

Registered number: 3578127

ETHICAL TRADING INITIATIVE
(A Company Limited by Guarantee)

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2018

ETHICAL TRADING INITIATIVE
(A Company Limited by Guarantee)

COMPANY INFORMATION

Directors	Jon Tugwell (resigned 30 August 2017) Katharine Stewart (resigned 3 May 2018) Emily Scott (resigned 2 May 2018) Owen David Tudor Philip Chamberlain Alison Tate Aidan Mcquade (resigned 14 September 2017) Chris Harrop Scot Walker Peter Mcallister Rachel Wilshaw Giles Robert Bolton Christina Hajagos-Clausen (resigned 1 November 2017) Caroline Robinson (appointed 4 May 2017, resigned 3 May 2018) Michael Pennant-Jones (appointed 14 September 2017) Alice Allan (appointed 3 May 2018) Jane Blacklock (appointed 3 May 2018) Tim Aldred (appointed 1 July 2018)
Company secretary	Angela Byer
Registered number	3578127
Registered office	8 Coldbath Square London EC1R 5HL
Trading Address	8 Colbath Square London EC1R 5HL
Independent auditors	haysmacintyre 10 Queen Street Place London EC4R 1AG

ETHICAL TRADING INITIATIVE
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ETHICAL TRADING INITIATIVE
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DIRECTORS' REPORT
FOR THE YEAR ENDED 31 MARCH 2018

The directors present their report and the financial statements for the year ended 31 March 2018.

Directors' responsibilities statement

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies for the Company's financial statements and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2018

Principal activity

During the 2017/18 Financial Year, ETI continued to be a clear voice in support of the ever evolving business and human rights agenda, working closely to the five priorities agreed by our tripartite membership (companies, NGOs and trade unions) in October 2015: to lead on the application of the UN's General Principles on Business and Human Rights (UNGPs) as they relate to workers rights; to ensure workers are represented; to catalyse the formation of a global network of ethical trade platforms; to see and increase in business accountability, and; to influence ethical trade policy and practice. Our priorities act as a conduit for enabling better and more robust corporate performance amongst our members and for influencing on business and human rights more widely, while our supply chain programmes and in house training and publications help to build good practice.

Importantly, we worked intensively to embed membership commitment to tackling modern slavery, developing our expertise and our global recognition and influencing governments and institutions. We also continued to encourage engagement with growing consumer and activist calls for greater transparency, with members joining ETI in defining (and continuing to define) the direction of travel needed to ensure the highest standards of corporate accountability. Internally, ETI's new reporting framework was finalised and our online reporting platform, Perspective, went live. These changes will significantly increase ETI's visibility of member performance, highlight challenges and improve how we target efforts to drive member progression. Meanwhile, feedback on our training offer has been consistently positive both in the UK and overseas, particularly in China, where we partnered with the ILO to deliver management and workers' rights training to small and medium sized enterprises.

In our project work and through our working groups we gave advice and shared our expertise in key supply chains. We recruited a wider set of businesses to our initiative supporting the rights of young women in India's Tamil Nadu spinning mills, firmly moving the agenda from rights to health to broader workers' rights. Our Social Dialogue project in Bangladesh continued to expand and now reaches over 62,000 workers; while in December 2017, over 90 representatives from industry, trade unions, the diplomatic community and NGOs met in Dhaka to discuss the positive impacts of the programme and how the involvement of key stakeholders can help with the establishment of our local Bangladesh Platform. Likewise, our platform in Turkey, which gives both Turkish workers and Syrian refugees a voice, is now firmly established – it reaches hundreds of factories and has created a much-needed space for local stakeholders to discuss outstanding issues and develop action plans to embed human rights. Additionally, while we recognise that circumstances in Thailand remain challenging for migrant workers in the fishing, farming and food processing sectors, we played the role of "honest broker", giving support to Thai unions, NGOs and human rights defenders and joining the external advisory group to the crucially important Seafood Task Force, a company-led initiative seeking to drive sustainability in the Thai seafood sector through supply chain oversight.

Specific achievements during the period included:

- New guidance on ethical purchasing practices for companies, developed jointly with our sister organisations in Norway and Denmark and based on ground-breaking research with the ILO involving 1,454 suppliers from 87 countries to build evidence on the relationship between purchasing practices and working conditions; we also published guidance on managing the business risks of child labour and of modern slavery.
- A report on Human Rights Due Diligence in Pakistan and the signing of a strategic partnership agreement with the Pakistan Institute of Labour Education & Research (PILER) to promote collaboration around ethical trade and human rights due diligence in Pakistan.
- Deepening corporate understanding of gender issues in supply chains by bringing together 10 member companies and the University of Manchester to analyse the progress being made in ensuring greater gender equality in international supply chains.
- Advocacy on working conditions and wages in Cambodia and Myanmar, with representation being made by ETI Director and members to governments, with ETI co-ordinating our members, Fair Labor Association, American Apparel & Footwear Association and the Foreign Trade Association, to express our concerns in a joint written statement to the President of Myanmar and in meetings with government ministers. We also advocated on behalf of dock workers in Mauritius at the request of international unions.

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DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2018

- A strategic partnership with the International Trade Centre (ITC) to transition the ETI-founded Local Resource Network to Sustainability Xchange. The partnership will oversee the expansion of the platform to include a business and human rights focus across multiple sourcing regions and industries. This is a significant development from the existing focus on sustainable value chains and agri- and aqua culture on the interactive online platform.
- Taking the opportunity afforded by the start of our 20th anniversary year in January 2018, we reaffirmed our commitment to drive transformative change through the start of a year-long communications-led campaign that celebrates how we drive improvements in company performance, persuade and influence about policy and legislation and build strategic alliances in key sourcing markets.

None of the above would have been possible without the invaluable contributions of company, trade union and NGO members. Their support is vital to ensuring that ETI retains its uniquely tripartite approach and influence. That in turn is highly reliant on the commitment of our staff as well as the Chair and Board of ETI, who provide oversight and guidance. Financially, we are also grateful to, and work very closely with, the UK's Department for International Development. It provides us with significant financial support through its Responsible Accountable and Transparent Enterprise (RATE) funding. We have also continued to develop valuable and effective partnerships with DANIDA, the UK's Foreign and Commonwealth Office, Geneva Global and the Commonwealth Foundation. Our ability to attract and use such funds to innovate and demonstrate impact for workers is of crucial importance and we extend our thanks to all our institutional donors as well as to our membership.

Directors

The directors who served during the year were:

Jon Tugwell (resigned 30 August 2017)
Katharine Stewart (resigned 3 May 2018)
Emily Scott (resigned 2 May 2018)
Owen David Tudor
Philip Chamberlain
Alison Tate
Aidan Mcquade (resigned 14 September 2017)
Chris Harrop
Scot Walker
Peter Mcallister
Rachel Wilshaw
Giles Robert Bolton
Christina Hajagos-Clausen (resigned 1 November 2017)
Caroline Robinson (appointed 4 May 2017, resigned 3 May 2018)
Michael Pennant-Jones (appointed 14 September 2017)

Disclosure of information to auditors

Each of the persons who are directors at the time when this Directors' Report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware, and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Auditors

The auditors, haysmacintyre, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

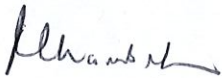
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DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2018

Small companies note

In preparing this report, the directors have taken advantage of the small companies exemptions provided by section 415A of the Companies Act 2006.

This report was approved by the board on 18 October 2018 and signed on its behalf.



Philip Chamberlain
Director

ETHICAL TRADING INITIATIVE
(A Company Limited by Guarantee)

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ETHICAL TRADING INITIATIVE

Opinion

We have audited the financial statements of Ethical Trading Initiative (the 'Company') for the year ended 31 March 2018, which comprise the Statement of Comprehensive Income, the Balance Sheet and the related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 March 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the United Kingdom, including the Financial Reporting Council's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The directors are responsible for the other information. The other information comprises the information included in the Annual Report, other than the financial statements and our Auditors' Report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the

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INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ETHICAL TRADING INITIATIVE
(CONTINUED)

work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Directors' Report has been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Directors' Report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the directors were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies' exemptions in preparing the Directors' Report and from the requirement to prepare a Strategic Report.

Responsibilities of directors

As explained more fully in the Directors' Responsibilities Statement on page 1, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

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(A Company Limited by Guarantee)

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ETHICAL TRADING INITIATIVE
(CONTINUED)

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an Auditors' Report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our Auditors' Report.

Use of our report

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an Auditors' Report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.



Murtaza Jessa (Senior Statutory Auditor)

for and on behalf of
haysmacintyre

Statutory Auditors

10 Queen Street Place
London
EC4R 1AG

18 October 2018

ETHICAL TRADING INITIATIVE
(A Company Limited by Guarantee)

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2018

	Note	2018 £	2017 £
Income		3,825,366	3,446,820
Gross Turnover		<u>3,825,366</u>	<u>3,446,820</u>
Operating and other expenses		(3,770,737)	(3,185,038)
Operating surplus		54,629	261,782
Interest receivable and similar income		-	164
Surplus before tax		<u>54,629</u>	<u>261,946</u>
Tax on investment income	6	-	(33)
Total comprehensive income for the year		<u><u>54,629</u></u>	<u><u>261,913</u></u>

The notes on pages 10 to 15 form part of these financial statements.

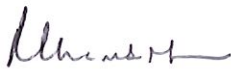
ETHICAL TRADING INITIATIVE
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REGISTERED NUMBER:3578127

BALANCE SHEET
AS AT 31 MARCH 2018

	Note	2018 £	2017 £
Fixed assets			
Tangible assets	7	31,722	34,797
		<u>31,722</u>	<u>34,797</u>
Current assets			
Debtors: amounts falling due within one year	8	880,028	591,863
Cash at bank and in hand		423,702	602,931
		<u>1,303,730</u>	<u>1,194,794</u>
Creditors: amounts falling due within one year	9	(691,829)	(640,596)
Net current assets		<u>611,901</u>	<u>554,198</u>
Total assets less current liabilities		<u>643,623</u>	<u>588,995</u>
Net assets		<u><u>643,623</u></u>	<u><u>588,995</u></u>
Capital and reserves			
Accumulated funds		<u>643,623</u>	<u>588,995</u>
		<u><u>643,623</u></u>	<u><u>588,995</u></u>

The financial statements have been prepared in accordance with the provisions applicable to companies subject to the small companies regime and in accordance with the provisions of FRS 102 Section 1A - small entities.

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 18 October 2018.



Philip Chamberlain
 Director

The notes on pages 10 to 15 form part of these financial statements.

ETHICAL TRADING INITIATIVE
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018

1. General information

Ethical Trading Initiative, is a private company limited by guarantee incorporated in the United Kingdom. The company's registered office 8 Coldbath Square, London, EC1R 5HL and company number is 3578127

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Section 1A of Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The following principal accounting policies have been applied:

2.2 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes.

2.3 Interest income

Interest income is recognised in the Statement of Comprehensive Income using the effective interest method.

2.4 Taxation

Tax is recognised in the Statement of Comprehensive Income, except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the balance sheet date in the countries where the Company operates and generates income.

2.5 Tangible fixed assets

Tangible fixed assets that are valued at over £1,000 and have an useful economic life of more than one year are capitalised. Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost of fixed assets, less their estimated residual value, over their expected useful lives on the following bases:

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018

2. Accounting policies (continued)

2.5 Tangible fixed assets (continued)

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following basis:

Fixtures and fittings	- 25% Straight Line
Office equipment	- 25% Straight Line

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Statement of Comprehensive Income.

2.6 Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

2.7 Creditors

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

ETHICAL TRADING INITIATIVE
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018

3. Income

	2018 £	2017 £
Other trading income	1,429,453	1,376,234
DFID rate	1,916,903	1,165,731
DFID Core Grant	-	301,328
NGO's - BOAG Funding	27,763	25,000
F&F Vulnerable Workers Working Group	1,922	17,039
Leicester - Working Group Fund	17,873	12,598
DANIDA	89,999	123,733
TNMS	152,571	110,076
SandStone Members Contribution	9,000	-
TGVCI	-	35,607
FCO NAP India	-	27,435
Vietnam Wooden Furniture Project	5,227	9,062
CW Foundation	53,523	6,858
FCO - China - UNGP's	-	114,438
RSWG Members Contribution	-	16,000
Turkey FCO Funding	34,630	74,950
Turkey Members Contribution	84,521	20,255
Newcastle South Africa Study	1,981	10,476
	<u>3,825,366</u>	<u>3,446,820</u>

4. Operating and other expenses

	2018 £	2017 £
Operating expenses	1,417,672	1,458,854
Grants expenditure	2,353,065	1,726,184
	<u>3,770,737</u>	<u>3,185,038</u>

5. Employees

Staff costs were as follows:

The average monthly number of employees, including directors, during the year was 26 (2017 - 22).

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018

6. Taxation

	2018 £	2017 £
Corporation tax		
Current tax on investment income for the year	-	33
	-	33

7. Tangible fixed assets

	Fixtures and fittings £	Office equipment £	Total £
Cost or valuation			
At 1 April 2017	51,394	95,371	146,765
Additions	-	8,849	8,849
At 31 March 2018	51,394	104,220	155,614
Depreciation			
At 1 April 2017	50,938	61,030	111,968
Charge for the year on owned assets	336	11,588	11,924
At 31 March 2018	51,274	72,618	123,892
Net book value			
At 31 March 2018	120	31,602	31,722
At 31 March 2017	456	34,341	34,797

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018

8. Debtors

	2018 £	2017 £
Trade debtors	798,668	577,764
Other debtors	81,360	14,099
	<u>880,028</u>	<u>591,863</u>

9. Creditors: Amounts falling due within one year

	2018 £	2017 £
Trade creditors	316,081	164,019
Corporation tax	33	33
Other taxation and social security	96,251	-
Other creditors	51,630	87,002
Accruals and deferred income	227,834	389,542
	<u>691,829</u>	<u>640,596</u>

10. Deferred income by funder

	2018 £	2017 £
F&F Supply Chain Working Group	-	1,922
TNMS	66,372	165,680
TNMS GG	23,733	61,937
Newcastle	-	1,980
BOAG	4,525	7,288
CW Foundation	-	24,391
Turkey Members	44,226	75,744
Leicester Working Group	-	233
Vietnam Wooden Furniture Project	31,365	5,227
	<u>170,221</u>	<u>344,402</u>

These are funds received in advance.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018

11. Capital and reserves

Accumulated Funds

The accumulated funds are made up of funds brought forward and surplus in the year.
The accumulated funds excluding those tied up in fixed assets would amount to £611,901 and these are the free reserves used as working capital.

12. Company status

The company is a private company limited by guarantee and consequently does not have share capital. Each of the members is liable to contribute an amount not exceeding £1 towards the assets of the company in the event of liquidation.

13. Pension commitments

The Company operates a defined contributions pension scheme. The assets of the scheme are held separately from those of the Company in an independently administered fund. The pension cost charge represents contributions payable by the Company to the fund and amounted to £70,457 (2017 - £53,621). Contributions totalling £1,956 (2017 - £67,001) were payable to the fund at the balance sheet date.

14. Commitments under operating leases

At 31 March 2018 the Company had future minimum lease payments under non-cancellable operating leases as follows:

	2018 £	2017 £
Not later than 1 year	88,821	86,265
Later than 1 year and not later than 5 years	111,286	200,107
	<u>200,107</u>	<u>286,372</u>

15. Related party transactions

During the year, expenses including travel totalling £2,311 (2017: £4,255) were charged by three directors (2017: two directors).

During the year, expenses were reimbursed to the Chair, amounting to £2,914 (2017: £3,532).