

Communication on engagement

Period covered by this Communication on Engagement: December 2020- December 2022

Statement of Continued Support by the Board chair and the Managing Director

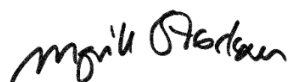
To our stakeholders:

December 31th, 2022

We are pleased to confirm that Ethical Trade Norway reaffirms its support to the United Nations Global Compact and its ten principles in the areas of Human Rights, Labour, Environment and Anti- Corruption.

In this Communication of Engagement, we describe the key actions our organisation has taken to support the UN Global Compact and its principles over the last two years, in line with the suggestions for our kind of organisation. We commit to share this information with our stakeholders through our primary channels of communication.

Sincerely yours,



Ingvill Størksen
Chair of the Board



Heidi Furustøl
Executive Director

Description of Ethical Trade Norway

Ethical Trade Norway is a multi-stakeholder initiative founded in 2000 to protect fundamental human rights and the environment in global supply chains. In 2012, the fight against corruption was integrated in our core principles. In 2019 we added another core principle – animal welfare – and we have now thirteen core principles/code of conduct. The composition of Ethical Trade Norway's founding members – one company, one trade union, one NGO and one business association - illustrates the joint understanding of cooperation across sectors as necessary in order to meet very complicated challenges in the supply chains. Later also public sector entities have joined our organisation. Improvements and collaboration with suppliers in order to achieve this is at the core of our approach as a multistakeholder organisation.

As of today, our organisation has grown from 168 members in 2021 up to over 200 members in 2022. Our purpose is to promote responsibility in global supply chains in a way that ensures that international trade safeguards human and workers' rights, sustainable development and environmental care.

Our members commit to adopting ethical guidelines in line with Ethical Trade Norway's requirements, based on the ILO core-conventions and relevant UN instruments. These are fully compatible with the UN Global Compact's ten principles as well as the UN Guiding Principles on Business and Human Rights (UNGPs). Our members commit to each year report publicly on their human rights and environmental due diligence progress as well as to promote ethical trade/responsible business conduct in general. Our members' reporting is based on the UNGPs and the OECD guidance for responsible business conduct. In 2019 we launched a brand-new web-based reporting tool for members and to our knowledge, this is one of very few mandatory due diligence reporting tools for business. The reporting is benchmarked against 11 objective documentation criteria and our members are committed to achieve our base level of due diligence within two years of membership. The reporting has four levels of quality, and the highest level is named Leader. All reports are read and commented individually by our skilled advisers and the various levels are set by the adviser, not the enterprise. Through trainings, resources, advice and facilitated collaboration and discussions we guide our members to identify issues, develop and implement innovative, long-lasting solutions beneficial for both workers, the environment and society. We also have four due diligence projects in selected supply chains; Garment and apparel in Bangladesh, Mohair and wool in South-Africa, Cashew in Vietnam and the Ivory Coast. All projects except Vietnam which is funded by enterprise-members only, are funded partially by the Norwegian Agency for Development Cooperation (Norad).

Our 2020-2024 strategy is developed to assist our members to remain ethical leaders, confront exploitation at its source, influence policy and practice where it counts most, and encourage the voices of workers worldwide. UNs Guiding Principles on Business and Human Rights, OECDs guidance for responsible business conduct and the Sustainable Development Goals provide the overarching frame for our strategy. Moreover, in order to achieve the SDGs, responsible business conduct is crucial. In fact, the SDGs cannot be achieved without responsible business conduct. In our work key measures of success is that workers can negotiate independently and effectively for a better working life where their rights are respected, that public entities are a driver for ethical procurement and that reduction of greenhouse gasses and environmental care have improved in our members supply chains.

Due to the global pandemic of covid-19 we had to postpone our new strategy until 2021. The situation for workers in the global supply chains have worsened and together with our members we will work hard in order to improve the lives of the many millions in the supply chains.

II Description of actions

Ethical Trade Norway's purpose and all our work are encompassed within the Global Compact's ten principles. Thus, all our actions are aimed at guiding – and nudging – businesses and other members, to internalise these principles into their everyday operations, their supply chains and through business relations.

Some key actions over the last two years are:

1. Increasing support for ethical trade/responsible business conduct

One of our key objectives is to increase the support for ethical trade which equals OECD's concept of responsible business conduct, and the implementation of Global Compact's ten principles. This means increasing the number of companies that, through joining the Ethical Trade Norway as members, have committed to work systematically and continuously to improve working conditions, environmental care and to fight corruption in their global supply chains. It also means **advocating for appropriate legislative measures** as well as engaging in the public debate. In November 2019 the government appointed the Ethical Information committee submitted the draft legislation on Supply Chains Transparency Act on mandatory due diligence on human rights (and information duty). Ethical Trade Norway's Executive Director was part of the Ethical Information committee. To ensure the competitiveness of Norwegian enterprises, the duties are harmonised with requirements imposed internationally such as UNGPs and OECDs Guidelines as well as the upcoming EU requirements. **The Act relating to enterprises'**

transparency and work on fundamental human rights and decent working conditions (Transparency Act) came into force on 1. July 2022 and will enhance Norway's efforts to meet the UN Sustainable Development Goals. Norwegian enterprises' experience with mandatory human rights due diligence is also valuable for the upcoming EU regulations on due diligence and corporate sustainability directive and reporting. As part of Ethical Trade Norway's membership commitment our members must do mandatory human rights and environmental due diligence and thusly are well positioned to comply with the newly adopted act and the requirement to publicly report within 30.06.2023.

Accumulated, the public sector is the single largest buyer in many countries, as in Norway as well. Since 2008, Ethical Trade Norway has been working proactively, together with a few and committed public entities, to integrate respect for labour rights in their public procurement. Ethical Trade Norway has for many years advocated human rights in public procurement and finally it was included in the **Norwegian legislation in 2017** (due to an EU Directive). Thus, there has been an increase of members supplying public sector and public entities are now more aware of ethical procurement, but there is still a lot of work ahead. Ethical Trade Norway is active in lobbying the state and e.g. commenting the White Paper on state owned enterprises submitted to the Parliament in November 2019, and also in 2022. The government now requires state owned enterprises to conduct mandatory due diligence on human rights and the environment, and state owned enterprises must be leaders in the field. Ethical Trade Norway will, together with our members, promote due diligence benchmarks and progress, in order for the state owned enterprises to become real leaders in responsible business conduct.

2. Strengthening mandatory due diligence: Performance and Benchmarking tool

Responsible business conduct starts with a company's value system and a principled and holistic approach to doing responsible business. This means operating in ways that, at a minimum, meet fundamental responsibilities in the areas of human rights, labour, environment and anti-corruption. Working with companies' value systems, culture and policy can be hard and time-consuming. This is however key to success. In 2014, Ethical Trade Norway launched a Performance and Benchmarking tool which gave members a benchmark against own performance as well within the sector. In 2019 we made a new web-based Reporting and Benchmarking tool based on the OECDs due diligence guidance for responsible business conduct. We benchmark our members against 11 objective documentation criteria, called the base level which is the minimum requirement within two years of membership. To our knowledge, our mandatory due diligence reporting is one out of very few reporting tools based on the OECD due diligence methodology for business, and our members can use it to be compliant with the Transparency Act and also

other national and EU relevant legislation, since the reporting tool also have Key Performance Indicators for both human rights, the climate and the environment and anti-corruption measures.

The due diligence minimum standard and KPI's used in the reporting tool gives Ethical Trade Norway and members a benchmark against the leading international standard for responsible business conduct and with other members within their sectors. For Ethical Trade Norway this means a closer follow-up with our member companies and organisations. Companies get a better understanding of what is expected of them, and the dialog and support from the member-adviser is strengthened as well as the dialogue with stakeholders. For Ethical Trade Norway's many SME-members this is a valuable tool also for brand reputation and competitiveness.

In 2022 we also developed an electronic reporting tool for public sector-members; state owned enterprises, municipalities, hospitals, universities with more. The reporting tool resembles much the same KPIs for the business reporting tool, but the scope is only public procurement and the entities have to meet only one level of quality – the base level – within two years. The public sector entities will submit their reports for 2022 by the end of February 2023.

3. Strengthening social dialogue and worker representation in Bangladesh

Over the last years, we have made new and pioneering efforts related to Global Compact's principle no. 3 on core labour rights. The lack of freely elected worker representation is one of the root causes behind poor labour conditions. We initiated a pilot program on strengthening worker – management dialogue, part of it jointly with our sister organisations Ethical Trading Initiative (UK) and the Danish Ethical Trading Initiative, focusing on Bangladesh and Vietnam. Through our members supply chains, and in close coordination and collaboration with local unions, businesses and relevant authorities, the project carries out trainings on workers' rights, facilitation of workers' elections as well as on how to engage in a constructive worker- management dialogue – social dialogue. This project is now in its second phase as we successfully secured renewed funding from the Norwegian Agency for Development Cooperation for the social dialogue project in Bangladesh, as well as our due diligence projects in Ivory Coast and South-Africa. Due diligence is a risk based approach to tackle risk and avoid causing or contributing to adverse impacts on people, the environment and society, either directly linked to or caused by business own operations, products and services or through the supply chain or through business relationships. Read more about the project here:

<https://etiskhandel.no/bangladesh/>

4. Training in workers' rights and responsibilities

Ethical Trade Norway is collaborating with a Swedish company QuizRR on digital training and educational tool aimed at increasing awareness and knowledge of worker's rights and obligations. QuizRR stands for Quiz Rights & Responsibilities and is developed for workers and managers at all levels in a processing factories. Ethical Trade Norway has carried out a pilot project combining face to face training with QuizRR's e-learning solutions. Blended Learning is a very promising tool in order to improve workplace dialogue and worker representation in businesses supply chains, and is also central to our project in Bangladesh. Read more about QuizRR here: <https://www.quizrr.se/>

In Norway we have conducted almost 70 trainings and seminars for both members and non-members in 2022. Over 1000 people have attended our free, monthly webinars on due diligence and the new Transparency act. We also cooperate with other actors such as the newly held training for Global Compact Norway's members. Ethical Trade Norway is regarded as the main resource centre for responsible business conduct trainings in Norway.

5. Strengthening sustainability practices in the Vietnamese cashew nut industry

As part of our due diligence work, we have engaged in the Vietnamese cashew nut industry and established trainings on social dialogue and other production improvement efforts. The project has received funding from Norad but now it is funded by project members contribution only. Read more about the project here:

<https://etiskhandel.no/article/impressed-by-openness-in-the-vietnamese-cashew-nut-supply-chain/>

6. Strengthening sustainability practices in the Ivorian cashew nut sector

Another of our Norad funded due diligence projects is the new project in the Ivory Coast. Through creating new linkages between the stakeholders in the Ivorian cashew sector, improving representation of farmers through strengthening farmers' organisations and building technical capacity in marginalised communities, the project seeks to improve sustainability performance and market access for smallholder farmers and SME processors. Ethical Trade Norway and its retail members will lift learnings from the Ivorian context upstream the supply chain and allow for stakeholder dialogue on human rights and environmental due diligence of buyers and retailers as well as new direct linkages between processors and European buyers. Read more about the project here:

<https://etiskhandel.no/ivory-coast/>

7. Sustainability-17: an innovative public procurement project

Sustainability-17 (named after SDG 17 Partnership) is an innovative public procurement project on sustainable procurement project lead by Ethical Trade Norway and public enterprises and bodies. The project shall deliver sustainable and efficient procurement of high quality, promoting respect for fundamental human rights in high-risk procurements. Read more here: <https://etiskhandel.no/baerekraft-17/>

8. Wool & mohair industries in South Africa - A due diligence study on labour practices and sustainability issues

Ethical Trade Norway has started a pilot project in South Africa – funded by Norad - as part of our due diligence approach. A baseline report was done and the Study aimed to identify the risk of labour issues and improve social and environmental conditions in participating companies' supply chains of South African wool and mohair, all the way from farm to processing. Importantly, it also aimed to catalyse and effect improvements in the South African wool and mohair industry that benefits both workers and farmers, adding to the work on sustainability that is already being done in and by the sector. To read the full report:

https://etiskhandel.no/wpcontent/uploads/2020/09/IEH_duediligence_web_FINAL.pdf

The purpose of this project is to strengthen both sustainability and climate change resilience in the South African wool industries through improving the productivity and quality of poor communal wool farmers, capacity building of factory workers and increased market access, so that the wool industry can provide a living income and secure decent jobs in some of the poorest provinces in South Africa. This project will build on recommendations from ETNs previous work in South Africa. The local implementing partner will be the National Wool Growers Association (NWGA) and their constituent farmer associations. NWGA represent almost 25000 farmers, of which 20000 are communal farmers. Read more about the project here: <https://etiskhandel.no/south-africa/>

9. Covid-19 portal and Country briefings - human rights due diligence process

Ethical Trade Norway is continuously updating existing reports and developing new country briefings as part of our members' risk assessment and due diligence work. The UN Guiding Principles on Business and Human Rights (UNGPs) and the OECDs guidance on due diligence for responsible business conduct provides a compelling framework for a risk-based approach to people, planet and society. Our due diligence approach provides the conceptual framework for country briefings. The thirteen clauses of Ethical Trade Norway's Base Code providing the scope for country briefings, focusing especially on to Global Compact's principle no. 3 on core labour rights.

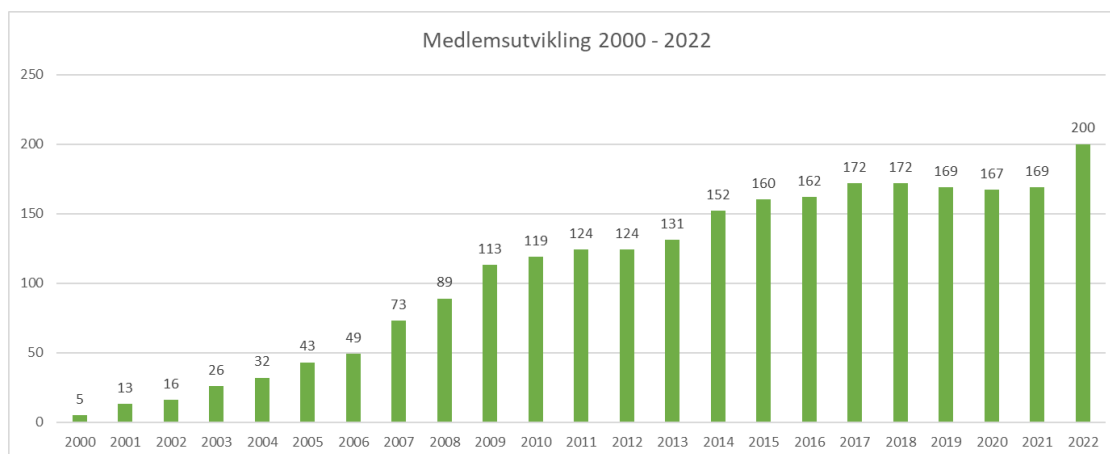
During the outbreak of covid-19 pandemic, there was great need for updated risk intelligence information for companies carrying out due diligence. Thus, we made our intelligence briefs available for all and a covid-19 portal with country updates, tools and resources for free available on our web-page.

III Measurement of outcomes

i. Increasing support for ethical trade

Ethical Trade Norway’s member base has been continuously growing since the foundation in 2000, committing to our declaration of principles. A large part of Ethical Trade Norway’s new members are either suppliers to public sector or business who have to comply with the new Transparency Act. We experience an increased focus on sustainable and responsible sourcing, from both public procurers as well as from numerous private companies. Our membership base also shows that we now have bigger company members, but this is not reflected in the diagram below.

Progress in our total membership base 2000-2022



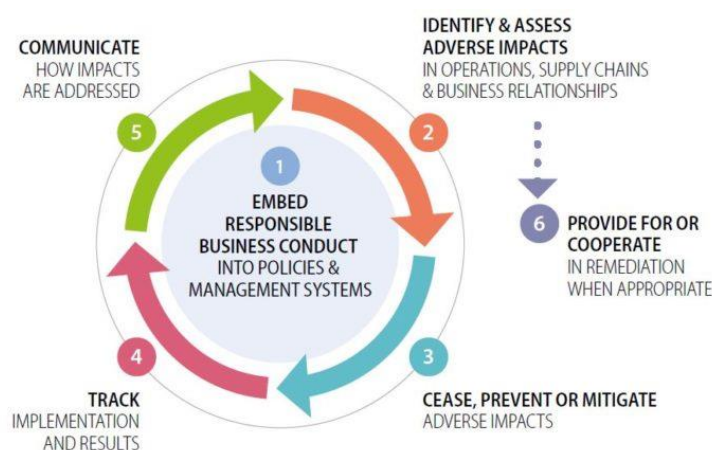
By December 2022 the member base accounts for 200 members. We expect our membership base to grow even more in the years ahead.

ii. Performance and benchmarking tool

By incorporating Ethical Trade Norway’s base code, including Global Compact principles and OECDs guidance on due diligence approach into strategies, policies and procedures, and establishing a culture of integrity, companies are not only upholding their basic responsibilities to people and planet, but also setting the stage for positive change. The

visibility of poor (or poorer compared to others) performance is often a main driver for company leaders to change. As a result, companies are more aware of Ethical Trade Norway's, and hence Global Compacts, expectations, and we see positive changes in their actions to become leaders in their business segment.

Ethical Trade Norway's model for responsible business conduct - based on the OECDs model - gives companies a good overview of which activities are appropriate at which stage of the process. With our base level criteria for due diligence which our member must meet within two years, we can measure companies' performance on ethical trade. We have now prepared the next levels of due diligence performance in order for enterprises to become leading on due diligence.



iii. **Strengthening social dialogue and worker representation**

The pilot on worker- management dialogue have reached more than 30 000 workers and management on 16 factories in Vietnam and Bangladesh. Now we are in our second phase and the results have created a demand from more factories and buyers in particular in Bangladesh and has also spurred the interest from the ILO Better Work program and the Accord for building and fire safety in Bangladesh for future coordination, mutual learning and complementary actions.

For our members we have developed guidance on ILO labour rights and our base code as well as conducting trainings and workshops for our members. Freely elected worker representation and trade unions are an important part of our due diligence work and members are required to actively support social dialogue and worker representation. We have among others, developed free due diligence guidance and Roadmap to implement

Freedom of Association (FoA), Collective Bargaining (CB) and Worker Representation (WR) and guidance on stakeholder-dialogue available on our web-page.