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**CSR AND TRADE: INFORMING CONSUMERS ABOUT SOCIAL AND ENVIRONMENTAL
CONDITIONS OF GLOBALISED PRODUCTION**

OECD Trade Policy Working Paper No. 47 - Part II: Case Studies

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ABSTRACT

Focusing on consumer demands in OECD markets and voluntary initiatives taken in the private sector, this study investigates how consumers are informed about the social and environmental conditions under which products have been produced. Consumers of OECD increasingly attach importance to how companies they buy from conduct their business, and the voluntary adoption of CSR policies is spreading in the private sector. But how do consumers know if producers and sub-contractors collaborating within global supply chains meet given standards? Consumer surveys and studies of purchase behaviours indicate that there is a gap between what consumers say and do. Effective communication has a potentially important role in engaging consumers who care about production conditions, and more broadly enhancing awareness of companies' CSR activities.

The paper identifies four major information strategies through which consumers obtain information about social and environmental production conditions: certification and labelling, corporate reporting, consumer guides and corporate marketing. It investigates the extent to which these strategies are used to inform consumers in four sectors with globally traded products: fisheries, cut flowers, cosmetic, and textiles and clothing. Our research shows that the relative use of information instruments varies considerably across products. In all four sectors, products are available which originate from production controlled by private voluntary standards of production. With the exception of fisheries, where mostly environmental issues receive attention, the agenda of CSR communication covers both the social and environmental conditions of production. CSR communication also is at a more rudimentary stage in fisheries and cut flowers than in the other two sectors.

As markets become more concentrated at the retail level for these and other products, the influence of large buyers over suppliers' production practices is growing and CSR products are making their way into the mainstream market dominated by large retail chains and supermarkets. The growing power of large buyers and the crucial role of effective communication in helping bridge the observed gap between consumers' attitudes and purchase behaviours, but also the challenge and potentially trade-limiting impact resulting from the increase in and diversity of private social and environmental production standards, were among the various developments noted by stakeholders when they discussed the topic of this paper at a recent workshop in Rotterdam on 26 September 2006.

Keywords: corporate responsibility, corporate social responsibility, CSR, consumers, consumption environmental conditions of production, social conditions of production, certification, labelling, reporting, environmental reporting, social reporting, codes of conduct, consumer guides, CSR branding, CSR marketing, textiles and clothing, fisheries, cut flowers, cosmetics, eco-label, eco-labelling, social label, supply chain, value chain, retail, supermarkets, multinational enterprises, MNEs, OECD.

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The Working Party of the OECD Trade Committee discussed this report and agreed to make the findings more widely available through declassification on its responsibility. The study is available on the OECD website in English and French: <http://oecd.org/tad>

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TABLE OF CONTENTS

PART II. INFORMING CONSUMERS OF CSR: SECTORAL STUDIES.....	6
A. Fisheries.....	6
1. Production and trade.....	6
2. Corporate social responsibility of fisheries companies.....	7
3. Providing information on fish and fish products.....	8
4. Conclusion.....	13
<i>Annex II.A.1: Fisheries-specific environmental and social certification and labelling schemes.....</i>	<i>14</i>
B. Cut flowers.....	16
1. Production and trade.....	16
2. Channels of distribution and major actors.....	16
3. CSR issues arising in the cut flowers industry.....	17
4. Providing CSR information about cut flowers.....	19
5. Company strategies.....	25
6. Some concluding observations.....	26
<i>Annex II.B.1: The leading suppliers of cut flowers and foliage to The Netherlands, 2004.....</i>	<i>28</i>
<i>Annex II.B.2: Select labelling schemes applicable to cut flowers.....</i>	<i>29</i>
C. Cosmetics.....	30
1. Industry overview.....	30
2. CSR in the cosmetic industry.....	31
3. Communicating CSR in cosmetics sector.....	32
4. Conclusion.....	36
D. Textiles and clothing sectors.....	36
1. Industry overview.....	36
2. CSR issues in textiles and clothing.....	37
3. Communicating CSR in the textiles and clothing sector.....	38
4. An emerging market niche for natural fiber.....	45
5. Tentative conclusions.....	46
<i>Annex II.D.1: Selected CSR textile and clothing labels.....</i>	<i>47</i>
Bibliography.....	48

Tables

Table 1: Preferred seafood information channels.....	8
Table 2: Selected fish guides.....	12
Table 3: Reach of selected consumer labels.....	23
Table 4: World leaders in trade of textiles and clothing, 2004, billions of US dollars.....	37
Table 5: Textiles and apparel industry - Selected labour monitoring and reporting initiatives.....	42

Boxes

Box 1. Educating consumers – the “fair flowers” campaign.....	18
Box 2. Trade concerns raised by labelling programmes.....	21
Box 3. Creating a market for organic flowers.....	26
Box 4. Profiles of some players.....	31

Box 5. Shiseido and its in-store recycling.....	33
Box 6. Animal testing labelling.....	33
Box 7. Playing the transparency card: The Body Shop and palm oil.....	35
Box 8. The consequence of below-standards safety conditions.....	38
Box 9. Kasky v. Nike	39
Box 10. Gap Inc.'s handling of a CSR dispute	43
Box 11. A wealth of information for garment shopping	45
Box 12. Some ethical fashion brands	46

PART II. INFORMING CONSUMERS OF CSR: SECTORAL STUDIES

1. Against the background of the general discussion of types of information schemes and strategies provided in Part I of the study, Part II presents four sector studies investigating the extent to which consumers are being informed about CSR practices related to social and environmental production conditions, and the information schemes used. The sectors are *fisheries*, *cut flowers*, *cosmetics*, and *textiles and clothing*.

2. To facilitate comparison, the sector analyses follow similar outlines. The studies first present a brief overview of the industry, including worldwide production and trade patterns. Furthermore, industry-specific environmental and social situations relevant to CSR, particularly in the context of international trade, are described. Next, each study describes sector-specific CSR objectives, issues and instruments, as well as major players in the sector. The third and main part of the investigation examines the various types of information schemes and strategies that aim to inform consumers about the social and environmental conditions of production in these sectors.

A. Fisheries¹

1. Production and trade

3. Global fish supply from both catches and aquaculture has grown to 140 million tonnes in 2004. While catches has hardly increased since 1990, aquaculture production has expanded quickly, reaching 45 million tonnes in 2004. Overall, fish and fish products provided more than 2.6 billion people with at least 20% of their average per capita animal protein intake (FAO, 2004). Fish exports worldwide have also risen rapidly from USD15 billion in 1980 to USD71 billion in 2004, so that the volume of fish exports amounts to 30-40% of the total production around the world. Almost 200 countries supply fish and seafood products to the world market, consisting of more than 800 commercially important species of fish, crustaceans and mollusks, including 30 species of shrimp alone (Anderson, 2004).

4. Developing countries account for 50% of the total world exports, earning net revenue of USD18 billion in 2003 –a figure larger than that earned from their exports of tea, rice, cocoa and coffee combined. The top 5 exporting countries in value terms include the EU countries, China, Thailand, Norway and the United States, while Japan, the United States and the EU represent major importers responsible for 74.3% of world imports (USD56 billion). Shrimp, groundfish, tuna, salmon and small pelagics are the most traded species, collectively claiming 51% of the total export value.

5. According to the FAO State of World Fisheries and Aquaculture (SOFIA), there has been a consistent downward trend since the 1950s in the proportion of marine fish stocks with potential harvesting capacities. Modern fishing fleets use highly sophisticated technology to locate and catch fish in the sea, and hence concerns about over-exploitation are rising. The FAO report estimated that “in 2003 about half of the stocks were fully exploited (52%) and therefore producing catches that were close to their maximum sustainable limits, while approximately one-quarter were overexploited (16%), depleted (8%) or recovering from depletion” (FAO, 2004). Nonetheless, FAO projections suggest that world fishery production will range between 107 and 144 million tones in 2010.

1 This paper investigates both the fish harvesting and processing sectors, additionally with limited reference to retailing of fish products (a service) as far as it has relevance to CSR in the fisheries sector.

6. In the past, the fishery sector had a relatively short supply chain from sea to plate. Traditionally, fishermen and local fishmongers directly sold fish to consumers. Nowadays, fish and seafood are supplied through a global network of fishing vessels and aquaculture establishments, processors, wholesalers and retailers. The last three decades have witnessed the fast globalisation of fisheries. The volume of fishery production has less than doubled during the period between 1976 and 2002, while exports have more than tripled. Global seafood giants like Unilever (Netherlands)², Fjord Seafood ASA (Norway) and Nichirei Corp. (Japan) play an important role in exporting and importing frozen, canned and fresh fish. In terms of retailing, big supermarkets are gaining an ever-growing share in the seafood markets. For instance, UK market growth is driven by large retailers, with nearly 90% of seafood sales made through supermarkets where expenditure was up 6% in 2004/2005, representing 78% of total seafood sales of £1.84 billion (USD3.45 billion) (Dryden, 2005).

2. *Corporate social responsibility of fisheries companies*

7. Of a variety of issues, CSR in fisheries centres on environmental concerns. ‘Sustainable fisheries’ is the core concept to which most fisheries companies have pledged adherence. International norms have been put in place to govern sustainable fishing. Company CSR activities and communications in fisheries are essentially intended to support these international agreements, together with regional and national regimes, on sustainable fisheries management policies. These include, *inter alia*:

- United Nations Conventions on the Law of the Sea (UNCLOS)
- Agenda 21 and the Rio Declaration on Environment and Development
- Straddling and Highly Migratory Stocks Agreement
- FAO Code of Conduct for Responsible Fisheries

8. Compared to environmental concerns, social aspects have played a less important role in the CSR agenda of the fisheries business, despite the fact that fishermen work in a dangerous environment and fishing is an important source of income for developing countries.³ According to FAO statistics, fishery and aquaculture production activities provided direct employment and revenue to an estimated 38 million people in 2002, of which the highest numbers are in Asia (87% of the world total), followed by Africa (7%). It is known that occupational fatalities among fishery workers far exceed the overall national averages in many countries. Currently, the ILO has special instruments which provide fishing workers with labour standards, such as minimum age, medical examinations, articles of agreement, etc. However, some regulations are irrelevant nowadays because they are dated.⁴

9. Environmental concerns have been well embedded in the CSR vision and strategies of fisheries companies, while social issues seem not to have been fully reflected. Most fishing enterprises manifest their commitment and adherence to sustainable fishing on their websites, in company reports or in other communications. To discharge themselves of their social responsibility, a number of fishing companies and seafood processors implement social programmes including the training of workers, community contributions and improvements of employee safety and health. Recently, big supermarkets which sell

2 Recently, Unilever sold its fish divisions.

3 Some take the view that ‘sustainable fishery’ encompasses the socio-economic dimensions of production.

4 The International Labour Conference in 2005 tried to revise labour standards in the fishing industry. This still pending initiative is intended to produce a comprehensive standard on work in the fishing sector, revising the existing seven ILO fishery-related instruments – five Conventions (concerning minimum age, medical examination, articles of agreement, accommodation and competency certificates) and two Recommendations (concerning vocational training and hours of work).

seafood in large quantities have been strengthening their commitments and activities for CSR in sourcing fish products, which could have significant impacts on fisheries through their widespread supply networks.

3. *Providing information on fish and fish products*

10. Information gaps are also found in the fisheries sector. According to a Seafood Choices Alliance study (2003), for instance, American consumers feel that they do not have enough information to be able to identify kinds of seafood that are overfished or caught in a way that is harmful to other sea creatures and the oceanic environment. The study also found that 67% of respondents hoped to get more information about the environmental impact associated with the seafood they buy.

a) *Certification and labelling*

11. Information relating to fishing and seafood production is provided through use, to varying degrees, of the various communication tools described in Part I. Labelling is the most widely employed CSR information scheme in fisheries, though its market impact reportedly remains modest. There are indications that consumers would like to get the desired information through labels (see **Table 1**). The Seafood Choices Alliance study (2003) found that consumers prefer labelling as the main source of information at the point of purchase to information sources such as newspapers, other printed materials, or even the Internet. 72% of respondents stated that they would be more likely to buy seafood bearing an environmentally responsible label.

Table 1. Preferred seafood information channels

	Extremely interested	Somewhat interested	Very Interested
Label on the fish you buy in the store	31%	35%	18%
Cookbook containing recipes for fish that are good environmental choices	20%	31%	22%
Newspaper articles	19%	32%	28%
A website about seafood	11%	19%	20%
Articles in food or cooking magazines	10%	23%	26%
A printed card to carry in the wallet	10%	15%	21%
A file to download on PDA or cell phone	4%	10%	13%

N = 1000 respondents

Source: Seafood Choices Alliance, 2003.

12. Quite a number of labelling schemes have hitherto been developed globally and nationally to provide labelling for fish and seafood. Faced with a growing number of labelling schemes in fisheries, the FAO Committee of Fisheries adopted in March 2005 a set of voluntary *Guidelines for the Ecolabeling of Fish Products* in an effort to ensure the sustainability of marine fisheries. The new guidelines are aimed at providing guidance to governments and organisations that already maintain, or are considering establishing, labelling schemes for certifying and promoting labels for fish and fishery products from well-managed marine capture fisheries (FAO press release, 2005). The following sections investigate two main

labels for fish and fish products, whereas **Annex II.A.1** presents a summary of several schemes for fisheries.

Marine Stewardship Council (MSC)

13. The Marine Stewardship Council (MSC) is the leader in providing a label for fish and seafood originating from marine catches. The MSC was initially established in 1997 by a joint initiative of Unilever and the WWF, but now its operation is fully independent. The MSC developed, in consultation with stakeholders, the *Principles and Criteria for Sustainable Fishing*, for use as a standard for third-party, independent and voluntary certification. The Principles consist of three components –protecting marine stocks, protecting the ecosystem and effective fishery management system, while incorporating the *FAO Code of Conduct for Responsible Fisheries*.

14. The MSC labelling scheme is composed of two different certifications applied to fish harvesting and the downstream supply chain respectively—fishery certification and chain of custody certification. Whereas the former is awarded to a fishery, the latter is given to processors, wholesalers and restaurants that want to apply the MSC logo to a fish product. Although participants in a certified fishery may display the MSC logo on fish sold directly to consumers, in practice this is only the case for lobsters and other marine products sold in a fresh state (OECD, 2005). Participants in downstream supply chains display the MSC logo on products from certified fisheries only if they undertake chain of custody certification and then enter into a license agreement with the MSC. Currently 12 fisheries have been conferred fishery certification,⁵ and 230 MSC labelled products are available in 23 countries.

15. Certification and use of MSC label incur costs, i.e. the pre-assessment, the full assessment, annual audits, chain of custody certification, and logo licensing fees (MSC website). Except for the licensing fee paid to the MSC (the operative arm of the MSC), all the costs are agreed upon between accredited certifiers and the client, depending on the size and complexity of fishery and supply chain. According to Peacey (2000), the costs for pre-assessment range from a few thousand dollars to over USD20,000, while those of full assessment between USD10,000 for a small fishery and more than USD100,000 for a large, complex one. Peacey also estimates that the cost of chain of custody certification ranges from under USD1 000 to over USD5 000. The fee for on-product use of logo has been set at 0.1% of product value, with a minimum fee of USD2 000. From the beginning, developing country governments and environment NGOs as well as small-sale fishermen raised concerns that the cost of certification and requirements for sophisticated management system would preclude small-scale fisheries and fisheries in developing countries from certification (Phillips *et al*, 2003).

16. The evaluation of the MSC labelling scheme is mixed. In Europe, the scheme has gained support from over 100 organisations in more than 20 countries. It has been particularly successful in having its labelled seafood placed on the shelves of such mega-retailers as Sainsbury's, TESCO, Carrefour and Metro. In fact, certified fish account for 1.5% of all seafood sold through stores in the United Kingdom, and European branded fish processors and retailers already sell USD73 million of MSC-labelled fish like salmon (Searle, 2004). However, the scheme has not yet been successful in gaining widespread recognition among environmental NGOs and marine conservation organisations, particularly in the United States, where its market share amounts to only 0.05%. Moreover, the MSC is being criticised for its inability to

5 These are: Alaska Pollock - Bering Sea and Aleutian Islands, Alaska Pollock - Gulf of Alaska, Alaska Salmon, BSAI Pacific Cod longline fishery, Burry Inlet Cockles, Hastings Fleet Dover Sole Fishery, Hastings Fleet Pelagic Fishery, Loch Torridon Nephrops, Mexican Baja California Red Rock Lobster, New Zealand Hoki, South African Hake, South Georgia Patagonian toothfish, South West Handline Mackerel, Thames Herring, and Western Australian Rock Lobster.

certify fisheries in developing countries as well as for not incorporating labour concerns in the fishing industry.

Dolphin-Safe or Dolphin-Friendly tuna labels

17. 'Dolphin-safe' or 'Dolphin-friendly' tuna labels are the most widely recognised eco-labels for fish products. However, they are also among the most confusing ones, from a consumer's perspective.⁶ There are several third-party schemes as well as a large number of self-declared dolphin-safe labels.⁷ An international survey carried out by nine leading consumer organisations (Decision News Media, 2004) pointed out that "up to six different logos and wording were found on 25 tins of tuna, each claiming that the tuna was fished without harming dolphins. Terms used included 'dolphin friendly', 'dolphin safe', 'no threat to dolphin species' and 'certified fishing, drift net free' –but there was no assurance or verification to back up any of these claims."⁸ Indeed, dolphin-safe labels are a typical case where labels are competing with each other and first-party and third-party labels have resulted in consumer confusion.

18. In the United States, Congress passed the Dolphin Protection Consumer Information Act (DPCIA) in 1990, which stated that dolphin-safe labels may only be applied to tuna harvested in a manner that is 'not harmful' to dolphins. The concept of "harmful manner" includes death or serious injury to dolphins through deliberate targeting or encirclement of dolphins. For this claim, tuna catches must be verified by an independent observer from the National Marine Fisheries Service (NMFS). A multi-government-led dolphin-safe mark is the AIDCP label. The parties to the Inter-American Tropical Tuna Commission (IATTC) signed the Agreement on the International Dolphin Conservation Program (AIDCP) and launched its dolphin-safe tuna certification and label in 2001.⁹ The Parties to the AIDCP claim that it is the only one in the world supported by a comprehensive and transparent multilateral tracking and verification system administered by member governments and the treaty organisation. In contrast, the EII dolphin-safe tuna label is an NGO initiative. The Earth Island Institute (EII) began to put pressure on US tuna companies in 1986 by launching the International Marine Mammal Project and developed a dolphin safe standard and labelling in 1990.¹⁰ Currently, the EII has approved around 200 processing companies and fishing companies, respectively, for dolphin-safe tuna suppliers on the globe.

19. Unlike the United States, there is no legal instrument governing dolphin-safe tuna labelling in the European Union. However, European tuna processors have begun to use first-party labels to appeal to consumers, and the canning industry in partnership with NGOs has also developed a second-party certification scheme (for example, cooperation between the EII and the British Association of Canned and Preserved Food Importers and Distributors [BACFID]). Brown (2004) argues that given the fact that all canned tuna used in the United Kingdom has traditionally been skipjack, the retailers' claim of the moral high ground can be interpreted as a wish to gain from the publicity afforded by labelling and avoid any bad publicity and potential consumer boycotts similar to those promoted by the EII in the United States.

6 The dolphin-tuna debate centres on the yellowfin tuna fishery in the Eastern Tropical Pacific, where dolphins are killed or injured as bycatch during tuna fishing.

7 For instance, all three largest US tuna processors, namely Starkist, Bumble Bee, and Chicken of the Sea, have their own dolphin-safe logos.

8 See <http://www.meatprocess.com/news-by-product/news.asp?id=53610&idCat=65&k=the-truth-behind>.

9 The IATTC, established by international convention in 1950, is responsible for the conservation and management of fisheries for tunas and other species taken by tuna-fishing vessels in the eastern Pacific Ocean. (IATTC homepage) Now its members are El Salvador, Costa Rica, Ecuador, France, Guatemala, Japan, Korea, Mexico, Nicaragua, Panama, Peru, Spain, United States, Vanuatu and Venezuela.

10 The EII is a non-profit, non-governmental conservation organization based in the U.S, which develops and supports innovative projects that counteract threats to the biological and cultural diversity.

The prospect for fish certification and labelling

20. Although the current retail sales of fish products carrying an eco-label are well below 1% of the total seafood market, the interest of consumers and retailers in the issue of sustainable fishery has been increasing around the world. As big supermarket chains currently supply a large share of the seafood bought by consumers, their views and policies are critical to the future of seafood labels. In general, there is a growing trend of them preferring labelled seafood to unlabelled products. In November 2005, retail giant Wal-Mart announced it would begin certifying all of its imported farm-raised shrimp to ensure that it is raised in a way that minimises negative environmental and socio-economic impacts (Seaweb press release, 2005).¹¹ According to these news, other companies taking similar actions with regard to seafood sustainability include McDonald's, British retailer Tesco, Darden Restaurants (the largest casual dining restaurant company in the world), Xanterra Parks & Resorts (servicing many U.S. national parks), and food service company Bon Appetit Management Co.

21. The European Commission has been promoting debate on whether or not rules are needed for eco-labelling schemes applying to fishery products. For debate and stakeholder consultations, the Commission has proposed three options: 1) let the private sector carry out its own initiatives; 2) create an EU eco-labelling scheme for fish and fisheries products; and 3) establish minimum requirements (EC, 2005). Currently the EC prefers the third option, without ruling out the other two, and is pursuing further consultations with a view to finding answers to various questions relating to a fishery labelling scheme. Sceptics argue that labels for fish products have faced difficulties arising from the nature of fisheries, particularly in verifying and monitoring, because most fishing takes place in remote seas and fish from different sources can be mixed during processing. While several certification and labelling schemes have proven to be rather successful in the last decade, fishery labels still face the hurdle of gaining and maintaining credibility as a communication tool for both consumers and producers.

b) Reporting of fisheries companies

22. According to the triennial KPMG survey (2005), consumer markets including food and beverages are still lagging behind other markets in CSR reporting, while the CSR issues in these markets are becoming increasingly evident. None of the current 831 companies which register their reports in the GRI database are fisheries companies.¹² Our website search also suggests that fisheries companies seldom publish stand-alone CSR reports.

23. While it is difficult to assess CSR reporting systematically, the practices of two fisheries companies, *Unilever* and *Sanford Ltd*, may serve to illustrate reporting practices in this industry:

- Unilever has issued public reports on its environmental performance since 1996 and on its social performance since 2001. In May 2006, the company published its first combined environmental and social report. The Unilever report presents its impact on society and the environment, focusing on three big pictures: the social impact of the products, the steps taken to minimize environmental footprint and benefits to stakeholders and local communities. Issues are addressed by category of stakeholder, e.g. consumers, customers, employees and communities. As it is increasingly practised by large companies, reporting by Unilever is verified by means of an independent audit.
- Sanford Ltd, New Zealand's largest fishing company, has published Sustainable Development Reports since 2000, addressing shareholders, customers, suppliers, employees and the

11 See <http://www.seaweb.org/mediacenter/press-2December05.php>.

12 See the GRI database (<http://www.globalreporting.org/guidelines/reports/search.asp>).

communities where they operate. Initially it published a report entitled “Triple Bottom Line Report” but changed the title to “Sustainable Development Report” in 2003. Irrespective of the change in title, however, reporting by the company has always covered the three CSR pillars: environmental, social and economic sustainability. One feature of all Sanford reports has been the inclusion of a “response form” aimed at obtaining feedback from stakeholders. Assurance statements were introduced with the 2005 Report.

c) *Consumer guides*

24. Fish and fish products have hardly drawn attention from consumer guides. In fact, most consumer guides do not include product recommendation for seafood and, if any, they provide only quality-related information but not environmental and social information. Recently some environmental organisations, semi-state agencies and NGOs have begun to publish fish guides. In general, these guides carry fish lists that are recommended or avoided, together with information on fishing gear, capture methods, bycatch and biology. The guides are locally-oriented, focusing on fish species that are mostly consumed in a specific region (see **Table 2**). However, they do not contain information relating to producers, processors and suppliers.

Table 2. Selected fish guides

Guide	Publisher	First published	Main information
Good Fish Guide	Marine Conservation Society (UK)	2002	<ul style="list-style-type: none"> ▪ fishing methods and management ▪ impacts of fishing on marine life and local communities ▪ biology, status, capture methods and fishing impacts for 65 species of fish commonly eaten in the United Kingdom
Best Fish Guide	Forest & Bird (New Zealand)	2004	<ul style="list-style-type: none"> ▪ 68 commercial fishing species and their ecological status expressed in rank ▪ information on their fishing methods, bycatch, and biology, etc
Sustainable Seafood Guide	Marine Conservation Society (Australia)	2005	<ul style="list-style-type: none"> ▪ over 30 of most commonly eaten seafood species ▪ Information on unsustainable seafood species and damaging fishing gears
The Fish List	Seafood Choices Alliance and its partners (USA)	2004	<ul style="list-style-type: none"> ▪ ‘Enjoy!’ or ‘Avoid!’ categories of fish species ▪ levels of mercury, PCBs, or pesticides
Seafood Watch	Monterey Bay Aquarium (USA)	-	<ul style="list-style-type: none"> ▪ ‘Best Choices’, ‘Good Alternatives’, and ‘Avoid’ categories of fish species

Source: OECD

d) *Company communication strategies*

25. In the age of the Internet, providing information online has become an imperative, even for SMEs. A large number of fish harvesting and processing companies as well as seafood retailers have homepages through which they communicate with consumers and other stakeholders. On their websites, many fisheries companies state their commitments to sustainable fishing and provide related information, e.g. about adherence to ISO 14001 or SA8000, observance of a quality standard, sourcing policies and production practices. Websites run by retailers include more product-related seafood information such as

new products, ingredients, recipes and prices. Seldom mentioned is where and how fish was caught or grown, the bycatch and sustainability status of the species.

26. Packaging and labelling is one of the traditional ways of communicating with consumers. For seafood, packaging features such terms as 'natural', 'eco', 'fresh', 'bio', 'organic' and 'pure', like other food products. Many companies have also developed self-declared labelling schemes in order to have better marketing opportunities (*e.g.* private dolphin-safe tuna labels).

27. As globalisation has deepened in the fishing and processing segments of fishery production, it also has left its imprint on the retailing of fish and seafood products. Now accounting for a large market share of seafood sales, supermarket chains are introducing innovations in the way in which seafood is traded and marketed. They offer their own brand seafood, covering a wide range of products. Some have declared codes of principle or sustainable sourcing policies (for example, Mark & Spencer's *Policy on Sustainable Sourcing of Fisheries Products*). Their large sales volumes give them bargaining power vis-à-vis fishing companies and processors and they often buy without middlemen, through direct dealings with fishing vessels and aquaculture establishments.

28. The strengthened role of big retailers may create opportunities for narrowing the existing information gap in the fisheries sector. Supermarket chains listen and watch consumer demands closely and then react efficiently. Moreover, they are extremely sensitive to negative campaigns. By providing information related to fish and fish products desired by consumers, supermarkets may create spill-over benefits to other players in the industry.

4. Conclusion

29. It appears that CSR communication in the fisheries sector is at a rudimentary stage, as is CSR *per se* in the sector. Key findings can be summarised as follows:

- CSR in fisheries has evolved mainly in the form of support of *sustainable fishing*, with relatively more emphasis on the environmental dimension than on social aspects. Many fisheries companies have pledged to sustainable fishing and made efforts to comply with international fishery regimes including the FAO Code of Conduct for Responsible Fisheries.
- Some labelling schemes, *i.e.* *MSC and Dolphin-safe tuna*, have gained worldwide recognition; however the market share of labelled fish products is still small. Perceptions of consumers and businesses tend to differ concerning the use of business-to-consumer labelling.
- CSR reporting used in other sectors to inform stakeholders about CSR performance at the company level and consumer guides recommending products based on some CSR attributes are communication tools not often found in the fisheries industry. The arrival of fish guides carrying sustainability information so as to appeal to cause-driven seafood consumers is a recent development.
- Like in the retailing of other goods, supermarket chains have gained significant shares of fish and seafood sales. Based on their market power, they are well placed to innovate in delivering information to seafood buyers more efficiently and effectively.

30. Among the companies that catch, process and sell seafood products, there are also some flagship cases of good CSR performance and communication with stakeholders, such as Unilever or Ecofish, Inc., a leading supplier of seafood exclusively from sustainable fisheries. They seem to have gained consumer support in niches of the larger fisheries sector and may be illustrative of good practice. However, it may be premature to draw conclusions based on these cases for the wider fisheries industry, given that CSR has only started to find its way into this industry.

Annex II.A.1: Fisheries-specific environmental and social certification and labelling schemes

Scheme		Application		Elements	Instruments
Marine Council (MSC)	Stewardship	Marine catch		Environment No social	<ul style="list-style-type: none"> ▪ MSC Principles and Criteria ▪ Certification and MSC logo ▪ www.msc.org
AIDCP tuna	Dolphin-safe	Dolphin, Eastern Pacific	Tropical	Environment No social	<ul style="list-style-type: none"> ▪ AIDCP Tuna Tracking and Verification System ▪ Certification and AIDCP logo ▪ www.iattc.org/DolphinSafeENG.htm
EII Dolphin-safe tuna		Dolphin, Eastern Pacific	Tropical	Environment No social	<ul style="list-style-type: none"> ▪ Earth Island Institute "Dolphin Safe" standards. ▪ Certification and EII logo ▪ Dolphin Project Home Page
Marine Council (MAC)	Aquarium	Ornamental life	marine	Environment No social	<ul style="list-style-type: none"> ▪ Ecosystem and Fishery Management (EFM) Core Standard ▪ Collection, Fishing and Holding (CFH) Core Standard ▪ Handling, Husbandry and Transport Core Standard ▪ Certification and 'MAC Certified' logo ▪ macweb.inets.com/default.asp

Scheme	Application	Elements	Instruments
Global Aquaculture Alliance (GAA)	Aquaculture	Environment Partly social	<ul style="list-style-type: none"> ▪ Guiding Principle for Responsible Aquaculture ▪ Codes of Practice for Responsible Shrimp Farming ▪ Best Aquaculture Practices Standards ▪ www.gaalliance.org
International Federation of Organic Agriculture Movement (IFOAM)*	Aquaculture	Environment Partly social	<ul style="list-style-type: none"> ▪ Organic Aquaculture Standard ▪ Certification and IFOAM seal ▪ http://www.ifoam.org/
Naturland*	Aquaculture	Environment Partly social	<ul style="list-style-type: none"> ▪ Naturland Standards for Organic Aquaculture ▪ http://www.naturland.com/
Soil Association Certification*	Aquaculture	Environment No social	<ul style="list-style-type: none"> ▪ Soil Association Standards (30.0 Aquaculture) ▪ http://www.soilassociation.org/web/sa/saweb.nsf/home/index.html

* denotes an organic certification and labelling scheme.

Source: OECD

B. Cut flowers

1. Production and trade

31. The market for cut flowers is a highly competitive market in which importers are continually seeking new, special and different products, such as tropical flowers, summer flowers, bouquets, foliage. While no data is available on total world production, the leading flower-growing countries are the Netherlands, Colombia, Kenya, Israel and the United States. In other countries, like South Africa, Ethiopia, and Malaysia, domestic industries are developing (CBI, 2005; ITC, 2001). China still is in the process of developing the production necessary to supply its own huge market but also has a big export potential.¹³

32. Consumption of cut flowers is concentrated in Western Europe, North America and Japan. The EU alone represents about half of the world's market, with EU consumers spending around EUR 12 billion on flowers and foliage in 2004. Germany is the biggest EU consumer of flowers, followed by the United Kingdom, France and Italy (CBI, 2005). Besides the Netherlands, other major cut flowers suppliers to the EU market are Kenya, Israel, Colombia, Ecuador and Spain (see **Annex II.B.1**). Around 20% of the EU's consumption is supplied by non-EU growers.

33. Globally, the Netherlands, Kenya, Colombia, Ecuador, and Israel are the leading flower exporters; however, more than two-thirds of the international trade in flowers takes place within Europe. The EU exported cut flowers for almost EUR 2.6 billion in 2004 – mainly to other EU countries, Switzerland, Russia and the United States – of which nearly EUR 2.3 billion were exported or re-exported by the Netherlands. The Netherlands is also the leading importer of flowers from outside the EU, accounting in 2004 for 56% of total EU imports. Most of the flowers imported go to the Dutch auctions and then are re-exported to other European markets.

34. The United States is another major importer of flowers, mostly from South America. Virtually no fresh cut flowers were imported into the United States prior to 1960, when it was difficult to transport perishable goods over long distances and large-scale floriculture production took place mainly in the United States and Europe. Today, Colombia (leading by far), Ecuador and the Netherlands are the major foreign suppliers of the United States. The United States also exports cut flowers, mainly to Canada, Mexico, the EU, and Japan (ITC, 2003).

35. The advantage of growing low-priced mass-produced flowers has gradually shifted away from the OECD region, whose imports originating in developing countries have been increasing strongly over the past 10 to 15 years. The decrease in production area and in the number of growers reflects productivity gains but also factors such as rising costs of labour and energy and consequently increasing competition from countries with low-cost production. Cut flowers production tends to be labour intensive in non-OECD countries, whereas growers in Europe and other parts of OECD apply high tech production methods geared towards delivery of novel products of the highest quality.

2. Channels of distribution and major actors

36. Marketing of flowers involves two kinds of supply chains, depending on the types of supplier-buyer relationships that have been established. One chain runs from (1) producers/exporters, to (2) auctioneers, to (3) wholesalers, to (4) retailers, and to (5) consumers. At times agents also play a role. This chain is typical when flowers are marketed using the Dutch Auctions, the most important market

13 By the end of 2001, China had more than 20,000 flower-growing enterprises and over 2,000 flower wholesale markets, with 1.45 million people working for this expanding trade. In 2001, China sold a total of 3.8 billion fresh flowers and 810 million potted flowers. (People's Daily, Beijing, 3 October 2002).

outlet for flowers worldwide where wholesalers purchase flowers for re-export internationally. The other chain is controlled by supermarket buyers, which in some markets (*e.g.* United Kingdom) account for a significant share of flower sales (Tallontire *et al.*, 2005).

37. Flower farms come in all sizes but larger farms prevail in OECD countries compared to developing countries, although there is a global trend towards consolidation. (VIDEA, 2001). The bulk of the world flower trade – perhaps 60% – is channelled through auction houses in the Netherlands, which determine the prices, especially in Europe where they have a 30-40% market share in cut flowers. E-commerce is increasing in importance in the floricultural business, with activities directed at improving information transfer and trade between growers, auction, wholesaler and retailer. In 1995, Tele Flower Auction (TFA) was one of the first electronic trade systems established in the floricultural trade.¹⁴

38. Exporters can also sell directly to importing wholesalers. In fact, dependence of growers on selling through flower auctions is gradually giving way to direct trade with wholesalers. There is also a trend of big retail chains increasingly buying large volumes of flowers directly from growers, hence bypassing the auctions as well as all other intermediate players. Supermarkets have invested in supply chain relationships and are pushing value-added activities (*e.g.* making ready-to-go bouquets) down the chain towards exporters. For example, in Kenya large growers have tailored their operations to sell directly to retail outlets in Europe (CBI, 2005).

39. At the retail level of the distribution chain, traditional florists (independent retailers who purchase their products from the wholesale market and also directly from domestic producers) still play an important role in most OECD countries. Florists offer flowers of higher quality, carry a broader assortment, use attractive presentations and offer delivery and other services. However, the importance of large retail chains (supermarket chains, do-it-yourself stores, garden centres) has been growing. In the United Kingdom, supermarkets (Tesco, Sainsbury, Safeway and Asda) hold an estimated 65% of the retail market. In Germany, supermarket chains (*e.g.* Tengelmann, Metro, Edeka and Rewe) account for a 14% share of the domestic cut flower market, demand by price-conscious consumers having steadily increased since 2000 (CBI, 2005).

40. While consumer preferences and patterns differ across countries and even within countries by geographical region, income and other criteria, most consumers buy flowers on impulse. The emotional element is important when buying flowers: they are associated with beauty, joy, festivities, nature, and are a sign of affection and love. Furthermore, the quality expected by consumers is generally very high. They expect not only freshness at the moment of purchase but also a long vase life and they value the colour and scent of the flowers. Price is not the main criterion but an important one. While flowers and bouquets are mainly purchased as presents, they are increasingly bought for own use as well. These purchases of flowers for own use are driven by the availability of lower-priced flowers in supermarkets (CBI, 2005). There is also increasing demand today for ready-to-use products, one-stop shopping and sales through the Internet.

3. *CSR issues arising in the cut flowers industry*

41. CSR is generally viewed in the context of trade with the developing world. The global flower industry has received some negative publicity in recent years because labour unions, environmental

14 TFA was created in 1995 by East African Flowers, the largest private importer of non-EU produce in the Netherlands, as a private auction focusing on imports from outside Europe. The auctioning is done through a computer network and the buyers are selected among the 100 biggest Netherlands wholesalers. FFA does not impose any quantitative restrictions on imports and it buys on a contract basis. Supply criteria and commissions are comparable with the traditional auctions (BDI, 2005). See also <http://www.tfa.nl>.

activists and other NGOs have raised a number of issues linked to conditions of production on developing-country flower farms.

42. The majority of workers in these farms are young women with little education. Jobs are often temporary, seasonal, casual and migrant –hence precarious. Long working hours and hazardous conditions are also common. Health and safety provisions are often poor, with workers not being provided with protective clothing, toilets, washing facilities and drinking water (Smith et al, 2004; ETI, 2005).

43. Like other agricultural industries, the cultivation of flowers can be very harmful environmentally. Inappropriate choice of cultivation methods and the use of chemicals and fertilisers can damage large areas of land and water. Too much use, or misuse, of herbicides and pesticides can threaten human, animal and plant life. Also, the trade, transport, and sales of flowers and plants cause a considerable amount of packaging waste such as boxes, trays and plastics that can cause pollution due to toxic substances.

44. Since the early 1990s, conditions in the floricultural industries of Colombia and other growers have received considerable media coverage and public attention, both locally and abroad. Civil society organisations monitoring developments have repeatedly alleged that there are worker rights violations, health problems, etc. in some of the farms in these countries, with organisations including Women Working Worldwide and the Ethical Trading Initiative of the United Kingdom being drawn into the debate.

45. Even if more consumers know much more about the industry today and express concern, the crucial impetus for transparency and accountability of the behaviour of flower growers has come from campaigns conducted by environmental and social pressure groups. **Box 1** illustrates various information strategies which several European NGOs used when they started to promote a “Fair Flower” Campaign in 1990 aimed at establishing more humane and ecologically sustainable conditions of production for cut flowers exported by Colombia and other developing countries. This campaign has been widely credited for educating and mobilising consumers in Europe.

Box 1. Educating consumers - The “fair flowers” campaign

In 1990 a “fair flowers” campaign was launched by a Swiss-Colombian working group on cut flowers issues, Greenpeace and the World Wildlife Fund, who just before Mother’s Day when sales of flowers are high, set up three flower stands in the centre of the city of Basel, Switzerland. The stands were decorated with flowers and surrounded with posters depicting poor working conditions and high pesticide use in the Colombian flower industry. Passers-by were given a newspaper-like publication about the cut flower industry, a leaflet summarising the campaign, and a flower. They were asked to write to the Colombian Embassy to express their concern about working conditions in the industry.

The Swiss-Colombian working group also approached Swiss supermarkets and by 1995 Migros agreed to create a label for flowers produced under “socially and environmentally sustainable conditions”. By this time, the flowers campaign had broadened from Colombia and other South American companies to include Africa. In subsequent years, the working group continued with Mother’s Day campaigns and organised other activities, such as conferences on Fair Flowers that brought together Swiss florists, supermarkets, importers, the chemical industry (pesticide producers), NGOs and aid agencies.

The campaign was eventually extended to the neighbouring countries of Austria and Germany. As in the case of the Swiss campaign, the original focus was Colombia but later on it was broadened to include other countries, such as Ecuador, Zimbabwe, Kenya and Tanzania.

Source: VIDEA, 2001.

46. It is important to point out that, unlike what has happened to certain other consumer products or corporate brands becoming entangled in CSR controversies, no one has ever advocated or organised a consumer boycott of cut flowers from specific countries or flower sellers. As the development NGO Oxfam Canada explains, in its virtual flyer calling for Valentine's Day 2004 Action on behalf of improvements in the production conditions on developing-country flower farms: "*Oxfam does not favour a boycott of flowers. The women workers whose rights we wish to defend urgently need their jobs. What's more, we believe that when customers voice concern for the situation of flower workers directly to retailers it will send the message down the supply chain...*" (Oxfam Canada, 2004).

4. *Providing CSR information about cut flowers*

47. The Fair Flower campaign has shown that consumers can be mobilised into writing letters to politicians or CEOs to demand corporate responsibility on flower farms. Yet when they shop for a bunch of flowers from a florist or supermarket in their neighbourhood, consumers likely will have a hard time identifying the production characteristics of these products. The reason is that although labels for cut flowers have been developed in several countries, many operate at the level of business-to-business relationships and do not show up at the florist shop or supermarket. This situation is now gradually changing.

a) *Certification and labelling*

48. Information schemes used in the market for cut flowers are dominated by buyer or sectoral codes of conduct, and labels, or symbols, attesting certification based on these codes. Many important schemes are geared towards facilitating business-to-business transactions along supply chains. In this case, the final consumer often sees no label and has no knowledge that the flowers bought have been certified under existing schemes. For illustration, a selection of labels is depicted in **Annex II.B.2**.

i) *Predominantly business-to-business certification and labels*

49. The *Milieu Programma Sierteelt (MPS)* in the Netherlands has developed criteria for labelling agricultural products, including flowers, based on growers' production practices. Focusing initially on environmental criteria (MPS – ABC – environmental certification) the programme now covers also social aspects, such as safety, health and working conditions (MPS – Socially Qualified). A flower grower can join MPS and get the label when he has met requirements of an audit. Regular checks will guarantee that a producer is still actively engaged in the regime. After initial difficulties, growers in Zimbabwe, Kenya, Tanzania and Israel were able to obtain the MPS label (OECD, 2005). The MPS-labelled flowers, which buyers see for instance when they participate at Dutch auctions, bear the same price as flowers from other sources.

50. A variant of the MPS scheme, *MPS-GAP*, is benchmarked with the flowers and plants scheme of EurepGap, which provides a standard for good agricultural practices intended to reassure consumers that food is being produced in a safe and sustainable way. Participants must show compliance with criteria that include environmental effects of agricultural production and some occupational health and safety criteria that however are not to be considered in depth audits of social conditions (OECD, 2004). As a business-to-business scheme, the Logo available to accredited farmers when selling to distributors may not appear at the point of sale to the final consumer.

51. In several developing countries, export growers have taken initiatives to develop their own voluntary certification systems. Examples are the programmes of *Kenya Flower Council (KFC)*, the principal body for growers in Kenya, the Code of Practice of the *Zambia Export Growers Organisation (ZEGA)*, the *Florverde label in Colombia* and *Sello Verde in Ecuador*, each with different standards

based on their country's regulations. Currently, the KFC has 42 members who have 52 separate farm units accounting for about 80% of Kenyan flower exports. In addition, the Council also has 13 associate members representing the major cut flower auctions and distributors in the United Kingdom, the Netherlands, Switzerland and Germany. Florverde (literally Green Flower) is the voluntary social and environmental programme of the Colombian flower sector, or Asocolflores. To date, 56 out of the 141 farms participating in the Florverde programme are certified by the Swiss-based SGS auditing company, and it is expected that all member farms will participate in the coming years (Mathias, 2005). These labels have become increasingly recognised in the international floricultural trade. Wholesale buyers are often aware of them.

52. Trading relationships in the cut flower market, and notably participation in the sourcing chain of supermarkets, increasingly require that thousands of flower growers in developing countries adopt suppliers' codes setting standards of social and environmental conduct. In the case of Kenya, for example, supermarkets which once accepted audits by the Kenya Flower Council now require adherence to their own company codes (often modelled on some other code, such as the Base Code of the Ethical Trading Initiative, or the International Code of Conduct for the Production of Cut Flowers). This shift appears to have been triggered by an international campaign in 2002 taking issue with poor conditions on Kenyan flower farms (Dolan and Opondo, 2005).

53. Many of the industry and individual company codes use as their standard the *International Code of Conduct for the Production of Cut Flowers (ICC)*, developed in 1998 by the European flower campaign with the participation of NGOs and labour unions. This Code builds on international human rights standards, basic environmental standards and ILO Conventions. It calls for equality of treatment for flower workers, living wages, working hours limited to 48 hours a week or less, detailed health and safety measures, protection of the environment, and a ban on child and forced labour, among other provisions. First implemented by Swiss supermarket chains, the standards set out in the ICC since have become increasingly accepted by other flower distributors, especially in Europe.

54. It has been noted that flower growers must expect to get several monitoring visits a year from different retail buyers because they have to satisfy several buyers' codes and related auditing requirements (Collinson, 2001). This can be a burden, especially for smaller suppliers. Developing-country flower growers and their governments have also voiced concerns over the proliferation of private labelling and certification schemes, which they argue are costly to implement and have the effect of restricting their access to foreign markets (see **Box 2**).

Box 2. Trade concerns raised by labelling programmes

Cut flowers are Colombia's third most important agricultural export crop, after coffee and bananas. The industry is labour-intensive, employing 80,000 to 90,000 people directly and 75,000 indirectly, mainly in packaging and transportation. In 2005, cut flowers generated USD 899.9 million in export earnings for the country and in value terms, 10% of these exports went to the EU.

In the early 1990s, several European non-profit organisations began campaigning against what they saw as unacceptable labour and environmental conditions in the Latin American flower-export industry. When several labelling programmes (including the German "Flower Label Programme") were set up in Europe as a result, flower-exporting developing countries began to voice significant concerns about possible trade effects and complained about loss of access to OECD markets. Colombia initiated a debate about private eco-labelling schemes in the World Trade Organisation (WTO).

The background to Colombia's initiative in the WTO was that German wholesalers and importers in the mid 1990s approached growers and exporters first in Ecuador and then in Colombia with plans for developing eco-labelling programmes. In the case of Colombia, producers wanting to export to Germany would declare that they complied with all Colombian laws and norms concerning labour regulations, agrochemical use and handling, and environmental and natural resource preservation (Wijk, 1994). Compliance would be assessed by a commission comprised of both Colombian and German experts. Despite the risk of losing access to the European market, Asocolflores, the largest Colombian flower-exporter associations, decided not to subscribe to the proposed programme. Nor would it participate in the German flower Campaign's established "Flower Label Programme" the FLP. It argued that participation in these labelling programmes was extremely costly and that the approach used for developing the standards and ensuring compliance was coercive and discriminatory.

Instead, Asocolflores decided in 1995 to develop its own voluntary environmental management programme, called "Florverde". It aims primarily at reducing the use of agrochemicals, water and energy; improving waste management; and improving human resource management. It is based on the principle of self-management and no external auditors are involved although an auditor from the Environmental Office of Asocolflores verifies each company's data.

While Colombia's global flower exports rose between 1992 and 1996, exports to Germany declined markedly. Among the possible causes Colombia gives for this outcome were the European labelling schemes and campaigns aimed at Colombian flowers. In March 1998 Colombia submitted a paper to the WTO Committees on Trade and Environment and on Technical Barriers to Trade, setting out its concerns relating to the proliferation of private eco-labels managed by private organisations. Colombia asserted that labelling initiatives such as the German FLP undermined its exports. It argued that such programmes inter alia were costly and coercive since anyone not accepting the scheme was subject to negative pressure, and discrimination since the eco-labelling scheme initially proposed by German importers was aimed solely at Colombia.

Responses to Colombia's concerns have been mixed. German wholesalers and importers eventually helped create an office of the Colombian flower industry in Germany in order to promote local consumption of Colombian flowers. One Colombian flower exporter joined the German Flower Label Programme, but Asocolflores itself has chosen to stay out of the programme.

Source: OECD, Environmental requirements and market access. Paris 2005, Chapter 17.

ii) Consumer labels

55. To date, few label programmes tell final consumers whether the farms that grow flowers respect minimal environmental and labour conditions or not. All major ones are operating mostly in the European market. In North America and elsewhere, certification and labelling schemes have not really taken hold. Where available, data concerning participation and impact of individual labelling schemes are shown in **Table 3**.

56. A relatively recent initiative to promote certified cut flowers in the marketplace is building on the momentum created by Fair Trade Certified coffee and other products carrying the label of the **Fair Trade movement**. This label tells consumers that producers receive a guaranteed fair price and that their purchases make a contribution towards helping primary producers and their workers overcome economic marginalisation. Flowers and other (mostly agricultural) products bearing the Fair Trade mark are certified by the FLO, the international umbrella organisation for Fair Trade labelling, and are sold in either specialised shops (“Worldshops”) or commercial outlets including supermarkets and online stores. Retailers can obtain a licence to use the label. To use the label, they must source from producers that have been inspected and certified as meeting the Fair Trade standards. There are 20 national labelling initiatives across Europe, North America and Japan, which licence the Fair Trade label in their respective countries. The initiatives are known under such different labels as Max Havelaar (e.g. in Switzerland, France), TransFair (e.g. Canada, United States), Fairtrade (United Kingdom). In 2003, the Fair Trade logo was unified although the various national labels are still used to some extent.

57. It is only very recently that cut flowers have found their way into the Fair Trade Certified scheme and so far they are being sold only in four European countries (Krier, 2006):

- In the United Kingdom, the supermarket chains Sainsbury and Tesco began to sell Fair Trade certified flowers starting in 2004; today these are available in all supermarket chains.
- In Switzerland, certified flowers (mainly roses) bearing the Max Havelaar label are available at retailers such as Migros, Coop, Blumen 3000, Volge and small florist shops since 2001 and have reached an unusually high market penetration of 28%.
- Following the examples from both the United Kingdom and Switzerland, in September 2005 the first Fair Trade labeled flowers, namely roses, were sold in the Belgian market, followed by the introduction in October 2005 of Fair Trade roses in Norway.

58. Another labelling programme aimed at informing consumers as well as traders is the **FLP Label (Flower Label Programme)**. The scheme was launched on the eve of Mother’s Day in 1999 by the German Flower Campaign and the German flower importers association BGI. Unlike Fair Trade Certified, FLP applies exclusively to cut flowers and targets growers in developing countries exporting to the German market. FLP certified farms commit to high social and environmental standards based on the ICC and are publicly known. Shoppers can look up German florists participating in the programme by consulting a database on the Internet.

59. FLP certification forms the basis for some private labels in other countries. An example is the **Sierra Eco label**, launched in 1999 by Sierra Flower Trading Ltd., the largest importer and distributor of cut flowers in Quebec and other Eastern provinces of Canada. The Sierra Eco label is given to flowers supplied from farms in Ecuador and Colombia that have Florverde and FLP certification. FLP and Florverde inspect and report directly to Sierra on the compliance by the farms that are accredited with the labels. Consumers can obtain information about wholesalers and florists carrying flowers from Sierra Eco farms by accessing an online database on the company’s website.

Table 3: Reach of selected consumer labels

Consumer label programme	Participants/market impact
Max Havelaar Switzerland (since 2001)	Migros, Coop, Blumen 3000, Volge and small florist shops; The flowers are mainly roses originating in Ecuador, Kenya, Tanzania, Zimbabwe and Zambia. They represent 28% of cut flower sales in the country.
FLP (Flower Label Programme), Germany (since 1999)	9 German wholesalers and 60 FLP-certified flower farms in Ecuador, Kenya, South Africa, Tanzania and Zimbabwe (one farm from Colombia joined recently). Flowers from these farms are sold in Austria and Germany under the FLP Label, in Switzerland in co-operation with the Max Havelaar foundation. There are nearly 15 000 workers in the FLP certified farms.
Sierra Eco, Canada (since 1999)	Some 13 farms are signed up under this label. Sierra works with 9 wholesalers and 22 florists across 4 Canadian provinces. Labeled flowers account for over 15% of the company's flower sales in Canada.
Rainforest Alliance seal	23 certified floriculture farms from Costa Rica, Ecuador and other Latin countries. Distributors in the United States, Czech Republic, France, Germany, Sweden, United Kingdom.
Fair Flowers and Plants (FFP)	Approximately 130 registrations from growers worldwide, 60 traders/wholesalers, 35 retailers (florists), as of June 2006. First 4 target consumer markets: Austria, Germany, Sweden, United Kingdom.

Source: compiled by OECD.

60. Production of *fern*, among other agricultural products, is covered by a certification programme managed by the New York based **Rainforest Alliance**, a non-profit organisation formed in 1986 and dedicated to the conservation of tropical forests, and the Sustainable Agriculture Network (SAN) -- a coalition of independent, non-profit conservation groups from various countries. Unlike the Fair Trade Certification system, SAN standards do not emphasise how products are traded but focus on how farms are managed (social and environmental improvements leading to sustainable farm practices).

61. Farms that meet the certification standards are awarded the Rainforest Alliance Certified seal of approval, which can be used to market the certified products. The companies selling these products are registered with the Coalition and get permission to use the Rainforest Alliance Certified seal of approval, for example food companies and supermarkets. A written contract governs and monitors the use of the seal, the handling of certified products, and marketplace promotion.

62. Finally, a new international flower label for consumers recently introduced is the **Fair Flowers and Plants (FFP)** co-ordinated by the International Flower Trade Association. The FFP label was announced in 2005 and allows producers, traders and retailers to demonstrate - through the use of a label that the product will receive at the point of sale - that they guarantee horticultural products produced sustainably, i.e. with low impact on the environment and good working conditions.

63. FFP membership requires that growers meet MPS and ICC environmental and social standards, or schemes that are comparable. Their products will then be sold by affiliated FFP traders and retailers, who also satisfy the requirements of the FFP label, which will be affixed to the product only when it reaches the retailer. All this will assure the consumer that the flowers or plants bought are in fact sustainably produced. The campaign hopes to stimulate (European) production of and demand for

sustainably produced flowers and plants and enjoys the support of a large number of parties including MPS, Dutch and German wholesale organisations, traders and international trade unions.

b) *Reporting*

64. The world's leading flower producer is *Dole Food Company Inc.* It bought large Colombian farms in the late 1990s and now sells its own flowers, which correspond to 15% of Colombia's flower exports (Mathias, 2005). Three pages of its latest CSR report are devoted to a description of the environmental and social performance of *Dole Fresh Flowers*, which employs 9,300 workers in 560 hectares of greenhouses and sources floral products from the United States, Colombia and Ecuador. On the environment, the report highlights that when Dole Fresh Flowers was first certified in December 2000 to ISO 14001, it was the only flower grower in the world certified to this standard. The company also points out that it has instituted award-winning occupational health and safety programmes and achieved a 29% reduction in well water use between 2003 and 2004. On labour conditions, the report mentions that an employee training programme was carried out to reinforce specific job accountability in harvest and post-harvest operations, and that one of the company's farms in Colombia was recognised out of 380 enterprises nationally by the relevant national authorities for achieving zero accidents in 2004. It further mentions that employees are getting transportation, on-site medical assistance and other benefits and that the overall accident rate decreased by 14% in 2004 and the disability index by 53% (Dole, 2005).

65. More generally, disclosure through corporate reporting is an information system operating rather remote from the consumer. Also, unlike retailers in the clothing sector, for instance, there are not many flower retailers based in the OECD region with brand names that the public would instantly recognise. Among retailers, large diversified stores and supermarket selling cut flowers like Wal-Mart, Marks & Spencer, Tesco and Auchan issue CSR reports annually that may or may not contain information on CSR issues in the cut flower industry. Major garden centre groups are not known to engage in CSR reporting.

c) *Consumer guides and related information sources*

66. Consumers rarely obtain CSR information for cut flowers from consumer guides Reports like the one which Austria's online consumer magazine *Konsument.* published in early 2006 on "where to find fairly produced flowers" are the exception.

67. Similarly, there are many Internet-based knowledge banks or informational websites specialised in answering questions that consumers may have about flower and plants (including, for example the *Guidesheet for Consumer Floriculture* offered by Purdue University; and the *Human Flower Project*, featuring international news and discussions of how people live through flowers). Our research uncovered no information about flower certification labels or on CSR in the flower industry. Neither is much CSR information presently available, it seems, from floriculture industry newsletters and websites (e.g. the market information exchange system *Flower Web*).

68. For the interested shopper, this leaves the websites of civil society groups engaged in this industry perhaps the most readily accessible source of information of a news-like or educational type. These groups publish regular newsletters or educational leaflets, or they simply allow consumers visiting their websites to learn about the most recent developments of an ongoing campaign. For example:

- *Flower Coordination Switzerland* (formerly Fair Flowers campaign) has published newspapers dedicated to flower issues, including "*If Flowers could speak...*"(1995) and publishes an annual *Mother's Day information letter* with an update on the "Fair Flowers" campaign under way since 1990 (VIDEA, 2001).

- UK-based *Fairtrade Foundation* provides on its website information about available certified products, including flowers. The visitor can download a list of UK retailers that sell certified flowers and learn about the farms that supply them (<http://www.fairtrade.org.uk/products/flowers.htm>).
- Among the current projects which the US-based *International Labour Rights Fund (ILRF)* reports on its websites, the visitor finds information about a Fairness in Flowers Campaign that the ILRF launched on Mother's Day in 2003, including reports, press and news, photos by flower workers etc.

5. *Company strategies*

a) *Advertising campaigns and promotional activities*

69. It is common for flower producers to seek to increase their visibility, and cultivate a consistent positive product image, in key export markets through marketing campaigns and promotions. For example, the Dutch Flower Council conducts a series of local promotions around holidays in its target markets. In Italy, the Flower Council supplies flowers to the Vatican for the Easter service. In the United Kingdom, the Kenya Flower Council has established Kenya Flower Day, giving away a flower to every passenger flying Air Kenya to London on that day. While these promotional activities seek to increase awareness and are used to counter potential misperceptions in the marketplace having to do with such issues as flower quality, variety and reliability as a supplier, production conditions and other CSR issues are not among them.

b) *Online florists and advertising*

70. None of a number of large Floral wire or web-based flower order services researched (including Florists' Transworld Delivery (FTD), Teleflora, Fleurop) advertise that they carry certified flowers. Some online flower delivery services provide information about the country of origin of their flower products (e.g. swissflowers.ch) and one French online florist carried De Havelaar flowers in his virtual catalogue (bebloom.com). Interested consumers must look for online flower shops such as rosavenir.com in France or ecoflora.ca in Canada, which specialise in selling certified flowers but are not numerous.

71. Some CSR information can be found on the websites that flower farms themselves have created in order to market their flowers. For example, the website of *Agrícola Amata S.A.*, a former coffee farm located in the tropical highlands of Costa Rica and now exporting cut flowers mainly to Switzerland and Germany, mentions that the democratic system of the country, where the army was abolished many decades before, has allowed the development of a solid economic growth, good school system, no child work, and the establishment of human rights earlier than elsewhere in the region (<http://agramata.com/aboutus.html>)

72. However, it would be virtually impossible for consumers to trace the flowers that their florist shops carry back to this specific or any other flower grower.

c) *The case of certified organic flowers*

73. Communication and marketing targeting the consumer and the broad public is more visible in the relatively new market for *organically grown* flowers.

74. At this time, few countries have important organic cut flowers production (mainly the Netherlands) and many cut flowers producers do not believe organic growing can be profitably or easily accomplished –the cost of certification is too high for margins that are no higher than what they are

currently getting (Chicago Conscious Choice, February 2003). Yet **Box 3** shows that the industry is heavily engaged in fostering public awareness, educating consumers and positioning company brands.

75. Organic flowers are eligible for some of the existing voluntary organic label programmes certifying agricultural produce. New labels are in the making. In the United States, where the emerging organic floral US market is estimated to have reached USD8 million in 2003 and could grow by 13% annually through 2008 (Organic Consumers Association), the *Veraflora label* was launched in 2005. This voluntary label was developed expressly for the US fresh-cut flower trade and is part of a broader initiative to move the national flower industry on the path towards sustainability. The standard includes organic agricultural practices in its criteria and addresses not only environmental production practices but also labour rights (Organic Bouquet *et al*, 2005).

Box 3: Creating a market for organic flowers

Conscious Choice magazine, published in Chicago bills itself a resource to help readers live healthier lives and create a sustainable society. Employing headlines such as “*Cut the Toxins, Buy Organic*”, the magazine has sought to draw customers’ attention to the alleged advantages of organic products, including flowers (<http://www.consciouschoice.com/2003/cc1602/organicflowers1602.html>, February 2003).

In one of its advertisements, the *Organic Consumers Association*, which bills itself an online and grassroots non-profit public interest organisation campaigning for health, justice, and sustainability, asks the rhetorical question: “*Why buy organic flowers for Valentine’s Day & Everyday*”? Besides mentioning the natural beauty and environmental benefits of organic flowers, the Association describes how pesticides and other toxic chemicals used on flowers affect the health of farm workers and florists, citing *inter alia* a study according to which 50 % of workers in the Costa Rica flower industry have symptoms of pesticide poisoning (<http://www.organicconsumers.org/organic/flowers020204.cfm>).

Founded in 2002, US-based online seller *Organic Bouquet* uses the Internet to cultivate a national market for its niche product, organic flowers. The company expects to do about USD6 million in mostly business-to-consumer sales in 2006, up from USD2.5 million last year. This is still small change compared to its competitors in the market for traditional flowers: retailer 1-800-Flowers.com Inc. sells USD300 million a year in flowers and gifts and ranks No. 30 in the Internet Retailer Top 400 Guide to Retail Web Sites; another competitor, Provide Commerce Inc., sells USD150 million a year, mostly in flowers, at Proflowers.com. Nonetheless, *Organic Bouquet* is a leading voice in the organic movement. It is raising public awareness and has helped boost demand with wholesale deliveries to US natural food chains like Whole Foods, and by persuading charitable organisations, including Amnesty International and the global health care organisation Project HOPE, to list the company on their websites as a preferred flower supplier who contributes about 15% of every sale to the charity at hand (Demery, February 2006).

In the Netherlands, *Shell* has been quite successfully selling organic flowers at many of its points of sale since 1994, reportedly becoming the country’s largest seller of organic flowers. In France, *Carrefour*, too, has started to sell organic flowers (Bioflora, 2006).

6. Some concluding observations

76. If consumers wish to obtain information about the conditions and impact of flower production, they have to search actively. The reason is that while many cut flowers are sourced from producers certified for meeting CSR production standards, these flowers do not carry a consumer label that identifies them as such. With the exception of organic floriculture, neither corporate advertising nor branding plays a major role as communication channel at the retail level.

77. This situation raises some questions. One question is why some of the information systems typical for other consumer goods that are marketed as ‘ethical’ or ‘socially responsible’, have not (yet) taken hold more widely in the OECD market for cut flowers.

78. With respect to product labelling, a partial answer may be that it is inherently difficult to label flowers at the point of sale. Labelling individual flowers that originate at certified farms is time consuming and hence costly, and selling certified and uncertified flowers at the same retail outlets raises issues such as how to handle mixed bouquets. Also, the structure of the retail sector may speak against labelling. Where many small outlets sell flowers (like in France or Germany), compliance monitoring is difficult. This could help explain why, for example, cut flowers are starting to show up among Fair Trade Certified products only now that a growing variety of Fair Trade products have found their way onto the shelves of the large supermarkets. In fact, according to FIAN Germany,¹⁵ when the German organisers of the Flower Campaign in 1995 proposed to create a quality seal for cut flowers, the Fair Trade labelling organisations argued that the dispersion of the cut-flower trade into more than 15,000 small outlets in Germany would make a seal difficult to control (www.fian.de, 2006).

79. Another explanation is that in this industry, flower growers normally do not sell to flower shops directly but to intermediary buying agents (auction/supermarket associations). The primary concern of these producers is to get the certification for meeting all standards applicable to their activity as flower growers, and they do not have the same incentives to invest in information schemes for consumers as have big retailers or multinational companies that buy directly from producers or producing themselves. Furthermore, in the case of the Europe the industry includes many smaller agricultural producers and specialised growers who apply very strict production standards and also collaborate in the FFP label and other types of programmes, but who have significantly smaller budgets to develop a consumer information policy or marketing strategy that a large multinational company.

80. Another question is why certification and labelling initiatives are well-established in Europe but much less common in other OECD regions. A case in point is the Fair Trade movement. One explanation given for why this movement is much less visible for instance in North America is that the concept of fair trade, with its focus on small and marginalised producers, is less applicable to some of the countries in Latin America that are the main suppliers to the North American market; there, large-scale flower production dominated by large companies is more common than in Africa (VIDEA, 2001). But this may only be a partial explanation for the relatively more developed European certified flower market.

15 FIAN Germany belongs to the FoodFirst Information and Action Network (FIAN), an international human rights organisation with national sections and individual members in over 60 countries around the world. It is a non-partisan not-for-profit organisation and has consultative status to the United Nations.

Annex II.B.1: The leading suppliers of cut flowers and foliage to The Netherlands, 2004

Flower species	Share of suppliers (%)	Share of developing country suppliers (%)
Rosa	Kenya (54), Ecuador (10), Zimbabwe (10)	94
Dianthus	Colombia (46), Spain (22), Portugal (8)	63
Orchids	Thailand (57), Germany (14), South Africa (12)	72
Gladiolus	Spain (46), Germany (37), Israel (10)	3
Dendranthema	Germany (49), Poland (10), Denmark (7)	11
Other cut flowers	Israel (34), Kenya (16), Ecuador (12)	45
Prepared cut flowers	Israel (25), Spain (19), Italy (12)	23
Foliage	Turkey (20), China (19), India (14)	68
All cut flowers & foliage	Kenya (34), Israel (15) Ecuador (10)	72

Source: Eurostat, 2005, cited in CBI (2005), *Cut flowers and foliage, EU Market Survey 2005*, Table 5.5. on page 48.

Annex II.B.2: Select labelling schemes applicable to cut flowers

	<p>Milieu Programma Sierteelt (MPS)</p>		<p>Fair Trade Certified seal</p>
<p>Better flowers for a better world</p> 	<p>Florverde, Colombia</p>		<p>Fairtrade Foundation, United Kingdom</p>
	<p>Flower Label Programme (FLP), Germany</p>		<p>Max Havelaar</p>
	<p>Fair Flowers Fair Plants (FFP)</p>		<p>Rainforest Alliance</p>

Source: compiled by OECD.

C. Cosmetics

1. Industry overview

81. With output amounting to more than EUR 35 billion and exports totalling EUR 7 billion, Europe is the world's leading producer of cosmetic products. This sector is also a significant employer in Europe, employing over 150.000 people directly, and a further 350.000 jobs are created indirectly in retail, distribution and transport (*EC, 2006*). The next largest players in this sector are the United States, with output amounting to EUR 32.6 billion in 2002, followed by Japan with an output of EUR 14 billion.

82. The EU, United States and Japan are the major markets and account for a large portion of total world cosmetics sales. European exports of cosmetics into the USA reach EUR 1.425 billion (20% of EU export), EUR 910 million (13%) into the Middle East, EUR 940 million into Asia (excluding China and Japan), and EUR 440 million (6%) into Japan alone (*Eurostat, 2003*).

83. The market for cosmetics has continued to grow worldwide over the 1998-2002 period. Sales in European markets have grown at a rate averaging 5% a year, from EUR 47 billion in 1998 to EUR 57 billion in 2002. The US market has grown by a slightly lower percentage, whereas sales in Japan have remained flat. Overall, the OECD market seems to be rather mature, which is driving the main players to be very competitive and innovative to ensure future growth (see **Box 4**).

84. A considerable portion of the growth in the cosmetics market is driven by innovation, with several thousands of new or improved products introduced in the marketplace each year (*Eurostat, 2003*). Major cosmetic companies replace or reformulate around 25% of their products every year. Innovation in the sector is essential to maintain global competitiveness, improve performance, safety and reduce the environmental impact of products.

85. Natural ingredients are one factor contributing to the sustenance of growth in the maturing cosmetics market. Consumers value healthier lifestyles and perceive cosmetics containing natural ingredients as having health benefits and as being of higher quality. With this perceived value added, cosmetic manufacturers are able to charge higher prices for these "natural" products. *Origins* and *Aveda*, for example, have achieved success by emphasising the quality and naturalness of their products, which in turn has prompted smaller producers to introduce competing products (*Williams, 2002*).

86. The supply chain in the cosmetic sector can be fairly short. For SMEs, and especially companies that specialise in "natural ingredients" products, the distributor can also be the producer, with just one (natural and/or chemical ingredient) sourcing step. Only very small SMEs produce their own ingredients. However, the chain can also be fairly long and complicated, involving the purchase of ingredients abroad or from a wholesaler, processing in another company, and sometimes even buying the final packaged product by the distributing brand. As with any other industry, cosmetic companies must be acutely aware of who is doing what all along the supply chain. As perceived by general managers, the key issue for the botanical supply chain is *traceability*. This is particularly important for the cosmetics industry because most companies source their ingredients in bulk from wholesalers (European cosmetic market, February 2003). In the context of CSR and "natural" cosmetics advertising, this traceability today is more important than ever.

Box 4: Profiles of some players**The Body Shop** (UK company, recently purchased by L'Oréal)

It operates in 52 markets, has 2,045 stores, and 6,788 employees. It sources the majority of its products either from suppliers which the company screens under its ethical trade programme or from its community trade suppliers.

Avon Products Inc. (US company)

Totals USD7.7 billion in annual revenues, has 48,000 employees. It is the world's leading direct seller of beauty products. Its primary distribution channel is direct sales, through 4.9 million independent Avon sales representatives. Avon totals one billion transactions each year.

Natura (Brazilian company)

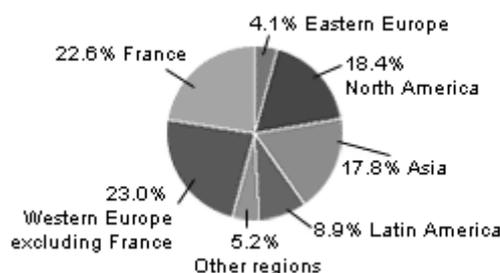
Natura turned 35 in 2004. It totals 3,177 employees in Brazil and 378 abroad (mainly in south America). It is ranked among the three most valued brands in Brazil, with a business volume reaching USD1.2 billion. Natura also employs about 433,000 sales representatives.

Shiseido (Japanese company)

Totals USD6.1 billion in yearly sales revenue, of which 73% from Japan, 12.5% from Europe, 7.8% from Asia/Oceania and 6.37% from the United States. The company employs 24,839 people.

L'Oréal (French Company)

L'Oréal is the number one cosmetics producer worldwide, with a total of 18 brands. In 2004 it totalled EUR 14.5 billion in consolidated sales. Also, it employed 52,000 employees worldwide (with almost 3,000 in R&D), which are spread worldwide as shown in the pie chart:



Many SMEs are also trying, sometimes with impressive success, to enter the arena of socially responsible natural cosmetic companies.

A good example is **Burt's Bees**. All of its products are made with natural ingredients and the packaging is environment-friendly. A very small enterprise just 10 years ago, its rapid growth illustrates the public's attraction to these "green companies". With around 80 employees in their headquarters in Maine, Burt's Bees reached in 2002 its target sales projection of USD45 million (a 50% rise from 2001). If growth continues this presently privately owned company could go public someday. (Foster, 2002)

2. *CSR in the cosmetics industry*

87. In terms of CSR objectives, the cosmetics industry is fairly homogeneous and focuses primarily on environmental protection, ecological issues and social standards. Of importance to this industry is that these issues are somewhat linked to the nature of the ingredients themselves, "natural" being, for the consumer, a good conveyer of corporate social responsibility.

88. Environmental protection objectives include: use of biodegradable plant substances in product formula, control of environmental impact of production sites, shipping centres and administrative sites, volume and weight control of packaging while emphasizing the use of recycled materials, and controlled use of in-store display.

89. Ecological objectives are primarily caring for ecosystem preservation, as many plants are included in the recipe of cosmetics products. The over-harvesting of some indigenous plants is an issue for companies trying to gain, and maintain, the CSR image.

90. Social objectives are twofold. They can be internal to the parent company and include: reducing accidents, employee turnover and increasing employee satisfaction, with issues such as promoting women, people of different race or culture, handicapped, and being an equal opportunity employer. Other aspects are the preservation of cultures abroad, through start-up funds for agricultural projects aimed at reintroducing native plant production, for instance, or the Trade not Aid programme of the Body Shop in the 1990s. Sourcing strategies are used to reinforce these policies. For example, when companies create a demand for native plant and tree material, a tribe can sustain itself as a small agricultural or craft-based economy and does not have to sell or lease ancestral lands to a business that might strip it of vegetation crucial to ecological balance.

91. CSR issues have long been considered and assumed in the cosmetics industry. *Natura*, *The Body Shop* and *Aveda*, are considered to be among the corporate pioneers of green marketing. These companies' founders' core ambition clearly was to change consumption patterns. *Natura* for example, is considered to be a leading company in the field of CSR. In 2004, it ranked 16th in the top 560 sustainability reports. Over the years 2002-2004 it experienced a 32% growth in sales, compared to only 20% for the Brazilian cosmetics market. At a national level it owns 10% of market share (UNEP 2005). However, it is stressed in the UNEP study that the Body Shop is the only company approaching mainstream status, with 0.45% of market share versus 6% for the leader.

92. Habits, or "social status" attached to purchasing decision rank high in the cosmetics sector. The advertising-to-sales ratio ranges from 5 to 10%, but the social commitment of a company is a self-publicising brand-differentiating factor, and companies are therefore able to gain market share rapidly while limiting advertising investment. Example: "The Body Shop, which accounted for less than 0.5% of the global cosmetic market, was the 28th most valuable brand in the world. Similarly, in 2004, *Natura's* brand value represented 113% of its annual sales versus only 33% for L'Oréal" (UNEP 2005).

3. *Communicating CSR in the cosmetics sector*

a) *Marketing*

93. The marketing of CSR in the cosmetic sector is most of all a result of product positioning. Companies gain competitive advantage and market share by branding their products around CSR, making CSR an inherent part of the brand and of the image of the company. To achieve this positioning, their marketing mix is carefully chosen, with a moderate use of mass advertising, and a use of non-traditional marketing channels such as direct promotion, or product placement in movies and TV shows, for example. These techniques, often referred to as "guerrilla marketing techniques", or "undercover marketing", enable the marketing campaign budgets to remain limited, although a portion of this budget is often used to convey social and environmental messages (at least 15% of *Natura's* budget for example) (UNEP 2005).

94. Other guerrilla techniques favoured by cosmetics corporations include the use of their own stores as a medium, where much information is available to the consumers in the form of leaflets, posters, or employees conveying messages about CSR advantages of the brand. Undercover advertising is also widely spread, companies publishing environmental or social messages, but underlying them with their brand logo, in order to raise their positive brand image. An example of this can be found in **Box 5**.

Box 5: Shiseido and its in-store recycling

Shiseido places in direct view, in its stores, recycle bins for customers to bring their empty Shiseido product bottles back. This conveys a message that Shiseido is not just talking about CSR issues, but actually taking part in them. It also enables the consumer to participate in the process, and reaches him/her directly. The company also publicised this recycling activity in the newspaper as environmental advertisement, which is also a form of undercover marketing. This campaign did not cost it much but was effective in advertising its socially responsible image.

Source: Shiseido's environmental impact report (2004).

95. In their marketing mix, cosmetic companies also make a wide use of the media to convey their CSR image. First, with their PR teams, they communicate with local communities and organise special events that mix fun and CSR. This enables them to reach existing customers while generating significant impact with the media. They also make a broad use of the prizes that printed media issue every year on the topic. For example, Avon has for six consecutive years been named among the 100 best citizens by Business Ethics Magazine. Without paying for any printed advertisement in the Magazine, they will be cited every year in the study in that magazine, and also in every article referring to the study appearing in other magazines. Furthermore, they include this information in their CSR report. Again, this does not cost them anything at all.

96. Finally, another channel used by Anita Rodrick of the Body Shop in the 1980s and 1990s, which has set a precedent in the matter, is lobbying. Anita Rodrick fought for some time for the setting of UK and European rules regarding animal testing, and succeeded in raising government interest in the issue. In 1998 the United Kingdom effectively ended cosmetics testing by refusing to renew any animal testing licences for cosmetics purposes. During 2002, in the 7th amendment to its Cosmetics Directive, the European Commission moved to ban the sale or marketing, from 2009 onward, of cosmetics tested on animals. At the same time the issue of animal testing has attracted labelling initiatives from the industry and also from NGOs (for example, see **Box 6**).

Box 6: Animal testing labelling

Due to a strong public backlash against cosmetic testing on animals in many developed countries, most cosmetic manufacturers have introduced labels that display icons that suggest animal-friendly policies. Although there are a number of lists promoted by individual animal groups and organisations, the CCIC (Consumer Information on Cosmetics) promotes one standard and one logo across the world for all cosmetics. The CCIC was formed by the largest U.S. animal protection groups and offers not just a list, but a standard (the internationally-recognized Corporate Standard for Compassion for Animals), intended to assure that a product is free of new animal testing.



CCIC leaping bunny logo

b) Reporting

97. The cosmetics industry includes pioneering CSR-reporting companies, and it continues to hold this advantage over other industries. The *Body Shop* was the first company to publish a comprehensive stakeholder report in 1995, including CSR issues (environmental, social, and ethical). *Natura* was the first Brazilian company to publish the results of its social and economic impact alongside its annual financial results. *L'Oréal* is the only French company to be included in all eight international sustainable development stock market indices (including Dow Jones Sustainability, ASPI eurozone, FTSE4Good and Ethibel Sustainability).

98. The topics included in the main players' reports¹⁶ are often consistent with one another. They consist of:

- **Ethical trade.** They explain that their purchasing decisions include standards like fair treatment of employees, no employee abuse or dangerous working conditions, appropriate wages paid, no excessive overtime work required, healthy and safe work environment. The Body Shop also includes a chapter on the limits to ethical trade in its report.
- **Animal testing.** They report on their involvement to the animal testing cause, especially in European companies (the United States with the FDA and Japan having different regulations concerning animal testing in cosmetics), and whether they practice it or not, and if yes, whether on chemicals or on finished products.
- **Supply chain.** They explain that they are engaged in community trade, attempting to make a positive economic and social difference in marginalised communities around the world, by paying fair prices and fair wages. Also some report integrating locally based manufacturing, and therefore enabling sustainable community development.
- **Ecology.** They report on the sustainable use of local biodiversity (for example, Natura and biodiversity in Brazil. This is important as Brazil is one of the top biodiversity countries in the world).
- **Human rights.** They all more or less claim to respect human rights. The Body Shop reports in line with the UN norms on the responsibilities of transnational corporations and other business enterprises with regards to human rights. L'Oréal prohibits child labour or the use of forced labour by their suppliers. The group also forbids the employment of anyone under 16. L'Oréal and Natura also signed the Global Compact Declaration, a UN agreement, committing to adopting and promoting nine universal principles concerning human rights, labour and the environment.
- **Protection of the planet.** They report on their wider use of renewable energy, on their water consumption, their energy consumption, and their waste management –with detailed, dated facts and figures, and tables, showing what quantity input (energy, water) they use, and what quantity output (waste) they end up with. But most interestingly, they also report on further goals to achieve. They sometimes even have a date and specific target, as they have for sales, but on water consumption per employee, or output goal, energy consumption goal, waste management goal. In terms of layout it varies a little between companies, The Body Shop for instance does so in the form of tables, whereas L'Oréal uses a list.
- **Packaging.** Cosmetics company selling a packaged product also report on how they try to minimise hazardous substances in their production, on the R&D of biodegradable packaging, they even sometimes have a lifecycle analysis of those (Shiseido), from production with recycled material to waste and/or recycling. L'Oréal and Avon also report using some sorts of labels on their packaging.
- **Partnerships with NGOs.** The main players in the industry are finding it vital to partner with NGOs to validate their brand positioning as being socially responsible, environmentally friendly.

16 These findings are issued from an analysis of CSR reports in the sector and in particular: L'Oreal's 2004 annual report, The Body Shop's value report (2005), Shiseido's environmental impact report (2004), Avon's corporate responsibility report (2004), and Natura's annual report (2004).

The Body Shop partnering on different issues with Greenpeace, Amnesty International, UNAids, WWF; or L'Oréal partnering with UNESCO or Resto du Coeur. SMEs have been following their lead.

- **Employee treatment and involvement.** Companies report on their in-house efforts towards their employees: how they encourage volunteering, ensure accurate training, try to reduce accidents, stating that strengthening values and reducing turnover are key to employee satisfaction, etc. They also report on their encouraging of diversity and multiculturalism, their inclusion of handicapped persons in their workforce, and on guaranteeing fair working conditions for everyone.
- **Ingredients.** What type of ingredient they use is also mentioned in the reports, especially for those products that are made with natural ingredients. Trying to phase out bad chemicals seems to be a major concern for the sector. For example, the Body Shop plays the transparency card and admits with respect to bad chemicals that they are not there yet but at least trying (see **Box 7**). The chemical issue is a sensitive one for cosmetics companies. Most chemicals in beauty and care products are not being disclosed to the consumer.
- **Internal CSR organisation.** They make it a point to report on how they organise, internally, to make sure CSR issues are taken into consideration, and goals achieved. Some have CSR management teams, boards, or they comply with ISO standards.
- **Auditing.** The biggest players also include at the end of their CSR report, a CSR report audit by their auditing firm. Whether several pages long, including recommendations (such as Body Shop and URS Verification, their CSR auditing firm) or a simple letter confirming the trustworthiness of what is mentioned in the report (such as PriceWaterHouseCoopers for L'Oréal)

Box 7: Playing the transparency card: The Body Shop and palm oil

The Body Shop includes a chapter in its 2005 report about palm oil: "Rising global demands for palm oil, a raw material contained in food, detergents and cosmetics, has significantly contributed to the clearing of forests in Southeast Asia for oil palm plantation" (Body Shop CSR report). Following this statement, the report explains why, according to the WWF (World Wide Fund for Nature), the boycott of palm oil is not a viable solution, and that they, at the Body Shop, "do not believe that sourcing from niche providers of organic or fair trade palm oil would help the hundreds of thousands of people in Southeast Asia, South America and West Africa whose livelihood depends on palm oil". That is why they continue to use palm oil in their products, even considering the alarming deforestation, biodiversity issues, poor labour conditions and health implication for women working in the plantations, but that they are members of a WWF-initiated Roundtable for Sustainable Palm Oil (RSPO) to "improve conditions".

Source: The Body Shop's value report, 2005

c) *Consumer guides*

99. Consumer guides only about socially responsible cosmetics products are mainly Internet-based and consumer driven. A few printed general guides (as mentioned in the Consumer guide section of this paper) will have cosmetics tested once in a while, but their main focus has been on the chemicals used in the cosmetics' recipe and their impact on consumers' health rather than on the environment or the conditions of production. A recent concern is with organic cosmetics, but again the focus is mainly on ingredients and not on the company as a whole, nor its labour practices or environmental impact.

4. Conclusion

100. As an industry long active in the area of CSR, the cosmetics sector is one where the CSR communications issues are well advanced and easily observed and analysed. Manufacturing a product which the consumer will directly use on himself, on his body, creates a form of intimacy with the marketplace. The consumer might try to be informed about CSR practices more than for other industries, the internal alignment of the practices being, in the consumer's mind, a sufficient "proof" of a particular brand being "good" or not.

101. Pioneering socially responsible cosmetics companies tried to "invent" a new sort of company, reflecting the owner's vision and values; but corporations are increasingly adopting the CSR concept, to increase their market shares in this mature market. In the face of the Greenpeace list of noxious ingredients that make up some everyday beauty and body care product, the smaller, seemingly safer, natural-branded companies are gaining shares and seducing a growing number of consumers. It has to be asked whether or not, for these corporations, corporate responsibility is really their focus, or if it might be a marketing ploy.

D. Textiles and clothing sectors

1. Industry overview

102. The textile and clothing industries produce fibres, cloth and upholstery, and convert them into a wide range of products, including clothing, towels, bed linens, hosiery and curtains. Also, they are a key component in other products, ranging from carpets to roofing to tires.

103. Workers in most apparel occupations perform specialised tasks in the production of large numbers of clothes, but the process involves a number of occupational specialties, from fabric and apparel patternmakers, cutters and trimmers, sewing machine operators to those in charge of finishing, inspecting and packaging the finished products.

104. It is estimated that about 40 million workers are employed in the textile and garment industries worldwide, including around 10 million in the footwear industry. Over the last decades there has been a shift in employment towards east and southeast Asia but both industries continue to be important sources of labour in developed and developing countries alike. Naturally, average annual wages across the industry vary dramatically from country to country, from about USD30,000 in Denmark to USD57 in Mozambique (AccountAbility, 2004).

105. World trade in textiles reached USD195 billion in 2004 and that in clothing, USD258 billion. Their combined share of world merchandise exports was 5.1%. Table 4 shows the leading exporters and importers. The top 15 exporters of clothing accounted for 80.3% of world clothing exports and the top 15 importers, for 93%. The top 15 exporters of textiles accounted for 91.3% of world exports of textiles and the top 15 importers, for 69.1% (see **Table 4**).

106. The textiles and clothing sectors are very dynamic and fiercely competitive and major actors can be found in both developed and developing countries, even in least-developed countries. In the European Union, for example, the sector has a great concentration of SMEs, notably in northern Italy and eastern Europe. The European regions where they concentrate are as highly dependent on these sectors as many developing countries are but the stakes for developing countries are much more decisive because of their lack of social safety nets, like unemployment and health insurance, in the event of massive worker cutbacks and plant closures. It is a labour-intensive industry that offers entry-level jobs for unskilled labour and current technology can be acquired at a relatively low investment cost even in the case of developing countries.

Table 4: World leaders in trade of textiles and clothing, 2004, billions of US dollars

<i>Top ten exporters</i>				<i>Top ten importers</i>			
Textiles		Clothing		Textiles		Clothing	
EU 25	71.29	EU 25	74.92	EU 25	67.97	EU 25	121.66
China	33.43	China	61.86	US	20.66	US	75.73
Hong Kong	14.30	Hong Kong	25.10	China	15.30	Japan	21.69
US	11.99	Turkey	11.19	Hong Kong	14.11	Hong Kong	17.13
Korea	10.84	Mexico	7.20	Mexico	5.79	Russian Federation	5.46
Taiwan	10.04	India	6.62	Japan	5.60	Canada	5.22
Japan	7.14	US	5.06	Turkey	4.17	Switzerland	4.34
India	6.85	Romania	4.72	Canada	4.11	Korea	2.75
Turkey	6.43	Indonesia	4.45	Korea	3.38	Australia	2.67
Pakistan	6.12	Bangladesh	4.44	Viet Nam	3.35	Mexico	2.58

Source: WTO International Trade Statistics 2005

2. *CSR issues in textiles and clothing*

107. Except for the extractive industries, few other sectors are more environmentally challenging than that of textiles. Even at the agricultural stage, some raw materials, like cotton, flax or hemp, are among the most environmentally damaging crops, often receiving multiple treatments of powerful fertilisers and pesticides. Textile industries also use large amounts of chemicals in the dyeing, printing and washing processes. Many are produced in jurisdictions where there are fewer controls on effluent, and are high in biochemical oxygen demand, with high levels of suspended and dissolved solids. In some cases they also contain heavy metals and phenolic compounds. The use of substances harmful to the environment and health in the textile industry is, in many developing countries, not subject to any limits whatsoever as neither is water and air pollution.

108. A number of labour issues affect the textiles and clothing sector as well, especially in developing countries that have a record of child, prison and forced labour, disciplinary practices that include mental and physical coercion, inordinate working hours, below-standards wages and benefits, hazardous health and safety conditions and discriminatory practices based on sex, beliefs and personal characteristics.

109. Working conditions in textile establishments of developing countries that supply large international companies are often cluttered, hot, and poorly lit and ventilated. The workers, including many undocumented children and women, spend work shifts of 12 to 18 hours a day in crowded and unsafe conditions, frequently with locked exits (see **Box 8**). Standard products, like T-shirts, uniforms and underwear, constitute a low-end market segment that is almost exclusively found in developing countries, with a concentration of household outsourcing and lowly-skilled female and child workers under informal labour engagements. It is estimated that, for every factory worker in the clothing sector receiving wages, there are 10 to 14 working in sweatshops or at home for lower wages (No Sweat Shop website).

Box 8: The consequences of below-standards safety conditions

In November 2000 a fire at the Chowdhury Knitwear and Garment factory near Dhaka, Bangladesh, caused 52 dead, including at least ten children. In February 2006 a fire at the KTS Composite Textile factory near Chittagong, Bangladesh, ended up in the death of 61 to 84 workers, many of them boys and girls.

Every year, 22,000 children die in work-related accidents all over the world. The International Labour Organization (ILO) reports that there are 246 million children labourers worldwide, 30 % of them below the age of 10. However, since 2002 the number of child labourers has decreased by 11% overall, due to specific campaigns.

110. At a period of global adjustment in the textiles and clothing industry, with pressure on companies to remain competitive in terms of price, quality and just-in-time delivery, a cascading effect on employment and labour conditions at the end of the supply chains is a critical concern, not only because of looming massive layoffs but also because of ‘overnight’ plant closures, which may leave thousands of workers with their earnings or legal indemnifications unpaid.

111. At a macroeconomic level, developing country governments may yield to pressures in favour of eroding workers’ rights and environmental protection in view of competitiveness losses (Accountability, 2004). Some consumer advocates tend to put much of the blame on international corporations for these deteriorating conditions (Steedman, 2005).

3. Communicating CSR in the textiles and clothing sector

112. From a microeconomic viewpoint, the textiles and clothing sectors are increasingly integrated through international, vertical supply chains, usually encompassing not only production but also distribution and sales under the aegis of big retailers. A major driver in this direction has been the development of shopping emporia, starting with Wal-Mart in the 1970s, that now require that suppliers implement sophisticated information technologies so that data can be exchanged along the supply chain (mainly for stock management purposes), standards for product labelling adopted, and adequate logistics implemented (Nordås, 2004).

113. The typical supply chain in the textiles and clothing sectors is an integrated production network composed of specialised activities, including the sourcing of raw materials, design, production, distribution and marketing at the individual geography that makes more economic sense in each case, depending on relative costs, quality, reliability of delivery, access to quality inputs, transport and transaction costs, etc. Communicating CSR commitments and performance at this global scale is a very complex business, fraught with all sorts of risks, corporate, social and political, that not only impact on a particular brand but on the corporation as a whole.

114. Initiatives like the Maquila Solidarity Network (MSN) in Canada and the Clean Clothes Campaign in the Netherlands, employ a panoply of strategies aimed at capturing the public’s attention to issues like labour conditions and ethical trade, including printed newsletters, websites with powerful search engines, educational kits, promotional materials and opinion-mobilisation events. For instance, teaming with Oxfam Canada and other NGOs, MSN organised the *Cut It Out* (still-ongoing) campaign to encourage Canadian consumers to send the MSN clothing labels for further relay to federal authorities in an effort to have legislation passed requiring clothing companies to disclose full information about their sourcing partners in developing countries.

115. However, campaigns that target corporations for social and environmental violations, like those of Clean Clothes against Nike in 1991 or UNITE against Gap in 2002, frequently end up in mixed results (see **Box 9**). The reason is that companies are more and more prepared to counteract the claims of hostile stakeholders by establishing communication conduits directly with their consumers and investors, by teaming with government agencies and specialised assurance entities to ascertain their commitment to transparency and fair disclosure, and by adopting a crisis-management approach to allegations of CSR impropriety. Large companies, as a matter of policy, have fast-response teams set up to deal with serious allegations of impropriety, like a fire in a remote sweatshop or the uncontrolled discharge of polluting agents in a river, that can instantaneously trigger damaging press coverage of worldwide scale.

Box 9: Kasky v. Nike

The *Kasky v. Nike* case, that reached the US Supreme in 2003, exemplifies the problem with voluntary reporting—the lack of clear-cut guidance and boundaries on what needs to be reported. The case concerned statements made by Nike in the late 1990s that it paid “on average, double the minimum wage” in overseas countries, and that its workers were “protected from physical and sexual abuse”.

Marc Kasky sued Nike in 1998 for making false representations, using California consumer protection laws (the presumption that everything a company says is commercial speech and must be accurate). The case hinged on whether Nike’s statements were commercial or political in nature, the latter being subject to less stringent regulation. Nike maintained its statements were political because they touched on matters of public concern. The California Supreme Court disagreed, reasoning that when a commercial entity states facts about its products or operations to influence consumer decisions that is commercial speech.

Although the case ended up in a private settlement, the debate continues. Rather than appeasing its critics, Nike chose to confront them. In 2005 Nike started publishing on its web site a full list of its sourcing factories together with their audited social reports.

116. Textile companies discovered early on that consumers want to know more about their production processes and have resorted to every available tool in the market, including detailed reporting about their environmental and social practices, both printed and in dedicated sections of their corporate webpages, adhering to certification and labelling schemes, providing abundant information to impartial intermediaries, like consumer guides and investor screeners, resorting to monitoring assurance specialists, and adopting in-the-field initiatives –those that involve remedial action in conjunction with developing country monitors, for example– that are fit for media coverage and consumer recognition.

117. Although in certain segments, like those of clothes for babies and household wall fabrics containing chemicals, CSR need-to-know may be higher in consumers, they do not come close to those of pharmaceutical products, with their packaging alerts known as black-box warnings. That being said, there is also evidence that a growing number of consumers in the EU and the United States look for CSR information and are prepared to pay a premium for clothes produced through environmentally-friendly processes (Dickson, 2001). A recent YouGov¹⁷ survey commissioned by Marks & Spencer (2006) found that U.K. consumers are becoming more CSR conscious, with 78% saying they would like to know more about the way products are made, including the conditions in the factories where they are produced. 59% said they already purchase Fairtrade products and 18% said they would buy Fairtrade items if they were more widely available on High Street. In another survey carried out by Ipsos (2005) 94% of the respondents said they were prepared to pay a 10% premium for a T-shirt produced under ethical conditions.

17 YouGov interviewed 2,300 people in the UK for Marks & Spencer in January 2006.

a) *Certification and labelling*

118. Retailers, manufacturers, importers and distributors of consumer textiles and clothing label their articles as required by government and international regulations and industry practices (like those of GINETEX, the International Association for Textile Care Labelling) so that representations concerning quality, performance, origin, etc. are reliable. A typical textile label contains information on fibre content and dealer identity. The same or a separate label carries instructions on how to clean and care for the article. In many cases, this is the only information the consumer gets at the store to make her purchasing decision. Similar information is available for online purchases.

119. CSR labels can supplement the information contained in the other labels or be altogether separate. Here the textile or clothing company can make the conscious decision to invest in CSR labelling as a differentiating feature (the *branding* approach) or profit from aggregation, considering that regular labelling (composition, origin, size and care) is mandatory in most jurisdictions and that consumers *do* take heed of the basic information (the *reach* approach). Although labelling is a widely recognised CSR information source for the textile and garment industry, its impact on the vast majority of consumers is far from settled and probably not significant.

120. The general considerations mentioned in Part I on standards and labelling schemes apply to the textile and clothing industry too. Some standards and labels cover a number of sectors, like SA8000, ISO14001, EU Eco-label, and Global Ecolabelling Network,¹⁸ including textiles and clothing, but others are specific to it, like Clean Clothes Campaign, Rugmark (rugs only) and No Sweat label. In the EU, textiles and clothing labels include EU Eco-label (EU 25), Milieukeur Label (EU 15), Stiftung Warentest (Germany) and Swan (Germany, Denmark, Finland, Iceland, Norway and Sweden), Bra Miljöval in Sweden and the private labels Neckermann, Umweltprädikat, Umweltbaum, Empfohlen vom IBR (rugs) and WWF Panda in Germany. Their underlying rationale is that consumer environmental sensitivity ultimately needs the certification of an independent organisation to be credible. **Annex IV.D.1** on selected CSR textile and clothing labels describes their geographic and textile group span.

121. The EU Ecolabel criteria were extended to include textile clothing and accessories, interior textiles, fibres, yarn and fabric in 1999 and they guarantee the limited use of substances harmful to the environment and health as well as reduced water and air pollution, among others. Green public procurement of textiles products is either mandated or encouraged in the EU countries and the US.

122. Rugmark, originally a project of GTZ, the German international aid agency, is a global programme and non-profit organisation working to end child labour in India, Nepal and Pakistan. It does this through loom and factory monitoring, consumer labelling, and running schools for former child workers. Rugmark recruits carpet producers and importers to make and sell carpets that are free of child labour. By agreeing to adhere to Rugmark's strict guidelines, and by permitting random inspections of carpet looms, manufacturers receive the right to put the Rugmark label on their carpets. The Rugmark label provides the best possible assurance that a carpet is not produced by children. The label also verifies that a portion of the carpet price is contributed to the rehabilitation and education of former child weavers. Labelled carpets are sold in Europe and north America. German consumers pay an additional one percent surcharge for Rugmark carpets which is used to finance schools for the children of carpet workers.

18 Including the Australian Ecolabel, Blue Angel (Germany), Ecomark Scheme (India), Eco Mark (Japan), Environmental Choice New Zealand, Environmental Choice Program (Canada), Environmental Label of the Republic of Croatia, Environmental Labelling Program (Korea), EU Eco-Label Scheme (including Denmark and UK), Green Label Scheme (Hong Kong), Good Environmental Choice (The Swedish Society for Nature Conservation), Green Label Program (Thailand).

b) *Reporting*

123. CSR corporate reporting is widespread and deep in the textile and clothing industry and is largely centred around labour matters, that are the main point of contention with NGOs and other stakeholders concerned with working conditions along international supply chains. It is assumed that codes requiring higher specificity and focusing on monitoring and compliance are likely to meet higher interest in the public.

124. Most reports are available to consumers and investors in hard copy, at request, and soft version, that can be downloaded from company webpages. However, corporate web presence is a part of the corporate image, especially in an industry dominated by changing fashions and trends. Their lack of uniformity may make them difficult to navigate by a public that has limited computer skills.

125. The most widely used CSR reporting instruments described in section 3.3 are applied in the textile and clothing industry as well. Organisations using the widespread GRI guidelines for their CSR reporting include Adidas and PUMA in Germany; Gap Inc., Nike Inc. and the Timberland Company in the US; Teijin and Gunze in Japan; Lindström Oy in Finland; and Grupo Mango in Spain. However, big textiles and clothing companies tend to report under more than one reporting scheme, cross-referencing information and ascertaining its accuracy through the involvement of independent assurance firms, most of them specialised offshoots of major financial auditing firms, like PricewaterhouseCoopers, Deloitte Touche Tohmatsu, Ernst & Young and KPMG, although some segments of activity may require the participation of technical specialists, especially for environmental assessment topics.

126. The Gap's 2004 *Social Responsibility Report: Facing Challenges, Finding Opportunities* is a hefty document where the company reaffirms its commitment to improving factory conditions at a time of historical shift in the garment industry. The Gap has around 3,000 stores and more than 150,000 employees around the world. The Report states that 99.9% of its factories were inspected to ascertain compliance in 2004 and that 15% underwent remedial action, both with the participation and assessment of Social Accountability International and Vérité. It includes a breakdown of sourcing countries and the CSR initiatives being implemented. Their declared strategy includes monitoring factories, integrating labour standards in Gap's business practices, collaborating with other actors of the supply chain to drive systemic, industry-wide change, and communicating their goals, successes and challenges.

127. Many textile companies have global sourcing and operating guidelines of their own, given their inability to control every aspect of their relationship with hundreds of downstream business partners around the globe. In turn, having to report for multiple brands, local suppliers experience "audit fatigue", given the variety and complexity of the information required from them (Fair Labour Association, 2005). Some big companies opted for fully or selectively releasing the names and locations of the factories that manufacture their products worldwide. Levi Strauss & Co.'s corporate webpage for instance has a link that provides current information on all its sources and the terms of engagement based on its responsible sourcing code require zero tolerance, immediate action and continuous improvement, criteria that apply not only to performance but also to remediation. In other words, all CSR responsibility is shifted to suppliers and subcontractors (Carreara *et al*, 2006).

128. Marks & Spencer's *Your M&S: Corporate Social Responsibility Report 2005*, is a 32-page document involving all their activities not only with respect to performance in 2004/2005 but also their objectives for the future. Additionally, a more complex document than its previous *Environmental Code of Practice*, the *Environmental, Chemical and Factory Minimum Standards for Dyeing, Finishing and Printing Clothing and Textiles*, was published for the first time in September 2005, aiming for worker safety, environmental compliance and control of chemicals in finished products. The standards subject to reporting include the identified chemicals that cannot be present in final products, the aromatic amines

specified in Directive 2002/61/EC, the maximum presence of pesticides and insecticides by clusters of fibres, etc. The standards apply to all companies that process products bearing Marks & Spencer labels, including dyehouses, printworks, finishing facilities, laundries and tanneries, and have a level of specificity that leaves little room for discretion.

129. In order to allay public suspicions, textile and clothing companies team with NGOs and trade union organisations to ascertain their best efforts in the implementation of codes of labour practice. Six major multi-stakeholder initiatives in the EU and the United States revolve around establishing standardised codes of conduct based on ILO core standards, effective monitoring and public reporting. They are: the Fair Labour Association (FLA), Social Accountability International (SAI), the Worldwide Responsible Apparel Production (WRAP) Certification Program, the Workers Rights Consortium (WRC), the Ethical Trading Initiative (ETI) and the Fair Wear Foundation (FWF).

130. As **Table 5** shows, some go as far as to identify the subsidiaries and locations of companies in developing countries that source international brands and retailers, especially to help combat child and forced labour. Requirements and reach vary from initiative to initiative but they all provide a much needed dose of comfort to the public. However, most of them may leave the consumer wanting. The continuum goes from the no-holds-barred WRC approach to the no-public-information one of WRAP certification.

Table 5: Textiles and apparel industry - Selected labour monitoring and reporting initiatives

	Fair Labour Association	Social Accountability International SA8000	Worldwide Responsible Apparel Production	Ethical Trading Initiative	Fair Wear Foundation	Worker Rights Consortium
How reporting is audited	Internal and external monitoring reports and audits evaluated by FLA. Company and FLA develop remediation plans.	Audit reports evaluated by SAI. Other parties may receive them by signing confidentiality agreements.	Audit reports evaluated by WRAP board	Audit reports and pilot studies evaluated by ETI board and member organisations	Audit reports and remediation plans submitted to FWF.	Own investigation teams conduct evaluations directly
What is disclosed	Monitored companies are listed on FLA web site. FLA provides no information on locations of certified factories.	Factories granted certification are publicly disclosed.	WRAP provides neither public information on its findings nor on locations of factories, whether certified or not.	Aggregate results disclosed to the public. Details disclosed to ETI members only.	Brands, countries of operation and number of suppliers by country are disclosed. Other information remains confidential.	Full disclosure of findings, including in WRC webpage

Source: modified from O'Rourke, 2004.

131. The Ethical Trading Initiative, with the auspices of the UK Department for International Development, is one of the most widely used in the clothing sector. Among its members are DCC Corporate Clothing, Debenhams Retail, Gap Inc., Levi Strauss & Co., Madison Hosiery, Marks & Spencer,

Marshalls and Quantum Clothing. Corporate members agree to produce an annual report about their monitoring activities, participate in a pilot project with unions and disclose at least one sourcing company for peer inspection. They also commit to abide by the ETI Base Code, which stipulates, for example, that working conditions should be safe and hygienic, that child labour should not be used, that living wages should be paid and that working hours should not be excessive.

c) *Consumer guides*

132. The number of consumer information publications and online services for the textile and clothing industry is mind-boggling, especially for the numerous segments of the production line, including FabrikLink, FiberSource and TextileWeb. Most of them are linked either to manufacturers associations promoting specific products or to NGOs that are active in the denunciation of multinational companies, like Clothes for a Change, CCC Europe and Sweatshop Watch.

133. Both regular and CSR-dedicated consumer guides, like *Ethical Consumer*, *ethiscore*, *newconsumer*, *Lift the Label Ethical Directory*, and *Getethical*, carry substantial information on textiles and garments, including on clothing and clothing shops, carpets and flooring, ethical fashion, organic cotton, fair trade, etc.

134. Information is as detailed as for other products, including product features, competing brands, corporate profiles, and the like. However, the feeling conveyed by some ethical consumer guides is one of solidarity with small ethical clothing producers and retailers, like People Tree, Bishopston Trading, Gossypium, Ethical Wares and Chandni Chowk.

d) *Company strategies*

135. In practice, textiles and clothing companies use a complex marketing mix to inform on their CSR performance, including the use of newspaper, magazine and television advertising, both in a targeted and diffuse manner, sponsoring international CSR forums, and the more common one of producing visually-attractive reporting, both in physical and virtual form.

136. Part of their branding strategy, each company is a universe in itself in its efforts to show uniqueness and excellence, from presenting CSR efforts as an ever-challenging, enthusiastic process to reconcile environmental and social mandates with the profit motive to using CSR disputes as a launching pad for marketing efforts (see **Box 10**).

Box 10: Gap Inc.'s handling of a CSR dispute

A potentially damaging situation hit Gap Inc. in 2002 when a sourcing company in El Salvador, Tainan Enterprises of Taiwan, closed its two clothing factories due to a labour dispute. The news reached the US textile union UNITE, that made it available to the press, accusing Gap of turning its back on a problem it had itself created. Gap laboriously reached an agreement with the textile industry union of El Salvador, which was announced conjunctly by Gap and UNITE in the US in April 2004.

The agreement made the new factory the first clothing-export plant in the country to operate under a union agreement that fully respects Salvadorian labour law. Also, independent monitoring by local NGOs was adopted and publicised, a unique approach in the industry. Gap did not implement the same procedure to other suppliers in over 50 countries of the South but the choreographed response helped neutralise the pressure exerted by the mass media.

137. For instance, *Patagonia*, the US designer of outdoor clothing and gear, defines itself as “committed to the core” to environmental action. This includes “working with processes that cause the least harm to the environment” by carefully evaluating the raw materials they use, policing their waste and

supporting environmental advocacy”. Patagonia is a founding partner of the Conservation Alliance, a group of companies that aim to inspire, promote and finance environmental solutions. It is also a member of 1% for the Planet, having pledged one percent of sales to environmental grants since 1985. The message to the consumer is that the Patagonia’s brand is inextricably associated with environmental conservation.

138. For 2004, one of the strategic goals of the *Otto Group*, the German clothing retailer, was to strengthen the group’s public perception as a champion of socially-responsible trade. Among the actions taken, foldouts devoted to Rugmark were included in its main catalogue, a free football bearing the TransFair seal was given to customers and various products were advertised under a “fair feels good” banner (the phrase appearing in English in otherwise German-language publications).

139. *Mango*, the Spanish designer of garments and accessories for women, has a presence in over 750 stores in 75 countries. It represents itself as having an ‘incrementalist’ CSR approach, having demanded respect for labour conditions from their manufacturers from the very start of their operations 22 years ago. In the current decade they have made an effort to put CSR matters at the centre of their production concerns – like using a single European laboratory to guarantee that the substances contained in Mango clothes are not harmful to health and joining Setem, Spain’s Clean Clothes Campaign – and made a case to reflect it in communication campaigns coordinated by a newly-created Department of Corporate Social Responsibility.

e) *New trends in information technology*

140. Textiles and clothing companies spend tens and in some cases hundreds of millions of dollars every year not only in advertising but also in R&D, exploring new ways to increase productivity, market share and comparative advantages, both by increasing revenue and reducing costs. Whether these efforts redound in more and more useful and user-friendly CSR information to consumers is the result of an uncertain composite of trends in consumer demand, government regulation and corporate realities and sensitivities. However, technological breakthroughs can shift the transparency-versus-vulnerability trade-off in the right direction if convergence between public and private efforts can be attained. The utilisation of electronic devices to convey exhaustive CSR information to consumers may be one such an opportunity. **Box 11** provides an introduction to the topic.

Box 11: A wealth of information for garment shopping

The era when consumers can go shopping and, by reading a garment tag with their cell phones, hand-held computers or shop scanners, obtain live, detailed information on the environmental and labour impact of production vis-à-vis other products is with us already. Electronic and radio frequency identification (RFID) tags and transponders and sophisticated supply chain management and tracking systems can readily provide a wealth of information to the alert consumer.

Minuscule RFIDs, thinner than a sheet of paper and about the size of a small coin, store and remotely retrieve data through their silicon chips and in-built antennas. The commercial versions, produced by PolyIC of Germany and Philips of the Netherlands for instance, are already applied to container tracking, electronic toll collection, cattle trace-back, identification badges, drivers' licenses and passports (Malaysia, New Zealand, Norway, Pakistan, United States).

Participating in this initiative are the European Committee for Standardisation (CEN), the International Standards Organization (ISO) and the United Nations Centre for Trade Facilitation and Electronic Business (UN/CEFACT). International corporations like Procter & Gamble, Wal-Mart, Hewlett-Packard, Johnson & Johnson, IBM, DHL, Intel and others are pooling their logistics and information technology and telecommunications expertise to spread this new tool.

The European Commission is aiming for an accelerated adoption of RFIDs across the European Union, especially geared towards promoting trade by SMEs. It is expected that producers and distributors will adopt embedded RFIDs in the clothing and textile industry in the second half of 2006. Department stores, the traditional outlets for clothes, will benefit the most from this development, after a decade of predominance of discount retailers like Wal-Mart and vertically integrated giants like Benetton, Esprit and Dolce e Gabbana.

4. *An emerging market niche for natural fibres*

141. Although the concept is still new, the shift towards 'ethical fashion' documented lately by the fashion media appears to be a long-term life-style trend driven by consumer demand as well as corporate marketing.

142. 'Ethical' or responsible fashion brings together local craftsmen and designers, who want to sell products that are ethical and environmentally friendly without compromising high design and style. These designers are now marketing chemical-pesticide-and-insecticide-free cotton in their apparel and reinvest some of their profits in local communities in the developing world (like the British designer Katharine Hamnett, who reinvests 15% of her net profits on production sites).

143. More and more designers (such as Armani, Eileen Fisher, Rogan Gregory, Stella McCartney) but also big brands (such as Levi Strauss or American Apparel) and even retailers (*e.g.* Marks and Spencer) are now turning towards ethical fashion (see **Box 12**): this alternative fashion, which represented a gap in the market for ethical clothes, has managed to capture big designer names as well as famous people (*e.g.* Bono and super-models like Naomi Campbell and Helena Christensen) to join the cause and help develop the concept.

Box 12: Some ethical fashion brands

The British company **Marks & Spencer** is the first high street retailer to sell a range of jeans and underwear for men and women, made of fair-trade cotton. This follows the success of Marks & Spencer's existing Fairtrade cotton range of t-shirts and socks, which were launched during Fairtrade Fortnight in March 2006. The Fairtrade cotton used in jeans and underwear is produced by farmers in Mali and Senegal in Africa. The premium they are receiving from the jeans and underwear will help them to invest in the development of a new school, health centre and nursery.

Edun is a socially conscious company created by Ali Hewson and Bono. Launched in spring 2005, the company aims to bring the issue of sustainable employment to the world of catwalks and high fashion. Edun is utilizing locally run factories in Africa, South America and India.

Armani introduced a corn-fibre knit shirt this spring. "Ecologically responsible and technically advanced", the shirt's hangtag says. "Derived from 100% renewable natural resources and fully biodegradable."

Through the use of certified 100% organic cotton, grown free of pesticides, herbicides and synthetic fertilizers, **Loomstate** produces designer jeans sold in stores in the United States, in Europe and in Japan, or on-line.

5. Tentative conclusions

144. CSR champions in the textile and clothing industry –the likes of Marks & Spencer and Hennes & Mauritz– claim that their CSR-related information to the public is part of a point-of-no-return, increasing disclosure trend. Will these efforts be sustained if world economic conditions deteriorate?

145. Some textile giants –the likes of Gap and Nike– claim that the current level of reporting is too demanding and impinges on the bottom line. One alternative that has proven effective would be multi-stakeholder, in-the-field action that is independently monitored. Which of the two trends will prevail?

146. Branding, at least in the clothing sector, is a concept that is here to stay. It provides a direct link of familiarity, self-identity and trust between the company and the consumer. However, companies claim that they compete in a Darwinian environment and that disclosing too much information, in CSR and other areas, may make them more vulnerable to competitors. Can companies be expected to muster CSR awareness in consumers at the cost of increasing their own vulnerability? Is there convincing evidence that strategic CSR is perceived by companies as a global brand insurance (Werther and Chandler 2005)?

Annex II.D.1: Selected CSR textile and clothing labels

Name		Countries applied	Textile group
Bra Miljöval		Sweden (Good Environmental Choice, Swedish Society for Nature Conservation), part of Global Ecolabelling Network	Textiles in general
Clean Clothes Campaign		Austria, Belgium, France, Germany, Netherlands, Spain, Sweden, Switzerland, United Kingdom (European Campaign Network)	Garments
Empfohlen vom IBR		Germany (Recommended by IBR)	Carpets
EU Eco-label		EU 25: Austria, Belgium, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, Poland, Portugal, Slovakia, Slovenia, Spain, Sweden, Netherlands, United Kingdom	Textile products (criteria under development)
Global Ecolabelling Network		Australia (The Australian Ecolabel), Germany (Der blaue Engel), Hong Kong (Green Label Scheme), India (Ecomark Scheme), Japan (Eco Mark), New Zealand (Environmental Choice), Canada (Environmental Choice Program), Croatia (Environmental Label), Korea (Environmental Labelling Program), Thailand (Green Label Program)	Textile products
Milieukeur Label		EU 15: Austria, Belgium, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, Netherlands, Portugal, Spain, Sweden, United Kingdom	Clothing, cleaning cloths, toys, cotton hand dryers
Neckermann Umweltprädikat		Germany (Eco Seal)	Textiles in general
No Sweat label US		United States, Australia (Fair Wear)	Clothing, footwear
No Sweat E-Tag		United States (Ethical Trade Action Group)	Textiles in general
Stiftung Warentest		Germany	Textiles in general
Swan		Germany, Denmark, Finland, Iceland, Norway, Sweden (Nordic Ecolabel)	Textiles in general
Umweltbaum		Germany	Textiles in general
WWF Panda		Germany	Textiles in general

Source: OECD.

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