

Ethical Consumer Manifesto for Change, 2001

Ethical consumerism is about more than life-style choices - it is also about challenging corporate power and improving government regulation. It's about being an activist at the checkout but also in the home, the work place and the community.

In 2001, we drew up a detailed manifesto of policy recommendations to the UK Government, covering a broad range of topics from tax avoidance to animal welfare, reflecting the broad research that we carry out and the issues we feel most passionately about.

The manifesto was composed of pragmatic demands and proposals from campaign groups, think tanks, industry, individuals and from ECRA itself.

It is a pragmatic manifesto based on change which can be realistically be brought about in the current political environment. Don't mistake this outline for the longer-term ideals we aspire to.

We look for a society where the environment is respected, where human rights are properly protected and animals are no longer cruelly exploited.

We look beyond government control of the way we live and how companies act, believing real power should lie in the hands of individuals and communities.

A world like this would require truly radical changes and we see this manifesto as merely the first step along that road.

Summary of key demands:

- A Responsible Purchasing Act requiring all public sector institutions to take stated ethical issues into account when making procurement decisions.
- Compulsory annual social and environmental reporting by all businesses.
- Socially responsible consumption, and its history and diversity, should be required learning as part of the core curriculum.
- A 'Tobin Tax' on international currency speculation.
- A Europe-wide toxics release inventory accessible from an open access website on the US model.
- Mandatory carbon-footprint labelling and A-E energy consumption labelling on all products.

- Any company group with subsidiary companies located in specified tax havens should be refused permission to trade.
- Higher minimum standards for farm animal welfare for both home-produced and imported animal products.
- Companies should be required to report annually on the ratio between their highest and lowest paid workers.

The Ethical Consumer Manifesto in Full

Many pieces of government action recommended here may be better addressed at EU or international level, although we have not explicitly stated this in every case. Whatever the appropriate level, the UK Government can still enthusiastically press for their adoption on the international stage.

Our proposals are divided into five sections:

- 1. Government purchasing**
- 2. Information**
- 3. Tax**
- 4. Regulation**
- 5. Controlling corporate power**

1. Government purchasing

By government purchasing we mean all public sector institutions including national governments, the civil service, local and regional governments, quangos and public sector providers like educational institutions, health and social services.

At ECRA we believe that introducing social and environmental issues into government purchasing decisions should be a priority.

There are six main reasons for this.

- 1) The general public will ignore any government attempts to encourage responsible purchasing more widely if it is clear that governments are not themselves already acting on their own advice.
- 2) Powerful institutions with large budgets can persuade companies to address ethical issues very quickly.

3) Research carried out by governments on which products, processes or companies to favour can be placed in the public domain to inform consumers and private sector buyers.

4) Government purchasing can stimulate markets and lower prices for innovative ethical and environmental products like solar cells or alternative fuels

5) The requirement for consultation (see below) may encourage interest and participation in the political process

6) It is likely to be economically inefficient for society to absorb social and environmental costs after the event. For example, it may be better for public sector organisations to buy exclusively renewable energy now, rather than pay for the costs of addressing climate change later on.

We believe that the best way to take this forward in the first instance would be a Public Sector Responsible Purchasing Act. Many of governmental institutions are currently cautious and uncertain about the legality of ethical purchasing.

The Act should specifically address the 1988 Local Government Act (s17), the EU requirements for 'Best Value', and the WTO Treaty on public procurement and clarify or amend them in such a way that none of these hamper the introduction of ethical purchasing policies...on the condition that:

a) the policies seek to help achieve nationally agreed goals (such as renewable energy use targets) or existing treaties (such as the ILO convention), OR

b) the institution's stakeholders have been consulted and can be shown to support such a move.

The Act should also reserve the right for the government to require public sector bodies to meet targets for responsible purchasing yet to be set.

2. Information

Consumers are hampered in their ability to purchase ethically by the lack of information on which to base decisions. There are four main areas where governments can act to help improve the flow of information: labelling, disclosure, publishing and education.

2.1 Labelling

Clearly the ideal place for information to appear is on the product itself. But not everything which it is in the public interest to know is going to physically fit on a product. A lot more can be done though.

i) Country of origin

All products should list a minimum of one and a maximum of three main countries of origin (by materials weight).

ii) Ingredients labelling

The successful labelling scheme for food ingredients should be extended to all products. All products and packaging from TVs to footwear should be required to carry a list of their ten main ingredients by weight in descending order of importance.

iii) Energy labelling

The successful mandatory EU energy labelling scheme on an A to E scale for some domestic appliances should be extended to all products which consume energy in use - from cars to watches. In ten years time this should be extended to provide, in addition, data on energy consumed during manufacture (embodied energy).

iv) Retailer own-brands

With the honourable exception of Co-op supermarkets, consumers in the UK are hampered in their ability to trace a product's history through the proliferation of retailer (particularly supermarket) own-brands. Retailer own-brands should be required to carry a code number which refers to the manufacturing/producing company's name listed on the retailer's own website.

v) e-commerce

Our research on web retailers has discovered that many are not providing 'point of sale' access to information which it is currently mandatory to label (such as food ingredients, energy labels for domestic appliances or country of origin). Web retailers should be required to provide active links to mandatory product label data for all products sold on a site.

vi) Regulation of ethical claims

A tripartite body - modelled on the NGO/Industry/Government partnership that is the ETI - should be set up to advise on regulating ethical claims. Building on the excellent work of the National Consumer Council on regulating green claims, the new body would seek at an early stage to address misleading use of the word organic/s by some producers and the misleading use of some 'not tested on animals' labels.

2.2 Disclosure

At ECRA we believe that companies of the future should be as open and transparent as some of our better governments are now.

i) Right to know

The doctrine of 'commercial confidentiality' should be abandoned and replaced by a presumption of openness or a 'right to know'. Only when a company can demonstrate that no competitor could reasonably access the information in question, and that a substantial loss would be reasonably expected to occur, can it refuse to address reasonable requests for data. An ombudsman for corporate disclosure might provide adjudication for disputes.

ii) Social and Environmental Reports

Companies of all sizes should be obliged to report on progress made in addressing social and environmental impacts in their annual financial reports made to Companies House. Larger companies should be encouraged (see Tax incentives below) to publish separate, independently-audited, annual, social & environmental reports on their websites. Each report should set a minimum of 5 measurable targets for improvement and provide figures for progress made in the previous year. Such reporting for larger companies should be made mandatory.

iii) The Financial Sector

All financial sector companies - including banks, pensions funds and insurance companies - should provide a schedule listing all shareholdings worth over £1 million held on the first day of the financial year in their annual reports to Companies House.

The successful requirement on pension funds to disclose whether or not they have an ethical policy should be extended to all financial institutions.

Banks should disclose individual bank lending in underinvested communities.

For pensions and savings advice to be deemed 'best advice' under the law, clients should be asked about ethical issues.

iv) Directors' Pay

As well as disclosing directors' pay (as UK companies are currently required to do), they should also disclose the lowest 10 pay grades for staff and subcontractors. A ratio of highest to lowest should also be calculated and published.

2.3 Publishing

The government should become a researcher and publisher of primary information which rates companies and products against social and environmental issues. The current Labour government has already 'named and shamed' certain sectors using league tables, but this could be significantly expanded.

Specifically, we would like to see:

- i) A toxics release inventory for Europe. Modelled on the US Toxics Release Inventory, this web-accessible database should place in the public domain all emissions consent, release, and enforcement data.
- ii) Government-backed environmental performance indicators, accessible online, and containing information on companies and their products.

2.4 Education

- i) Socially responsible consumption, and its history and diversity, should be required learning as part of the core curriculum.
- ii) The UK should have a Minister for Outgoing Tourism to educate the public and to take responsibility for the social and environmental impact of tourists abroad.

3. Tax

We have split fiscal mechanisms which encourage ethical consumer behaviour into two types: correcting distortions in the market, and rewarding socially responsible behaviour.

3.1 Correcting distortions in the Market

So many consumer 'choices' - such as whether to use a car or public transport for a journey - are so constrained by the circumstances under which the choices are made that it is difficult to say that it is simply a case of many people behaving unethically.

i) A carbon or energy tax

will ensure that high energy products, or products which have travelled long distances, are

relatively more expensive. This will make it easier for consumers to afford more environmentally benign products.

ii) Balanced transport taxation

Choosing to travel by air or car often appears significantly 'cheaper' to consumers because of road subsidies and energy pricing. Aviation fuel should be taxed at the same rate as road fuel and public transport should receive at least an equivalent subsidy to other modes of transport.

iii) A pollution tax

Full social and environmental costs of the emission, discharge or landfill of specific substances should be recovered from producers through the tax mechanism.

iv) Import Duty

All outstanding import duties on externally-verified fairly traded produce should be immediately lifted.

(v) Animal Testing

The EU requirement that all new substances be tested on animals should be lifted, and not extended as planned. Companies should however remain responsible for any damage caused by unsafe products. There should be regulation of 'not-tested-on-animals' claims (see labelling above).

vi) Renewables Research

Government-funded research into renewable forms of energy may go some way to addressing the concern that the fossil fuel industry is less than enthusiastic about its own renewable research and development programmes.

3.2 Rewarding Socially Responsible Behaviour

i) Ethical Investment

All income from funds meeting certain minimum standards for:

- a) exclusionary criteria (should include at least 4 environmental and 4 social), AND
- b) quality of screening and service should be taxed at a rate of 2% lower than the current rate.

ii) Social Investment

Tax credits or tax breaks should be available for investment in community development banks, community loan funds, micro loan funds, community venture capital and community businesses

and co-operatives. The UK Social Investment Forum is already making progress with the UK government over some of these issues.

iii) Responsible Corporations

At ECRA we are keen, in the short term, on reviving the idea of R-corps - or Responsible Corporations - once aired under the Clinton administration. The idea involves reducing corporation tax for corporations meeting certain social and environmental reporting standards. An enlarged government department for corporate social responsibility could provide advice.

iv) Producer incentives

This would include such things as special tax breaks for renewable energy providers and financial incentives for organic conversion.

v) Energy Incentives

It should be made financially rewarding for homes with wind or solar generators to export surplus electricity to the network.

4. Regulation

Regulatory mechanisms still have an important role to play in restricting market extremes. It is, after all, difficult to argue that a consumer's right to choose should extend to products that seriously damage the wider public interest (such as CFCs in aerosols).

This section could, of course, be much larger, and these four sections can simply serve as an example of the kind of goals that are within easy reach.

i) Minimum standards for appliances

There should be minimum energy and water use standards for all relevant domestic and industrial appliances. The least efficient models should be phased out.

ii) Minimum standards for buildings

There should be higher minimum environmental standards for energy conservation (and generation) in new houses and other new buildings.

iii) Minimum standards for animal welfare

Higher welfare standards should be sought for both home-produced and imported animal products.

iv) Producer responsibility

Producers should be made financially responsible for the disposal and/or recycling of both

products and packaging at the end of a product's life. We note the progress in Europe on this issue.

v) Recycling

There should be a requirement for local authorities to implement a national doorstep recycling scheme on the German model. Companies manufacturing products containing certain materials should be obliged to label the percentage of recycled content.

5. Controlling Corporate Power

One of the primary causes of the growth of ethical consumer behaviour has been the globalisation of markets and the rise of 'unelected' multinational corporations. Many global companies are now financially more significant than the economies of small countries, and national governments now find it increasingly difficult to regulate in a global market.

It is therefore difficult to put together a set of legislative proposals which threaten corporate interests with much confidence that their political power will not prevent changes of this kind occurring. Because of this we need to look, in the long term, at structural ways of addressing the change in distribution of power that has occurred.

Perhaps a first step for the current government would be to acknowledge that the growth of 'corporate power' is an issue that needs to be addressed.

We have divided our proposals for curtailing corporate power into four sections:- discourse, incorporation, disclosure, and international institutions.

5.1 Discourse

It is difficult for societies to publicly debate the role of corporations because so much 'public space' is controlled by corporations which are, naturally, unenthusiastic about the debate itself.

i) A 'right to reply' to TV advertising

Currently, campaign groups like Friends of the Earth or Greenpeace are prevented by law from buying TV advertising space in the same way as Nuclear Electric or BP.

Whilst we explicitly do not want to open up the medium to any political advertising on the US model, the absence of a right to reply to specific product-related issues creates huge cultural bias in favour of the corporate voice. Adverts addressing the need to consume, or the cruelty of factory-farmed produce, should all find space on our TV screens.

ii) Reform of libel laws

There are two current suggestions: first, that the position whereby governments cannot sue their critics for libel be extended to corporations. Alternatively, a new offence of 'corporate libel' could be created with a maximum fine of £1000 to be assessed by a Corporate Social Responsibility tribunal with fixed costs for a hearing not exceeding £500.

iii) Advertising restrictions

All advertising or marketing directed at children under 12 should be banned. A number of central public spaces should be declared advertising-free zones. Sponsorship of schools or materials or products for schools should be phased out.

iv) Shareholder Actions

The rights of shareholders to raise issues at AGMs should be strengthened by lowering the threshold for resolutions. We note and applaud the recommendations in the current Company Law Review to require free distribution of resolutions with AGM papers.

5.2 Incorporation and Company Law

i) Directors' Responsibilities

ECRA agrees with those, such as Cafod and Traidcraft, which believe companies should be made legally accountable to stakeholders other than just shareholders. Under this 'pluralist approach', they'd be required to serve a wider range of interests, not simply as a means of achieving shareholder value, but because serving those interests was a valid objective in its own right. Directors would be made to take account of all ethical considerations which could reasonably be regarded as appropriate to the responsible conduct of business, and to treat the commitments of other parties, such as employees and suppliers, as investments deserving the same kind of consideration as those of shareholders.

ii) Taking back the charter

Continued incorporation should be refused where the interests of the current management do not appear to coincide with the public interest. Initially this might be in cases of corporate manslaughter, persistent pollution or at the discretion of the minister for corporate social responsibility. In such cases a 'forced sale' should take place with the company going to the highest bidder(s) within a fixed period. Because Shareholders would have to absorb any loss in such a sale, they may become more assiduous stewards of corporate behaviour during a company's life.

iii) Human Rights Act

The UK Human Rights Act should be changed so that companies are no longer regarded as individuals with all the rights pertaining to individual human beings.

5.3 Disclosure

Suggestions for increased disclosure also appear in the 'information ' section above.

i) Lobby Groups

Corporations should be obliged to list in their annual reports membership of any industry associations or lobby groups held during the year. Industry associations and lobby groups should, in turn, be obliged to publicly declare the objects of any representations that have been made to governments in the year in question.

ii) International Institutions

a) The WTO should be abandoned, along with its 'free trade' agreements that favour the interests of developed over developing nations and which exacerbate social, economic and environmental injustice around the world. It should be replaced with a democratic, consensus-run body dedicated to the promotion of sustainable trade and economic justice.

b) Any company group with subsidiary companies located in tax havens should be refused permission to trade.

c) A 'Tobin Tax' on international currency speculation should be implemented, (see the Banks Report and the column by Simon Birch in this issue).

d) There should be an international ban on life patents and a 'Producer Responsibility Clause' holding biotech companies financially liable for any undesirable effects of their products.