangladeshi Partners for Final Contribution to Rana Plaza Arrangement’.

FTA IN THAILAND

Working conditions in Thailand were continuously under the spotlight following complaints from high-level stakeholders on a variety of forced labour incidents. In 2015, journalists from the Associated Press published stories that shared testimonies of slave labour traced to different Thai seafood producers. Meanwhile the global labour union IndustriALL filed a complaint against Thailand with the ILO committee on freedom of association. In the complaint, 18 cases of worker and labour abuses were exemplified enforcing the rights of freedom of association and collective bargaining for up to 75 percent of the workforce.

Dialogue with stakeholders, governments, companies and producers is essential to raise awareness of the severity of the case. In this regard, BSCI facilitated meetings with the ILO and other stakeholders, round tables with local stakeholders and workshops for producers. BSCI participants sent letters to their respective producers calling for immediate action. In addition, FTA informed the Thai Ambassador to the EU and the EU Mission in Bangkok about the ongoing and planned activities of the association. Delegates from the Thai government have expressed their interest to develop further dialogue and acknowledged that sustainable trade is a shared responsibility that requires collaboration between government and other stakeholders.

Under BSCI 2.0, participants are asked to monitor and empower their producers to apply the highest level of protection towards workers. BSCI will continue to closely monitor the situation in Thailand and asks participants to take extra steps to monitor their suppliers in this risk country.
FTA Networks: Key Events

FTA TRADE CONFERENCE 2016 CALLS FOR INCREASED TRADE OPPORTUNITIES WITH CHINA

The FTA Trade Conference 2016 returned on 20 April under the theme ‘EU China Partnership: Is the Time Right For an Ambitious Free Trade Agreement?’. The conference welcomed more than 200 participants to receive the results of the research study commissioned by FTA and conducted by the Centre for European Policy Studies (CEPS), ‘Tomorrow’s Silk Road: Assessing an EU-China Free Trade Agreement’. The outcomes of the study drew on the tremendous opportunities presented by such an agreement as all 28 EU member states would win from a possible EU-China free trade agreement. The conference presented the opportunity to engage with high-level stakeholders and influence the political agenda to support FTA members’ trading activities.

SUCCESSFUL FTA FORUM 2015 UNITES MEMBERS AND STAKEHOLDERS IN BRUSSELS

On 11 June 2015, the FTA General Assembly was held in Brussels, followed by the FTA Forum under the theme ‘E-commerce in a Globalised World’. The General Assembly gave members the chance to hear about the association’s development over the past year and its plans to shape future development in the years to come. During the afternoon, more than 70 members and stakeholders joined lively panel debates at the FTA Forum. These sessions explored a range of issues, including how e-commerce is altering the retail market, the drastic changes that are forcing companies to re-think their traditional business model and the need for companies to stay abreast of trends to maintain market share.

FTA INTRODUCES ITS SUSTAINABILITY SERVICES TO SPANISH BUSINESSES AND STAKEHOLDERS

On 22 September 2015, FTA, together with the Spanish Confederation of Business Organisations (CEOE), gathered over 70 Spanish companies, NGOs and associations in Madrid to provide an overview on the work done by FTA and its sustainability initiatives: BSCI and BEPI. The meeting showed the importance of sustainable supply chain management and the opportunities that BSCI offers to Spanish distribution companies and their suppliers.

TRADE IS GLOBAL: WHAT IS THE FOOTPRINT IN SOURCING COUNTRIES?

On 17 December 2015, FTA held a side event to the WTO Ministerial Conference in partnership with the International Centre for Trade and Sustainable Development (ICTSD) in Nairobi, Kenya. The event gathered 40 high-level and relevant stakeholders to explore the kind of added-value the international trade of cut flowers generates for developing countries and to address how trade policy can unleash the full potential of the horticultural industry.

BSCI ANNUAL CONFERENCE POSTPONED

Due to the high security alert in Brussels last November, the BSCI Annual Conference was postponed. FTA was pleased to announce its first FTA Sustainability Conference will take place in Brussels on 1 and 2 June 2016.
FTA Informs: Communicating About Key Issues

A PROJECTED VOICE IN INTERNATIONAL MEDIA

FTA is a united voice representing the interest of its over 1,800 members. Through a range of communication channels, from mainstream media to social media, a consistent message is communicated promoting FTA’s vision of a world of international trade and sustainable supply chains. Through its close dialogue with journalists, numerous press releases, multiple Op-Eds and representation in high-level conferences, FTA was able to raise awareness on a range of issues important to our mission, including the pursuit of an ambitious EU trade strategy and the improvement of labour conditions and skill building in sourcing countries.

Examples of communication outreach:

- Launch of FTA World: In July 2015, FTA launched its new website, designed with a fresh look and user-friendly navigation. This site brings together all of the association’s services: International Trade Policy, BSCI and BEPI, on to one overarching platform.

- FTA goes Social: In September 2015, FTA increased its presence on several popular online communication channels. FTA actively engages on Twitter to promote discussions on the latest trends in international trade and sustainable supply chains. Through its LinkedIn profile, and showcase pages dedicated to the BSCI and BEPI, FTA communicates its latest developments. In addition, the association showcases and promotes its activities through video and picture-sharing via YouTube and Flickr.

- EU and Vietnam Reach Agreement on Free Trade Deal: FTA’s position echoed in European online new portal just-style.


ONLINE COMMUNICATION

FTA was voiced in Bangladeshi media including an FTA Op-Ed on EU-Bangladesh relations published in Bangladesh monthly magazine ICE Business Times and FTA's Round Table reported in Bangladesh Newspaper The Daily Star.
2015: A YEAR OF TRANSITION FOR FTA GOVERNANCE

With an invigorated strategy backed by forceful collaborations and ambitious projects, a reinforced structure has been vital to support forward developments. In 2015, FTA consolidated its services around two main services International Trade Policy, the advocacy arm, and FTA Sustainable Supply Chain, the operational service. FTA Sustainability brings BSCI and BEPI into closer unison representing the interlinked issues between social and environmental aspects of the supply chain.

FTA GOVERNANCE

FTA benefits from strong governance support from many active company representatives in its network. These representatives are experts in the field of trade and sustainable supply chains and dedicate their time to shape the association through guiding successful and targeted activities.
FTA BOARD OF DIRECTORS (FROM 1 JUNE 2016)

Tino Zeiske
FTA President
METRO Group - Germany

Herman Poelmann
FTA Vice President
Pole Group – Netherlands

Alfred Jakob Beerli
Workfashion.com AG - Switzerland

Bernardo Cruza
Chair of BSCI Steering Committee
El Corte Inglés - Spain

Frank Dassler
adidas Group - Germany

Christophe De Nays Candau
Carrefour - France

Gerard Jansen
Parnassia Holding b.v - Netherlands

Pirjo Heiskanen
BSCI Steering Committee
Tuko Logistics - Finland

Lea Rankinen
S Group - Finland

Åke Weyler
Textilimportörerna - Sweden

PARTING FTA DIRECTORS (SERVED UNTIL 1 JUNE 2016)

The FTA Board of Directors, headed by FTA President of 14 years, Ferry den Hoed, played a pivotal role using its senior management experience to drive forward FTA’s mission and values. In 2016, the three-year term of several FTA Directors came to an end. FTA would like to thank the parting Board members for their dedication over the years.

Ferry den Hoed
FTA President, FTA Management Committee
Euretco - Netherlands

Matthias Händle
FTA Vice President, FTA Financial Committee
HR Group - Germany

Olivier Ganne
Decathlon - France

Philippe Legru
Carrefour - France

Mikael Sjögren
FTA Financial Committee
SOK Corporation - Finland

BSCI STEERING COMMITTEE

- Chair: Bernardo Cruza - El Corte Inglés
- Vice Chair: Maren Barthel - Otto Group
- Monique Ansink - EXCELLENT Products BV
- Lary Brown - Esprit
- Anke Ehlers - ALDI Süd
- Anita Falkenek - Axstores, Aholens
- Pirjo Heiskanen - Tuko Logistics
- Megan Hellstedt - Delhaize Group
FTA Finance

Summary Income Statement for the period 1/1/2015 to 31/12/2015*

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<th>2015</th>
<th>2014</th>
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<td>Audit upload fees</td>
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<tr>
<td>Other revenues</td>
<td>52</td>
<td>44</td>
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<tr>
<td><strong>TOTAL REVENUES</strong></td>
<td>9,207</td>
<td>7,809</td>
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</table>

<table>
<thead>
<tr>
<th>Expenses</th>
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</thead>
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<tr>
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<td>3,040</td>
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<tr>
<td>Travel</td>
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<td>344</td>
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<tr>
<td>Capacity Building</td>
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<tr>
<td>Stakeholder relations</td>
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<tr>
<td>Quality programs</td>
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<tr>
<td>Systems</td>
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<td>Office</td>
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<td>777</td>
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<td>Depreciation</td>
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<td>238</td>
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<tr>
<td><strong>TOTAL EXPENSES</strong></td>
<td>9,190</td>
<td>7,196</td>
</tr>
</tbody>
</table>

| Net result                       | 17    | 613   |

The revenue growth is based on the ongoing growth of the FTA membership base and the increasing associated number of audit uploads.

To meet such growth, the association allocates extra resources especially in the fields of staffing, capacity building and quality programmes.

The balance sheet shows substantial retained earnings expressed as a strong liquidity position on the asset side.

Summary Balance as of 31/12/2015*

<table>
<thead>
<tr>
<th>Assets</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fixed assets</td>
<td>456</td>
<td>209</td>
</tr>
<tr>
<td>Long term investments</td>
<td>42</td>
<td>13</td>
</tr>
<tr>
<td>Short term assets</td>
<td>1,777</td>
<td>915</td>
</tr>
<tr>
<td>Liquidity</td>
<td>3,129</td>
<td>3,878</td>
</tr>
<tr>
<td>Deferrals</td>
<td>158</td>
<td>300</td>
</tr>
<tr>
<td><strong>TOTAL ASSETS</strong></td>
<td>5,562</td>
<td>5,315</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Equity and Liabilities</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Equity</td>
<td>3</td>
<td>3</td>
</tr>
<tr>
<td>Retained earnings</td>
<td>4,079</td>
<td>4,062</td>
</tr>
<tr>
<td>Short term liabilities</td>
<td>1,480</td>
<td>1,250</td>
</tr>
<tr>
<td><strong>TOTAL EQUITY &amp; LIABILITIES</strong></td>
<td>5,562</td>
<td>5,315</td>
</tr>
</tbody>
</table>

All numbers are expressed in thousands of euro.

The reported figures derive from the audited statutory accounts as deposited with the National Bank of Belgium (www.nbb.be).

The classification of the figures is implemented according to the internal management report. The valuation rules follow Belgian GAAP.