



---

2021

# Apparel and Footwear

BENCHMARK REPORT

---

# TABLE OF CONTENTS

<b>EXECUTIVE SUMMARY</b>	<b>3</b>
<b>FORCED LABOR RISKS IN APPAREL AND FOOTWEAR SUPPLY CHAINS</b>	<b>7</b>
What Conditions Are Workers Facing?	8
Where Does Forced Labor Occur? Regional Focus	10
A Look in the Wardrobe—How Might Your Clothing Be Linked to Forced Labor?	11
<b>KEY FINDINGS</b>	<b>12</b>
Companies at the Top and Bottom of the Benchmark	12
Key Gaps in the Sector	14
The Average Apparel and Footwear Company	15
From Commitment to Due Diligence & Remedy—Findings on Seven Themes	16
A Gulf Between Policy and Practice	18
Worker-Centric Scores Reveal Severe Shortcomings	19
<b>TRENDS IN THE SECTOR</b>	<b>20</b>
Changes in the Sector Since 2018	20
Who Improved?	22
Findings by Region	23
Addressing Forced Labor Risks in the Lower Tiers of Supply Chains	24
Due Diligence and High-Risk Raw Materials	26
<b>WHAT DO WE MEAN WHEN WE TALK ABOUT HUMAN RIGHTS DUE DILIGENCE?</b>	<b>29</b>
<b>WHY COMPANIES CAN NO LONGER AFFORD TO IGNORE ESG INVESTORS</b>	<b>35</b>
<b>KEY INDICATORS AND THEMES: FINDINGS AND RECOMMENDATIONS</b>	<b>37</b>
Supply Chain Transparency	38
Purchasing Practices	45
Recruitment	53
Worker Voice	61
Remedy	70
<b>APPENDIX 1: COMPANY SELECTION</b>	<b>76</b>
<b>APPENDIX 2: BENCHMARK METHODOLOGY</b>	<b>79</b>
<b>APPENDIX 3: STEPS TAKEN BY THE 64 LARGEST APPAREL AND FOOTWEAR COMPANIES TO ADDRESS FORCED LABOR RISKS IN SUPPLY CHAINS</b>	<b>91</b>
<b>ENDNOTES</b>	<b>99</b>

# EXECUTIVE SUMMARY

Workers in apparel supply chains are among the hardest hit by the Covid-19 pandemic. Even before the pandemic, workers had to survive on poverty wages; in the first three months of the pandemic alone, workers lost at least US\$3 billion in income.<sup>1</sup> Poverty, discrimination, a lack of labor protections, and restrictions on movement form the breeding ground for exploitation and forced labor risks—and the Covid-19 pandemic has dramatically worsened these factors. Workers' already meager livelihoods were taken away and many lack the support of social and labor protections, which do not extend to (undocumented) migrant workers.<sup>2</sup>

## Luxury Brands Among Poorest Performers

How have apparel companies, which despite ultimately profiting during the pandemic, responded to increased risks of forced labor?<sup>3</sup> KnowTheChain's third apparel and footwear sector ranking found that the 37 largest global companies fail to stand up for workers who face exploitation and are struggling to survive. **On average, companies fail even to hit the 50% mark** in the benchmark when it comes to addressing the worst forms of exploitation in their supply chains. **Luxury apparel** companies score particularly poorly, averaging 31/100. Italian luxury fashion house **Prada**'s score has worsened over time, at just 5/100, while peers such as the French luxury goods company **Kering** (41/100) and the German upper premium brand **Hugo Boss** (49/100) have improved significantly since the first benchmark in 2016. Also among the bottom five companies is US-based **Tapestry** (16/100), the owner of Coach and Kate Spade. The poor performance suggests a lack of will rather than a lack of resources: Prada offered US\$100 million in dividends to its shareholders in early 2021 and Tapestry's gross profits for the last quarter of 2020 alone equaled US\$1.17 billion.<sup>4</sup>

**54%**

of companies had forced labor supply chain allegations

**11%**

of companies disclosed multiple remedy outcomes for workers

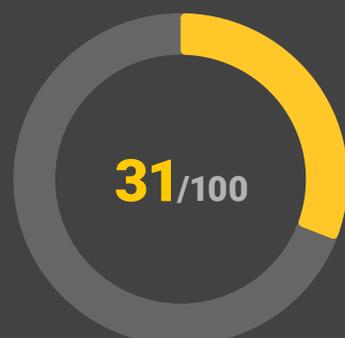


**Zero score**

49% of companies scored zero on the most worker-centric indicators

**Luxury brands,**

on average, score poorly



## ESG Investors Must Improve Due Diligence

The **largest investors in the lowest-scoring five companies were all ESG investors**.<sup>5</sup> While this might be expected against the backdrop of a rise in ESG investing (investing that includes considerations for environmental, social, and governance factors) that has reached mainstream investing, it indicates that ESG investors are failing to use their leverage on supply chain matters. For example, US asset managers Invesco and Vanguard are the largest investors in **Prada** (5/100) and **Foot Locker** (13/100), respectively, two companies that have continuously underperformed across different human rights benchmarks.<sup>6</sup> Both investors have publicly cited the importance of tackling inequality<sup>7</sup>—yet they failed to take proactive steps and use their leverage to address inequality in supply chains and ensure decent working and living conditions for the supply chain workers who make the clothes we wear every day.

## More Robust Practices Are Both Possible and Profitable

The benchmark also shows more robust practices are both possible and profitable. **Lululemon** (89/100) and **Adidas** (86/100) again topped the benchmark, because they disclose robust efforts across benchmark themes, such as the steps they take across different sourcing contexts to safeguard the rights of migrant workers.<sup>8</sup> Furthermore, all of the companies improved at least marginally compared to 2018<sup>9</sup> with improvements on responsible recruitment of migrant workers particularly marked. European companies do not feature among the strongest improvers, calling into question their readiness for upcoming due diligence legislation in their region. In contrast, several Asian companies, including the Japanese apparel brand **Fast Retailing** and the Taiwanese footwear company **Pou Chen**, were among those that have progressed the most.

## As Forced Labor Allegations Are Skyrocketing, Sector Fails to Embrace a Just Recovery

Despite some positive signs, the sector sorely lacks the substantive improvements in areas critical during the pandemic and to achieve a just recovery: responsible **purchasing practices** and **remedy**. The pandemic showed yet again that when companies do not pay suppliers for the orders they place, it is the workers who suffer. At a time when millions of apparel workers across the world are waiting for their wages to be paid,<sup>10</sup> **only four out of 37 companies (11%) could demonstrate several remedy outcomes for workers**, such as repayment of unpaid wages or recruitment fees. Even before the pandemic, reports of forced labor in the sector were skyrocketing. **Allegations of abuse were identified in the supply chains of more than half the benchmarked companies (54%)**, with some companies facing up to four allegations. More often than not, companies failed to ensure concrete remedy outcomes for workers, such as returning passports or reimbursing recruitment fees that may equal several months' wages. Workers in the supply chains of companies, including **H&M** and **Walmart**, are waiting for legally mandated severance pay as high as five months' wages. Both companies also faced several forced labor allegations, yet did not disclose remedy outcomes for workers. Only four companies showed that they engaged with affected workers and none could demonstrate that, in the few cases where remedy was provided, it was satisfactory to the victims.

All the companies in the apparel sector are a far cry from embracing a just recovery, let alone fulfilling their responsibilities to respect human rights.<sup>11</sup> **Half of the companies (49%) scored zero on the most worker-centric indicators** (i.e., indicators that focus on due diligence processes based on worker participation and concrete outcomes for workers). For example, while 28 companies (76%) disclosed migrant worker policies, just two companies (5%) disclosed several positive outcomes for migrant

workers or other workers in vulnerable conditions. Examples include better dormitories for migrant workers, temporary workers made permanent, an increase in the number of women in supervisory positions (to reduce harassment), workers confirming they did not have to pay recruitment fees or related costs, and gender and migrant worker responsive grievance mechanisms.

## Recommendations

### Companies should<sup>12</sup>

#### Ensure supply chain workers receive remediation, including by

- supporting specific cases of reimbursement of recruitment fees, unpaid wages, benefits, and severance pay, and
- contributing to funds for supply chain workers.<sup>13</sup>

#### Adopt responsible purchasing practices that enable living wages and decent work and disclose

- key data points such as length of payment terms; and
- supplier ratings received from independent parties, such as Better Buying Company Reports, highlighting forecasting, costing, and payment practices.

#### Implement a worker-centric due diligence approach, which includes

- disclosing supplier lists beyond the first tier and in line with the [Transparency Pledge](#) and the [Open Data Standard for the Apparel Sector](#); and
- supporting freedom of association and collective bargaining, effective grievance mechanisms, and worker-driven monitoring.

Across regions and subsectors there are a handful of companies showing what is possible—yet there remain far too many laggards. Until governments and investors hold to account those that fail to prevent and remediate even the worst forms of worker exploitation, there can never be a level playing field.

### Investors should

#### Use leverage with portfolio companies to ensure workers in apparel supply chains receive remedy, including for unpaid wages;<sup>14</sup>

#### Support human rights due diligence resolutions and/or vote (at annual general meetings) against management of companies that consistently fail to demonstrate respect for human rights in supply chains;

#### Engage with workers and their representatives and support their perspectives, needs, and demands, especially in cases of severe human rights allegations such as forced labor, at portfolio companies.<sup>15</sup>

### Governments should

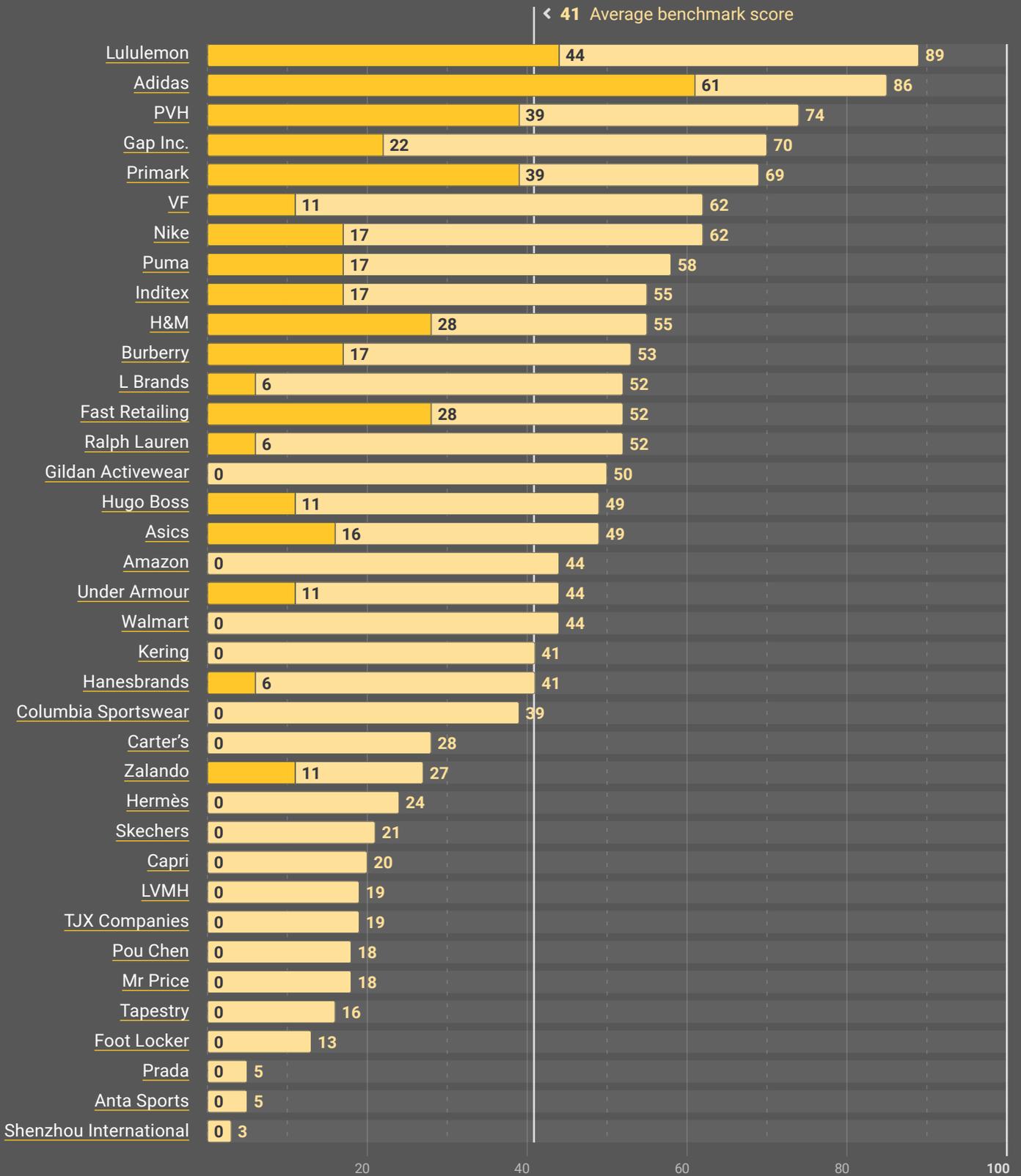
#### Adopt mandatory human rights due diligence legislation that applies to the whole value chain and includes civil and criminal liability and avenues for remedy;

#### Suspend imports of goods linked to severe human rights violations, including forced labor;

#### Ensure public contracts are awarded only to companies that are able to demonstrate effective human rights due diligence and remediation processes, and that pay living wages.

# APPAREL AND FOOTWEAR BENCHMARK SCORES AND WORKER-CENTRIC SCORES

■ Worker-centric scores  
■ Benchmark scores



The **benchmark scores** assess companies' disclosure against the full **benchmark methodology**. The **worker-centric scores** are based on nine indicator elements which have the strongest focus on due diligence processes based on worker participation and concrete outcomes for workers.<sup>16</sup>

[EXPLORE RANKING](#)

[EXPLORE FINDINGS BY REGION AND SUBSECTOR](#)



# FORCED LABOR RISKS IN APPAREL AND FOOTWEAR SUPPLY CHAINS



**27%**

of workers in global apparel supply chains are **paid below the minimum wage**<sup>17</sup>



**75%**

workers across apparel sourcing countries report they **had to take out loans or have gone into debt** during the pandemic<sup>18</sup>



**\$4,000**

(USD) is the amount some workers in apparel supply chains **have to pay for a job**—higher than a year's salary<sup>19</sup>

The Covid-19 pandemic caused many in the fashion industry to sink or swim: some fashion brands were decimated,<sup>20</sup> while others experienced a boom in profits<sup>21</sup> as demand for clothing such as loungewear soared by more than 300% in 2020.<sup>22</sup> Meanwhile, workers in apparel supply chains saw none of that profit. On the contrary: apparel workers have had to fight for months of unpaid wages in the face of cancelled orders.<sup>23</sup> Workers reported daily food shortages when they lost their jobs due to factory closures and job cuts caused by the effects of the pandemic. Three-quarters of workers surveyed across sourcing countries said they had to take out loans or have gone into debt.<sup>24</sup>

The global apparel sector employs around 60 million people.<sup>25</sup> Workers in global apparel and footwear supply chains are exposed to exploitative conditions and forced labor risks:

- “**We’re made to work continuously, often through the night, sleeping at 3am then waking up by 5am for another full day,**” reported a female garment worker in India. **“Our bosses don’t care. They’re only bothered about production,”** she said.<sup>26</sup>
- “ [S]ome migrant workers returned home with less than they started. One former worker had borrowed more than [US\$3,000] to pay recruitment fees, sold land to pay off his debt, and still owed his recruiter \$250 when he was sent home because of illness. **“I have started begging now from other people ... Now I don’t have anything left,”**<sup>27</sup> a former migrant worker in Malaysia reported.

Apparel and footwear supply chains are characterized by exploitative working conditions, which are driven by downward pressure on pricing and last-minute orders.<sup>28</sup> This makes it difficult for suppliers to plan capacity and provide for better working conditions, working in direct opposition to calls for workers to be paid fairly. Additionally, companies choose to source from countries with regulatory deficits and restrictions on freedom of association and collective bargaining and/or where such rights are suppressed in practice,<sup>29</sup> thus depriving workers of their ability to collectively enforce their rights. These factors create an environment in which abuse can thrive and which makes it difficult for workers to challenge abuse.

This section explains the types of exploitation workers in the sector are facing and highlights forced labor risks that are present across regions and products.<sup>30</sup>

## What Conditions Are Workers Facing?

### Abuse of Vulnerable Conditions

Approximately 80% of all garment workers are women.<sup>31</sup> **Women workers** in the sector are more likely to be exposed to vulnerable conditions due to high levels of gender discrimination, sexual harassment and abuse, and a lack of means to report abuse. Women have also been disproportionately affected by wage drops during the Covid-19 pandemic.<sup>32</sup> Additionally, **migrant workers** in the sector are vulnerable to exploitation due to the risk of being charged extortionate recruitment-related fees, a reliance on their employer for food or accommodation, legal insecurity, and difficulty accessing grievance mechanisms or exercising their right to organize. **Ethnic minorities**, including Uyghurs and Tibetans, are allegedly forced to work in the apparel sector.<sup>33</sup>

### Lack of Freedom of Association and Collective Bargaining

It is reported that only “a small percentage of all garment workers are actually unionised.”<sup>34</sup> This makes it difficult for workers to organize for better working conditions and wages. For instance, India and Bangladesh, which are two of the largest garment exporters in Asia,<sup>35</sup> are reported to be among the world’s ten worst countries for workers’ rights.<sup>36</sup> This is a particular challenge for informal workers in the sector, such as Bolivian migrant workers in Brazil, who do not have access to unions or collective organizing.<sup>37</sup> Covid-19 has worsened the situation in the sector, with thousands of unionized workers reportedly having been dismissed under the guise of pandemic-related reduced orders.<sup>38</sup>

### Precarious Employment Conditions

Workers in the sector are often informal and do not have employment contracts, leaving them without legal protection or a means to enforce their rights.<sup>39</sup> Covid-19 has both exposed and exacerbated the vulnerable conditions for these informal workers who are bearing “the financial burden of the pandemic.”<sup>40</sup> For instance, **homeworkers** in Bulgaria who usually earn less than a third of the national minimum wage, have not been included in the government’s Covid-19 support for workers and are not part of the social security system.<sup>41</sup>

## Debt Bondage

Some workers are indebted before they even begin work as they pay high fees for their recruitment following false promises by recruitment agents of higher-than-actual wages. Fees paid by migrant workers for jobs in Malaysian clothing factories have been reported to range from US\$745 to US\$4,356, “so high that some garment workers sold homes, mortgaged land or borrowed from banks just to be able to pay for the opportunity to work.”<sup>42</sup> Furthermore, the workers said that they were “misled” regarding the wage they would earn for the job.

## Low Wages

Pay is often quota-based, meaning that workers must complete a certain amount of work before they will get paid. It is reported that in order to meet these quotas, workers must work overtime but are not paid for the extra hours they put in.<sup>43</sup> Workers in Serbia, for example, report that their pay is tied to a production quota and results in them working excessive overtime, including two Saturdays per month.<sup>44</sup> It is noted that practices such as piece-rate and quota-based payments may incentivize workers to “work far beyond what is safe in order to earn a basic wage.”<sup>45</sup>

Aside from quota-based payment systems, wages in the sector are low.<sup>46</sup> The Clean Clothes Campaign found that 27% of workers surveyed from around the world were paid “below the regional or national statutory minimum wage without working overtime.”<sup>47</sup> Payslips showed that women workers in India were making around US\$3.30 a day.<sup>48</sup> The Covid-19 pandemic has only made the situation worse for workers. One worker reported: “For most of us, the pandemic situation has been hard. Now we have to accept a wage cut, while there’s no cut on the bills. Many of us have to pay installments for our debt. ... You may ask, why do we have loans? Well, because the wage never [ ... covered] our living needs in the first place.”<sup>49</sup>

## Poor Living and Working Conditions

Workers often rely on their employers for accommodation. Migrant garment workers in Jordan have described “**crowded, often bedbug-infested workers’ dormitories** and ... unhygienic food.”<sup>50</sup> In addition, workers have alleged physical and verbal abuse by their supervisors, including being punched in the face or choked.<sup>51</sup> Migrant workers in Brazil have reported working and living in the same place, in cramped accommodation, “with whole families often living in tight rooms without any ventilation or natural light.”<sup>52</sup>

Workers in India report sleeping on the factory floor and being **threatened with losing their jobs** if they do not work **overtime**, resulting in some workers going to sleep at 3am and getting back up at 5am to start work again.<sup>53</sup>

As emphasized by the UN Special Rapporteur on trafficking in persons, “a failure to hold companies to account for lesser labor abuses from **late wage payments** to excessive overtime creates a breeding ground for the worst forms of modern slavery to thrive.”<sup>54</sup>



## Where Does Forced Labor Occur? Regional Focus

### Asia-Pacific

The Asian garment sector accounts for “60 per cent of the world’s total apparel exports.”<sup>55</sup> The US Department of Labor has identified forced labor risks in garments produced in China, India, Malaysia, Thailand, and Vietnam.<sup>56</sup> Additionally, textiles and embellished textiles from North Korea and Nepal, respectively, are considered to be at high risk of being made with forced labor. Manufacturing locations like Malaysia, Taiwan, and Thailand rely on migrant workers<sup>57</sup> who are exposed to debt bondage risks owing to fees charged by unscrupulous recruitment agencies, and restrictions on workers’ freedom of movement, such as through retention of their passports. Workers from Bangladesh, for example, paid an average of US\$2,450 for a job at a garment factory in Malaysia.<sup>58</sup> The alleged systematic use of forced labor of the Uyghur people is a risk across supply chain tiers. Uyghurs and other minorities are reportedly forced to work in factories in the Xinjiang Uyghur Autonomous Region (Xinjiang) and may also be forcibly transferred from Xinjiang to apparel factories across China.<sup>59</sup> The US Customs and Border Protection has issued a ban on cotton from the Xinjiang region,<sup>60</sup> which amounts to 22% of the world’s cotton.<sup>61</sup>

### Europe

An investigation into garment supplier factories in the UK found that workers were being paid as little as £3.50 (US\$4.65) an hour. Workers who were sick with Covid-19 were told to continue coming to work or threatened with losing their job.<sup>62</sup> Apparel workers in Serbia, Ukraine, Croatia, and Bulgaria reportedly earn extremely low wages and face punishments such as wage deductions for refusing to work overtime.<sup>63</sup> Home workers in Italy have reported making as little as one euro per meter of fabric stitched—for work that is outsourced by a factory that also manufactures for luxury brands.<sup>64</sup>

### Latin America

Garments from Argentina and Brazil are highlighted as at risk of forced labor by the US Department of Labor.<sup>65</sup> Brazil has the fourth-largest fashion industry in the world.<sup>66</sup> Workers in the sector are often informal (there are thousands of migrant workers from Bolivia and Paraguay) and do not have access to union representation.<sup>67</sup> During Covid-19, 56% of garment workers surveyed in Brazil reported a decrease in the price they were paid per product.<sup>68</sup> Workers at a Brazilian garment workshop that was added to Brazil’s “dirty list” of companies that use forced labor reportedly worked 12-14 hours a day and were paid approximately US\$1.30 for each piece of clothing.<sup>69</sup>

## Middle East and North Africa

The Ethiopian apparel industry has grown by an annual average of 51% over the last five years.<sup>70</sup> Workers there have reportedly faced wage deductions as a disciplinary practice, such as “docking ... up to three days’ pay for such transgressions as drinking water at their workstations, speaking loudly, or arriving late to work.”<sup>71</sup> It is also reported that many garment factories in the Middle East employ migrant labor from Asia.<sup>72</sup> Migrant workers in Jordan have reported going for six months without pay in the aftermath of the pandemic. They are also reportedly exposed to abusive working conditions; it is alleged that four garment migrant workers committed suicide in 2019 due to the conditions.<sup>73</sup>

## A Look in the Wardrobe—How Might Your Clothing Be Linked to Forced Labor?

From running shoes to yoga pants to the suit for online meetings, the jacket for the cooler evenings, or the dress for the birthday celebration: these and many other apparel and footwear products may be produced with forced labor. A few examples:



 <b>Rubber</b> High risk from one country	<b>SOLES OF FOOTWEAR</b>		
 <b>Cotton</b> High risk from nine countries	<b>SHOELACES</b>	<b>SLEEVE CUFFS</b>	
 <b>Leather</b> High risk from five countries	<b>UPPER SHOE</b>	<b>BODY OF JACKET</b>	
 <b>Viscose</b> High risk from one country		<b>LINING OF JACKET</b>	<b>LINING OF DRESS</b>
 <b>Embellished textiles</b> High risk from two countries			<b>EMBELLISHMENTS (BEADS/SEQUINS)</b>

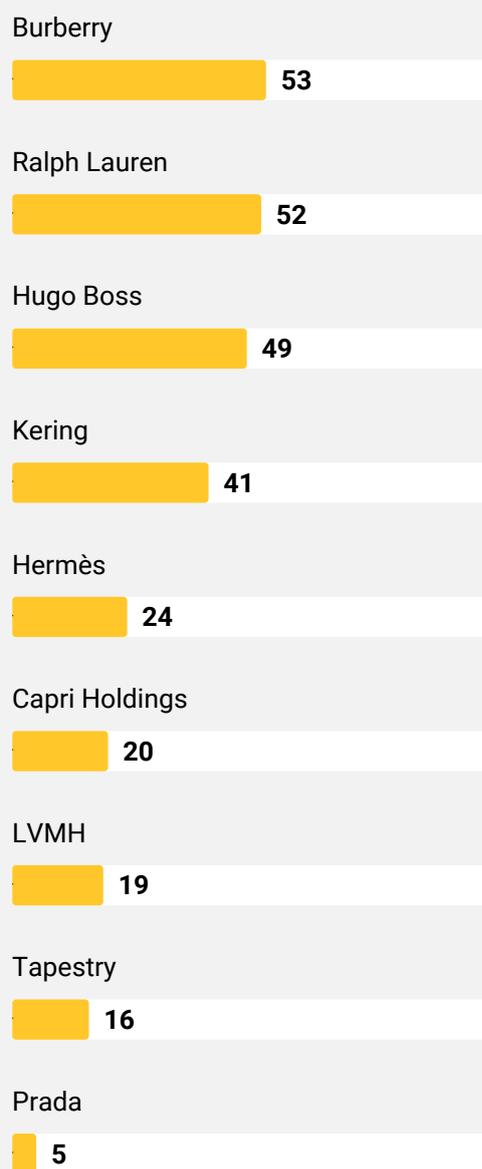


# KEY FINDINGS

## Companies at the Top and Bottom of the Benchmark

Sportswear brands **Lululemon** (89/100) and **Adidas** (86/100) continue to top the benchmark by, for example, demonstrating efforts across different sourcing contexts to safeguard the rights of migrant workers. Both companies disclosed detail on their efforts to implement responsible recruitment programs in their supply chains: Lululemon, for example, disclosed details on its implementation of responsible recruitment programs across its Taiwanese supply chains and the steps it has taken to expand the program to several other countries to ensure 2,700 supply chain workers no longer have to pay fees. Adidas reported on the number of labor agencies it has engaged with in five countries as part of its efforts to address worker-paid recruitment fees and the specific high-risk corridors it is focusing on. Both companies disclosed multiple examples of remedy outcomes for workers, across supply chain contexts, providing a stronger level of assurance than other companies in the benchmark that rights violations are addressed where they occur. Adidas and Lululemon both disclosed efforts to address the risks in the lower tiers of their supply chains; for example, Adidas reported monitoring its third-tier raw material suppliers and Lululemon reported on grievances received from workers below the first tier of its supply chains.

## LUXURY COMPANY RANKING



A **higher score** means a company publicly disclosed stronger efforts to address the forced labor risks in its supply chains. It does not mean that a company has “slavery-free” supply chains. In fact, KnowTheChain operates under the assumption that forced labor is likely present in large global supply chains, particularly in high-risk sectors like the apparel and footwear sector. Therefore, KnowTheChain includes publicly available allegations of forced labor and company response to such allegations, but it also asks all companies to provide examples of labor-related remedy outcomes for workers in their supply chains.

## At the bottom of the benchmark, luxury companies as a subsector are falling behind

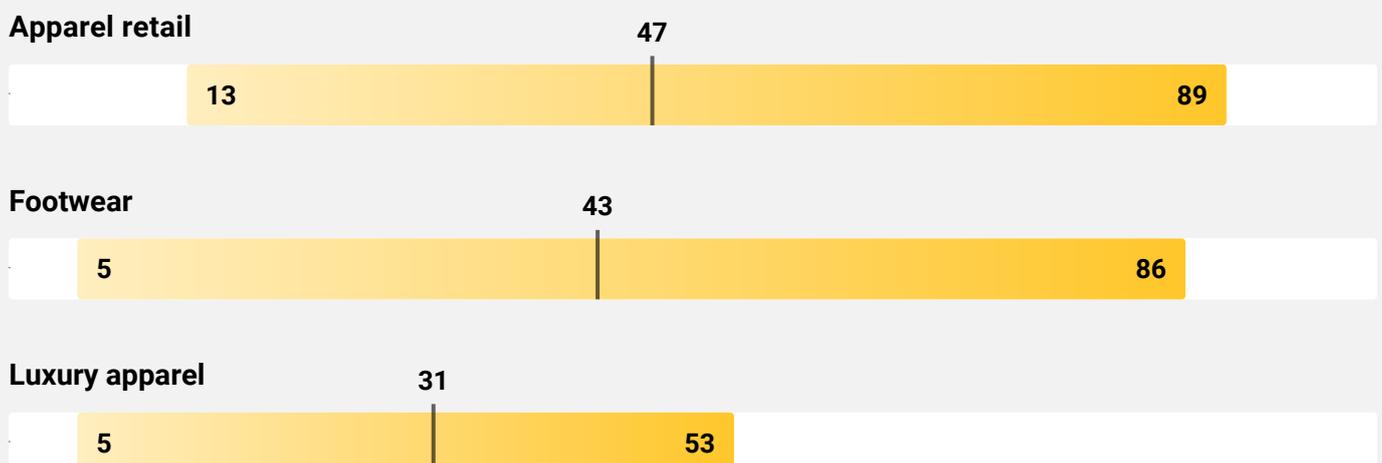
Luxury apparel companies score particularly low, at 31/100. Italian luxury fashion house **Prada**’s score has worsened over time, scoring a mere 5/100, while peers such as the French luxury goods company **Kering** (41/100) and the German brand **Hugo Boss** (49/100) have improved significantly since 2016. Also among the bottom five companies in the benchmark is US-based **Tapestry** (16/100), the owner of Coach and Kate Spade. No luxury company disclosed a process for responding to allegations and only two disclosed outcomes of remedy for workers in their supply chains, including reimbursement of recruitment fees.

Compared with other subsectors in the benchmark, luxury companies scored lower on average. Even the best performer in the subsector scored considerably lower than companies in other subsectors. What is more, Prada and Tapestry score particularly low—indicating that a higher price tag doesn’t translate into stronger transparency and respect for workers’ rights.

Apparel retail is the highest-scoring subsector on average, followed closely by footwear companies. However, there are considerable gaps between the highest and lowest score in each subsector, showing that stronger efforts are possible, regardless of the subsector. It also is a clear sign that the companies at the bottom of their respective subsectors, the US apparel retailer **Foot Locker** (13/100), the Chinese footwear company **Anta Sports** (5/100), and the Italian luxury fashion house **Prada** (5/100) have no excuse for their poor performance.

### PERFORMANCE BY SUBSECTOR

SCORES: **MIN** **AVG** **MAX**



# Key Gaps in the Sector

Significant gaps remain in areas that are critical to a just recovery: **Purchasing Practices** and **Remedy**. The pandemic has shown yet again that when companies do not pay suppliers for orders, it is the workers who suffer.<sup>74</sup> **Forced labor allegations were identified within the supply chains of more than half the companies (54%), with some companies facing up to four allegations.** Only four companies showed they engaged with impacted workers and none demonstrated that remedy, in the few cases where it has been provided, was satisfactory to the victims. Moreover, only four out of 37 companies (11%) demonstrated several labor-related remedy outcomes for workers, such as repayment of unpaid wages or recruitment fees<sup>75</sup> (in regard to allegations identified by the benchmark or other rights violations).

This is in spite of the fact that companies have thousands of workers in the first tier of their supply chains alone and that labor rights violations are ubiquitous in apparel supply chains, even more so during the pandemic. **Walmart** and **H&M** present particularly poorly as they neither disclosed outcomes for workers regarding specific allegations nor provided examples of other labor-related remedy outcomes in their apparel supply chains. Equally, **Amazon** and **Zalando**, two online retailers that profited significantly during the pandemic,<sup>76</sup> disclosed no remedy outcomes for supply chain workers.

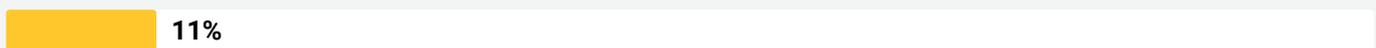
While 62% (nearly two-thirds) of companies disclosed limited information on responsible purchasing practices (such as avoiding practices that increase labor risks, including downward pressure on pricing and sudden changes in workload), only 14% reported on the adoption and implementation of such practices. Only one benchmarked company disclosed that it ringfences labor costs, such that workers' wages are not negatively impacted in pricing negotiations. A third (32%) of companies disclosed the length of their payment terms; only 11% reported that their payment times are 30 days, which is industry best practice (and also did not report extending payment times during the pandemic). Further, **no company scored full points on the Purchasing Practices indicator.** This is concerning, as responsible purchasing practices such as prompt payment, forecasting, and costing are critical for creating decent working conditions.

## ALLEGATIONS VS. REMEDY

Allegations of Forced Labor Identified in Supply Chains



Several Remedy Outcomes for Workers

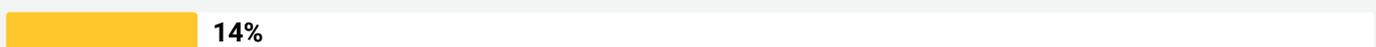


## RESPONSIBLE PURCHASING PRACTICES: MUCH TALK, LITTLE ACTION

Policy / Process on Responsible Purchasing Practices



Evidence of Implementation



# The Average Apparel and Footwear Company

Across the 37 benchmarked companies, the average score is 41/100. The average company:

## TYPICALLY DISCLOSED:

- A human rights risk assessment for its supply chains
- A sourcing ban or the use of a certification for cotton
- A policy prohibiting recruitment fees in its supply chains
- That grievance mechanisms are available to its suppliers' workers in the first tier of its supply chains
- An audit process for monitoring labor conditions and a corrective action process for addressing non-compliances at its suppliers

## TYPICALLY LACKED:

- Disclosure of forced labor risks identified across the tiers of its supply chains
- Evidence of the adoption and implementation of responsible purchasing practices such as prompt payment, fair lead times, and accurate forecasting
- Evidence that policies prohibiting worker-paid fees are implemented, for example, by disclosing repayment of fees to supply chain workers or demonstrating systematic efforts to prevent workers from being charged such fees
- Evidence that grievance mechanisms available to supply chain workers are effective (i.e., used by workers, both in the first tier and below)
- Concrete remedy outcomes for supply chain workers

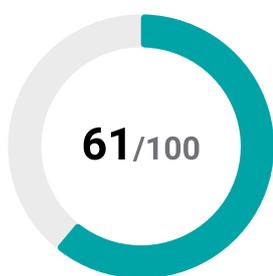


# From Commitment to Due Diligence & Remedy— Findings on Seven Themes

The benchmark assessed companies' disclosure against seven themes. The themes are based on the UN Guiding Principles for Business and Human Rights and broadly cover the principles' three pillars: policy commitments (theme 1), due diligence (themes 2-6), and remedy (theme 7).

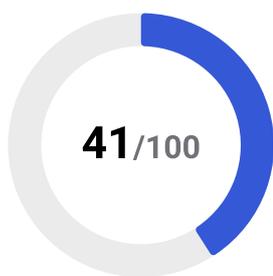
Commitment & Governance and Monitoring were the only themes where the sector, on average, exceeded the 50% mark. This is quite telling in that the sector is much stronger in developing policies than effectively implementing them, and it also showcases a very heavy top-down approach—with little to no involvement of workers in the design, implementation, and verification of the solutions.

## AVERAGE SCORE



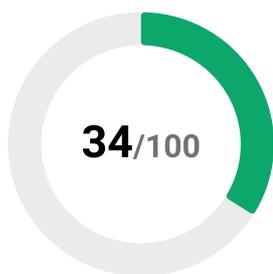
### 1. Commitment & Governance

This was the highest-scoring theme of the benchmark. **Almost all companies in the benchmark (97%)** disclosed a supplier code of conduct that prohibits forced labor, and 84% of companies disclosed some information on who is responsible internally for implementing supply chain policies and programs on forced labor. Yet external accountability is lacking: Only 11% disclosed details on board oversight. Equally, engagement with stakeholders such as policy makers, worker rights organizations, trade unions, or local civil society organizations regarding forced labor remained limited, with only 38% of companies having reported such engagements.



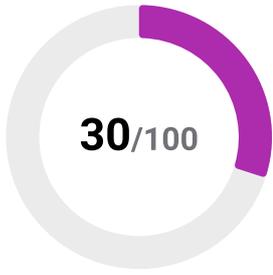
### 2. Traceability & Risk Assessment

**Half of the benchmarked companies (49%)** disclosed a first-tier supplier list, and 19% disclosed a second-tier supplier list. It is positive that the majority of companies (76%) disclosed conducting a human rights risk assessment on their supply chains. However, transparency remained patchy; only 19% disclosed the forced labor risks identified across different tiers of their supply chains.



### 3. Purchasing Practices

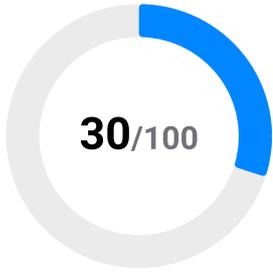
This was the second-lowest-scoring theme of the benchmark. While **62% of companies** provided limited information on policies or processes on responsible purchasing practices such as planning and forecasting, this was frequently based only on limited disclosure of a policy or process related to purchasing practices. Far fewer (14%) disclosed how they have adopted or implemented responsible purchasing practices. In addition, companies typically did not disclose data points on their purchasing practices to demonstrate how they work in practice; in fact, only one company disclosed more than one such data point.



#### 4. Recruitment

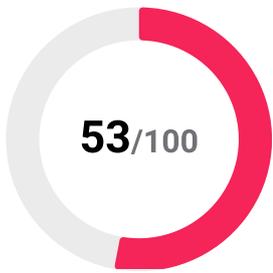
This was one of the two lowest-scoring themes of the benchmark.

**Forty-three percent of companies** in the sector prohibit worker-paid recruitment fees in their supply chains. However, evidence of implementation remained limited, as only eight companies (22%) disclosed repayment of fees to supply chain workers. Only two companies disclosed information on the preventative steps they have taken regarding fees across sourcing countries.



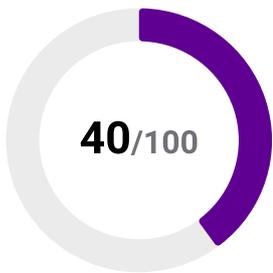
#### 5. Worker Voice

Alongside Recruitment, Worker Voice was the lowest-scoring theme in the benchmark. **Forty-three percent of the companies** disclosed working with unions to support freedom of association and collective bargaining in their supply chains. Yet only two companies (5%) could point to concrete examples of how they improved freedom of association in their supply chains, a critical prerequisite to tackling forced labor. While it is positive that the majority of companies (76%) disclosed that grievance mechanisms are available for their suppliers' workers, access to remedy seems far out of reach. When asking for examples of the types of grievances received via such mechanisms—a useful proxy for whether workers are aware of, know how to use, and trust a grievance mechanism—only 35% of companies could point to examples in the first tier, and only 5% were able to provide example of grievances raised by workers or their representatives in the lower tiers of their supply chains.



#### 6. Monitoring

**Almost all companies in the benchmark (97%)** disclosed a monitoring process for suppliers, and half of the companies disclosed that they monitor suppliers below the first tier. However, audits can fail to detect exploitative working conditions. Therefore, it is concerning that only one company disclosed the use of worker-driven monitoring in its supply chains (monitoring undertaken by independent organizations such as local worker-led organizations, unions, or local civil society partners).



#### 7. Remedy

**The majority of the companies (95%)** disclosed a corrective action process for their suppliers when non-compliances are found, but in contrast, only 19% of companies disclosed a process for responding to allegations of abuse in their supply chains. Moreover, only 11% disclosed multiple cases with concrete remedy outcomes for workers.

# A Gulf Between Policy and Practice

Across all of the benchmark themes, there is a very worrying trend. Companies typically disclose numerous policies and processes, but it is unclear what outcomes emerge from them, let alone whether they are effective. What risks has the company identified? Have fees been reimbursed to workers? How has a company prevented worker-paid recruitment fees? Discussions with suppliers on purchasing practices take place—yet does a company respond by changing its purchasing practices? Suppliers are required to put grievance mechanisms in place, but do they work and are workers even aware of them? Such questions typically remain unanswered, indicating that efforts may be tokenistic or superficial.

## THE GULF BETWEEN POLICIES & PROCESSES AND EVIDENCE OF IMPLEMENTATION

Human Rights Risk Assessment on Supply Chains



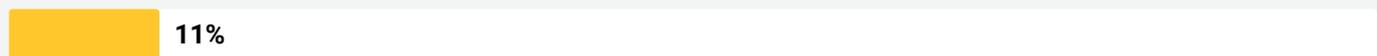
Disclosure of Risks Identified Across Tiers



Grievance Mechanism for Suppliers' Workers



Multiple Remedy Outcomes for Supply Chain Workers



Limited Information on Responsible Purchasing Policy or Process



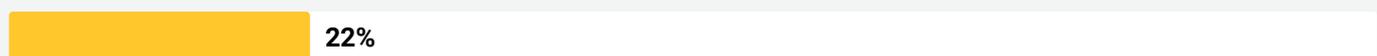
Quantitative Data Points on Responsible Purchasing Practices



Policy Prohibiting Worker-Paid Recruitment Fees in Supply Chains



Repayment of Fees



# Worker-Centric Scores Reveal Severe Shortcomings

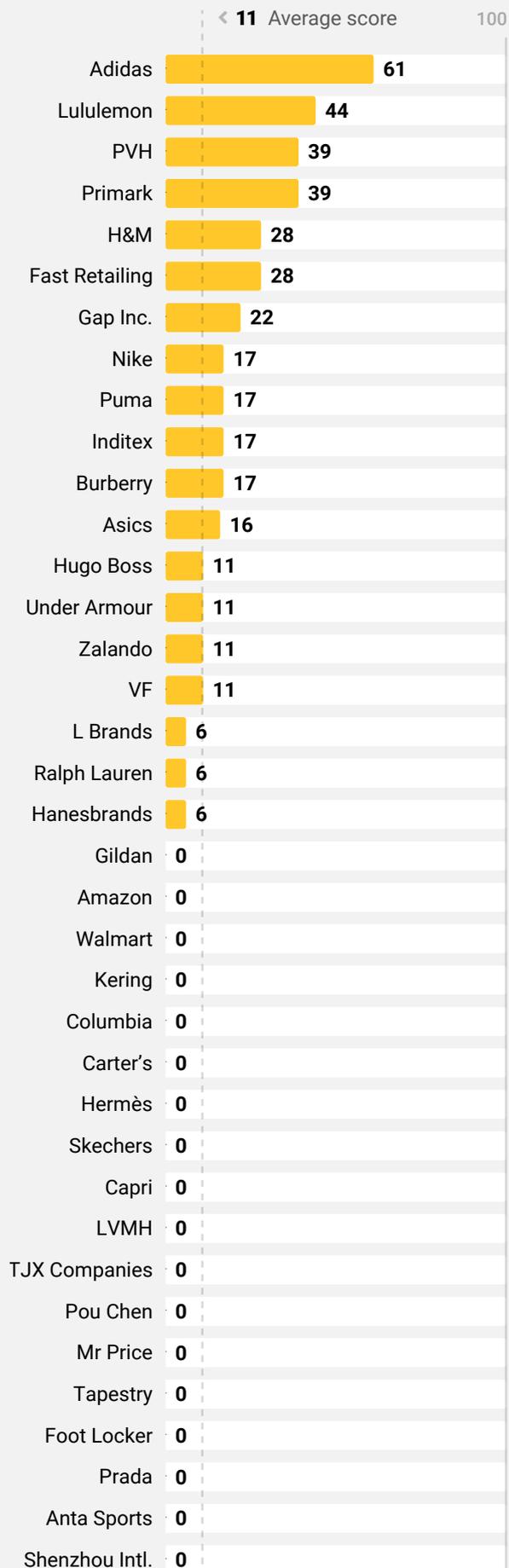
A just recovery cannot be achieved without addressing power inequalities between workers and companies. It must focus on grassroots and worker-led approaches that recognize and enable the exercise of workers' collective power, agency, and leadership.

For this reason, the benchmark also analyzes companies' performance against the most "worker-centric" indicators of the benchmark methodology (i.e., the indicators that focus on due diligence processes based on worker participation and on concrete outcomes for workers).<sup>77</sup> Such analysis reveals severe shortcomings of the sector: **Nearly half of the companies (49%) scored zero and only one company passed the 50% mark** on the worker-centric indicators.

While 28 companies (76%) disclosed migrant worker policies, only two companies (5%) disclosed several positive outcomes for migrant or other workers in vulnerable conditions. Examples include better dormitories for migrant workers, converting temporary workers to permanent workers, increasing the number of women in supervisory positions (to reduce harassment), confirming that workers did not have to pay recruitment fees or related costs, and responsive grievance mechanisms for women and migrant workers.

This reinforces the finding that while companies are adept at disclosing policies and processes, the sector has a long way to go before it is willing to actively address root causes: structural inequalities, lack of worker power and equal participation, and a lack of accountability when rights violations occur.

## WORKER-CENTRIC SCORES





# TRENDS IN THE SECTOR

## Changes in the Sector Since 2018

The strongest improvements could be seen on the theme of **Recruitment**, not only at policy level but also when it comes to implementation. This is positive, as addressing exploitative recruitment practices is a key part of companies' due diligence to address forced labor risks in their supply chains. While some average theme scores may appear to have dropped significantly, this is in part due to methodology changes that require companies to keep up with emerging good practices to achieve the same or higher scores. However, in areas including **Remedy**, companies failed to demonstrate actual improvements.

**Particularly notable improvements in the sector since 2018 include:**

### Responsible Recruitment

Nine more companies now prohibit recruitment fees in their supply chains—an increase of 22%—with five of these companies incorporating the [Employer Pays Principle](#) into their policies. Additionally, five more companies (**Asics**, **Burberry**, **Nike**, **PVH**, and **Under Armour**) reported that workers in their supply chains have been repaid for recruitment-related fees. Eight companies newly disclosed how they are supporting responsible recruitment in their supply chains, such as through mapping recruitment corridors in their supply chains or training labor agencies on responsible recruitment.

### Traceability & Risk Assessment

Five companies published new information on the second tier of their supply chains, such as supplier lists of fabric mills (**VF**, **Fast Retailing**, and **PVH**) or limited disclosure of suppliers or countries where their second-tier suppliers are based (**Asics** and **Kering**). In addition, four companies (**Burberry**, **Kering**, **Lululemon**, and **VF**) have newly disclosed the sourcing countries of high-risk raw materials, such as cotton, natural rubber, or cashmere. Particularly significantly, VF disclosed the names and addresses of its third- and fourth-tier suppliers, including wool processors, slaughterhouses, and yarn suppliers, as well as the sourcing countries of cotton, rubber, wool, and leather. Seven more companies disclosed conducting a human rights risk assessment on their supply chains, and an additional four have disclosed greater detail on their risk assessment processes, such as sources used and risk categories assessed (including a focus on certain products, particular groups of workers, or countries).

## Worker Voice

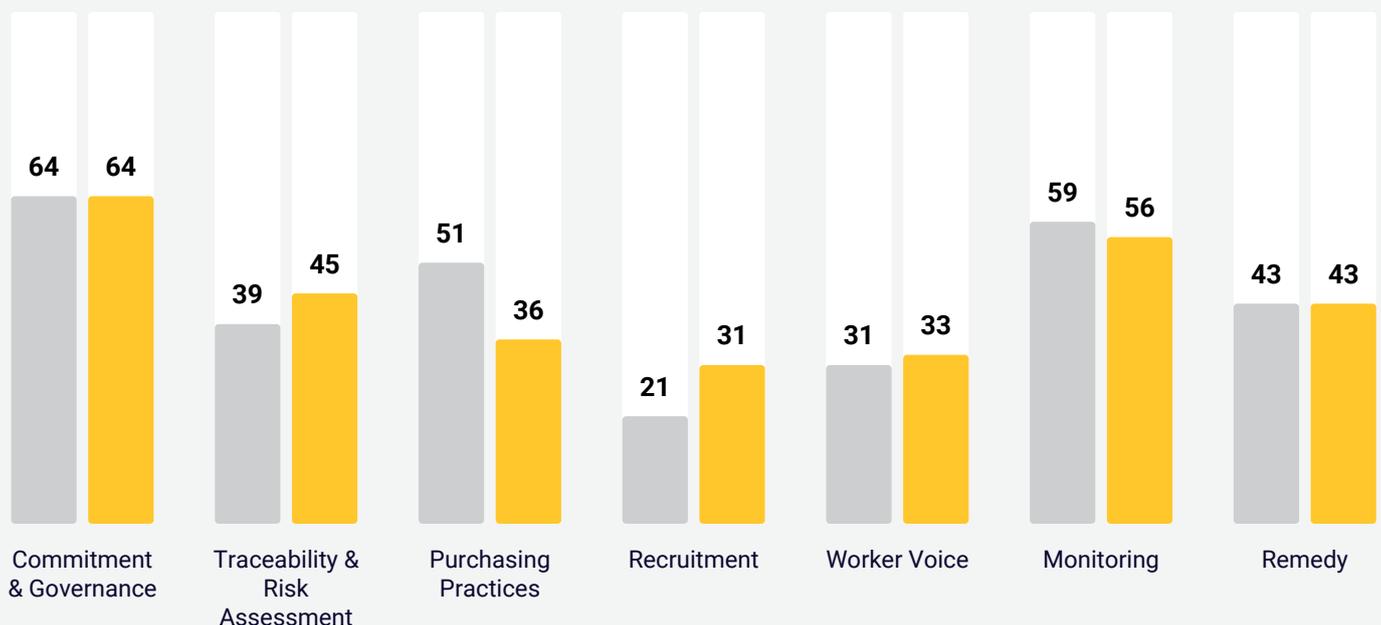
Since 2018, six more companies disclosed engaging with local or global unions on freedom of association in their supply chains. Only two additional companies disclosed that a grievance mechanism is available to workers below the first tier of their supply chains, but six more companies (**Asics, Fast Retailing, Gap Inc., Pou Chen, Primark, and Walmart**) disclosed data on the use of their grievance mechanism, demonstrating that it has been used.

Company improvements on other themes such as Purchasing Practices and Remedy were more limited. Although the graph above shows a significant drop on the theme of **Purchasing Practices**, seven companies have published some information on their responsible purchasing practices since 2018. However, improvements were limited. For example, companies may disclose greater awareness of their purchasing practices: by acknowledging that their purchasing practices may impact supplier capacity or working conditions, by taking part in assessments such as Better Buying, or by stating that they have carried out wage analyses on their suppliers or have improved their forecasting. However, companies did not typically explain how they changed their purchasing practices as a result—for example, by failing to disclose the details of their revised timelines for forecasting or the work they are doing to improve workers' wages as a result of wage studies.

In particular, it is disappointing that very few companies improved on the theme of **Remedy**, despite the fact remedy for supply chain workers has been critical throughout the Covid-19 pandemic and will continue to be essential throughout the recovery period. Only two additional companies have newly published remedy outcomes for supply chain workers since 2018, while thousands of apparel supply chain workers are destitute in the aftermath of the pandemic thanks to retained wages and missing severance pay.<sup>78</sup> As such, sector progress is missing from areas that would lead to the most meaningful change for workers.

## CHANGE IN THE AVERAGE THEME SCORES 2018–2021

● 2018 ● 2021



# Who Improved?

It is encouraging that all companies in the benchmark disclosed some improvements, although improvements were limited for 18% of the companies. Notably, significant progress can be seen among Asian apparel and footwear companies:

**Pou Chen** (6/100 to 18/100), a footwear manufacturer in Taiwan that supplies to companies such as Adidas and Nike, improved by adopting a supplier code of conduct that prohibits forced labor, providing training for its procurement staff and its suppliers on forced labor, implementing an assessment program for raw material suppliers that includes forced labor risks, supporting its suppliers in setting up grievance mechanisms for workers, and offering information on its monitoring process for suppliers.

Japanese footwear company **Asics** (41/100 to 49/100) has improved since 2018 by prohibiting passport retention and adopting the Employer Pays Principle as part of its supplier code, introducing a grievance mechanism specifically for migrant workers in Taiwan and Japan, and disclosing the names and addresses of some second-tier suppliers.

**Fast Retailing** (43/100 to 52/100) increased its supply chain transparency and began disclosing a list of core fabric mills in its second tier and more detail on its human rights risk assessment. The company also disclosed partnering with the International Organization for Migration (IOM) to assess recruitment practices in its supply chains and details on its grievance mechanisms (effectiveness assessment, data on the usage of its grievance mechanism by its suppliers' workers, and availability of a mechanism for workers below the first tier).

However, while some in the sector have made significant progress, there are notable exceptions.

Among the 19 companies assessed since 2016, there is a noticeable difference in the steps disclosed by textiles company **Shenzhou International**, a supplier to companies including Adidas and Nike, and luxury fashion company **Prada**. Both lag behind the other companies that have also been repeatedly benchmarked since 2016. The other 17 companies all now score above 40/100.

## PROGRESS SINCE 2016



**Prada**



**Shenzhou**

**Shenzhou International** has made limited progress since 2016. While it newly disclosed a supplier code and rating suppliers on their performance, its score remains low at 3/100. If buyers such as Adidas, Puma, or Nike are serious about cascading their forced labor policies throughout their supply chains, they should work with Shenzhou International to implement relevant policies and programs that address forced labor risks in its supply chains. **Prada**, which has been benchmarked by KnowTheChain since 2016, has made little-to-no progress in the last five years and scores only 5/100 in the 2021 benchmark, a decrease from its first rating. The company has improved only by disclosing a commitment to upholding the International Labour Organization’s (ILO) fundamental rights in its supply chains; it disclosed no evidence of the implementation of this commitment, however. As such, it is failing to keep up with evolving expectations. Conversely, Prada’s peers, such as Hugo Boss and Kering, have shown improvements in each benchmark since 2016.

## Findings by Region

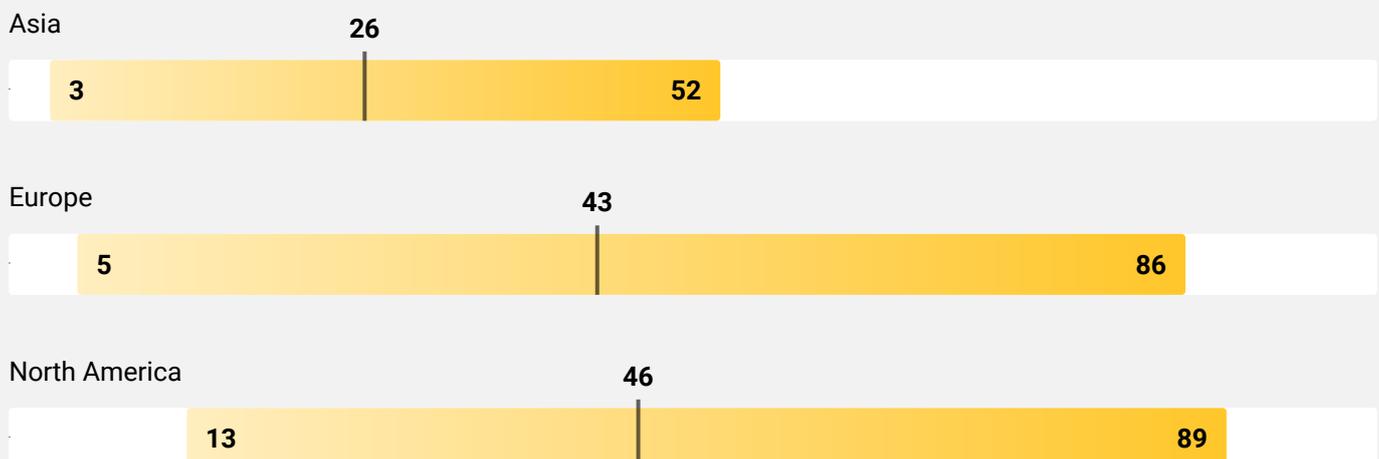
The benchmark includes **five Asian companies, 13 European companies, and 18 North American companies**. Asian, European, and North American companies comprise virtually all of companies in the benchmark and provide the most representative groups for comparison.

A North American company achieved the highest overall score, and its regional peers also have the highest average score. They are closely followed by European companies. While scores vary across all regions, it is notable that the highest- and lowest-company scores differ significantly in each of the three regions. In particular, in Europe, the score difference between the lowest- and the highest-scoring company is a huge 81 points. This indicates a level playing field does not yet exist in any region. While some companies in each region have taken considerable steps to address forced labor, their regional peers have not yet followed suit.

### Asia

**Fast Retailing**, owner of brands such as Uniqlo, was the highest-scoring company in the region at 52/100, followed by Asian footwear companies in the benchmark. The lowest-scoring company in the region was textiles company **Shenzhou International** (3/100).

## SCORE DIFFERENCE BY REGION



## Europe

The highest-scoring company in the region was the German sportswear company **Adidas** (86/100). Adidas' score is significantly higher than the regional average of 43/100, and the disparities in European scores reveal inconsistencies in the practices of companies in the region. Such inconsistencies show that companies appear to be ill-prepared for upcoming mandatory human rights due diligence requirements in Europe.<sup>79</sup> Luxury company **Prada** (5/100) was the lowest-scoring company in the region.

## North America

**Lululemon** (89/100) was the highest-scoring North American company. There are also significant disparities in the scores of North American companies, and 60% of companies score below 50/100. Retailer **Foot Locker** (13/100) ranked last in the region.

# Addressing Forced Labor Risks in the Lower Tiers of Supply Chains

## Forced Labor Risks Are Present Across All Tiers of Apparel Supply Chains

### Manufacturing

Buyers' purchasing practices are a significant risk to labor conditions in apparel production as downward pressure on pricing and a pressure to meet short lead times may force suppliers to look at cutting corners and put working conditions at risk.<sup>80</sup> This includes the risk of unauthorized subcontracting as factories may outsource work to cut costs or increase capacity, which hinders supply chain transparency and makes it more difficult to identify labor rights violations.<sup>81</sup> This, coupled with low levels of unionization in the sector, makes it difficult for workers to challenge abuse or organize for better working conditions.<sup>82</sup>

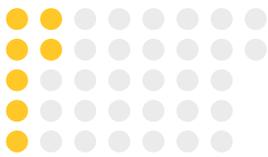
### Below the first tier (e.g., spinning mills, tanneries, and dyeing processes)

When suppliers are forced to squeeze costs to meet buyers' low-price demands, there are "knock-on effects throughout the entire supply chain" as each business must attempt to keep its work profitable.<sup>83</sup> As a result, there is a high risk that labor costs take the hit as suppliers try to avoid compromising quality: "the squeeze ...[has] become so tight that it fuels demand for forced labour amongst businesses further down the chain."<sup>84</sup> What is more, risks for workers may be more prevalent in the lower tiers of apparel and footwear supply chains, as few workers have access to a means of reporting abuses or concerns.<sup>85</sup> Enforceable labor rights agreements, as well as non-binding global framework agreements between companies and unions, are already the exception rather than the rule, and where they are in place, they rarely cover the lower tiers of companies' supply chains.<sup>86</sup> It is, therefore, unsurprising that some of the benchmarked companies identified the highest risks of forced labor in the lower tiers of their supply chains, including stages such as ginneries and leather tanning.<sup>87</sup> And visibility into who a company's lower-tier suppliers are is often missing.

## Raw materials

Forced labor risks are particularly high in cotton sourcing, but also across other raw materials such as cashmere, silk, rubber, leather, and viscose. Work related to the harvesting of raw materials tends to be more remote, such as on cotton farms or rubber plantations, meaning that workers are more exposed to vulnerable conditions. Isolated locations may result in fewer visits by labor inspectors and make it more difficult for workers to seek services and report abuse. In addition, due to the seasonal nature of the work, it is often carried out by migrant workers, who, for instance, may migrate to a cotton-producing region specifically for the harvest.<sup>88</sup> Migrant workers face particular risks of exploitation. For example, workers on rubber plantations were found to have their documents retained and not to have permanent contracts.<sup>89</sup> Temporary and informal work of this nature maintains a structure that makes it more difficult for workers at the raw material level to access labor protections, therefore increasing forced labor risks.

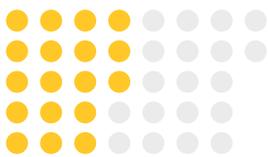
Despite evidence that forced labor risks are prevalent across the tiers of apparel and footwear supply chains,<sup>90</sup> company efforts to address risks below the first tier vary and were usually lacking:



**Only 19% of companies** identified and disclosed risks across the tiers of their supply chains, despite the prevalence of forced labor risks in all tiers of apparel and footwear supply chains (e.g., at the raw material level, in tanneries or spinning mills, and in manufacturing).



It is concerning that only four companies (**Adidas, Fast Retailing, Lululemon, and PVH**) disclosed that grievance mechanisms are available to workers below the first tier of their supply chains. The failure to provide workers in the lower tiers of supply chains with an effective way to report labor rights abuses is a significant gap in companies' due diligence efforts.



Efforts to monitor suppliers below the first tier were relatively commonplace in the sector, as **half of the companies (49%)** disclosed that their audit programs include second-tier suppliers such as fabric mills. Notably, a few companies disclosed they go beyond the second tier—for example, **Adidas** disclosed monitoring its third-tier raw material suppliers, and **Burberry** disclosed that its audit coverage includes 70% of raw material suppliers.<sup>91</sup>



**Thirty-eight percent of the companies** disclosed training for their lower-tier suppliers or capacity building that enables their suppliers to cascade standards on forced labor to their own suppliers. For example, **Lululemon** reported that its second-tier suppliers in Taiwan and Japan have been trained on the company's foreign migrant worker requirements. **Nike** disclosed that it has delivered supplier workshops in Taiwan that "focused on introducing a management system framework to evaluate recruitment practices for second-tier suppliers." **Asics** reported that it has provided training on modern slavery and human rights to both its first- and second-tier suppliers.

# Due Diligence and High-Risk Raw Materials

## Forced Labor Risks: Which Materials May be Produced with Forced Labor?



**Bamboo:** According to the US Department of State, bamboo from Myanmar may be produced using forced labor.<sup>92</sup> Bamboo pulp may be used to produce yarn and fabric.



**Cashmere:** China is the world's largest producer of cashmere, a material commonly used by luxury brands. A third of China's cashmere is produced in the Xinjiang region, which allegedly uses forced labor of ethnic minorities.<sup>93</sup> Cashmere from China is reportedly imported to Mongolia, where it is then processed.<sup>94</sup>



**Cotton:** The US Department of Labor lists cotton as at risk of being produced with forced labor in Benin, Burkina Faso, China, India, Kazakhstan, Pakistan, Tajikistan, Turkmenistan, and Uzbekistan.<sup>95</sup> India is the world's largest producer of cotton.<sup>96</sup> Moreover, China is the world's second-largest producer of cotton, and 84% of China's cotton is produced in Xinjiang, a region where it is alleged to be made using forced labor.<sup>97</sup>



**Leather:** Cattle is associated with risks of forced labor in Bolivia, Brazil, Niger, Paraguay, and South Sudan. Companies also report identifying forced labor risks at the cattle ranching level in their product supply chains.<sup>98</sup> Workers in the leather industry have reported being forced to work overtime and threatened with punishments such as demotion and reduction of allowances if they do not comply.<sup>99</sup>



**Natural rubber:** Natural rubber is commonly used by footwear and activewear companies.<sup>100</sup> According to the US Department of Labor, rubber from Myanmar may be produced with forced labor.<sup>101</sup> The United States is one of the world's biggest importers of natural rubber.<sup>102</sup>



**Silk:** Silk from Uzbekistan is at risk of being produced using forced labor.<sup>103</sup> More than three-quarters (77%) of silk produced in Uzbekistan is exported.<sup>104</sup> Silk is used in the products of 51% of the benchmarked companies, many of which are luxury brands.



**Viscose:** As of 2018, China contributed approximately 65% of the global output of viscose fiber, and some of the largest producers are based in Xinjiang.<sup>105</sup> Viscose is imported by key apparel production countries such as Vietnam, India, and Bangladesh.<sup>106</sup>

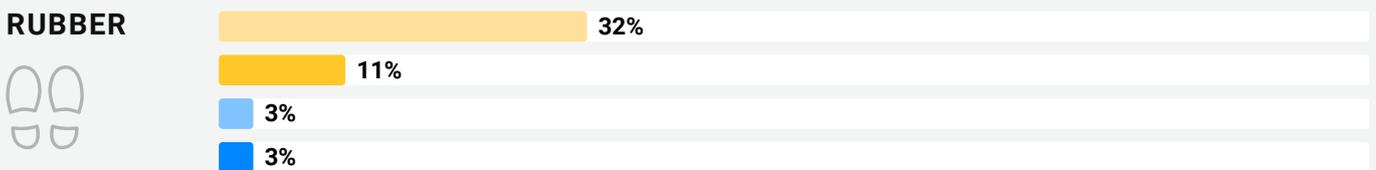
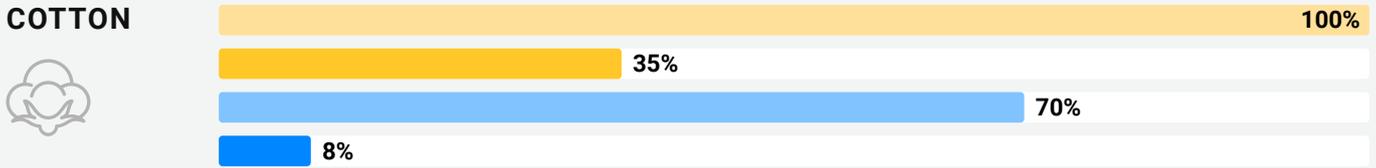


**Wool:** Wool, a material used by 76% of companies in the sector, has been flagged as a high-risk product by the US government.<sup>107</sup>

How are companies addressing these manifold risks across raw materials? There is a stark inconsistency between the high number of companies that source high-risk materials for their products and the limited number of companies that take action to gain visibility into their supply chains at the raw material level, much less address forced labor risks at the raw material level.

## RAW MATERIALS THAT MAY BE PRODUCED USING FORCED LABOR<sup>108</sup>

- % of companies that disclosed sourcing the raw material<sup>109</sup>
- % of companies that disclosed sourcing countries or tracing of the raw material
- % of companies that disclosed using certifications<sup>110</sup> or sourcing bans
- % of companies that disclosed steps to improve working conditions at the raw material level



The data show a particularly glaring gap between the number of companies sourcing cotton and the due diligence steps that companies have taken on cotton. Although all the companies source cotton as part of their supply chains, only 35% disclosed either some sourcing countries of cotton or that they have processes for tracing cotton to the raw material level. While 70% disclosed either prohibiting cotton-sourcing from certain locations such as Uzbekistan or Turkmenistan or the use of certifications that address forced labor standards such as the Better Cotton Initiative (BCI), only 8% of the companies disclosed the steps they had taken beyond the use of certifications to address working conditions at the raw material level. However, these disparities also beg the question: If only 35% of companies know where their cotton comes from or are, at a minimum, working to trace it, how can 70% have confidence that their cotton sourcing bans and/or certifications are effective? Overreliance on certifications may be risky, given that certifications are often limited in their ability to detect labor rights issues.<sup>111</sup>

Moreover, while companies disclosed the use of certifications, they did not always disclose the percentage of sourced cotton that is certified. Further, companies frequently referred to “sustainably sourced” cotton and may disclose a percentage of sustainable cotton, but the term “sustainably sourced” usually refers to a combination of standards, not all of which address labor-related risks.<sup>112</sup>

It is clear the sector has focused predominantly on certification and tracing efforts for cotton over other commodities. Though 49% disclosed using cashmere in their products, only 5% disclosed that they know their cashmere source, and only 3% have taken limited steps to address working conditions at the raw material level. Similarly, no company disclosed efforts to source viscose responsibly, although 76% of the companies use it in their products.

Examples of companies going beyond certification approaches in their efforts to source raw materials responsibly are few and far between. For example, **Adidas** and **Nike** disclosed working on a project that assessed working conditions and employment practices on Turkish cotton farms, and addressed gaps in labor rights, including by improving recruitment practices at the farm level. **Hugo Boss** and **VF** disclosed adhering to the YESS initiative (Yarn Ethically & Sustainably Sourced), which uses an OECD risk-based due diligence approach to address the forced labor risks in cotton production. **Inditex** disclosed a public-private partnership with the ILO, which it stated focuses on the promotion of “respect for the fundamental principles and rights at work in the supply chain of the cotton sector” in India, Pakistan, China, and Mali. It includes training for cotton production and harvesting communities on their fundamental rights. **Burberry** disclosed a partnership through which it is working on improving cashmere production in Mongolia, including “supporting a decent living for cashmere goat herders.”

The benchmark results show that the sector is taking a fragmented approach to due diligence on high-risk raw materials and that existing efforts do not go far enough.



# WHAT DO WE MEAN WHEN WE TALK ABOUT HUMAN RIGHTS DUE DILIGENCE?

The UN Guiding Principles on Business and Human Rights state that in order to meet their responsibility to respect human rights, companies should have in place “a human rights due diligence process to identify, prevent, mitigate and account for how they address their impacts on human rights.”<sup>113</sup> Many companies have jumped to adopt this language, often without clarifying what concrete actions they have taken. This chapter aims to shed light on the key elements of human rights due diligence that are related to the apparel and footwear sector.

It also spells out what is not sufficient to constitute human rights due diligence, namely reliance on audits and certifications. The chapter proposes that the essential elements of human rights due diligence, including in the apparel and footwear sector, are the following: due diligence must be rightsholder-centric, it must incorporate responsible purchasing practices, and it should extend beyond the first tier of a company’s supply chains.

## AVERAGE THEME SCORES

Commitment & Governance



Traceability & Risk Assessment



Purchasing Practices



Recruitment



Worker Voice



Monitoring



Remedy



## Audits and Certifications on Their Own Do Not Constitute Human Rights Due Diligence<sup>114</sup>

The benchmark demonstrates that companies focus heavily on policies and monitoring, yet they fall short when it comes to focusing on worker-centric processes and solutions (Worker Voice theme).<sup>115</sup>

There is a rich body of evidence detailing cases in which audits and certifications have failed to detect labor rights abuses across different tiers of supply chains. Researchers have documented more than 200 cases, many of which were in the apparel sector where audits failed to detect labor rights and health and safety violations.<sup>116</sup> As an example, the rubber glove manufacturer Top Glove had been audited 28 times by well-known audit firms in the two years before an independent investigation detected forced labor.<sup>117</sup> In the apparel sector, 26 separate audits conducted at a manufacturer in Vietnam failed to identify violations of local law and health and safety hazards.<sup>118</sup> The same applies at the raw material level. For example, forced labor was detected at several certified Indian mills.<sup>119</sup>

“**The prevailing system of corporate-controlled social auditing does not constitute due diligence, and it is a mistake for brands and retailers to equate social auditing with human rights due diligence.**”  
—Clean Clothes Campaign<sup>120</sup>

It is, therefore, critical for policy makers to ensure that audits and certifications do not become synonymous with fulfilling one's obligations under mandatory due diligence laws. Most importantly, they should not be used as a “safe harbor” (i.e., to protect a company from liability for failing to undertake human rights due diligence).

“**Upcoming legislation will have no significant impact, if its enforcement accepts the current private audit format as adequate fulfillment of a company's duty of care.**”  
—Peter Bengtsen, Investigative Journalist, affiliated with the University of Aarhus<sup>121</sup>

## Due Diligence Should be Rightsholder-Centric<sup>122</sup>

At all stages of the process, due diligence should be worker-centric. The UN Guiding Principles on Business and Human Rights state that due diligence processes should involve “meaningful consultation with potentially affected groups and other relevant stakeholders,”<sup>123</sup> such as trade unions and community members. The OECD guidelines further specify that meaningful stakeholder engagement “should be two-way ... [and that] stakeholders should be provided with truthful and complete information ... [and] should actively participate in [the] design and implementation ... in the following due diligence processes: on-site supplier assessments ... development of corrective action plans ... verification, validation and monitoring of impacts ... [and] design of operational-level grievance mechanisms.”<sup>124</sup>

Workers are the ones who are on the ground every day and who experience rights violations. As such, ensuring that workers identify the full extent of any rights violations and that they design, implement, and verify solutions is critical to ensure effectiveness. A worker-centric approach addresses the underlying root causes of forced labor, particularly power imbalances and inequalities between companies and workers. Worker-centric due diligence also leads to desired outcomes for companies: Academic research shows that apparel factories in which unions and collective bargaining are present have higher compliance levels. These findings are consistent across a wide variety of sourcing countries in Asia and Europe.<sup>125</sup>

## Supply Chain Transparency

As the OECD notes, stakeholders should be given “truthful and complete” information, including transparency of the full list of the countries from which companies source. To address inequality in access to information, such information should be made public. **Inditex**, for example, provides its supplier list to IndustriALL but does not make the list public. For such information to be valuable, it should be available to all stakeholders, including non-unionized workers and human rights defenders such as local civil society organizations and journalists. At a minimum, companies should follow the long-standing asks from unions and worker rights groups and disclose supply chain information in accordance with the [Transparency Pledge](#).

## Freedom of Association and Collective Bargaining and Enforceable Labor Rights Agreements

The right to associate freely is a fundamental enabling right that allows workers to challenge abusive conditions; it is an essential part of addressing forced labor. The OECD cites formal agreements between companies and trade unions as a critical step that companies can take as part of their due diligence efforts.<sup>126</sup> While 43% (16 out of 37) of the companies benchmarked in this report disclosed engaging local or global unions on freedom of association in their supply chains, only 5% of them could point to concrete cases in which they supported improvements to freedom of association (such as by ensuring that suppliers do not harass unionized workers or reinstating workers dismissed for unionizing).

Equally, a number of companies reported working with initiatives such as ACT (an agreement between companies and trade unions aimed at achieving living wages through collective bargaining), but they failed to disclose concrete positive outcomes from these initiatives for their workers. Analysis shows that voluntary efforts have not led to tangible change for workers.<sup>127</sup> As part of strong due diligence measures, companies should, therefore, consider taking part in enforceable labor rights agreements with trade unions and/or worker organizations that guarantee protections for supply chain workers.<sup>128</sup>

## Due Diligence Processes Designed, Implemented, and Verified by Workers

As the OECD notes, workers should play an integral part in assessing risks, monitoring supplier performance, and designing grievance mechanisms. The Worker-Driven Social Responsibility Model demonstrates the positive impact that programs in which workers and worker organizations are the driving force (as creators, monitors, and enforcers) can have on wages and working conditions. The model has been successfully replicated across sectors and regions.<sup>129</sup> While 38% of the companies disclosed that they have taken steps to ensure that workers are aware of their rights, there is a stark absence of worker-led due diligence processes:

| **Only six companies** disclosed involving workers in their risk assessment processes;

| **Only four companies** disclosed limited information on involving workers in the design and/or performance of grievance mechanisms; and

| **Only one benchmarked company** disclosed efforts beyond conducting on-site interviews by providing for worker-driven monitoring in its supply chains (monitoring done by independent organizations such as local worker-led organizations, unions, or civil society partners).

## Responsible Purchasing Practices Are a Critical Part of Human Rights Due Diligence<sup>130</sup>

The OECD's due diligence guidance highlights that companies should prevent harm by adopting responsible purchasing practices.<sup>131</sup> As part of assessing and addressing human rights impacts, companies must ensure they are not contributing to harm in their supply chains through their own purchasing practices. This includes assessing whether purchasing practices are creating risks of forced labor and other labor rights abuses.<sup>132</sup> For instance, if companies change orders at the last minute or do not allow for longer lead times, workers may be at risk of working excessive overtime to meet demand.<sup>133</sup> Similarly, pricing that does not take into account labor costs can result in exploitative working conditions. The Covid-19 pandemic has shown yet again that delayed payment and unfair payment terms result in unpaid wages for workers.<sup>134</sup> As such, companies cannot conduct effective due diligence in their supply chains without examining whether their buying practices create risks to suppliers and workers. For example, a policy prohibiting unauthorized subcontracting is of little use if companies do not, as part of their due diligence, refrain from making last-minute changes to orders or institute strong planning and forecasting processes to allow suppliers to plan ahead. Due diligence in terms of responsible purchasing could include adopting practices such as prompt payment and ringfencing labor costs (i.e., separating labor costs from price negotiations, including the costs for the recruitment of migrant workers).

## Human Rights Due Diligence Needs to Extend Beyond the First Tier<sup>135</sup>

The UN Guiding Principles on Business & Human Rights outline that the responsibility to respect human rights requires that companies “seek to prevent or mitigate adverse human rights impacts that are directly linked to their operations, products or services by their **business relationships**, even if they have not contributed to those impacts.”<sup>136</sup> The UN Guiding Principles do not limit such responsibilities to the first tier of a company's supply chains. The OECD clarifies in its due diligence guidance that “directly linked” is not defined by direct contractual relationships, such as “direct sourcing,” and notes as an example that a company may be linked to child labor used in the lower tiers of its supply chains.<sup>137</sup> Apparel and footwear companies face significant forced labor risks across all of their supply chain tiers. On average, the benchmarked companies source four high-risk raw materials, such as cashmere, cotton, silk, or wool. While still too rare, a number of apparel companies demonstrated that engaging in due diligence beyond the first tier is feasible. Examples include:<sup>138</sup>

**VF** disclosed a list of its first- to fourth-tier suppliers, including wool processors, slaughterhouses, and yarn suppliers—demonstrating that both traceability and transparency to this level are possible.

**Adidas** disclosed the number of workers at its second-tier wet process facilities.

Half of the companies (49%) disclosed that their audit programs include second-tier suppliers such as fabric mills. Some go further: **Adidas** disclosed monitoring of its third-tier raw material suppliers.

**Asics** reported that it has trained its second-tier suppliers on modern slavery and human rights.

**Lululemon** disclosed the types of grievances received from supply chain workers, including from workers in the second tier of its supply chains.

## CASE EXAMPLE

### DUE DILIGENCE FOR RECRUITMENT-RELATED FEES IN SUPPLY CHAINS

To illustrate how the aforementioned principles of human rights due diligence could work in practice, the following due diligence steps could be undertaken to prevent and remediate worker-paid recruitment fees in companies' supply chains:

To understand the recruitment process, recruitment corridors, fees charged, and the actors involved, it is necessary for companies to **engage and work with relevant stakeholders** such as government actors, non-governmental organizations, suppliers, and, crucially, workers. **Engagement with workers** will allow companies to understand the amounts of fees paid at different stages of the recruitment process. Companies also must have an effective means of ascertaining if workers have paid recruitment-related fees and ensure that they have a process for workers to verify that fees have been paid. Where this is the case, **workers should help determine what remediation looks like** and verify that the full amount has been reimbursed.

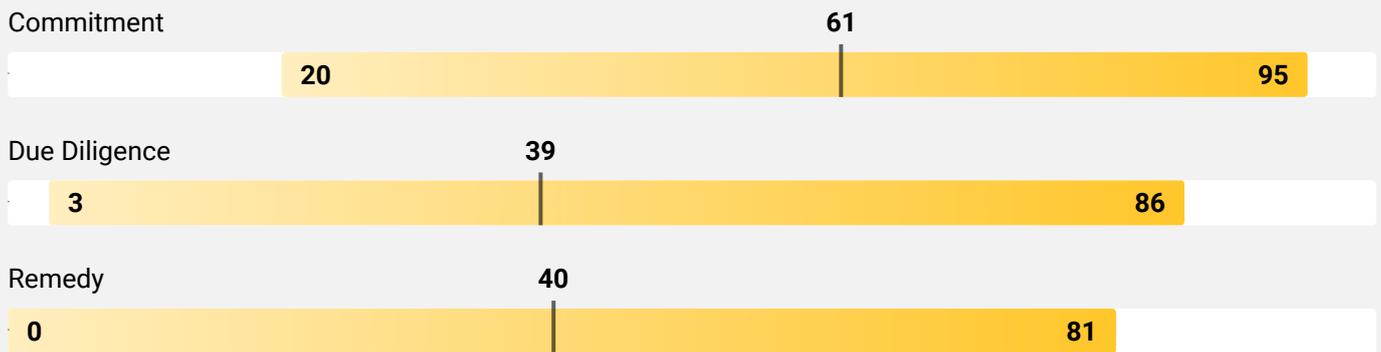
Integrate the Employer Pays Principle into supply chain policies and practices so that the employer rather than the worker is responsible for recruitment-related fees. The policy prevents fees from being paid by workers in the first instance and remediates workers who have paid fees. Companies can demonstrate an understanding of their recruitment channels and the associated recruitment practices, the amount of fees paid by workers in different contexts, and conduct in-depth investigations to confirm that workers do not have to pay fees. Payment and remediation of recruitment fees are a huge cost for suppliers to take on and, as such, this expectation should be integrated into the companies' **purchasing practices and pricing decisions**.

Workers below the first tier of companies' supply chains may be charged recruitment-related fees. As such, the process for preventing, addressing, and remediating fees must take into account lower-tier suppliers. Further, examinations of worker-paid fees in the first tier of a company's supply chains often reveal a web of recruiters involved in the process of worker recruitment who charge fees for their services. Companies must be prepared to address exploitative practices, particularly where those include fees charged by subagents.



## EUROPEAN COMPANIES PUT TO THE TEST

SCORES: **MIN** **AVG** **MAX**



### Upcoming Mandatory Due Diligence: Are Companies Prepared?

Momentum toward mandatory human rights due diligence is increasing, with regulation already in place or under discussion in a number of European countries. In 2020, the European Commission committed to introduced mandatory human rights due diligence legislation; in 2021, the European Parliament voted in favor of such legislation.<sup>139</sup> Of the two largest economies in the EU, France has already implemented mandatory human rights due diligence legislation, and the German Parliament is expected to enact similar legislation in the summer of 2021.<sup>140</sup> Such legislation may have serious consequences if companies fail to comply since both existing laws and calls for future laws include civil liability and criminal sanctions such as fines.<sup>141</sup> Within the global regulatory environment, there is an increasing focus on banning the import of goods that may be produced using forced labor.<sup>142</sup> This is another measure that will require companies to strengthen their due diligence efforts. Companies must be able to demonstrate that they know where their products—including the raw materials used in those products—come from to prevent their goods from being stopped at the border.

An assessment of how the 13 largest European apparel and footwear companies performed against the UN Guiding Principles on Business and Human Rights, and particularly on their due diligence efforts,<sup>143</sup> calls into question their readiness for upcoming due diligence legislation.

The highest due diligence score of a European company, at 86/100, shows what is possible. It stands in stark contrast to the lowest due diligence score among the European companies, which, at a mere 3/100, highlights the absence of a level playing field with binding, non-negotiable standards for all. The poor performance among European companies (the average due diligence score is 39/100) suggests that companies are ill-prepared for upcoming EU legislation.

The findings highlight yet again that voluntary due diligence measures have failed and emphasize the need for mandatory human rights due diligence legislation to ensure a level playing field. The majority of companies will have to step up their efforts significantly. The increased regulatory risk, alongside tangible business incentives such as market access and fines, will likely generate a flurry of activities, disclosures, and new consultancies. For such activities to translate into meaningful change for workers, legislators and companies need to be clear that audits and certifications alone do not equate to human rights due diligence; rather, due diligence must be rightsholder-centric, include responsible purchasing practices (that complement rather than undermine any other corporate efforts), and reach beyond the first tier of companies' supply chains.

# WHY COMPANIES CAN NO LONGER AFFORD TO IGNORE ESG INVESTORS

## The Rise in ESG Investing

Since the early 2000s, ESG investing (investing that includes considerations for environmental, social, and governance factors) has gone from strength to strength. The number of assets managed by signatories to the UN-supported Principles for Responsible Investment (PRI), the largest global responsible investment initiative, grew from US\$20 trillion in 2010 to more than US\$100 trillion ten years later<sup>144</sup>—more than the GDP of all countries combined.<sup>145</sup> Between 2019 and 2020 alone, ESG-focused indices increased by 40%.<sup>146</sup>

While motivations for focusing on ESG differ, all investors need to ensure a return on investment. ESG funds can provide this and have demonstrated greater resilience during the Covid-19 pandemic, outperforming traditional funds.<sup>147</sup>

## Investors Already Pay Close Attention to the Apparel Sector and to Forced Labor

The apparel sector has long been a focus of investor engagement, fueled by decades of reports on rights abuses and the large-scale failures of the sector, epitomized by the Rana Plaza collapse.<sup>148</sup>

Investors around the world are working with peers to address the forced labor risks in their portfolios. For example, a group of mostly Australian investors with more than US\$4 trillion in assets under management, [Investors Against Slavery and Trafficking Asia-Pacific](#), focuses on addressing modern slavery in the region. In the UK, the [Find It, Fix It, Prevent It](#) initiative, led by the investment manager CCLA, engages companies on modern slavery and presses the UK government to strengthen its efforts. [KnowTheChain](#) itself is supported by investors with more than US\$6 trillion in assets under management. It supports an engagement on responsible recruitment and forced labor in the apparel sector of more than 60 investors from Asia, Australia, Europe, and North America—led by the Interfaith Centre for Corporate Responsibility and supported by the Principles for Responsible Investment (PRI).

## INDUSTRY GIANTS MAKE CLEAR THAT EXPLOITATIVE WORKING CONDITIONS ARE NO LONGER ACCEPTABLE

In early 2021, the world's largest sovereign wealth fund, the **Norwegian Government Pension Fund**, voted against the re-election of directors at Top Glove, a company embroiled in forced labor allegations, noting that its voting considerations include "unacceptable treatment of stakeholders."

**Blackrock**, the world's largest asset manager, equally stated that it voted against the re-election of Top Glove's directors given a lack of respect for workers' rights.

### Investors have made clear that leaving forced labor risks unaddressed is no longer an option for investee companies:

“ Given the pervasiveness of modern slavery, we are frankly surprised that [most] companies involved in the Find It, Fix It, Prevent It engagement have not found it and urge them to deepen their investigations because it is most likely there.<sup>149</sup>

—Peter Hugh Smith,  
CCLA's Chief Executive

“ While we are pleased to see a number of companies making progress, we urge the apparel sector to take immediate steps and ensure workers are paid back what they are owed, including recruitment fees, wages, and severance pay.

—David Schilling, Director—Human Rights,  
Interfaith Centre for Corporate Responsibility

### All ESG Investors Will Have to Pay Attention to the 'S' in ESG

Change is set to come swiftly. Forward momentum and emphasis on the S in ESG investing are supported by efforts from investors, leading companies, policy makers, and regulators. The PRI is developing expectations on human rights for its more than 3,000 global investor members. The initiative notes that "just as for all businesses, institutional investors have a responsibility to respect human rights ... The PRI will ... increase accountability among signatories." The initiative's stated goal is that in four years' time, "all signatories respect human rights as defined by the [UN Guiding Principles on Business and Human Rights]."<sup>150</sup>

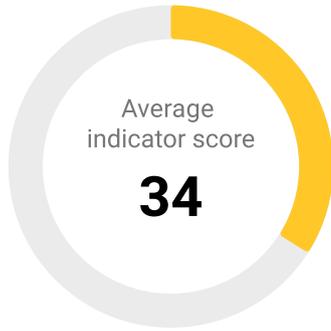
Policy makers increasingly recognize the risks of ESG-washing. The EU's Sustainable Finance Disclosure Regulation, which came into force in March 2021, requires large financial entities to disclose how they address ESG risks and any negative impacts of their products on human rights and other areas of sustainability. Specifically, investors need to detail how ESG issues were considered or clearly label that sustainability factors were not considered for each financial product.<sup>151</sup> This requires an in-depth understanding of the human rights policies and practices of their investee companies. European investors will likely also be required to conduct human rights due diligence under upcoming legislation.<sup>152</sup>

[➔ READ OUR INVESTOR BRIEF](#)



## KEY INDICATORS AND THEMES: FINDINGS AND RECOMMENDATIONS

This chapter focuses on selected aspects of the benchmark methodology that are essential to achieving a just recovery. The chapter highlights why those areas are critical to eradicating forced labor, where the sector is falling short, and what good practice looks like. The chapter includes the lowest-scoring themes (Worker Voice and Recruitment) and the indicators where no company achieved full points (Purchasing Practices, Freedom of Association, Grievance Mechanisms). It also reviews the extent to which the apparel and footwear sector provided what worker rights organizations have demanded for years: supply chain transparency.



## Supply Chain Transparency

This indicator measures the extent to which a company demonstrates an understanding of its suppliers and workforce by disclosing relevant information, such as supplier names or sourcing countries.

Half of the companies in the sector disclosed a first-tier supplier list. Significantly fewer provided transparency below the first tier, with only 19% disclosing a second-tier supplier list. **VF** is the only company to score full points on the supply chain transparency indicator, as it disclosed the names and addresses of its suppliers down to the fourth tier.<sup>153</sup> Similarly, companies have a long way to go to demonstrate they understand who their supply chain workers are: only 32% of companies disclosed data points on their workforce per factory. Nevertheless, it is encouraging that five more companies have disclosed information on their second-tier suppliers since the 2018 benchmark. Some companies fail on supply chain transparency across regions and limit tracing efforts to specific tiers or sourcing contexts, if efforts are made at all. This includes primarily US companies (**Gildan**, **Skechers**, **Tapestry**, **TJX**, and **Walmart**), as well as some Asian companies (**Shenzhou International**, **Pou Chen**, and **Anta Sports**) and European companies (**Capri**, **Hermès**, and **LVMH**). These significant gaps in due diligence show that US companies may not be prepared for regulations that can stop their goods at the border if they cannot show that their products are not made using forced labor.<sup>154</sup>

### Some of the largest global companies (those with a market cap > US\$50 billion) lag behind on supply chain transparency:

**Walmart** and **TJX Companies** neither disclose their supply chains nor efforts to identify such information.

**Inditex** is the only European apparel retailer in the benchmark that did not publicly disclose a supplier list.

**LVMH** and **Hermès** disclosed little-to-no information on the locations of their supply chains.

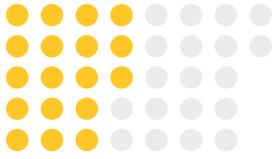
### While peers demonstrate that supply chain disclosure is feasible:

**Amazon**, as well as other US apparel retailers such as **PVH** and **Under Armour**, disclosed at least first-tier supplier lists.

**Primark** and **H&M** both disclosed first-tier supplier lists. H&M also disclosed its second-tier factories.

Luxury companies, including **Burberry**, **Hugo Boss**, and **Kering**, disclosed the sourcing countries of raw materials such as cashmere (Burberry and Kering) or supplier maps (Hugo Boss).

## Supplier Lists



**Nearly half the companies in the benchmark (49%)** disclosed a list of their first-tier suppliers.<sup>155</sup> For example, **Adidas** disclosed a global factory list that includes its first-tier suppliers, subcontractors, and licensees, and which includes the supplier name, address, country, product category, and parent organization. The company also reported the top five sourcing countries per region—for instance, in the Americas, the top sourcing countries by the number of suppliers are the United States, Brazil, Argentina, Canada, and El Salvador. **Nike** disclosed an interactive map of its suppliers that includes names, addresses, and the type of product made.

## WHY DISCLOSE A SUPPLIER LIST?

**Nearly half of the benchmarked apparel and footwear companies (49%)** headquartered in regions including Asia, Europe, and North America disclosed a supplier list—demonstrating supply chain transparency is possible without any detriment to business.

In fact, making a supplier list publicly available can yield benefits, such as identifying unauthorized subcontracting and receiving early and real-life notice from stakeholders when violations in a company's supply chains arise. As such, it is a key part of human rights due diligence. It further builds trust among workers, consumers, and other stakeholders and makes commitments to good labor practices more credible.<sup>156</sup>



## What Should Companies Report On?

## ▼ Examples

TIER 1 SUPPLIERS:	
<p>At a minimum, companies should align with the Transparency Pledge.<sup>157</sup></p>	
<p>For each factory and their subcontractors, companies should disclose:</p> <ul style="list-style-type: none"> <li>  Name and address of facilities</li> <li>  Type of products made</li> <li>  Number of workers per factory</li> </ul>	<p>Name, address, number of workers, type of products: <b>40+ examples</b> (e.g., <b>Asics</b>)</p>
<p>In addition, companies should disclose crucial data on workforce and working conditions:</p> <ul style="list-style-type: none"> <li>  Percentage of women workers and migrant workers</li> <li>  Average wage, plus average wage for women and migrant workers, and living wage gap</li> <li>  Presence of trade union and/or worker representatives chosen by workers</li> <li>  Percentage of workers under collective bargaining agreements</li> <li>  Health and safety risks</li> </ul>	<p>Percentage of women workers: <b>Primark, Lululemon</b></p> <p>Percentage of migrant workers: <b>Adidas, Nike</b></p> <p>Average wage: see <b>Fashion Tracker</b></p> <p>Trade union presence: <b>H&amp;M</b></p>
TIER 2 SUPPLIERS: <sup>158</sup>	
<p>At a minimum, for each factory and its subcontractors, companies should disclose:</p> <ul style="list-style-type: none"> <li>  Names and addresses</li> <li>  Health and safety risks (e.g., list of hazardous chemicals)</li> </ul>	<p>Tiers 1–2, including subcontractors: <b>Adidas</b></p> <p>Tiers 1–4: <b>VF</b> (including some ginneries, wool processors, and slaughterhouses)</p>

## How Should Companies Disclose Their Supply Chain Information?

### ▼ Examples

<p>At a minimum, supply chain disclosures must be in line with the Transparency Pledge.</p>	<p><b>Nike's</b> supplier list is downloadable in Excel, JSON, and PDF formats.</p>
<p>To make such transparency useful for workers, civil society, and peer companies, companies should follow the Open Data Standard for the Apparel Sector (which includes regularly updated information in a downloadable and machine-readable file) and upload their information on the <a href="#">Open Apparel Registry</a>.</p>	<p><b>Adidas'</b> supplier list includes dates, and the company notes that the list is updated twice a year.</p>
<p>Additional good practices include making supplier lists easy to find and clearly defining the terminology used as well as any gaps (for example, defining the percentage of suppliers and subcontractors that the list covers).<sup>159</sup></p>	<p><b>Adidas</b> and <b>H&amp;M</b> uploaded their supplier lists on the Open Apparel Registry to allow stakeholders to access combined datasets.<sup>160</sup></p>

There is less transparency below the first tier of companies' supply chains, although forced labor risks are just as prevalent.<sup>161</sup> Seven companies (19%) disclosed supplier lists that include some second-tier suppliers, such as fabric and trim suppliers, wet process suppliers, or tanneries (**Adidas, PVH, H&M, Nike, Fast Retailing, Puma, and VF**).<sup>162</sup> An additional eight companies (22%) disclosed some information on sourcing below the first tier, such as a limited number of second-tier supplier names, a list of second-tier sourcing countries, or tracing processes for lower-tier suppliers such as mills. While this remains low overall, it is encouraging that five companies have published new information on the second tier of their supply chains since the 2018 benchmark: **VF, PVH,** and **Fast Retailing** have now published supplier lists of fabric mills, and **Asics** and **Kering** published a list of a limited number of suppliers or countries where second-tier suppliers are based.

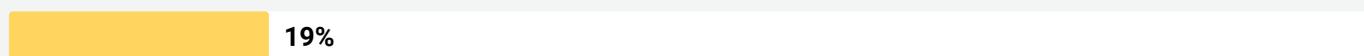
Only one company raised the bar by disclosing supplier lists beyond the second tier: **VF** disclosed lists of its third- and fourth-tier suppliers, including wool processors, slaughterhouses, and yarn suppliers, demonstrating that both traceability and transparency to this level are possible.

## SUPPLIER LIST PER TIER

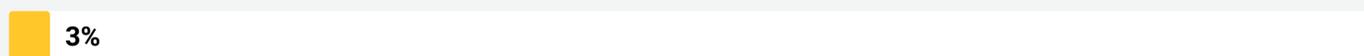
Companies Disclosing First-Tier Supplier List



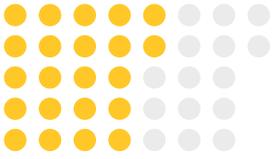
Companies Disclosing Second-Tier Supplier List



Companies Disclosing Third/Fourth-Tier Supplier List



## Data on Supply Chain Workforce



**More than half of the companies (59%)** disclosed data on their supply chain workforce, showing that they have some understanding of who the workers in their supply chains are. This allows them to better assess the risks workers are exposed to, enabling more meaningful human rights due diligence. Data points disclosed by companies included the number of workers per supplier factory, the gender ratio or migrant worker ratio per supplier, or the percentage of workers covered by collective bargaining agreements or who have access to unions. The percentage of companies that disclosed more than one such data point is more limited, at 32%.

**Adidas**, for example, disclosed the number of workers per supplier, the number of men, women, and migrant workers, and the number of workers at its second-tier wet process facilities. **H&M** disclosed the percentage of women workers per supplier factory, whether factories have one or more “worker-endorsed unions,” and whether worker representatives have been chosen by the workers. At the aggregate level, **Puma** recorded the percentage of wages paid above the minimum wage for its supply chain workers, workers covered by collective bargaining agreements regionally, and women workers.

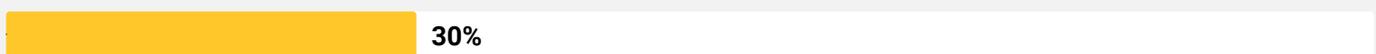
**Burberry** disclosed that collective bargaining agreements cover 77% of workers at its third-party finished goods manufacturers and 75% of its key raw material suppliers. Though 44% of the luxury companies scored zero on supply chain transparency, those with some information showed good practices. **Kering** disclosed the sourcing countries from the first to the fourth tier of its supply chains, including assembly, manufacturing, raw material processing, and raw material production. It included the sourcing countries of high-risk raw materials, including leather, wool, and cashmere. **Hugo Boss** reported that it contributes its supplier data to the Open Apparel Registry and disclosed an interactive sourcing map of its first-tier suppliers. Though luxury companies may be perceived as low risk because their supply chains are largely based in countries like Italy, European countries are not free from forced labor risks.<sup>163</sup> Kering’s [sourcing disclosure](#), for instance, shows that its supply chains are based all over the world.

### COMPANIES DISCLOSING DATA ON SUPPLY CHAIN WORKFORCE

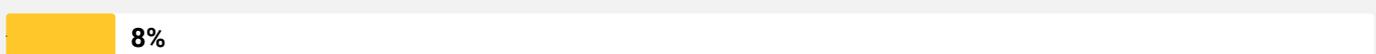
Number of Workers per Supplier



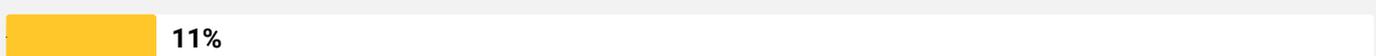
Data on Women Workers



Data on Migrant Workers



Data on Second-Tier Supplier Workforce

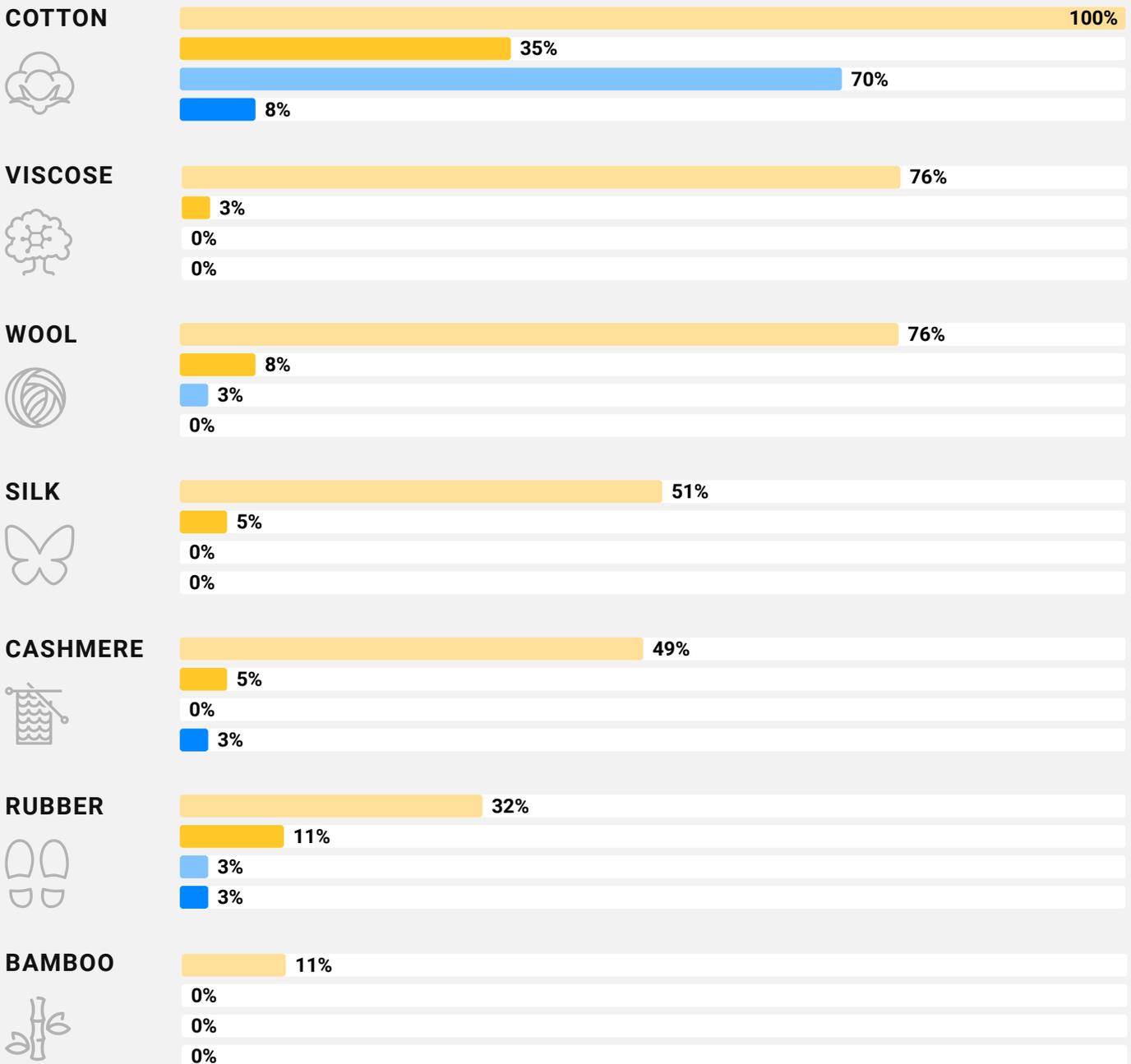


# Raw Materials

In relation to action taken at the raw material level, a stark inconsistency can be seen between the percentage of companies that source high-risk materials for their products and the action they have taken to gain visibility of their supply chains at the raw material level, much less address forced labor risks at this level. For more detail, see [Trends in the Sector: Addressing Forced Labor Risks in the Lower Tiers of Supply Chains](#).

## RAW MATERIALS THAT MAY BE PRODUCED USING FORCED LABOR<sup>164</sup>

- % of companies that source material<sup>165</sup>
- % of companies that disclosed sourcing countries or tracing of the raw material
- % of companies that disclosed using certifications<sup>166</sup> or sourcing bans
- % of companies that disclosed steps to improve working conditions at the raw material level



## Company Examples

**VF** disclosed traceability mapping data that included the end-to-end supply chains of more than 50 products. The data included the names and addresses of its third- and fourth-tier suppliers, including wool processors, slaughterhouses, and yarn suppliers. The company also disclosed the sourcing countries of rubber, wool, and cotton. In addition, VF disclosed a downloadable Excel sheet of its first-tier suppliers and their subcontractors, including the number of workers and the gender ratio, and 70% of its second-tier facilities by spend.

**Adidas** disclosed its 2020 global factory list, which included the names and addresses of suppliers and their subcontractors as well as the manufacturing product category. The factory list included the number of workers per supplier as well as the number of women, men, and migrant workers. The company also published a list of its second-tier wet process suppliers, including dyeing and finishing of materials. The wet process list included supplier location, name, address, product category, and the number of workers.

**H&M** disclosed 100% of its first-tier suppliers, including their names and addresses, the range of workers, and the percentage of women per supplier factory. It also disclosed whether supplier factories have one or more “worker-endorsed unions” at the factory and whether worker representatives have been chosen by workers. The company’s supplier list included second-tier factories (fabric, yarn, and tanneries), and it disclosed the names and addresses of some of its 300 “most important” yarn mills, representing 67% of its spend.

## Recommended Company Action

### Supply Chain Transparency:

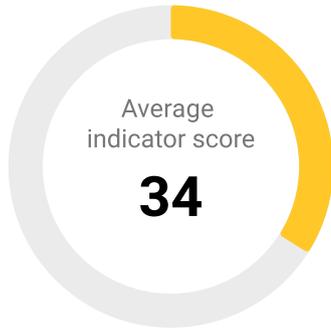
At a minimum, disclose information on its first-tier suppliers in line with the [Transparency Pledge](#). Make the information useful for workers, civil society, and peer companies by following [Open Data Standard for the Apparel Sector](#) (which includes regularly updated information in a downloadable and machine-readable file). Upload information on the [Open Apparel Registry](#).

Disclose a list of the names and addresses of its first-tier suppliers and their subcontractors, including the types of products made.

Disclose the names and addresses of second-tier suppliers.

Provide factory-level disclosure of relevant data points on its suppliers’ workforce, including the

- Percentage of women workers and migrant workers,
- Average wage, as well as the average wage for women and migrant workers, and the living wage gap,
- Presence of trade union and/or worker representatives chosen by workers,
- Percentage of workers under collective bargaining agreements, and
- Health and safety risks.



## Purchasing Practices

KnowTheChain’s Purchasing Practices theme includes indicators on responsible purchasing practices,<sup>167</sup> including responsible raw material sourcing,<sup>168</sup> supplier selection, and integration of standards into supplier contracts. Purchasing Practices is among the lowest-scoring themes in the benchmark, with an average score of 34/100.

Within this theme, companies scored even lower—on average 31/100—on the Purchasing Practices *indicator*, which covers responsible raw material sourcing, avoiding practices that lead to poor working conditions (such as changing orders at the last minute), incentivizing suppliers to implement strong labor standards, and data points on such practices, such as the length of payment terms. Purchasing practices like prompt payment, accurate forecasting, and reasonable lead times are a baseline necessity. Without them, preventing forced labor, let alone ensuring decent work and living wages, is not possible. However, **no company scored above 75/100 (H&M is the highest-scoring company, at 75/100)**, and six companies scored zero: **Anta Sports**, China’s largest footwear company, the UK-based luxury conglomerate **Capri Holdings**, and four US companies: **TJX**, **Tapestry**, **Foot Locker**, and **Skechers**.

[➔ VIEW PURCHASING PRACTICES RANKING](#)

## Adopting Responsible Purchasing Practices and Preventing Practices That Increase the Risk of Forced Labor



**Twenty-three of the 37 companies in the benchmark (62%)** disclosed at least some information concerning responsible purchasing practices (e.g., that they avoid practices such as short-term contracts, excessive downward pressure on pricing, and sudden changes of workload), thus indicating a relatively high awareness in the sector on their importance. However, only 14% provided detail and evidence of implementation of the practices they adopt to address the risks—a clear sign that the vast majority of companies have not gone beyond creating policies, training staff, or assessing risks related to purchasing practices. Additionally, 43% of companies reported that they are part of initiatives such as ACT, the Fair Labor Association (FLA), or Better Work, which require companies to take action on purchasing practices, but, crucially, they did not report on how they have changed their purchasing practices as a result, nor outcomes for suppliers, let alone workers.

Additionally, the benchmark results show that despite 43% of companies incorporating the Employer Pays Principle (requiring the employer, rather than the worker, to pay recruitment-related fees in their supply chains), no company disclosed that it is integrating the costs for responsible recruitment of workers into its purchasing practices.

## EMPLOYER PAYS PRINCIPLE & PURCHASING PRACTICES

### Policy on Employer Pays Principle

43%

### Integration of Employer Pays Costs Into Purchasing Practices

0%

The table below describes key purchasing risks in the sector and identifies practices companies have adopted that address those risks.

#### RISK

#### Poor forecasting, buyer delays, and last-minute changes to orders

When buyers change orders at the last minute, it can make it difficult for suppliers to plan work accordingly. An Indian supplier cites a case in which a buyer set a 60-day delivery deadline but did not approve fabrics and samples for another month and a half, leaving the supplier with 15 days to produce.<sup>169</sup> Such volatile demand, with a lack of regard for supplier planning and capacity, can put workers at risk of being forced to work excessive over-hours; it also increases the risk of suppliers' use of unauthorized subcontractors.

#### > Excessive over-hours are an ILO indicator of forced labor.

#### COMPANY PRACTICES

**Fast Retailing** stated that it asks suppliers to forecast excessive working hours and make the company's production team aware so that production planning can be adjusted.

**H&M** disclosed that for the best performing suppliers, it plans "order capacity for as long as 3–5 years ahead."

**Hugo Boss** reported that it uses off-season production to allow for longer lead times and states that this allows suppliers to plan their production time more effectively. In addition, the FLA reported that it verified through supplier interviews that Hugo Boss is "often flexible on deliveries if a supplier is over production capacity."

**Lululemon** disclosed that it reviews cost sheets with its suppliers and reviews supplier capacity on an ongoing basis, including during quarterly supplier reviews. Additionally, it reported that it has implemented monthly orders for some business instead of "single seasonal buys."

**Under Armour** stated that it has procedures in place to determine if the supplier is over capacity "and how to execute transfers to other facilities if a supplier is over capacity." The company stated it reviews its forecast accuracy with suppliers every month to mitigate the negative impacts on suppliers and workers.

## RISK

### Downward pressure on pricing

Pricing that does not take into account labor costs can result in working conditions taking the hit when buyers seek high-quality delivery within a short timeframe.<sup>170</sup> In 2016, an ILO global survey of 1,454 suppliers found that 52% of apparel suppliers said prices paid by brands paid were “lower than production costs.”<sup>171</sup> Some suppliers reported that buyers “do not even cost for increases in legal minimum wages.”<sup>172</sup>

➤ **Abusive working and living conditions are an ILO indicator of forced labor.**

## COMPANY PRACTICES

**H&M** was the only benchmarked company to report that it ringfences labor costs as part of its purchasing practices so that labor prices are not a part of any price negotiations.

**Hugo Boss**—the FLA reported that when a supplier orders extra materials based on the agreed forecasts, the company purchases back the materials so that the supplier does not bear the excess cost.

**Ralph Lauren** reported that it is working with suppliers on developing human resource systems that will “advance compensation for workers.” It stated that it is carrying out in-depth wage analyses and data-gathering on key sourcing countries and will engage suppliers on the results.

## RISK

### Delayed payment and unfair payment terms

When payment is not prompt, it can cause problems for supplier factories, which may result in their needing to take bank loans to cover operating costs.<sup>173</sup> Research conducted with workers found that as the length of time between the delivery of an order and payment by a buyer increases, weekly pay decreases significantly.<sup>174</sup>

The Covid-19 pandemic has shown, once again, that payment times have a direct impact on workers’ wages: Delays in payment, or a refusal to pay for orders at all, resulted in unpaid wages for apparel workers.<sup>175</sup> Moreover, suppliers have reported that purchasing practices during the Covid-19 pandemic have made it more difficult to “provide good working conditions and wages”: 40% of suppliers in a survey by Better Buying reported that they experienced increased high-pressure cost negotiations during the pandemic, and more than 20% reported increases in late payments or extended payment terms.<sup>176</sup> On the flip side, 18% of suppliers said that they experienced fair payment practices from buyers during the pandemic, such as on-time or early payment, and they reported that **this enabled them to pay workers’ wages in full and on time.**<sup>177</sup> Additionally, 16% fewer workers reported salary reductions when buyers used fair payment practices.<sup>178</sup>

➤ **Withholding of wages is an ILO indicator of forced labor.**

## COMPANY PRACTICES

**H&M** reported that its payment terms for suppliers are 30 days, which it maintained throughout the pandemic.

In response to the Covid-19 pandemic, **Primark** disclosed that it “established a ‘wages fund,’ an advance payment to suppliers to support their ability to pay wages” in April 2020. It reports that its payment times are 30 days.

Improvements since the 2018 benchmark on Purchasing Practices were limited: seven companies have published some information on their responsible purchasing practices since 2018. Most improvements were related to engaging with suppliers or carrying out assessments to identify the impact of purchasing practices. For example, companies may have acknowledged that their purchasing practices may impact supplier capacity or working conditions, that they may take part in supplier assessments such as Better Buying, or state that they have improved their forecasting. However, companies did not typically explain how they changed their purchasing practices as a result. For example, they failed to disclose the details of their revised timelines for forecasting, the work they are doing to improve workers' wages as a result of wage studies, or other concrete evidence of the positive impact of such purchasing practices on workers.

## Red Flags in the Sector: Covid-19 and Purchasing Practices

As of April 2021, companies (including the benchmarked company **TJX Companies**) were still failing to commit to paying in full for orders completed and in production during the Covid-19 pandemic.<sup>179</sup>

Apparel companies did not pay for orders amounting to US\$16 billion. Apparel workers are estimated to be owed approximately US\$5.8 billion in unpaid wages for the period between March and May 2020.<sup>180</sup>

Companies have used force majeure clauses in their contracts with suppliers to cancel orders during the pandemic and avoided paying for orders already produced.<sup>181</sup>

## Red Flags in Corporate Disclosure

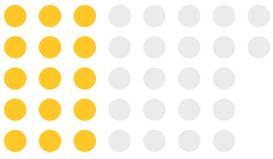
**Amazon** disclosed a “tip” for suppliers stating that their “purchasing behaviors, such as sales and production planning, or purchase of materials, may impact workers.” At the same time, it disclosed no efforts to address responsible purchasing practices itself, despite profiting enormously during the pandemic.<sup>182</sup>

**Skechers** specified that it does not have long-term contracts with its manufacturers.

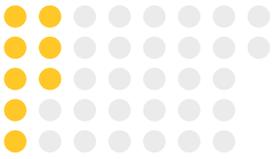
## Data Points on Purchasing Practices

Concrete data on purchasing practices is important because it demonstrates that companies measure and implement their policies and commitments in practice. In particular, year-on-year data points can demonstrate improvements over time—or worsening thereof, as seen with payment times during the pandemic.<sup>183</sup> Yet, **no company provided year-on-year data on their purchasing practices.**

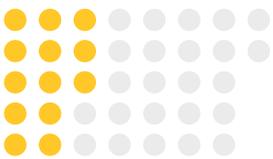
Data and feedback from suppliers would present a more accurate representation of the impact of purchasing practices on suppliers (and, subsequently, suppliers' workers). Although a number of companies disclosed seeking feedback from their suppliers on their purchasing practices, **no company disclosed how their suppliers assessed their purchasing practices**, for example, by disclosing supplier ratings received from Better Buying.



**Fifteen companies (41%)** disclosed some data points, such as the average length of their relationships with suppliers or the length of their payment terms for suppliers. Only one company (**Puma**, which disclosed that its average lead times are between 60 and 90 days) reported on data outside of payment times and relationship length. No company commented directly on the average length of its contracts with its suppliers.



While **22% of companies** disclosed some information on the length of relationships with suppliers, none reported on the length of contracts (meaning that a company might have a decade-long relationship with a supplier but still only provides short-term contracts, thus not allowing the supplier to make longer-term investments in its workforce). In addition, a mere focus on the length of relationships with suppliers may not be meaningful: Better Buying found that long-term relationships can result in worse cost-negotiation practices between buyers and suppliers.<sup>184</sup>



Length of payment terms was the most commonly provided data point, with **34% of companies** providing such information. Payment times were typically reported to be 30 or 45 days, with some companies disclosing that they extended their payment times during the Covid-19 pandemic:

11% of companies reported that their payment times are 30 days (**H&M, Hermès, Lululemon, and Primark**).

11% of companies reported that their payment times are 45 days (**Gap Inc., Nike, PVH, and VF**).

8% of companies (**Gap Inc., PVH, and VF**) reported that they extended their payment times of 45 days during the Covid-19 pandemic to 60 or 90 days.

5% of companies reported that their payment times are 90 days (**Fast Retailing and Inditex**).

5% of companies disclosed a timeframe within which suppliers will be paid: **Burberry** specified that suppliers will be paid within 30 to 60 days, and **Zalando** stated that payment times, on average, are 60 days, and the maximum time is 90 days.

60% of companies did not disclose their payment times, including luxury brands such as **LVMH, Kering, and Tapestry**

**H&M** was the only company to disclose multiple data points. The company reported that the “global average length” of its relationship with a supplier is six years, and some have been doing business with the company for more than 25 years. The company included this data across its suppliers, whereas other companies provided this data only on a self-defined or undefined sample or percentage of their suppliers (e.g., “strategic suppliers”). H&M further disclosed that its payment times are 30 days (including during the Covid pandemic).

## PROCUREMENT INCENTIVES

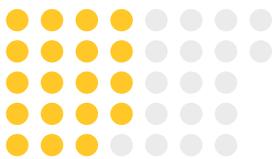
Process for Providing Procurement Incentives to Suppliers



Reports on Implementation of Incentives



### Incentives for Suppliers

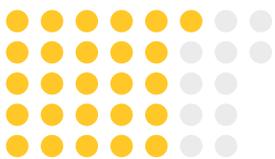


**Just over half of the benchmarked companies (51%)** disclosed taking some steps to incentivize suppliers in relation to good labor practices. Notably, **Primark** disclosed that, in response to the Covid-19 pandemic, it “established a ‘wages fund,’ an advance payment to suppliers to support their ability to pay wages,” in April 2020.

**H&M** disclosed that it rewards its suppliers’ labor performance with more orders, opportunities for training, and long-term contracts. However, companies typically neither explained how these incentives work in practice nor described how they are implemented. To give an example, companies typically disclosed a rating or KPI system for their suppliers in which labor rights compliance is integrated into business decision-making. But no company disclosed how this has been implemented as a way of incentivizing suppliers—such as by reporting on the percentage of companies that received longer contracts or more business due to strong labor practices.

**Lululemon** disclosed that adherence to the supplier code counts “as an equal part of supplier evaluation criteria, along with quality, on-time delivery, cost, etc.,” amounting to 20% of the evaluation. **Zalando** disclosed that its ethical trade requirements comprise 12.75% of the score. However, neither company reported on how this has been implemented in practice. The FLA reported that some of **Hugo Boss’** suppliers have performed well on the supplier scorecard and have received increased orders, but it noted that this practice is not consistently implemented.

### Integration Into Supplier Contracts



Incorporating supply chain policies that address forced labor into contracts with suppliers is a way for companies to enforce their policies. **Twenty-six companies in the benchmark (70%)** disclosed that they integrate their supplier code into their contracts or purchase agreements with suppliers. While this is one way of seeking to enforce contracts with first-tier suppliers, companies could enhance their due diligence efforts by ensuring these standards are enforced further down the tiers of their supply chains. **Lululemon** reported that it requires suppliers to integrate its standards on forced labor into their contracts with their own suppliers.

## PURCHASING PRACTICES AND UNAUTHORIZED SUBCONTRACTING

Where a company has a policy that prohibits unauthorized subcontracting but does not ensure that its purchasing practices take into account supplier capacity—and thus may increase risks of subcontracting—the policy will be ineffective. Only 14% of companies included subcontractors in their supplier lists.<sup>185</sup> These companies can demonstrate that they know who their subcontractors are and are able to assess the associated risks. It also allows stakeholders to raise potential concerns and grievances about subcontractors with the company. Where labor rights abuses are identified at a subcontractor, it is important that remedy is provided to impacted workers, as ensuring the subcontractor is authorized is not the responsibility of workers. What should be the norm is only practiced sporadically: for example, the US sportswear company Brooks was highlighted by the investigative organization Transparentem for agreeing to share the cost of recruitment fee reimbursement with a factory, despite the fact that the factory was not an authorized part of its supply chains.<sup>186</sup>

It must be noted that corporate practices during the Covid-19 pandemic call into question what contracts are really worth, as force majeure clauses were invoked by companies to cancel orders during the pandemic and avoid paying for orders already produced.<sup>187</sup> There is little value in requiring compliance with supply chain standards that prohibit forced labor via supplier contracts if companies leave suppliers and their workers in situations without pay, particularly when workers may have already been working to pay off debts while making poverty wages.

### Subcontracting

The risk of unauthorized subcontracting is well-recognized in the sector, and this is reflected in the benchmark results: 84% of benchmarked companies disclosed that they take steps to address the risks of unauthorized subcontracting. Fewer companies (14%) disclosed details or the outcomes of this process, making it more difficult to assess how effective these efforts are. **Lululemon**, which was among the companies that disclosed outcomes, reported it carries out assessments on subcontractors, 133 of which were conducted in 2019. It stated that four facilities were not approved for production and five sufficiently improved to be approved as subcontractors. **Gap Inc.** disclosed that it found three instances of unauthorized subcontracting in 2019, three in 2018, and ten in 2017. It set out the steps that it takes where such instances are found, including investigating the unauthorized facility for any issues and requiring the supplier to undergo training on management systems.

### Supplier Selection

A key part of companies' due diligence efforts should be to identify the risks of forced labor at potential suppliers before they are engaged for business. Seventy percent of the companies disclosed such a process, and eight companies (22%) went further by disclosing the outcomes of their selection process. For example, **Lululemon** reported that four facilities (three first tier and one second tier) failed their assessments against the supplier code and, as such, were not approved for production. The company stated that once potential suppliers have been identified, they are trained on the company's supplier code before undergoing an on-site assessment, which involves two days on-site. **Gildan** disclosed that, in 2019, 47% of new suppliers were not approved for business as they could not demonstrate compliance with the company's supply chain standards.

## Company Examples

**H&M** was the only benchmarked company that reported that it ringfences labor costs as part of its purchasing practices so that labor prices are not part of negotiations. It stated that it has a supplier relationship management system through which it evaluates and rewards responsible suppliers, and it reports that for the best-performing suppliers, it plans order capacity 3–5 years ahead. The company disclosed that its payment times are 30 days.

**Hugo Boss** is an accredited company of the FLA, which reported that where a supplier orders extra materials based on agreed forecasts, the company will purchase back the materials so that the supplier is not responsible for the excess cost. It also reported that planning is done one year in advance of the purchase order placement.

## Recommended Company Action

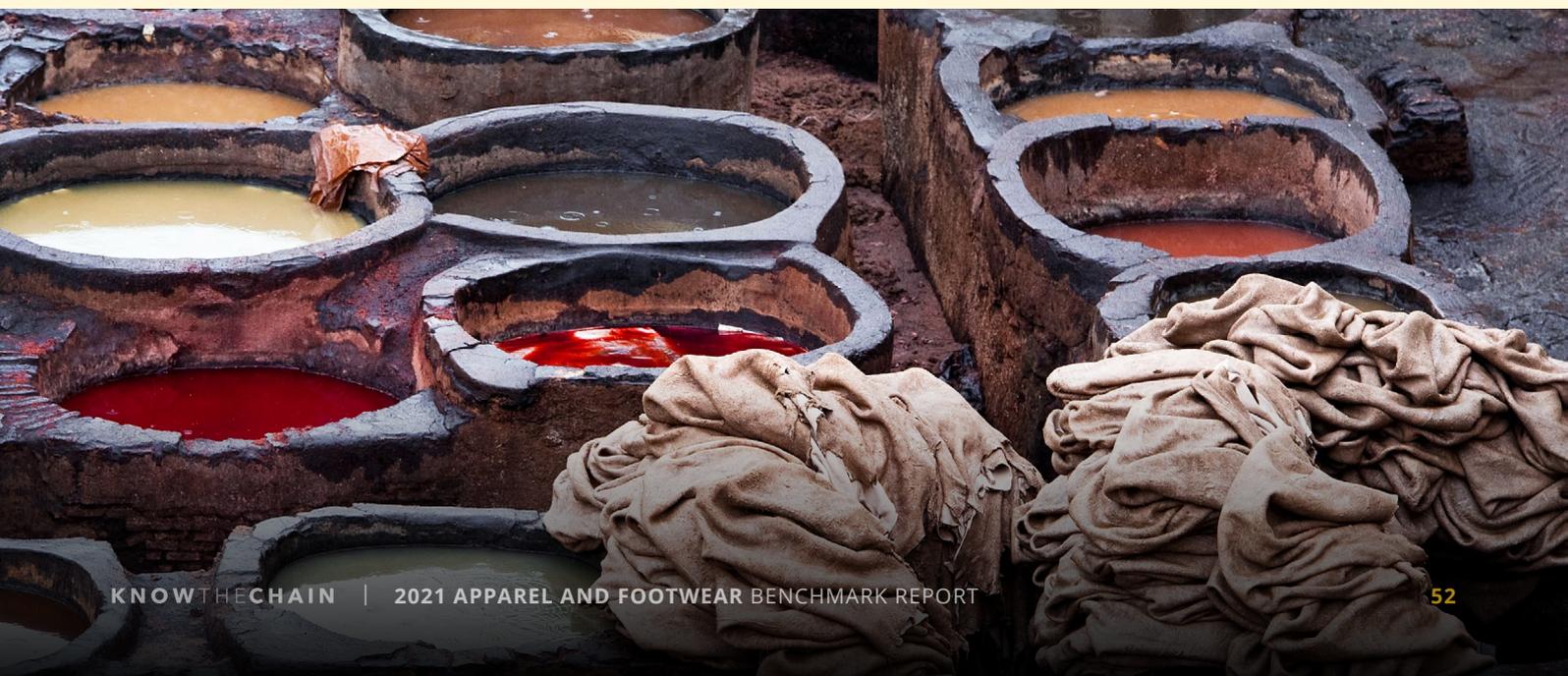
**Data Points on Purchasing Practices:** Adopt and disclose several year-on-year data points on responsible purchasing practices relating to all first-tier suppliers, including:

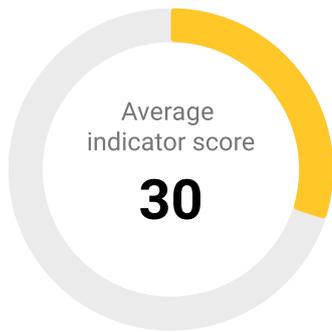
**Payment practices:** Payment terms (noting that 30 days is best practice) and percentage of suppliers paid in full within 30 days (or 60 days) of delivery;

**Planning and forecasting,** such as: whether a forecast is issued, the timing (noting that 90 days or more is good practice), whether it is regularly updated, and whether it is accurate; and

**Costing:** Percentage of orders priced to cover the costs of compliance with the company's supplier code (including the costs of the Employer Pays Principle, i.e., the costs for responsible recruitment of migrant workers and repayment of worker-paid recruitment fees) and to allow for a reasonable and maintained supplier profit.<sup>188</sup>

**Supplier Ratings:** Disclose supplier ratings received from independent parties such as Better Buying (e.g., disclose Better Buying Company Reports, which include forecasting, costing, and payment practices).





## Recruitment

This theme measures a company’s approach to reducing the risk of exploiting the workers in its supply chains by recruitment and employment agencies, eliminating workers’ payment of fees during recruitment processes throughout its supply chains, and protecting workers’ rights in vulnerable conditions, including migrant workers. This chapter assesses how a company’s approach to recruitment risks fulfills its responsibility to respect human rights in its supply chains through commitment, due diligence, and remedy.

Companies benchmarked in both 2018 and 2021 showed improvements on the theme of Recruitment, which reflects an increased focus from the sector on the issue of responsible recruitment in supply chains. However, considerable gaps in company efforts persist: Seven companies scored zero on Recruitment (**Anta Sports, Columbia Sportswear, Foot Locker, Pou Chen, Prada, Shenzhou International, and Tapestry**). Moreover, only 22% of the companies disclosed remediation of recruitment fees to supply chain workers. Only two companies disclosed comprehensive information on the steps they are taking to prevent fees from being charged in the first place. Equally, only two companies disclosed more than one example of outcomes for workers in vulnerable conditions, demonstrating that their policies and processes result in change for workers. The few more robust examples also highlight that the vast majority of the sector fails to demonstrate a positive impact for workers, particularly those in vulnerable conditions, such as women or migrant workers.

[VIEW RECRUITMENT RANKING](#)

## Commitment



**More than half of the companies (57%)** disclosed a policy that prohibits worker-paid recruitment fees in their supply chains. However, only 16 companies’ supply chain policies (43%) included the Employer Pays Principle, which specifies that the employer, not the worker, is responsible for paying fees. While more than half of the companies have demonstrated a clear commitment to prohibiting recruitment fees in their supply chains, the remaining 43% show no such commitment. This is despite the fact that recruitment-related issues have featured in forced labor cases for more than a decade<sup>189</sup> and despite commitments from more than 100 companies and two sector associations to address such issues.

### Supply Chain Policies of the 37 Largest Global Apparel and Footwear Companies

**5%** require direct employment and that workers are employed by the supplier rather than a third party such as a labor agency (thereby avoiding the risks of exploitation associated with employing supply chain workers through third parties)

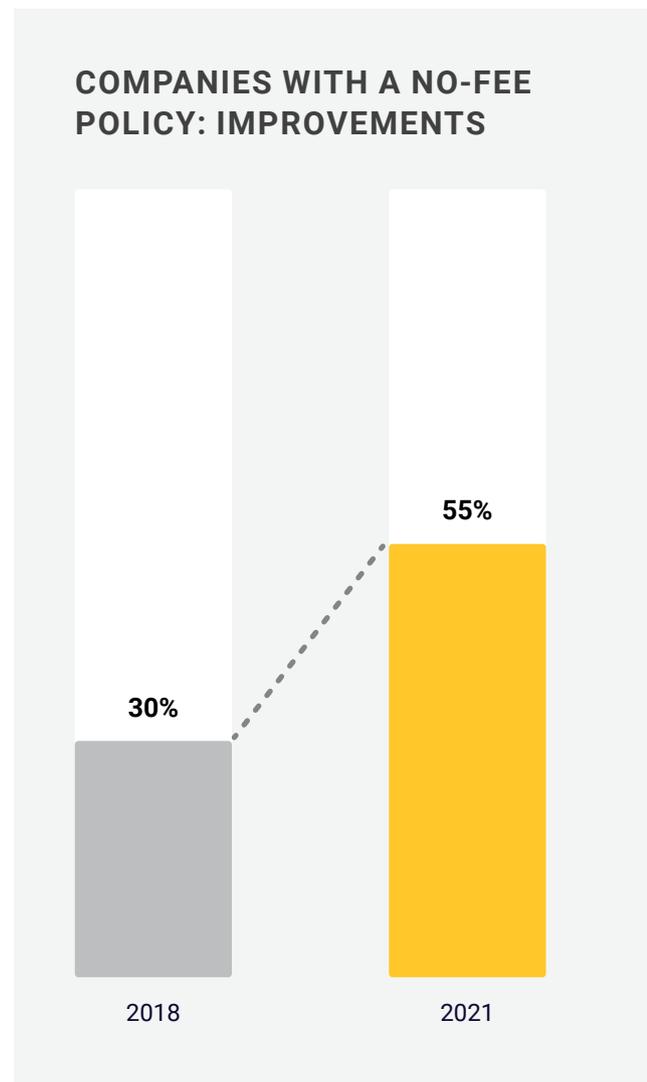
**43%** require suppliers, rather than workers, to pay for recruitment<sup>190</sup>

**78%** prohibit the retention of workers’ passports

Almost half of the companies assessed in the KnowTheChain benchmark (46%) have signed the American Apparel and Footwear Association and Fair Labor Association Industry Commitment to Responsible Recruitment.

The industry commitment states that no worker should pay for a job, and that the companies that sign the commitment must incorporate it into their standards of compliance, such as their code of conduct. However, eight of the 17 companies in the benchmark that are signatories to the commitment did not have a policy prohibiting worker-paid recruitment fees in their supply chains (that included employers' responsibility for the payment of fees).<sup>191</sup> As such, 22% of companies have failed to formalize their commitment to addressing responsible recruitment issues.

At the same time, it is positive that among companies benchmarked in both 2018 and 2021, nine more companies have published a policy prohibiting recruitment fees in their supply chains since the 2018 benchmark (**Asics, Gildan, Hanesbrands, L Brands, Primark, Puma, Ralph Lauren, Skechers, and VF**). Looking only at the 33 companies benchmarked in 2018 and 2021, this marks a 25% increase in policies that prohibit recruitment fees in the companies' supply chains.



## Due Diligence

In the context of recruitment, due diligence may include understanding and assessing where recruitment risks lie within a company's supply chains, working with stakeholders such as policy makers or local workers' rights organizations to address risks, and working to prevent risks, (e.g., taking steps to prevent worker-paid recruitment fees and monitoring recruitment agencies used by suppliers for forced labor risks). While due diligence should be worker-centric,<sup>192</sup> companies do not appear to involve workers in their due diligence processes beyond interviewing workers as part of assessments.

## Mapping Recruiters and Recruitment Corridors

**Twelve companies (32%)** disclosed some mapping efforts relating to the labor agencies used in their supply chains (e.g., requiring suppliers to disclose the recruitment agencies they use). Companies that demonstrate they are tracing the agencies used in their supply chains are able to show that they are taking steps to understand and address the risks associated with labor agencies. Three companies (**Adidas, Lululemon, and PVH**) provided further detail by publishing the countries or the number of countries where recruitment agencies are used—for example, **Adidas** disclosed that it is working with more than 20 recruitment agencies in Taiwan, Thailand, the Philippines, and Vietnam.

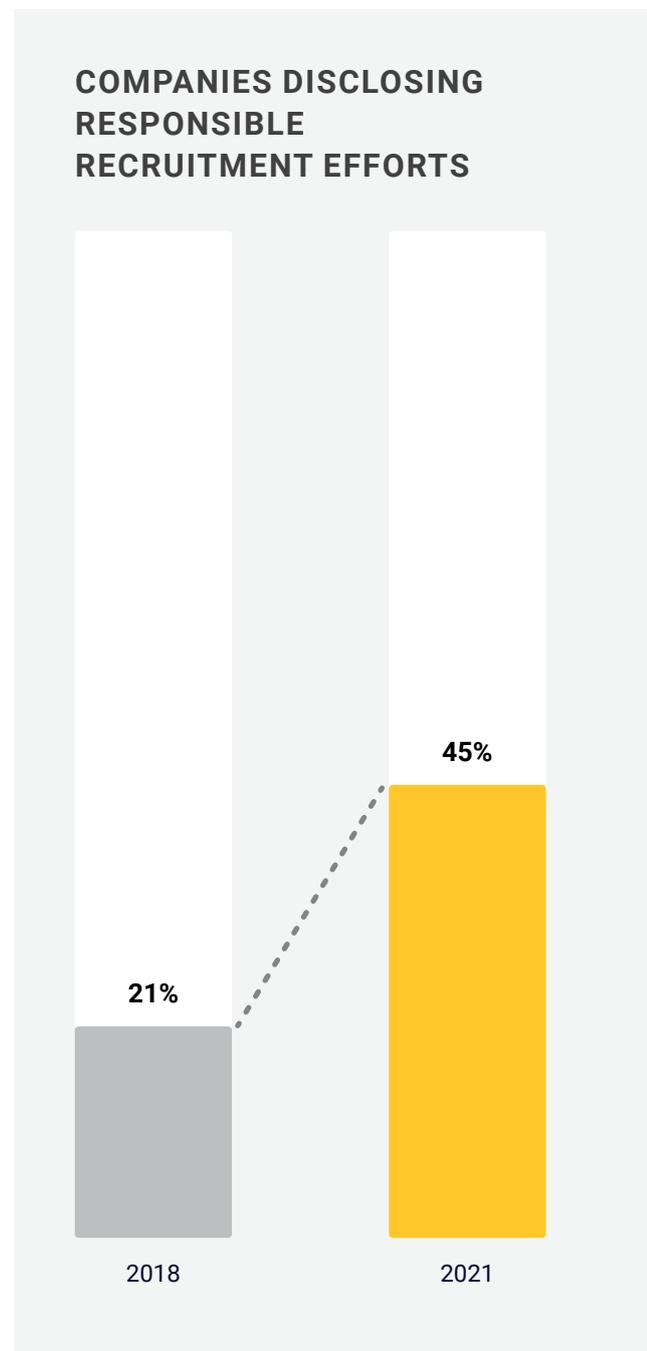
## Monitoring of Labor Agencies

Only 32% of companies disclosed that they, or their suppliers, monitor labor agencies used by suppliers, which suggests that a significant proportion of companies in the sector are not carrying out due diligence on the agencies used in their supply chains. Moreover, only one company provided evidence that such monitoring has been undertaken by providing information such as the number or percentage of labor agencies audited, a summary of audit outcomes, or details on progress made over time. **Lululemon** stated that its assessments of recruitment agencies verify they are licensed and examine the personnel files of migrant workers. It reported that the agencies of 15 out of its 19 suppliers that use migrant workers have been assessed. Other companies did not disclose outcomes of audits of labor agencies or detail on what is assessed as part of the process, such as whether audits include reviews of contracts with recruiters or worker documentation regarding visas.

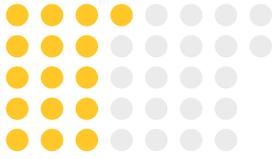
## The Bigger Picture: Steps to Improve at the Industry Level

Only 41% of companies reported on how they support responsible recruitment in their supply chains. They report working with organizations like the IOM to deliver training for labor agencies and suppliers or engaging in industry initiatives that focus on responsible recruitment. Although broader efforts, such as engaging with policy makers on the issue of responsible recruitment and disclosing the costs of recruitment, are necessary to effect industry-wide change, these were not typically disclosed by companies in the sector. In addition, some companies reported that they are working with suppliers to set up ethical recruitment routes for workers and that suppliers are working with companies to identify responsible recruitment agencies, but the companies did not disclose detail on how they are increasing demand for responsible recruitment agencies.

However, it is positive that since the 2018 benchmark, eight more companies (**Amazon, Asics, Fast Retailing, Gap Inc., Gildan, H&M, Nike, and VF**) disclosed how they are supporting responsible recruitment in their supply chains. Looking only at the 33 companies benchmarked in both 2018 and 2021, this represents a 24% increase. For example, **Gap Inc.** disclosed that it has conducted surveys of its second-tier suppliers in South Korea, Taiwan, and Turkey to understand how many migrant workers were employed. It reported it has worked with apparel industry peers and suppliers in Taiwan to interview workers and provide training to its second-tier Taiwanese suppliers on its requirements regarding migrant workers.



## Prevention of Risk



While **43% of the companies** have supply chain policies that include the Employer Pays Principle, far fewer disclosed how they are working to prevent fees from being charged to workers in the first place. More than a quarter (27%) of the companies disclosed at least limited information on how they are working to prevent fees, such as by assessing the recruitment practices of their suppliers or working to identify high-risk corridors. For instance, **Fast Retailing** reported that it is working with the IOM to analyze recruitment and employment conditions for migrant workers in its supply chains. It also reports working on an assessment of its suppliers' recruitment practices in Japan, Malaysia, and Thailand. **Burberry** disclosed that it is working with two of its suppliers and the NGO Issara Institute to develop "an ethical recruitment route for workers." The company also reported that it is working on mapping recruitment journeys in high-risk hotspots, identified through a human rights impact assessment.

However, two companies (**Adidas** and **Lululemon**) disclosed prevention processes that are more comprehensive than others. For example, **Adidas** disclosed that it is working to understand the costs of recruitment in different migrant corridors and high-risk countries such as Taiwan and Thailand by conducting on-site investigations that include interviews with migrant workers and labor agencies. The company reported that as part of its efforts to tackle recruitment fees, it is focusing on the corridors from Vietnam to Taiwan, the Philippines to Taiwan, and Myanmar to Thailand.

**Lululemon** stated that it has worked with its suppliers in Taiwan to eliminate any worker-paid fees in its Taiwanese supply chains, noting that 18 out of 19 suppliers had eliminated such fees for workers by, for example, directly hiring workers from Indonesia without using overseas labor agents. Lululemon was the only company to disclose examples of how its suppliers have implemented responsible recruitment processes, demonstrating how its policies manifest in practice and evidencing different ways in which suppliers have limited their use of labor agencies. Lululemon stated that it has eliminated recruitment fees for 2,700 supply chain workers. The company stated that it has begun to roll out the same program to its suppliers in Malaysia, Korea, Thailand, and Japan.

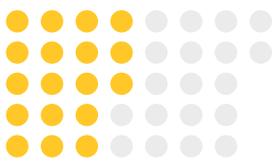
However, no company demonstrated that it has prevented recruitment fees across several supply chain contexts. Without disclosing how they are working to understand what fees workers have paid, at what points in the recruitment process workers are vulnerable to exploitation, and by not disclosing migrant worker corridors, companies cannot demonstrate that they are working to prevent fees from being charged.

Further to this, despite the fact that 43% of the companies have adopted the Employer Pays Principle as part of their supply chain policies, no company reported it has integrated recruitment-related costs into its purchasing practices. If such costs are no longer to be absorbed by workers and are to be accounted for by companies and their suppliers, companies should be able to show that they have adapted their purchasing practices to allow for this.

## WHAT SHOULD PREVENTION OF RECRUITMENT-RELATED FEES LOOK LIKE?

Companies should be able to demonstrate that workers do not have to pay fees in the first instance and that suppliers are proactively paying for recruitment costs. Companies should be able to show that, across several sourcing contexts:

- They understand where workers are recruited from and the practices used by labor agencies.
- They understand the costs of recruitment.
- They train suppliers on the implementation of recruitment fee policies.
- They undertake specialized monitoring to ensure that workers have not paid fees, including an assessment of contracts with recruiters and letters regarding worker visas.



**Half of the companies (18 out of 37)** have policies that require steps to be taken to ensure that migrant workers understand the terms and conditions of their employment, such as requiring that workers are provided with a contract in their own language before they leave their country of origin. However, only eight companies (22%) demonstrated how such policies are implemented, for example, through delivery of pre-departure orientation training for workers on the terms and conditions of their employment in their home countries.

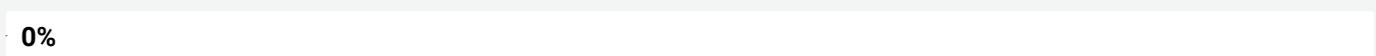
Finally, four companies (**Adidas, Asics, Lululemon, and VF**) demonstrated the effectiveness of their due diligence processes in practice by disclosing outcomes for groups in vulnerable conditions (beyond remedy), such as outcomes in which women or migrant workers have access to effective grievance mechanisms. **Adidas**, for example, reported that to address gender-based harassment and abuse in India, it delivered training for workers, developed a “gender responsive non-judicial grievance channel,” and instituted programs to increase the percentage of women in supervisory and leadership positions. **Asics** reported that it introduced a grievance mechanism for migrant workers in factories in Thailand and Japan to address specific issues faced by migrant workers that are producing for the Olympics.

## IMPLEMENTATION OF EMPLOYER PAYS POLICY

Employer Pays Policy



Evidence That Fees Are Prevented Across Several Sourcing Contexts



Employer Pays Policy Integrated Into Purchasing Practices



## Remedy

As well as disclosing relevant policies and undertaking due diligence on recruitment risks, companies should be able to show that they ensure remediation is provided to supply chain workers where violations of their policies have been found.



**Only eight companies (22%)** disclosed that recruitment-related fees have been repaid to workers in their supply chains. **Burberry**, for example, reported that it ensured workers were repaid fees for pre-employment health checks in 11 instances. **Primark** disclosed that, to date, it has ensured fees were repaid to 191 supply chain workers.

**PVH** disclosed that 112 migrant workers at a Thai supplier had paid recruitment-related fees for visas, health checks, and work permits, and that the supplier immediately took action and repaid the workers US\$22,900. It further reported that the supplier changed its onboarding process to include training and interviews with migrant workers to determine whether workers had paid recruitment-related fees.

Although the number of companies that disclosed evidence of fees being repaid to workers is low, it marks an increase since the 2018 benchmark, when only two companies reported such evidence. Five additional companies disclosed that fees have been repaid to workers (**Asics, Burberry, Nike, PVH, and Under Armour**). This reflects an increase in international pressure and attention to the issue of recruitment-related fees and their role in creating situations of forced labor.

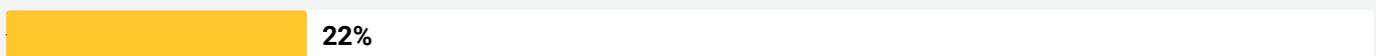
Whether the sector will proactively seek out where workers have paid fees and choose to repay workers across their supply chains remains to be seen. The examples disclosed by companies typically refer to specific instances where companies have sought to address non-compliances; the scale and scope of repayment for the majority of companies, however, remains unclear. Companies did not typically disclose how they verify that workers receive the right amount of fee repayment. Moreover, repayment of fees alone does not constitute full remedy. Workers will continue to be exploited as long as the cycle of payment and re-payment continues. Companies must focus on breaking the cycle of fees charged to workers through preventative efforts. Similarly, although workers may receive money back for fees that have been paid, this does not equate to justice that might be expected in other circumstances, such as compensation for the exploitation suffered.

### RECRUITMENT FEES: COMMITMENT AND REMEDY

#### Employer Pays Policy



#### Repayment of Fees to Workers



Brooks was highlighted by the investigative organization Transparentem for stand-out practice when it agreed to **share the cost of recruitment-fee reimbursement** with a factory even though the factory was not an authorized part of its supply chains.<sup>193</sup> Fees ranged from US\$745 to around US\$4,300 per worker.

While the majority of the companies (78%) disclosed policies prohibiting the retention of workers' passports, only six companies (16%) gave evidence of how they work to implement this policy, including through remediation (by returning withheld passports to workers) or disclosing the results of assessments on this policy. For example, **Lululemon** disclosed that it found all its first- and second-tier suppliers in Taiwan had implemented the requirement for safe and accessible storage for workers' documents, ensuring workers had access to their passports at all times. **Adidas** reported that where it found retention of workers' documents at its suppliers, it required that they return passports and bank books to workers.

Despite some good practices, the benchmark results show a distinct gap between companies' commitments and the proportion of companies that are remediating abuses.

## Company Examples

### Recruitment Fees

**Lululemon** disclosed that it has been working with its suppliers in Taiwan to implement its no-worker-paid fee programs. It stated that, as of the end of 2019, 18 of its 19 suppliers had enacted the program, and that as a result, "2,700 workers benefitted from the eradication of recruitment fees." The company reported it met in nine quarterly supplier working group sessions, which focused on building supplier capacity to manage responsible recruitment risks. The company further reported engaging recruitment agencies on its foreign migrant worker requirements. Lululemon stated that it conducts assessments of recruitment agencies used by its suppliers, which include reviews of migrant worker personnel files, and that 20 in-country agencies and 20 overseas agencies (used by 15 of its 19 Taiwanese suppliers) have been assessed. The company reported that it created a full-time role in Taiwan to support progress on these programs. It disclosed that the same program is being rolled out to suppliers in Malaysia, Korea, Thailand, and Japan.

### Responsible Recruitment

**Adidas** reported that it is working with more than 20 recruitment agencies across Taiwan, Thailand, the Philippines, and Vietnam as part of its work on recruitment fees. The company also disclosed that it has a two-year partnership with the IOM, which it stated involves specialized training for recruitment agencies in sending countries and its business partners in receiving countries. Adidas stated that it is also increasing engagement with its second-tier suppliers that employ migrant workers through this partnership.

## Recommendations

### Recruitment Fees:

Incorporate the Employer Pays Principle into policies to ensure the employer, not the worker, bears the costs.

Take steps to ensure both the remediation of worker-paid fees and the prevention of such fees in the first place. Identify recruitment corridors, as well as recruitment fees and related costs charged in different recruitment corridors, and undertake detailed checks on relevant documentation from suppliers (such as contracts with recruitment agencies or worker visas).

Adapt purchasing practices to incorporate the costs of meeting the Employer Pays Principle into payments to suppliers.

### Rights of Workers in Vulnerable Conditions:

Take steps to ensure that migrant workers in supply chains understand the terms and conditions of their recruitment and employment and that suppliers refrain from restricting workers' movement.

Ensure supply chain workers, including migrant workers, understand and are able to exercise their rights—guaranteeing workers have access to their passports, know their rights (including the Employer Pays Principle), have access to effective grievance mechanisms, and are able to exercise their rights to freedom of association and collective bargaining (and/or can access alternative means of organizing and bargaining).





## Worker Voice

This theme measures the extent to which a company carries out due diligence by engaging with workers in its supply chains on labor rights, enables freedom of association and collective bargaining for its supply chain workers, and takes steps to ensure supply chain workers have access to remedy through effective and trusted grievance mechanisms.

Alongside Recruitment, Worker Voice was the lowest-scoring theme in the benchmark, with an average score of only 30/100. Only eight companies scored above the 50% mark. Six companies scored zero (**Anta Sports, Capri Holdings, Hermès, Prada, Shenzhou International, and TJX**)—demonstrating a disregard for workers’ needs and a lack of understanding of how to achieve effective solutions.

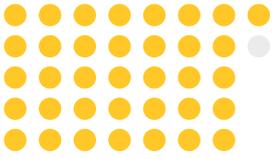
[VIEW WORKER VOICE RANKING](#)

Freedom of association and collective bargaining, which is critical to addressing forced labor risks and enabling workers to challenge abuse, appears to be addressed by companies primarily through ad-hoc, one-off efforts. Even where companies disclosed efforts across sourcing countries, those efforts seem to fail to translate into tangible impacts for workers on the ground. Enforceable agreements and worker-centric due diligence processes, such as grievance mechanisms co-designed and implemented by workers, remain the exception rather than the rule—marking the sector’s poor track record. Given increased clampdowns on workers’ rights worldwide,<sup>194</sup> such a lack of effective action is wholly inadequate.

### WHAT DO WE MEAN BY WORKER VOICE?

To ensure that labor rights in supply chains are respected, it is critical that worker participation and engagement be at the core of a company’s operational procedures and strategies and that there is meaningful promotion and protection of worker voice. Worker voice and agency refer to approaches that allow workers to contribute to the development, implementation, and monitoring of the business policies and decisions that affect them. Companies should be actively engaged in any decision that affects their workers, ranging from grievance mechanisms to working conditions, training and growth opportunities, work safety and health standards, and monitoring compliance—but also changes in employment, including furloughs and dismissals. Without worker voice, the fundamental power imbalance between companies and workers perpetuates the suppression of workers’ voices and rights. To recognize and promote worker voice and agency, companies must protect and promote the channels through which workers exercise fundamental rights and express their concerns, views, and grievances. Companies can do this by allowing workers to exercise their rights through trade unions, worker organizations, other forms of collectives, or, sometimes, individually.<sup>195</sup> The right to freely associate is a fundamental enabling right that allows workers to challenge abusive conditions; it is a necessity if forced labor is to be eradicated. Ensuring that workers in supply chains are able to organize into independent, democratically elected trade unions is one critical way to engage workers. Note that unions may not always exist as they may be restricted in some national contexts. In these instances, engagement may need to be reinforced with other worker interactions. In some contexts, groups of workers (like women or migrant workers) may be underrepresented in trade unions, or trade unions and freedom of association may be politically controlled or prohibited.

## Commitment



**All of the benchmarked companies—apart from Prada<sup>196</sup>**—disclosed a supplier code that prohibits forced labor, child labor, and discrimination. Yet only 24 of the 37 companies in the benchmark (67%) require suppliers to respect the ILO core labor standards, which cover the human rights that the ILO has declared to be fundamental rights at work. These include, crucially, freedom of association and collective bargaining. Still too many companies either exclude these rights from their supplier code of conduct, or, more commonly, companies—including **Amazon, TJX, and Walmart**—restrict the right to freedom of association and/or collective bargaining in their policies.

## Due Diligence

### Taking Steps to Ensure Workers Know Their Rights

Only 14 companies (38%) reported that they have taken steps to ensure that workers know their rights; a mere eight companies (22%) disclosed doing so in multiple supply chain locations. **Lululemon** reported that 2,900 migrant workers have received training on their rights in a foreign country at its second-tier suppliers in Taiwan. **Puma** disclosed the use of support workshops at suppliers where local civil society representatives train workers on human and women’s rights. It stated that these programs have taken place in Turkey, Georgia, Egypt, and Bangladesh and that, since 2008, over 5,000 factory workers have participated. **H&M** disclosed that workers at two of its spinning mill suppliers in Tamil Nadu have a worker peer group program that includes training on workers’ rights and health and safety; it also has education programs for local communities in which recruitment takes place. While some companies disclose working with local civil society organizations, they typically fail to disclose details, such as whether the organizations used were independent local parties trusted by the workers that took part in the training. Equally, while **Primark** and **H&M** referenced peer programs, **no company disclosed details on worker-led efforts to labor rights education**. It is, therefore, unsurprising that **only two companies (Adidas and Gap Inc.)** were able to **demonstrate whether such training efforts are effective** (e.g., whether workers had an improved understanding of their rights and how to raise grievances). For example, Gap Inc. stated that once functioning bipartite committees were in place, supply chain workers reported feeling more able to raise concerns and that concerns were more quickly addressed. A finding by an independent study of Gap’s program found an “enhanced ability for workers and managers to address workplace concerns.”

## FREEDOM OF ASSOCIATION IN SUPPLY CHAINS

Works with Local or Global Unions on Freedom of Association in Supply Chains



Improvements to Freedom of Association Through Disclosure of Outcomes for Workers



## Supporting the Right to Freedom of Association and Collective Bargaining in Supply Chains



The majority of the benchmarked apparel and footwear companies (81%) disclosed sourcing from contexts where freedom of association and collective bargaining are restricted. However, **only eight companies (22%)** disclosed taking steps to ensure that supply chain workers can pursue alternative forms of organizing in such contexts, such as worker councils or worker-management dialogue. For example, **Inditex** disclosed that its global framework agreement establishes a global union committee that includes union experts in which all of its supplier “clusters” (groups of sourcing locations) are represented, including in countries where there are regulatory constraints to organizing. **Burberry’s** human rights policy stated that “in countries where grievance systems, such as independent trade unions or collective bargaining, are not permitted or supported, or in the case where vulnerable workers may not have access to effective systems of recourse, we sponsor a free, NGO-run, confidential hotline.” It disclosed that it has worked with three local NGOs in China to provide a hotline for 10,000 supply chain workers.

## WHY IS FREEDOM OF ASSOCIATION IMPORTANT TO ADDRESS FORCED LABOR RISKS?

Forced labor thrives in situations of inequality and discrimination, causing harm to workers in the most vulnerable conditions, such as migrant and women workers. Freedom of association is an effective tool for addressing forced labor as it gives power to the workers. Where workers can exercise their right to freely associate and bargain collectively, strong improvements in wages and working conditions have been evidenced, across sectors and sourcing countries.<sup>197</sup> The International Trade Union Confederation notes that “freedom of association is an enabling right, and organising is the most effective instrument to tackle slavery and forced labour.”<sup>198</sup>

However, levels of unionization in the apparel sector are low, with “only a small percentage of all garment workers ... unionized.”<sup>199</sup> Further, some of the biggest apparel-producing countries are ranked among the worst for workers’ rights to organize, including Bangladesh, China, Indonesia, the Philippines, and Turkey.<sup>200</sup>

Moreover, the Covid-19 pandemic saw workers’ rights further impacted, particularly as pandemic-related lay-offs appeared to target unionized workers.<sup>201</sup> In Myanmar, for example, 571 workers, including 520 union members, were dismissed only hours after union representatives asked for increased protection against the risk of infection.<sup>202</sup> In another instance, a supplier in India dismissed 1,200 workers at one factory citing a lack of orders, while its other factories remained open. The factory in question was reportedly the only factory that was unionized.<sup>203</sup> Workers have also reportedly been physically attacked for attempts to exercise their right to organize.<sup>204</sup>

## COMPANIES SHOULD USE SUPPLY CHAIN TRANSPARENCY TO DEMONSTRATE IMPROVEMENTS ON FREEDOM OF ASSOCIATION AND COLLECTIVE BARGAINING

Providing year-on-year data, at both the aggregate and factory levels, is a key means by which companies can demonstrate that they are taking this crucial right seriously and show improvements, namely an increase in the prevalence of unions and collective bargaining agreements at factories over time.

For example, **Kering** disclosed that collective bargaining agreements cover 87.8% of its suppliers.

**H&M** disclosed that 85% of its supplier factories have democratically elected worker representation and disclosed trade union presence at the factory level in its supplier list. It also disclosed worker representation data at the factory level, namely whether each factory has one or more “worker-endorsed unions” and whether worker representatives have been chosen by the workers.

**Puma** disclosed social KPIs at its core suppliers (59 suppliers, representing 82% of volume), which included the percentage of workers covered by collective bargaining agreements per region (as well as the percentage of workers covered by social insurance and the percentage of permanent workers and wages paid above the local minimum wage). The data are broken down by sourcing country and year-on-year data points are provided over a three-year period.<sup>205</sup> The data showed that the percentage of workers covered by collective bargaining agreements increased from 22% in 2017 to 25% in 2019 (however, this is a decrease from 27% in 2018).

Few companies report that they call on policy makers to improve legislation regarding freedom of association. **Lululemon** reported that it participated in an industry outreach to the Cambodian government to urge amendment of their labor law reform and to align with ILO standards, specifically addressing “the shortcomings of the proposed law with regards to trade union registration and representation, as well as dropping all criminal charges against union leaders.”

It is encouraging that six more companies have disclosed engaging with local or global unions on freedom of association in their supply chains since the 2018 benchmark. Apparel and footwear companies also show stronger efforts to support freedom of association in supply chains than other benchmarked sectors.<sup>206</sup> However, the bar remains low: only 43% of companies disclose engaging with local or global unions on freedom of association in their supply chains. For example, **Primark** disclosed that it has worked with trade unions in its sourcing countries to resolve specific grievances. It refers to working with trade unions in Cambodia as part of its work with ACT, an agreement between global apparel brands and IndustriALL focused on achieving living wages, “on steps towards industry-wide collective bargaining with the employer association in Cambodia.” **Hanesbrands** disclosed that it has engaged with union representatives at one supplier repeatedly to ensure that an issue regarding workers’ freedom of association was resolved. **PVH** stated that when it received a grievance regarding unfair treatment of union members at a Turkish supplier, it worked with the supplier, the union, and peer companies to ensure the supplier posted a statement from management on respecting the right to organize and that a meeting and additional training on the importance of freedom of association took place and elections for worker.

Engagements with unions often seemed to be limited to one-off pursuits in response to specific rights violations brought to companies' attention, rather than part of a more systematic approach to ensure workers across supply chains are able to exercise their right to freedom of association and collective bargaining.

Agreements between companies and trade unions are a step companies should take as part of their due diligence efforts, according to the OECD,<sup>207</sup> and are a way to engage with unions systematically. A quarter of the companies (24%) are signatories to global framework or similar agreements. For example, five companies (**H&M**, **Inditex**, **Primark**, **PVH**, and **Zalando**) disclosed that they are members of ACT. Yet companies typically did not report on any details of actions they have taken as part of the initiatives.

**Inditex** and **H&M** disclosed more systematic engagement with unions across a range of sourcing countries as part of their respective global framework agreements with IndustriALL. **H&M** is part of a Global Framework Agreement, which includes expectations for its direct suppliers and their subcontractors. As part of the agreement, the company disclosed setting up national monitoring committees in six countries that oversee and support implementation of the agreement. It stated that the committees cover more than 750,000 workers who can raise issues via the committees and which cover areas such as wage revision, discrimination and harassment, freedom of association and collective bargaining, and working hours.

Such reporting on concrete outcomes for workers (such as reinstating unfairly dismissed workers and increasing the number of factories covered by collective bargaining agreements) remains rare among both companies and sector initiatives. Only **Adidas** and **Lululemon** (5%) disclosed multiple examples of outcomes that demonstrate improvements for workers. **Adidas** reported that at a subcontractor of a first-tier supplier in Myanmar, four workers had been dismissed when they tried to form a union. It stated that it initially asked for the workers to be reinstated, but the company then closed the factory. Compensation was then sought and a severance package was agreed with the dismissed workers that included back-wages from the date of dismissal, annual leave, and other allowances. It reported that the dismissed workers were reportedly satisfied with the settlement. An additional eight companies (22%) disclosed other efforts to improve freedom of association, such as supplier training.

The Worker-Driven Social Responsibility Network notes that:

**“ Gains for Workers Must be Measurable and Timely ... To ensure accountability, any program designed to correct specific labor rights problems must include objectively measurable outcomes and clear deadlines.”<sup>208</sup>**

Even when companies systematically engage with unions and are able to disclose some cases of how industrial disputes were solved, the situation on the ground often remains dire. Levels of unionization in the apparel sector are already low and, during the Covid-19 pandemic, thousands of unionized workers reported being targeted for dismissal due to union membership and organizing. This includes workers in the supply chains of companies such as **H&M**, **Inditex**, and **Primark**,<sup>209</sup> which have policies that require suppliers to respect their workers' right to freedom of association and which disclosed efforts to engage with unions across sourcing countries. Reports from workers, however, show that such efforts are insufficient and that suppliers disregard companies' policies.

## WORKER-CENTRIC DUE DILIGENCE PROCESSES

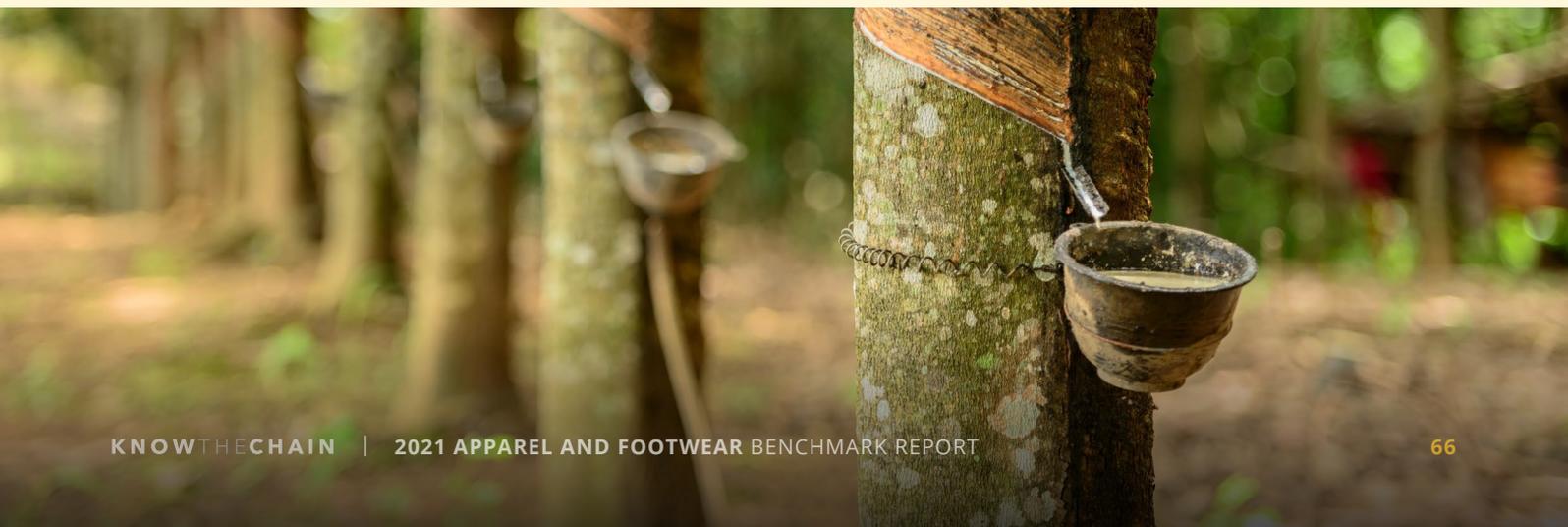
Workers need to be central to labor rights programs as they best understand their conditions and have the strongest interest in ensuring their rights are respected. Fundamental power imbalances between companies and workers leave workers' voices and rights suppressed. If companies want to ensure workers' rights are fully respected, companies must support, rather than suppress, rights and initiatives that address this power imbalance. This is particularly crucial as conventional social auditing approaches have repeatedly failed to detect labor rights abuses, including forced labor.<sup>210</sup>

Workers should play a central role in developing, implementing, and monitoring company policies and decisions that affect them. These include:

**Risk Assessment** (six out of 37): Workers are the ones who experience conditions on the ground every day, yet company disclosure indicated a preference for getting information from third-party sources and consultants. Only six companies disclosed involving workers in their supply chain risk assessment processes.

**Supplier Monitoring** (one out of 37): Worker-focused monitoring should be considered an alternative to social auditing. Worker-driven monitoring (i.e., monitoring undertaken by independent organizations that includes worker participation and is guided by workers' rights and priorities) can be undertaken by independent organizations such as local worker-led organizations, unions, or civil society partners. These organizations can conduct in-depth investigations and worker interviews as they are on the ground year-round, understand local conditions, and are trusted by workers. **H&M** was the only company that disclosed some information on more worker-centric approaches, noting that as part of its global framework agreement, it has national monitoring committees in six countries that include representation from IndustriALL and IF Metall.

**Grievance Mechanisms and Remedy** (four out of 37): Workers should play a central role in co-designing grievance mechanisms. Participation of workers in the design and running of grievance tools ensures that workers trust the mechanism. Only four of the benchmarked companies disclosed limited information on involving workers or their representatives in the design of grievance mechanisms. The numbers were similarly low when it came to engaging workers in the determination of remedy, despite the OECD Due Diligence Guidance for Responsible Business Conduct noting that companies should, "in relation to human rights impacts, consult and engage with impacted rightsholders and their representatives in the determination of the remedy."<sup>211</sup>



## Enforceable Agreements

There is ample evidence that voluntary efforts fail workers—which is why apparel workers and their representatives have long called for legally binding agreements that are enforceable.<sup>212</sup> Nine companies (24%) disclosed that they are signatories to enforceable agreements on specific issues: for example, all nine are signatories to the Accord on Fire and Building Safety in Bangladesh, an independent, legally binding agreement between brands and trade unions designed to work toward a safe and healthy Bangladeshi ready-made garment industry. Another example in the sector is an agreement to address gender-based violence in Lesotho between local and global trade unions, women’s and workers’ rights organizations, global apparel companies, and a local supplier.<sup>213</sup> However, enforceable agreements disclosed by the companies tend to be issue-specific and apply to one sourcing location only, meaning companies still have to show what action they take in other sourcing countries.

Despite strong evidence that should compel companies to take action, including increasing clampdown on workers’ rights across sourcing countries during Covid-19,<sup>214</sup> apparel and footwear companies did not disclose taking sufficient steps to ensure supply chain workers are able to organize. In fact, only two were able to show two examples of improvements in different sourcing contexts.

## Remedy

The majority of companies in the benchmark (76%) disclosed that grievance mechanisms are available to their suppliers’ workers.<sup>215</sup> This includes mechanisms provided by companies, by suppliers, or by third parties, such as industry initiatives. However, only 51% of companies disclosed how the mechanism is communicated to workers, such as through worker training or displaying the mechanism details in supplier factories in workers’ languages.



More than half of the companies that reported mechanisms are available to supply chain workers failed to demonstrate even a single case of a worker in their supply chains ever having used these mechanisms. **Only 35% of the companies** disclosed data showing that workers in their supply chains have used the mechanism. Such data can indicate the effectiveness of grievance mechanisms, a key requirement of the UN Guiding Principles on Business and Human Rights. Where companies disclose data on the use of grievance mechanisms, it shows that, at a minimum, workers know the mechanisms exist, know how to use them, and trust them. It is nevertheless positive that six additional companies since the 2018 benchmark (**Asics, Fast Retailing, Gap Inc., Pou Chen, Primark, and Walmart**) have disclosed data on the use of their grievance mechanism. **Primark**, for example, disclosed that, in 2019 and 2020, 62 grievances were raised by trade unions, supply chain workers, and civil society groups. It stated that 24 reports concerned forced labor. **Fast Retailing** disclosed that it received 63 reports to its hotline mechanism in 2019 related to violations of the ILO core labor standards or its supplier code of conduct (including wages, working hours, and harassment). It reported that 43 of these cases are considered closed.

## GRIEVANCE MECHANISMS

### Grievance Mechanism for Suppliers' Workers



76%

### Data on the Use of Grievance Mechanism



35%

### Grievance Mechanism for Workers in Lower Tiers



11%

**Gap Inc.** reported that workers may raise grievances through its Workplace Cooperation Program, which is in place at 182 supplier facilities and works with elected bipartite committees comprising both worker and management representatives; 8,323 grievances were raised by workers through the program in 2018-19. It disclosed that 88% of them were resolved within the same quarter they were reported. **Adidas** disclosed the complaints received by its publicly available third-party complaints process each year. These were largely reported by trade unions and human rights organizations. The data included details such as the complainant, the factory in question, and the outcome of the complaint.

Very few companies demonstrated taking into account the needs of specific groups of workers (beyond including requirements in their supplier codes). **Fast Retailing** stated that in collaboration with the International Organization for Migration (IOM), it is mapping and screening local NGOs to support foreign migrant workers employed at partner factories or as they return to their home countries where issues requiring “specialist expertise” are raised through its hotline. **Asics** disclosed that it collaborated with a local NGO to introduce a grievance mechanism in its factories in Thailand and Japan to address the specific issues faced by migrant workers producing for the Olympics. **Adidas** disclosed that it worked with the supplier to review policies and provide worker training following gender-based harassment and abuse at a footwear supplier in India. It also developed a grievance mechanism sensitive to the needs of women workers.

Four companies disclosed limited information on worker involvement in the design or performance of grievance mechanisms, including cases where grievances are raised through worker bipartite committees or monitoring committees that include union representatives. **PVH** stated that its factories are trained by the Better Work Programme on grievance mechanisms, including on engaging workers in the development of such mechanisms (and that, before the pandemic, it had planned to train 100 additional factories in 2020 on the importance of engaging workers in the design phase of grievance mechanisms).

There is a significant gap in supply chain workers’ access to remedy in the lower tiers of supply chains. While 76% of the companies disclosed that grievance mechanisms are available to their first-tier supply chain workers, only four companies (**Adidas**, **Fast Retailing**, **Lululemon**, and **PVH**) disclosed that grievance mechanisms are available to workers below the first tier. **Lululemon** disclosed that 60% of its second-tier assessments showed that suppliers had established grievance mechanisms. It also stated that it had received two grievances from workers in the second tier of its supply chains. Eighty-nine percent of the companies did not disclose a way for workers in the lower tiers of their supply chains to access remedy.

## Company Examples

### Freedom of Association

**H&M** is part of a Global Framework Agreement focusing on freedom of association and collective bargaining; it includes expectations for its direct suppliers and subcontractors. As part of the agreement, the company has set up national monitoring committees in six countries, which oversee implementation of the agreement. It stated that the committees cover more than 750,000 workers who can raise issues via the committees. It also disclosed some information on the types of issues resolved.

### Grievance Mechanism

**Adidas** reported that workers in the third tier of its supply chains have access to Better Cotton Initiative's (BCI) grievance mechanism in the countries in which it operates. It also reported that it worked with the FLA, BCI, and four other brands to assess employment practices on Turkish cotton farms. They worked with the Turkish Ministry of Labor on their hotline, which it stated was made available to its second-tier suppliers and cotton farmworkers. The company disclosed an annual summary of human rights complaints made through its third-party complaints process, which includes complaints related to Adidas' suppliers' subcontractors.

## Recommended Company Action

### Freedom of Association and Collective Bargaining:

Play an active, transparent role in negotiations between suppliers and workers in industrial disputes. Seek the reinstatement of unfairly dismissed union members and leaders—proactively ensuring that this takes place, even in the absence of outside pressure.

Enter into enforceable agreements with unions and/or worker groups.

Actively promote freedom of association and provide evidence of improvements of freedom of association and collective bargaining across supply chain contexts, for example, by disclosing year-on-year data on the percentage of workers under collective bargaining agreements (preferably at the factory level as part of a supplier list) or by disclosing examples of tangible outcomes for workers.

### Grievance Mechanisms:

Ensure workers play a central role in the design, implementation, and monitoring of grievance mechanisms and other key processes (such as risk assessment and supplier monitoring).

Ensure effective grievance mechanisms are available to suppliers' workers and their representatives, including below the first tier of supply chains.

Demonstrate their effectiveness by disclosing data on the operation and use of the mechanism by suppliers' workers or their representatives.



## Remedy

Remedy is one of the three pillars of the UN Guiding Principles on Business and Human Rights and a key aspect of companies' responsibility to respect human rights.

The sector performs poorly on Remedy, with significant gaps in the disclosure of outcomes of remedy for workers. The sector scores a mere 13/100 on the indicator, which is the lowest score across all 21 indicators in the benchmark. Remedy efforts were focused on correcting supplier policies and processes but fell short of ensuring concrete remedy outcomes for workers, let alone satisfactory solutions. In responding to forced labor allegations in their supply chains, no company disclosed that workers were satisfied with the remedy actions taken. More often than not, workers did not receive remedy at all. Only 11% of the benchmarked companies (4 out of 37) disclosed multiple concrete instances of remedial outcomes for workers. In fact, half of the companies (51%) scored zero on the remedy indicator, including online retailers **Amazon** and **Zalando**, which have profited significantly during the pandemic.<sup>216</sup> This is appalling at a time when thousands of workers in apparel supply chains have experienced wage theft and workers in the supply chains of companies including **H&M** and **Walmart** wait for legally mandated severance pay as high as five months' wages.<sup>217</sup> Both companies also faced several forced labor allegations yet did not disclose remedy outcomes for workers.



**Only 12% of the benchmarked companies (7 out of 37)** disclosed a process for responding to reported violations of supply chain labor rights policies, and even in those few instances, details such as responsible parties, approval procedures, timelines for dealing with allegations, and how engagement with affected workers takes place are not always provided.

## ACCESS TO EFFECTIVE REMEDY

The UN Guiding Principles on Business and Human Rights describes the dual purpose of having a grievance mechanism: to identify adverse human rights impacts and to make it possible for these impacts to be remedied. Companies that simply cut ties with suppliers when a non-compliance is identified obstruct the remedy process for workers. Additionally, labor rights violations likely persist as the root causes of non-compliance are not addressed, and changed orders may result in suppliers failing to pay workers' wages, cutting hours, or laying off staff. Remedies should be arrived at from the perspective of rightsholders and be responsive to their diverse experiences.<sup>218</sup> Affected workers, as well as worker representatives, should be consulted throughout the process of remediation to determine the appropriate remedy (and how to address the root causes going forward) and evaluate whether affected workers are satisfied with the outcomes.<sup>219</sup>

Workers are central to the remedy process, and consultation with affected stakeholders should occur throughout the process. **Adidas** stated that it conducts a review of any complaints made and that the review's findings are sent to the complainant for a response. It reported that it will then conduct an on-site investigation and that it may engage government agencies or stakeholders from local communities or civil society to decide on a mutually agreeable remedy. It further disclosed timelines for this process and a process for unsatisfied parties to raise issues.

## Remedy Outcomes for Workers

**Inequality and discrimination manifest when it comes to remedy for supply chain workers.** Concrete remedy outcomes for workers in corporate supply chains are rare. Where they occur, remedy outcomes involve corrections of code violations, such as reimbursement of unpaid wages or recruitment fees, but they do not match those that have become ubiquitous to employment disputes in many jurisdictions. For instance, financial compensation is limited to the amount of wages owed and does not include interest, compensation for damages, prosecution of the perpetrator, or a formal public apology.

It is important to understand that this does not constitute full remedy, nor social justice.

KnowTheChain operates under the assumption that labor rights violations likely exist in any large global company's supply chains and, therefore, asks all companies to provide examples of remedy outcomes to workers in their supply chains. Around one-third of the companies (32%) disclosed at least one example of a remedy outcome for their supply chain workers related to labor rights violations. Only 11% disclosed more than one concrete instance of remedial outcomes for workers—a very limited number given that companies have thousands of workers in the first tier of their supply chains alone and labor rights violations are common in the sector and have multiplied during the Covid-19 pandemic.

The limited number of companies that disclosed several remedy outcomes also stands in stark contrast to the three-quarters of companies (28 out of 37) that disclosed supply chain workers' access to grievance mechanisms (by requiring suppliers to provide grievance mechanisms for workers, making their own or a specialized grievance mechanism available, and/or by ensuring that supply chain workers have access to third-party mechanisms). This shows yet another significant gap between companies' policies and their effectiveness.<sup>220</sup>

## GRIEVANCE MECHANISMS VS. REMEDY OUTCOMES

Grievance Mechanism for Suppliers' Workers

76%

Several Remedy Outcomes for Workers Across Supply Chains

11%

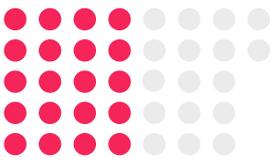
## REMEDY: DO COMPANIES STEP UP AND TAKE RESPONSIBILITY?

In most cases, companies respond to allegations by running additional audits to verify the grievances without providing information at a later stage on the result and follow-up steps.

While it is positive that, at least in some cases, companies reported remedy outcomes for their supply chain workers, it has to be noted that in those cases, companies seemed to limit their role to engaging with suppliers (on their own or with peers) to ensure the suppliers provided remediation. This is critical and important. Yet it also means that companies do not typically acknowledge their role and responsibility. They persist with **purchasing practices that do not account for living wages or costs such as recruitment fees**, which means that suppliers may be unable to pay in full for remediation costs.

It is also important that companies clearly communicate to workers that they commit to providing remedy. For example, a grievance mechanism that fails to result in outcomes for workers may lead to distrust and disengagement from workers.

### Remedy Outcomes in Cases of Allegations



KnowTheChain includes publicly available allegations of forced labor in the benchmark to assess how they are addressed and provide visibility of the best practices for responding to labor rights violations.<sup>221</sup> In total, allegations of abuse were identified in the supply chains of **more than half of the companies (54%)**, with 22% of the companies facing multiple allegations. Allegations were identified regarding companies headquartered in Asia, Europe, and North America. Cases included alleged rights violations regarding workers in vulnerable conditions, such as women workers, migrant workers, and ethnic minority workers in supply chains in Africa, Asia, and Europe.<sup>222</sup> Some of the allegations involved charging workers with recruitment-related fees, leaving them in situations of debt bondage. Others involved physical and verbal abuse, including gender-based violence and harassment against women workers. Some allegations reported that workers were forced to work overtime or excessive hours.

#### Sector-wide allegation

Sources allege that numerous apparel and footwear companies (including some of the companies benchmarked by KnowTheChain) are linked to Uyghur forced labor, both in Xinjiang and in factories across China.<sup>223</sup> Given the high number of allegations and additional sources that report allegations concerning a large portion of the raw materials commonly used in the sector—specifically cotton, but also cashmere, viscose, and wool and synthetic fabrics such as polyester<sup>224</sup>—KnowTheChain assessed all of the companies on their efforts to address alleged Uyghur forced labor.<sup>225</sup>

KnowTheChain includes sector-wide allegations where there are a) public reports implicating a significant number of benchmarked companies, b) widespread acknowledgment that the situation constitutes forced labor, and c) evidence that the risks are widespread and exist across supply chain tiers and sourcing relationships in the sector.

No company publicly disclosed how it addressed such risks across supply chain tiers and raw materials. A particular lack of action was noted in relation to rightsholder engagement and remedy outcomes.

At the time of research, only one benchmarked company publicly disclosed engagement with rightsholders (the Coalition to End Forced Labour in the Uyghur Region, which includes Uyghur human rights groups), and no company disclosed detail on how it is engaging with rightsholders to address the topic. In addition, none of the benchmarked companies had signed the call to action of the coalition, thus demonstrating public support and time-bound targets to implement solutions identified by rightsholders.

No company disclosed concrete remedy outcomes regarding alleged Uyghur forced labor. In fact, one company pointed to advice from governments which does not call for remedy, ignoring the call for remedy from groups representing rightsholders. Full remedy, as in other forced labor cases where companies can engage with impacted workers and ensure they receive payments, is not possible in this case.<sup>226</sup> Regardless, remedy remains an essential component of a company's human rights obligations, particularly given that companies seem to be unable to rule out the use of alleged Uyghur forced labor across their supply chain tiers and raw materials. The Coalition to End Forced Labour in the Uyghur Region notes that remediation may include compensation to affected workers.<sup>227</sup> Examples of such remediation exist already: In 2019, the US sports company Badger Sport agreed to pay \$300,000 to human rights organizations supporting victims in Xinjiang.<sup>228</sup>

### **Additional company-specific allegations**

Additional allegations were identified against 11 companies in the benchmark, predominantly at the garment manufacturing level; many involved workers paying recruitment fees and other costs to work

Among the 11 companies with additional allegations of forced labor in their supply chains, only three disclosed engaging in dialogue with reportedly affected stakeholders—through engaging impacted workers and their trade unions directly or by undertaking interviews with larger groups of workers. For example, **Lululemon** disclosed conducting over 650 confidential worker interviews to verify allegations of verbal and physical abuse of workers at a supplier factory in Bangladesh. **Under Armour** disclosed that it worked with a labor research and consultancy organization to assess the amount due to workers through which they “interviewed a significant sample of foreign migrant workers employed at the facility to understand the amount of fees they reported to have paid.”

Workers at Malaysian factories supplying to **Nike** and **Under Armour** were allegedly charged recruitment fees, misled about how much they were earning, and faced physical abuse. In response, the two companies collaborated with other brands and worked with the supplier to implement a multi-installment plan to provide back-pay to workers who had paid fees. Pay-outs reportedly averaged US\$350-400 per worker, and about 950 workers received both pay-outs.

In response to an allegation that workers at a Malaysian factory supplying to **Primark** were charged recruitment fees and had their passports retained, the company disclosed that it helped ensure that the supplier stopped charging recruitment fees and returned the workers' passports, even though it had stopped sourcing from the factory.

Six of the 11 companies disclosed limited remedy outcomes in the case of allegations, though in some cases, remediation was only partial or was ongoing. In particular, **H&M** and **Walmart** stood out for neither disclosing outcomes for workers regarding specific allegations (despite having two and three allegations respectively) nor providing examples of other labor-related remedy outcomes in their apparel supply chains.

No companies disclosed evidence that remedies are satisfactory to the victims or groups representing the victims. Equally, no company disclosed contributing to remediation costs, thus either taking no action or simply pushing responsibilities to their suppliers. While rare, examples of good practice exist in the sector: The US sportswear company Brooks, a company not included in the benchmark, reportedly shared the cost of recruitment-fee reimbursement with one subcontractor, even though it had not been authorized to make its products.<sup>229</sup>

**Gap Inc.**, **H&M**, **Ralph Lauren**, and **Walmart** did not disclose remedy outcomes for workers impacted by the forced labor allegations in their supply chains.<sup>230</sup> The clear lack of concern to ensure that reported rights violations result in remedy for workers and to engage workers in dialogue throughout the remedy process indicates that most companies fail to fulfill their duty to verify that workers have access to an effective remedy under the UN Guiding Principles.

To achieve access to remedy, the UN Guiding Principles on Business and Human Rights make clear that workers must have access to effective grievance mechanisms (i.e., mechanisms that are legitimate, accessible, predictable, equitable, transparent, rights-compatible, a source of continuous learning, and based on engagement and dialogue with stakeholder groups). See **Worker Voice** chapter.

## ADDITIONAL ALLEGATIONS

### Excludes sector-wide allegation

- Remedy outcome disclosed
- ◐ Limited information on remedy outcomes or remediation ongoing
- No remedy outcome disclosed

<span style="color: yellow;">●</span>	<b>Asics</b>
<span style="color: gray;">●</span>	<b>Gap Inc.</b>
<span style="color: gray;">●</span> <span style="color: gray;">●</span>	<b>H&amp;M</b>
<span style="color: yellow;">●</span> <span style="color: gray;">●</span>	<b>Hugo Boss</b>
<span style="color: yellow;">◐</span>	<b>Lululemon</b>
<span style="color: yellow;">◐</span>	<b>Nike</b>
<span style="color: yellow;">●</span> <span style="color: gray;">●</span> <span style="color: gray;">●</span>	<b>Primark</b>
<span style="color: gray;">●</span>	<b>Ralph Lauren</b>
<span style="color: yellow;">●</span>	<b>Under Armour</b>
<span style="color: gray;">●</span> <span style="color: gray;">●</span> <span style="color: gray;">●</span>	<b>Walmart</b>

## Company Examples

### Process for Responding to Reported Rights Violations

**Fast Retailing** stated that it aims to respond to complaints to its hotline within 24 hours. It noted that it investigates root causes and informs the complainants of the action taken with the supplier. Fast Retailing disclosed that it committed to engaging with impacted workers, and it asks complainants to inform the company if remedies have not been implemented. It also provided a flow chart of its hotline detailing how complaints from workers are dealt with at the factory and at Fast Retailing; the process includes escalation to Fast Retailing's Business Ethics Committee and/or Human Rights Committee if no remedy is achieved.

### Response to Allegations

**Lululemon** disclosed that, in response to an allegation involving physical, sexual and verbal abuse, and coercion, it ensured that the supervisors responsible for the harassment were removed from the facility and it instated a worker grievance hotline. The company noted that it coordinated the facility's four biggest buyers to implement corrective actions in response to the allegation, despite having used the supplier facility only in a limited capacity. It stated that it chaired meetings with the brand remediation group every two weeks and engaged with the supplier on a monthly basis.<sup>231</sup>

### Remedy Outcomes

**Adidas** stated that four workers were dismissed when they tried to form a union at a subcontractor of a first-tier supplier in Myanmar. It stated that it initially asked that the workers be reinstated, but as the supplier then closed the factory, remedy efforts focused on compensation instead. The company disclosed that a severance package was agreed with the dismissed workers that included back-wages from the date of dismissal, annual leave, and other allowances. The company reported that the dismissed workers were satisfied with the settlement.<sup>232</sup>

## Recommended Company Action

**Remedy Outcomes:** Companies should disclose concrete remedy outcomes for workers, including in cases of specific allegations. In particular, companies should:

Engage with workers on an ongoing basis to ensure the full extent of rights violations is identified (such as the amount of any recruitment fees and related costs paid by workers), meaningful remedy is developed, and workers are satisfied with the remedy outcomes.

Work with suppliers and, where relevant, peer companies to ensure that migrant workers receive remediation, including for recruitment fees and related costs and unpaid wages.

Contribute financially to remediation and/or funds for supply chain workers.<sup>233</sup>

# APPENDIX 1: COMPANY SELECTION

KnowTheChain assesses companies in sectors where forced labor risks have been widely documented. It reviews the largest global companies per sector, as these companies have a large workforce in their supply chains as well as significant leverage (and therefore may have both the greatest negative impact on workers and the ability to significantly improve supply chain working conditions). Due to its focus on (listed equity) investors,<sup>234</sup> KnowTheChain assesses publicly listed companies only.

The 64 apparel and footwear companies included in the assessment were selected based on their size (market capitalization) and the extent to which they derive revenue from own-branded apparel and footwear products. All 64 companies were assessed against a smaller **subset of indicators**. The 37 largest companies were additionally analyzed against the **full benchmark methodology**. The initial company selection took place in 2019. To account for the impacts of Covid-19 on the sector, KnowTheChain reviewed the companies' market capitalization again in mid-2020 and, as a result, department stores were assessed against the subset of indicators only, and online retailers were included in the full benchmark analysis.

Two of the companies in KnowTheChain's benchmarks have significant revenues from several product types and are, therefore, included in more than one sector benchmark (Amazon and Walmart).

## KNOWTHECHAIN HAS ASSESSED THE FOLLOWING 37 COMPANIES AGAINST THE FULL BENCHMARK METHODOLOGY:

Company	Market cap in US\$bn	Headquarters	Year of inclusion	Engaged with KnowTheChain <sup>235</sup>
Adidas	47	Germany	2016	● Yes (sent disclosure)
Amazon	805	United States	2018	● Yes (sent links)
Anta Sports	16	China	2018	● Informal
Asics	3	Japan	2018	● Yes (sent disclosure)
Burberry	10	United Kingdom	2018	● Yes (sent disclosure)
Capri	7	United Kingdom	2018	● No
Carter's	4	United States	2018	● Yes
Columbia Sportswear	7	United States	2018	● Yes (sent disclosure)
Fast Retailing	48	Japan	2016	● Yes (sent disclosure)
Foot Locker	7	United States	2018	● No
Gap Inc.	10	United States	2016	● Yes (sent disclosure)

Company	Market cap in US\$bn	Headquarters	Year of inclusion	Engaged with KnowTheChain <sup>235</sup>
Gildan Activewear	7	Canada	2016	● Yes (sent disclosure)
Hanesbrands	7	United States	2016	● Yes (sent disclosure)
H&M	28	Sweden	2016	● Yes (sent disclosure)
Hermès	66	France	2018	● Yes (sent disclosure)
Hugo Boss	5	Germany	2016	● Yes (sent disclosure)
Inditex	94	Spain	2016	● Yes
Kering	69	France	2016	● Yes (sent disclosure)
L Brands	7	United States	2016	● Yes (sent disclosure)
Lululemon	20	Canada	2016	● Yes (sent disclosure)
LVMH	173	France	2018	● Informal
Mr Price	4	South Africa	2018	● Informal
Nike	135	United States	2016	● Yes (sent disclosure)
Pou Chen	4	Taiwan	2018	● Yes (sent disclosure)
Prada	8	Italy	2016	● Informal
Primark	24	United Kingdom	2016	● Yes (sent disclosure)
Puma	8	Germany	2018	● Yes (sent disclosure)
PVH	9	United States	2016	● Yes (sent disclosure)
Ralph Lauren	10	United States	2016	● Yes (sent disclosure)
Shenzhou International	19	Hong Kong	2016	● Yes (sent link)
Skechers	5	United States	2018	● Yes (sent disclosure)
Tapestry	10	United States	2020	● Informal
TJX Companies	63	United States	2020	● Informal
Under Armour	10	United States	2016	● Yes (sent disclosure)
VF	35	United States	2016	● Yes (sent disclosure)
Walmart	316	United States	2018	● Yes (sent disclosure)
Zalando	9	Germany	2020	● Informal

**THE FOLLOWING 27 COMPANIES WERE ASSESSED AGAINST  
KNOWTHECHAIN'S SUBSET OF INDICATORS ONLY:**

Company	Market cap in US\$bn	Headquarters	Year of inclusion	Engaged with KnowTheChain
ABC-Mart	5	Japan	2020	● No
American Eagle	4	United States	2020	● Yes (sent disclosure)
Canada Goose	6	Canada	2020	● Informal
Deckers	4	United States	2020	● Yes (sent disclosure)
Dick's	4	United States	2020	● Yes (sent disclosure)
Eclat Textile	3	Taiwan	2018	● No
Feng Tay	4	Taiwan	2020	● No
Heilan Home	7	China	2020	● No
JD Sports	6	United Kingdom	2020	● Informal
Kohl's	11	United States	2020	● Yes (sent disclosure)
Levi	9	United States	2020	● Yes (sent disclosure)
Li Ning	3	China	2020	● No
Lojas Renner	8	Brazil	2020	● Yes (sent disclosure)
LPP	4	Poland	2018	● Informal
Macy's	8	United States	2020	● No
Marks and Spencer	6	United Kingdom	2020	● Informal
Moncler	10	Italy	2020	● No
Next	9	United Kingdom	2020	● Informal
Nordstrom	7	United States	2020	● Informal
Page Industries	3	India	2018	● Yes (sent disclosure)
Ryohin Keikaku (Muji)	6	Japan	2020	● Yes (sent disclosure)
Salvatore Ferragamo	4	Italy	2018	● No
Shimamura	3	Japan	2018	● No
Urban Outfitters	3	United States	2020	● No
Wolverine Worldwide	3	United States	2020	● No
Youngor	5	China	2018	● No
Zhejiang Semir Garment	4	China	2018	● No

# APPENDIX 2:

## BENCHMARK METHODOLOGY

### [VIEW BENCHMARK METHODOLOGY](#)

KnowTheChain assesses companies' publicly disclosed efforts to address forced labor risks in upstream supply chains.<sup>236</sup> The KnowTheChain methodology is based on the UN Guiding Principles on Business and Human Rights and covers policy commitments, due diligence, and remedy. The methodology uses the ILO core labor standards (which cover the human rights that the ILO has declared to be fundamental rights at work: freedom of association and collective bargaining and the elimination of forced labor, child labor, and discrimination) as a baseline standard. The methodology has been developed through consultation with a wide range of stakeholders and a review of other benchmarks, frameworks, and guidelines such as the OECD Due Diligence Guidance on Responsible Business Conduct.

KnowTheChain reviews, and where relevant, updates its methodology ahead of every benchmark to integrate emerging good practices, align with relevant frameworks and benchmarks, and respond to the dynamic nature of human rights and labor abuses. Further, KnowTheChain aims to decrease companies' reporting burdens and increase the objectivity of the benchmark by integrating third-party information in addition to corporate disclosure.

#### **The 2021 apparel and footwear methodology incorporates the following revisions:**

An increased focus on assessing the steps taken to address risks deeper in the supply chains (i.e., in multiple tiers of supply chains) and on the scope of the companies' processes to evaluate whether programs are integrated systematically across supply chains. This includes requiring examples of steps taken below the first tier of a company's supply chains.

A focus on performance over policies and processes (e.g., concrete outcomes for workers of a company's policies and processes).

An increased focus on enabling rights, which are fundamental to addressing conditions of forced labor in supply chains (for example, by requiring policies to incorporate all four ILO core labor standards into supplier contracts and by strengthening the Purchasing Practices theme).

Strengthened Worker Voice and Recruitment themes.

The introduction of a subset methodology against which smaller companies in the benchmark were assessed. This is to account for companies that may be less familiar with expectations on human rights due diligence in supply chains.

Because of these changes in methodology, which require companies to keep up with evolving expectations (thus making it more difficult for companies to achieve higher scores), some companies' scores have decreased. Regardless of score changes, the company-specific scorecards highlight whether each company made improvements and, if so, what they were. This report, therefore, provides some commentary on changes in company practices since 2018, though the majority of the analysis is concerned with the status of the companies' action on forced labor in 2021.

Research was conducted through November 2020 or through February 2021, where companies provided [additional disclosure or links](#).

The benchmark did not assess companies against Covid-specific indicators, as such analysis has been carried out by the Corporate Human Rights Benchmark.

## Engagement with Benchmarked Companies

KnowTheChain contacted all the benchmarked companies in April 2019, inviting them to provide input into the methodology and join introductory webinars. Where needed, KnowTheChain followed up via phone and in local languages to ensure the companies had received the communication. The majority of the companies (88%, or 56 out of 64) confirmed a contact person for communication to KnowTheChain.

Benchmarked companies were given the opportunity to review the initial research findings and disclose additional information over three months (November 2020 to February 2021). In addition to English-language information on each company's website, KnowTheChain evaluated additional public disclosure provided by 52% of the companies. Another 3% of the companies sent links to existing or newly added disclosure on their websites. Further, membership in initiatives that address forced labor and include requirements for companies to address forced labor risks were given some credit in the benchmark (where the company disclosed membership).

## Forced Labor Allegations

KnowTheChain undertook comprehensive desktop research for allegations of forced labor within the companies' supply chains. KnowTheChain included only those allegations that met the minimum threshold of the Corporate Human Rights Benchmark and multiple forced labor indicators of the ILO. In addition, KnowTheChain included sector-wide allegations against all companies where there are a) public reports implicating a significant number of benchmarked companies, b) widespread acknowledgment that the situation constitutes forced labor, and c) evidence that the risks are widespread and exist across supply chain tiers and sourcing relationships in the sector.

KnowTheChain operates under the assumption that forced labor likely exists in all large global supply chains. Therefore, a high score in the benchmark indicates that a company disclosed strong efforts to address the forced labor risks in its supply chains; it does not mean that a company has "slavery-free" supply chains. The benchmark should not be seen as reflective of all labor rights issues occurring within apparel and footwear supply chains, and it should be read alongside other information on the sector, such as allegations regarding labor and other human rights issues collected by the Business & Human Rights Resource Centre.

## Scoring

Each company received a benchmark score, ranging from zero to 100. To determine this score, each of the seven themes is weighted equally (i.e., each theme counts one-seventh toward the highest possible benchmark score of 100). Each indicator is weighted equally within each theme, and within each indicator, each indicator element is weighted equally. In some cases, a company may receive partial points toward an indicator element.

## Subset of Indicators

KnowTheChain focuses on assessing the largest companies in high-risk sectors and has expanded the list of companies it benchmarks from 20 to 60 or more companies per sector since 2016. This means the benchmark includes companies of an increasingly diverse group. KnowTheChain recognizes that within this group, smaller companies—in particular, those based in regions where human rights norms have been slow to develop—may not yet have the capacity or knowledge to engage with the full KnowTheChain methodology.

KnowTheChain, therefore, developed a subset of indicators that aims to engage with and introduce smaller companies to human rights due diligence expectations regarding their supply chains. It also offers a means of assessing the degree to which these companies are beginning to consider human rights due diligence in their supply chains. KnowTheChain used market capitalization to identify the smaller companies for assessment against the subset of indicators.

Twenty-seven companies in the apparel and footwear sector were assessed against the subset of indicators only. In consultation with external stakeholders, KnowTheChain developed the subset of indicators by using the full benchmark methodology indicators that reflect the key areas of the UN Guiding Principles on Business and Human Rights: policy commitment, due diligence, and remedy. It further selected indicators that are relevant for key stakeholders such as investors (e.g., board oversight) and workers (e.g., a publicly available supplier list). In addition, KnowTheChain identified indicators that give a strong indication of how a company would score against the full methodology.

When analyzing the 37 companies that were assessed against both the full benchmark methodology and the subset of indicators, the correlation between the two data sets is strong, at 0.97.

KnowTheChain hopes that this subset of indicators will help introduce companies to the concept of human rights due diligence in their supply chains and provide a starting point from which to conduct more comprehensive supply chain due diligence, for which the full KnowTheChain methodology may serve as a guide. To that end, the subset of indicators has been translated into several languages.

Finally, the subset of indicators may also be used by external stakeholders wishing to undertake a basic analysis of corporate efforts to address forced labor risks in supply chains.

## Non-Scored Information

To paint a fuller picture of a company's performance and where it is heading, time-bound commitments to address forced labor were assessed. Where relevant, the benchmarks also assessed whether companies have available a disclosure under the California Transparency in Supply Chains Act and/or the UK Modern Slavery Act. Where relevant, the benchmarks also evaluated whether and how companies address forced labor risks concerning third-party products. This information is provided on a company's scorecard but is not included in a company's benchmark score. In addition, KnowTheChain assessed corporate disclosure (and in limited instances, third-party disclosure relating to the company's products) to determine which high-risk commodities are sourced by the companies and which high-risk locations they source from.<sup>237</sup>

Indicators marked in bold in the methodology below show the indicators against which all 64 companies have been assessed. Thirty-seven companies were also assessed against the full benchmark methodology.

<b>1. Commitment &amp; Governance</b>	
<b>1.1 Commitment</b>	
The company publicly demonstrates its commitment to addressing forced labor and human trafficking.	The company: (1) publicly demonstrates its commitment to addressing forced labor and human trafficking.
<b>1.2 Supplier Code of Conduct</b>	
The company has a supplier code of conduct that requires suppliers throughout its supply chains to respect the ILO core labor standards, including the elimination of forced labor. The standard is easily accessible on the company's website, is regularly updated, is communicated to the company's suppliers, and requires suppliers to cascade the standards to their own suppliers.	The company's supplier code of conduct: <b>(1) requires suppliers to respect the ILO core labor standards, which include the elimination of forced labor;</b> (2) is easily accessible from the company's website; (3) is updated regularly, following internal review and input from external stakeholders; (4) is communicated to the company's suppliers; and (5) requires its first-tier suppliers to take steps to ensure that their own suppliers implement standards that are in-line with the company's supply chain policies addressing forced labor and human trafficking.
<b>1.3 Management and Accountability</b>	
The company has established clear responsibilities and accountability for the implementation of its supply chain policies that address forced labor and human trafficking, both within the company and at the board level.	The company: <b>(1) has a committee, team, program, or officer responsible for the implementation of its supply chain policies that address forced labor and human trafficking; and</b> <b>(2) has tasked a board member or board committee with oversight of its supply chain policies that address forced labor and human trafficking.</b>
<b>1.4 Training</b>	
The company takes steps to ensure that relevant decision-makers within the company and in different tiers of its supply chains are aware of risks related to forced labor and human trafficking and are effectively implementing the company's policies.	The company: (1) trains all relevant decision-makers within the company on risks and policies that address forced labor and human trafficking; (2) trains its first-tier suppliers on risks and policies that address forced labor and human trafficking and discloses the percentage of first-tier suppliers trained; and (3) engages in capacity building to enable its suppliers to cascade its supply chain policies that address forced labor and human trafficking to their own supply chains and/or trains suppliers below the first tier on such policies.

## 1.5 Stakeholder Engagement

The company engages with relevant stakeholders on forced labor and human trafficking. This includes engaging with policy makers, worker rights organizations, or local NGOs in countries in which its first- and lower-tier suppliers operate, as well as actively participating in one or more multi-stakeholder or industry initiatives.

To fully understand and address working conditions in sourcing countries, companies need to engage with potentially affected groups and local stakeholders such as trade unions, worker organizations, or local NGOs—in addition to engaging suppliers. Furthermore, as forced labor risks tend to be systemic in nature, collaboration with other companies, for example, to engage policy makers to strengthen labor legislation, is needed to address forced labor in supply chains.

In the last three years, the company has engaged relevant stakeholders by:

- (1) providing at least two examples of engagements on forced labor and human trafficking with stakeholders such as policy makers, worker rights organizations, or local NGOs in countries in which its first-tier suppliers and suppliers below the first tier operate; and**
- (2) actively participating in one or more multi-stakeholder or industry initiatives focused on eradicating forced labor and human trafficking across the industry.**

## 2. Traceability & Risk Assessment

### 2.1 Traceability and Supply Chain Transparency

The company demonstrates an understanding of the suppliers and their workers throughout its supply chains by publicly disclosing the names and addresses of its first-tier suppliers, the countries of its below-first-tier suppliers, the sourcing countries of raw materials at high risk of forced labor and human trafficking, and several data points on its suppliers' workforce.

The company discloses:

- (1) the names and addresses of its first-tier suppliers;**
- (2) the countries of its below-first-tier suppliers (this does not include raw material suppliers);
- (3) the sourcing countries of at least three raw materials at high risk of forced labor and human trafficking; and
- (4) at least two types of data points on its suppliers' workforce (e.g., the number of workers, gender or migrant worker ratio, or level of unionization per supplier).**

## 2.2 Risk Assessment

The company has a process to assess forced labor risks, and it publicly discloses forced labor risks identified in different tiers of its supply chains.

Risk assessment involves evaluating the potential that a company has (by virtue of who its suppliers are and where they are located) of being linked to forced labor and human trafficking. Risk assessment is a process that is carried out in addition to and outside of auditing. It helps identify potential forced labor risks as well as actual impacts that may be hard to detect through audits. This process may involve engaging local stakeholders, labor rights experts, independent sources, and assessing risks associated with specific raw materials, regions, or groups of workers such as migrant workers.

The company discloses:

- (1) details on how it conducts human rights supply chain risk or impact assessments that include forced labor risks or assessments that focus specifically on forced labor risks; and**
- (2) details on forced labor risks identified in different tiers of its supply chains.**

## 3. Purchasing Practices

### 3.1 Purchasing Practices

The company is taking steps toward responsible raw materials sourcing. Further, it is adopting responsible purchasing practices in the first tier of its supply chains, which it demonstrates through disclosing quantitative data points and providing procurement incentives to first-tier suppliers to encourage or reward good labor practices.

Purchasing practices and pricing may both positively impact labor standards in the company's supply chains and increase risks of forced labor and human trafficking. The company:

- (1) is taking steps toward responsible raw materials sourcing;
- (2) is adopting responsible purchasing practices in the first tier of its supply chains, which include planning and forecasting;**
- (3) provides procurement incentives to first-tier suppliers to encourage or reward good labor practices (such as price premiums, increased orders, and longer-term contracts); and**
- (4) discloses two quantitative data points demonstrating that it has responsible purchasing practices in place that address the risk of forced labor and human trafficking.

### 3.2 Supplier Selection

The company assesses risks of forced labor at potential suppliers before entering into any contracts with them and discloses the outcomes of this process.

The company:

- (1) assesses risks of forced labor at potential suppliers before entering into any contracts with them and discloses details on the outcomes of this process;
- (2) addresses risks of forced labor related to sub-contracting and discloses details on the outcomes of this process.

### 3.3 Integration Into Supplier Contracts

The company integrates the ILO core labor standards, which include the elimination of forced labor, into supplier contracts, and requires its suppliers to do the same.

The company:

- (1) integrates the ILO core labor standards, which include the elimination of forced labor, into supplier contracts;**
- (2) discloses the percentage of suppliers whose contracts include such standards; and
- (3) requires its suppliers to integrate such standards into contracts with their own suppliers.

## 4. Recruitment

### 4.1 Recruitment Approach

The company has a policy that requires direct employment in its supply chains. It specifies that employment and recruitment agencies in its supply chains respect the ILO core labor standards, which include the elimination of forced labor. The company discloses information on the recruitment agencies used by its suppliers.

The company:

- (1) has a policy that requires direct employment in its supply chains;
- (2) requires employment and recruitment agencies used by its suppliers to respect the ILO core labor standards, which include the elimination of forced labor; and
- (3) discloses information on the recruitment agencies used by its suppliers.

### 4.2 Recruitment Fees

The company requires that no worker in its supply chains should pay for a job—the costs of recruitment (i.e., recruitment fees and related costs) should be borne not by the worker but by the employer (Employer Pays Principle). If it discovers that fees have been paid by workers in its supply chains, the company takes steps to ensure that such fees are reimbursed to the workers and/or provides evidence of payment of recruitment-related fees by suppliers.

According to the ILO, workers should not be charged directly or indirectly, in whole or in part, any fees for recruitment or related costs (such as costs for training, medical tests, or travel).

The company:

- (1) requires that no worker in its supply chains should pay for a job—the costs of recruitment (i.e., recruitment fees and related costs) should be borne not by the worker but by the employer (Employer Pays Principle);**
- (2) takes steps to ensure that such fees are reimbursed to the workers and/or provides evidence of payment of recruitment-related fees by suppliers if it discovers that fees have been paid by workers in its supply chains.**

### 4.3 Monitoring and Responsible Recruitment

The company takes steps to ensure the employment and/or recruitment agencies used in its supply chains are monitored to assess and address risks of forced labor and human trafficking. Further, it provides details of how it supports responsible recruitment in its supply chains.

The company:

- (1) takes steps to ensure employment and/or recruitment agencies used by its suppliers are monitored to assess and address risks of forced labor and human trafficking; and
- (2) provides details of how it supports responsible recruitment in its supply chains (e.g., by collaborating with stakeholders to engage policy makers to strengthen recruitment standards).

#### 4.4 Rights of Workers in Vulnerable Conditions

To avoid the exploitation of migrant workers and other workers in vulnerable conditions in its supply chains, the company takes steps to ensure these workers understand the terms and conditions of their recruitment and employment and also understand their rights. It further takes steps to ensure its suppliers refrain from restricting workers' movement, and it provides evidence of how it works with suppliers to ensure the rights of workers in vulnerable conditions are respected.

Migrant workers and other workers in vulnerable conditions are at a higher risk of being in forced labor, and additional steps are needed to ensure their rights are respected. Conditions which render workers vulnerable may include characteristics such as gender or age and external factors, including workers' legal status, employment status, economic conditions, and work environment (such as isolation, dependency on the employer, or language barriers).

The company:

- (1) takes steps to ensure migrant workers in its supply chains understand the terms and conditions of their recruitment and employment and also understand their rights;
- (2) takes steps to ensure its suppliers refrain from restricting workers' movement, including through the retention of passports or other personal documents against workers' will; and
- (3) discloses at least two outcomes of steps it has taken to ensure respect of the fundamental rights and freedoms of supply chain workers in vulnerable conditions (those articulated in the ILO core labor standards, which include the elimination of forced labor).

### 5. Worker Voice

#### 5.1 Worker Engagement

The company takes steps to ensure that its forced labor and human trafficking policies are communicated to workers in its supply chains. The company further works with relevant stakeholders to engage with and educate workers in its supply chains on their labor rights and/or supports worker-led efforts on labor rights education. The company provides evidence of the positive impact of worker engagement in its supply chains.

The company:

- (1) takes steps to ensure its supply chain policies that address forced labor and human trafficking are communicated to workers in its supply chains;
- (2) takes steps to ensure that relevant stakeholders engage with and educate workers in its supply chains on their labor rights and/or supports worker-led efforts on labor rights education;
- (3) provides evidence of the positive impact of worker engagement in its supply chains; and
- (4) provides at least two examples of worker engagement initiatives covering different supply chain contexts.

## 5.2 Freedom of Association

To support collective worker empowerment, the company works with local or global trade unions to support freedom of association in its supply chains. It enters into a global framework agreement that covers its supply chains and/or an enforceable supply chain labor rights agreement with trade unions or worker organizations. Where there are regulatory constraints on freedom of association, the company ensures workplace environments in which workers are able to pursue alternative forms of organizing.

The company:

- (1) works with independent local or global trade unions to support freedom of association in its supply chains;**
- (2) discloses that it is party to a global framework agreement that covers its supply chains and/or an enforceable supply chain labor rights agreement with trade unions or worker organizations;
- (3) takes steps to ensure workplace environments in which its suppliers' workers are able to pursue alternative forms of organizing (e.g., worker councils or worker-management dialogues) where there are regulatory constraints on freedom of association; and
- (4) provides at least two examples covering different supply chain contexts of how it improved freedom of association and/or collective bargaining for its suppliers' workers such as migrant workers (e.g., by taking action where suppliers impede workers' rights to freedom of association and/or collective bargaining or by engaging policy makers to improve respect for such rights).**

## 5.3 Grievance Mechanism

The company takes steps to ensure a formal mechanism to report a grievance to an impartial entity regarding labor conditions in the company's supply chains is available to its suppliers' workers and their legitimate representatives. The company ensures that the mechanism is effective across its supply chains.

The company:

- (1) takes steps to ensure a formal mechanism to report a grievance to an impartial entity regarding labor conditions in the company's supply chains is available to its suppliers' workers and their legitimate representatives;**
- (2) takes steps to ensure that the existence of the mechanism is communicated to its suppliers' workers;
- (3) takes steps to ensure that its suppliers' workers or their legitimate representatives are involved in the design and/or performance of the mechanism, to ensure that the workers trust the mechanism;
- (4) discloses data about the practical operation of the mechanism, such as the number of grievances filed, addressed, and resolved, or an evaluation of the effectiveness of the mechanism; and**
- (5) provides evidence that the mechanism is available and used by workers below the first tier in its supply chains.

## 6. Monitoring

### 6.1 Monitoring Process

To track and improve implementation of its supply chain policies that address forced labor and human trafficking, the company monitors its suppliers. The process includes non-scheduled visits, a review of relevant documents, off-site interviews with workers, and visits to associated production facilities and related worker housing. The company also takes steps to ensure suppliers below the first tier are monitored.

To improve implementation of its supply chain policies, conditions at the supplier level can be monitored in different ways. This could include specialized audits to detect forced labor at higher-risk suppliers or worker-driven monitoring (i.e., monitoring undertaken by independent organizations that includes worker participation and is guided by workers' rights and priorities).

The company has a supplier monitoring process that includes:

- (1) non-scheduled visits;
- (2) a review of relevant documents;
- (3) off-site interviews with workers;
- (4) visits to associated production facilities and related worker housing; and
- (5) steps to ensure that suppliers below the first tier are monitored.

### 6.2 Monitoring Disclosure

The company publicly discloses the following information on the results of its monitoring efforts: the percentage of suppliers monitored annually, the percentage of unannounced monitoring visits, the number or percentage of workers interviewed, information on the qualification of the monitoring organization used, and a summary of findings, including details regarding any violations revealed. The company may want to use worker-driven monitoring (i.e., monitoring undertaken by independent organizations, such as local worker-led organizations, unions, or local civil society partners) to ensure full identification of labor rights violations by those who are on the ground, year round.

The company discloses:

- (1) the percentage of suppliers monitored annually;
- (2) the percentage of unannounced monitoring visits;
- (3) the number or percentage of workers interviewed; and
- (4) information on the qualification of the monitoring organization used and/or the use of worker-driven monitoring (i.e., monitoring undertaken by independent organizations that includes worker participation and is guided by workers' rights and priorities); and
- (5) a summary of findings, including details regarding any violations revealed.

## 7. Remedy

### 7.1 Corrective Action Plans

The company has a process to create corrective action plans with suppliers found to violate its policies, with the goal of improving conditions and achieving respect of the ILO core labor standards, which include the elimination of forced labor. The company's corrective action plans include potential actions taken in case of non-compliance, a means to verify remediation and/or implementation of corrective actions, and potential consequences if corrective actions are not taken.

The company discloses:

- (1) a corrective action process for its suppliers and potential actions taken in cases of non-compliance, such as stop-work notices, warning letters, supplementary training, and policy revision;
- (2) a means to verify remediation and/or implementation of corrective actions, such as record review, employee interviews, or spot-checks;
- (3) potential consequences if corrective actions are not taken; and
- (4) a summary or an example of its corrective action process in practice.

### 7.2 Remedy Programs / Response to Allegations

The company has a process to provide remedy to workers in its supply chains in cases of forced labor and human trafficking.

If no allegation regarding forced labor in the company's supply chains has been identified, the company discloses examples of outcomes of its remedy process for its suppliers' workers.

A. If no allegation regarding forced labor in the first or lower tier of a company's supply chains has been identified and disclosed by a third party(ies) in the last three years, the company discloses:

- (1) a process for responding to potential complaints and/or reported violations of policies that address forced labor and human trafficking;**
- (2) at least two examples of outcomes of its remedy process in practice, covering different supply chain contexts, for its suppliers' workers; and**
- (3) a description of what actions it is taking to prevent and remediate the use of forced Uyghur labor.**

If one or more allegations regarding forced labor in the company's supply chains have been identified, the company engages in a dialogue with the stakeholders reportedly affected in the allegation and takes steps to ensure the provision of remedy that is satisfactory to the victims or groups representing the victims.

B.1. If one or more allegations regarding forced labor in the first or lower tier of a company's supply chains have been identified and disclosed by a third party(ies) in the last three years, the company discloses:

- (1) a process for responding to potential complaints and/or reported violations of policies that address forced labor and human trafficking;
- (2) that it engages in a dialogue with the stakeholders reportedly affected in the allegation(s);
- (3) outcomes of the remedy process in the case of the allegation(s); and**
- (4) evidence that remedy(ies) are satisfactory to the victims or groups representing the victims.**

<p>If one or more allegations regarding forced labor in the company's supply chains have been identified, and the company denies the allegation(s), the company discloses that it engages in a dialogue with the stakeholders reportedly affected in the allegation (or requires its supplier[s] to do so), and it discloses a description of what actions it would take to prevent and remediate the alleged impacts.</p>	<p>B.2. If one or more allegations regarding forced labor in the first or lower tier of a company's supply chains have been identified and disclosed by a third party(ies) in the last three years, and the company denies the allegation, the company discloses:</p> <ul style="list-style-type: none"> <li>(1) a process for responding to potential complaints and/or reported violations of policies that address forced labor and human trafficking;</li> <li>(2) a description of what actions it would take to prevent and remediate the alleged impacts; and</li> <li>(3) that it engages in a dialogue with the stakeholders reportedly affected in the allegation or requires its supplier(s) to do so.</li> </ul>
--	--

# APPENDIX 3: STEPS TAKEN BY THE 64 LARGEST APPAREL AND FOOTWEAR COMPANIES TO ADDRESS FORCED LABOR RISKS IN SUPPLY CHAINS

In 2021, KnowTheChain assessed **64 of the world's largest apparel and footwear companies** against **ten indicators** that give a strong signal of a company's efforts to address forced labor risks in its supply chains (the 37 largest of the 64 companies were also assessed against the full benchmark methodology).<sup>238</sup> The results of the analysis are divided into five tiers: companies that have taken no steps, basic steps, some steps, intermediate steps, and advanced steps to address forced labor risks in their supply chains.<sup>239</sup>

A mere 6% of the companies have taken “advanced steps” to address supply chain forced labor risks while **half of the companies (51%) have taken basic steps or even no steps at all**. These two bottom tiers include:

Asian apparel retailers, such as **ABC-Mart, Heilan Home, Shimamura, Youngor, and Zhejiang Semir Garment**;

European luxury companies including **Capri, Hermès, LVMH, Salvatore Ferragamo, Moncler, and Prada** (the only company among its peers that fails to demonstrate that it takes any steps to address forced labor risks in this assessment); and

North American apparel retailers, namely **American Eagle, Canada Goose, Carter's, Foot Locker, TJX, and Urban Outfitters**.

Analysis of the indicator-specific findings shows an overall lack of disclosure regarding efforts to address supply chain forced labor. Where companies do disclose information, it typically reaches only the policy or

## PERCENTAGE OF COMPANIES PER TIER

Advanced steps



Intermediate steps



Some steps



Basic steps



No steps



[EXPLORE SUBSET ANALYSIS](#)

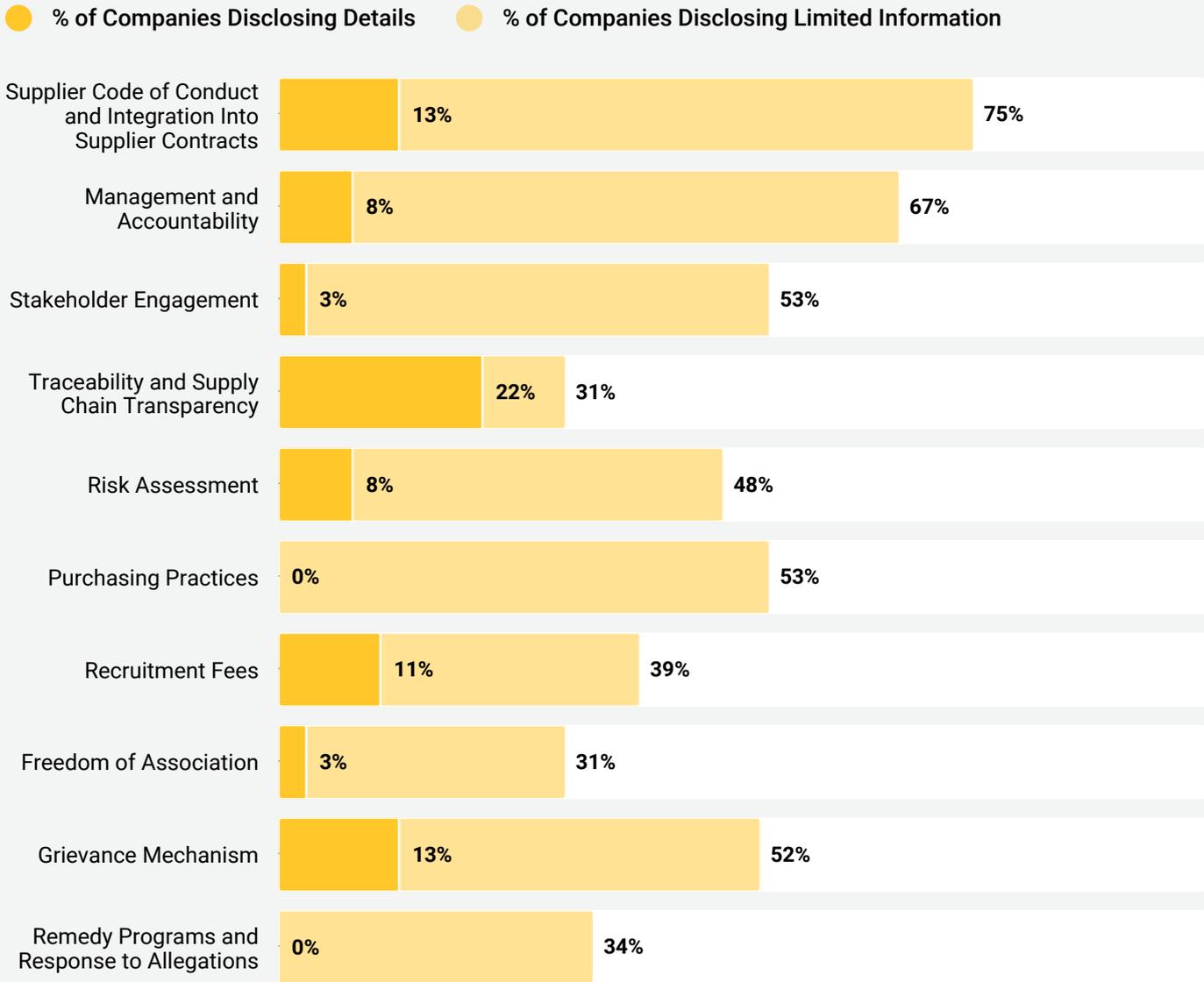
process level and falls short of demonstrating how, if at all, those policies and processes are implemented, let alone whether they are effective. What risks has the company identified? How is the company preventing worker-paid recruitment fees? Suppliers are required to put grievance mechanisms in place, but do these mechanisms work and are workers even aware of them? Such questions typically remain unanswered.

The starkest gaps could be observed in relation to indicators that are crucial to a just recovery. This includes ensuring that workers receive **remedy** where labor rights abuses occur and addressing the root causes of exploitative working conditions by adopting **purchasing practices** that enable suppliers to ensure decent work, including living wages for workers and focusing on **worker-centric solutions** to address forced labor risks.

**No company scores full points on the indicators of remedy and purchasing practices.**

Only two companies (3%) achieved full points on stakeholder engagement and freedom of association, respectively.

### PERCENTAGE OF COMPANIES DISCLOSING RELEVANT INFORMATION



## Supplier Code and Integration Into Contracts

The majority of companies disclose a supplier code that prohibits forced labor (88%); 61% integrated the full ILO core labor standards into their supplier code (which cover the human rights that the ILO has declared to be fundamental rights at work: freedom of association and collective bargaining and the elimination of forced labor, child labor, and discrimination). Yet only 13% of the companies also incorporated the ILO core labor standards into their supplier contracts and disclosed their contract templates (or contract language), thus making them enforceable.

## Management and Accountability

It is positive that 34 of the 64 companies (75%) disclose at least some information on assigning internal responsibility for implementing their supplier code. External oversight and accountability are crucial, yet only 42% disclosed at least some information on their oversight of supply chain labor policies, and only 8% of the companies disclosed details on both internal responsibility and board oversight (such as who at board level is responsible, what has been discussed at the board level, or, crucially, changes made at the company based on feedback from the board).

## Stakeholder Engagement

About half of the companies disclosed membership of at least one multistakeholder or industry initiative focused on forced labor. Yet less than half of those companies disclosed what actions they have taken to address forced labor as part of the initiative (besides paying membership dues). The stark lack of engagement with local stakeholders in sourcing countries, such as local policy makers, civil society organizations, or, crucially, local worker rights organizations or local unions is a worrying signifier that engagement most often does not seek to involve the interests of workers. Only 3% of the companies disclosed both active engagement in initiatives that focus on forced labor and detail on examples of working with local stakeholders on forced labor in their supply chains.

## Traceability and Supply Chain Transparency

It is positive that 22% of the companies disclosed a supplier list that includes supplier names and addresses, the number of workers per supplier, and a second data point on their supply chain workforce (such as the percentage of women or migrant workers). While both transparency on suppliers and a demonstrated understanding of the workers in the supply chains is becoming more common, the information disclosed by the majority of companies is piecemeal and, as such, misses the mark on transparent supply chains.

## Risk Assessment

It is concerning that only 56% of the assessed companies disclosed conducting a human rights risk assessment on their supply chains, indicating that almost half of the companies are not carrying out this crucial step in their due diligence. Thirty percent of the companies disclosed forced labor risks that have been identified in their supply chains; yet only 11% disclosed risks identified across different tiers of their supply chains. Given that risks are known to be prevalent across the tiers of apparel and footwear supply chains and that companies on average disclose sourcing at least three raw materials that may be made with forced labor,<sup>240</sup> this is a worrying indication that companies are not recognizing or addressing the presence of risks. Only 8% of companies disclosed both detail on their human rights risk assessment and risks identified across supply chain tiers.

## Purchasing Practices

While more than half of the companies (53%) disclosed some information on their purchasing practices, most stopped at acknowledging or *assessing* the risks that their purchasing practices may create—and fall short of addressing such risks and responding by changing their purchasing practices. Equally, numerous companies disclosed a process to incentivize supplier compliance with labor standards (for example through scorecards or KPIs) yet failed to disclose the outcomes of such a process (such as the number or percentage of companies that received longer contracts or more business due to stronger labor practices). As such, no company received a full score on the Purchasing Practices indicators.

## Recruitment Fees

Half of the assessed companies disclosed having a policy or process to prevent worker-paid recruitment fees from being charged, which in the apparel sector can amount to the equivalent of a year's salary.<sup>241</sup> Such large sums leave workers in debt bondage, meaning they are forced to work to pay off the debt. Yet only 11% of the companies could demonstrate that they have a policy for prohibiting worker-paid fees, and that they are implementing this policy, by disclosing remediation of recruitment fees to workers and/or efforts across sourcing countries to prevent worker-paid fees.

## Freedom of Association and Collective Bargaining

Only 34% of the companies disclosed that they engaged at all with unions regarding working conditions in supply chains, or took some steps to improve freedom of association in their supply chains. Even when they disclosed some engagement, it tends not to translate into improvements for workers on the ground. The companies lacked concrete examples of how they enabled workers to exercise their right to freedom of association and collective bargaining (e.g., by using their leverage where suppliers impede workers from organizing or dismiss workers for exercising their right to freedom of association and collective bargaining). In fact, only 3% of the companies scored fully on the freedom of association indicator by demonstrating that they worked with unions and disclosing multiple examples of how they contributed to supply chain workers being able to exercise their right to freedom of association or collective bargaining.

## Grievance Mechanisms

A pronounced gap between policy and practice could be seen in some of the most crucial areas for workers. While 64% of the companies disclosed that a grievance mechanism is available to their supply chain workers, only 20% provided evidence that such a mechanism has ever been used by supply chain workers. Only 13% scored fully on the grievance mechanisms indicator by showing that grievance mechanisms are accessible to both their suppliers' workers and their representatives—and disclosing data on its use. At a minimum, this low number indicates a lack of effectiveness. Where mechanisms exist, it is typically unclear whether workers know about them, know how to use them, and trust them.

## Remedy

At a time when millions of apparel workers across the world are waiting for their wages to be paid, only five out of the 64 companies (8%) could demonstrate several remedy outcomes for their workers, such as repayment of unpaid wages or reimbursement of recruitment fees.

Even before the pandemic, reports of forced labor in the sector were skyrocketing. All companies were assessed on how they had responded to a sector-wide allegation of Uyghur forced labor in their supply chains. No company demonstrated a sufficient response by ensuring meaningful engagement with rightsholder groups or their representatives, taking steps across supply chain tiers to address risks, and ensuring remedy was provided to workers.

Additional allegations were identified at 15 of the assessed companies, with some companies facing up to four allegations.<sup>242</sup> While six companies disclosed limited details on remedy outcomes in relation to some allegations, in the majority of cases remedy outcomes were not disclosed. Companies typically did not disclose engaging impacted workers or their representatives regarding the additional company-specific allegations; no company disclosed evidence that remedies were satisfactory to the victims or groups representing the victims.

## COMPANY-SPECIFIC ALLEGATION(S)<sup>243</sup>

-  Remedy outcome disclosed
-  Limited information on remedy outcomes or remediation ongoing
-  No remedy outcome disclosed

	Asics
	Gap Inc.
 	H&M
 	Hugo Boss
 	Levi
	Lululemon
	Marks and Spencer
 	Next
	Nike
  	Primark
	PVH
	Ralph Lauren
	Under Armour
  	Walmart
	Wolverine Worldwide

The table below shares examples of corporate practice for each of the ten [subset indicators](#).

INDICATOR	COMPANY EXAMPLES
<p><b>Supplier Code and Integration Into Contracts</b></p>	<p><b>Muji</b> (Japan) disclosed a code of conduct that requires suppliers to adhere to the ILO core labor standards.</p> <p><b>Urban Outfitters</b> (United States) disclosed its terms and conditions for suppliers, which require suppliers to adhere to the ILO core labor standards.</p>
<p><b>Management and Accountability</b></p>	<p><b>Page Industries</b> (India) disclosed internal responsibility for its supply chain targets and supplier assessments, which include an assessment of forced labor risks. It disclosed that its sustainability committee is responsible for formalizing and implementing relevant policies and monitoring suppliers.</p> <p><b>PVH</b> (United States) stated that the corporate responsibility committee of its board of directors supports its management team with respect to relevant policies, including its supplier code of conduct, and monitors progress toward publicly reported targets on high-risk issues such as the elimination of recruitment fees.</p>
<p><b>Stakeholder Engagement</b></p>	<p><b>Next</b> (United Kingdom) stated that it worked with its Hong Kong-based NGO partner Labor Education and Service Network to ensure that remedy was provided to two children who were identified as working at a supplier factory in China. It also disclosed that it has collaborated with SAVE, a local NGO partner in India, to improve working conditions for women in fabric mills in Tamil Nadu, South India. They trained workers on their rights, suppliers on how to implement effective grievance mechanisms, and recruitment agents on “effective recruitment practices.”</p> <p><b>Adidas</b> (Germany) reported that it worked with the FLA and a partner of the BCI in Turkey on a project that ran from 2017 to 2019 “to address labor gaps” and working conditions at Turkish cotton farms. As part of its engagement with the BCI, it stated that it joined a 12-member expert task force providing recommendations to improve the BCI’s effectiveness in identifying, preventing, and remediating the forced labor risks at the cotton farm level.</p>
<p><b>Traceability and Supply Chain Transparency</b></p>	<p><b>Asics</b> (Japan) disclosed a supplier list that includes the country, facility name and address, parent company name, product type, number of workers per facility within ranges, percentage of migrant workers per facility, and percentage of female workers per facility. The list includes a date and is available in Excel format (i.e., is <a href="#">aligned with the Transparency Pledge</a> and allows stakeholders to easily analyze and use the data).</p> <p><b>Lojas Renner</b> (Brazil) disclosed a supplier list including the factory name, address, country, product, number of workers, gender ratio, ratio of migrant workers, and the relevant tier. It stated that this list represents 100% of its first- and second-tier suppliers.</p> <p><b>Marks and Spencer</b> (United Kingdom) disclosed the number of workers in each factory, the gender breakdown of male to female workers per factory, and whether each factory has a union and a worker committee.</p>

INDICATOR	COMPANY EXAMPLES
<p><b>Risk Assessment</b></p>	<p><b>Primark</b> (United Kingdom) disclosed that it conducts country assessments that include “political, economic, social and legal analysis and risk-mapping including modern slavery risks.” The company stated that it engages with stakeholders to understand modern slavery risks in its supply chains, including which groups of people may be vulnerable to exploitation. The company also reported that it uses its ethical trade team internal data as part of its analysis. Further, it stated that workers are a key part of its risk analysis and that it uses the tool “Drawing the Line” to engage with workers—“a participatory tool designed to obtain direct feedback from workers [which] can be extremely useful in highlighting the key risks and indicators of modern slavery.”</p> <p><b>H&amp;M</b> (Sweden) disclosed risks identified in different tiers of its supply chains and the steps it is taking to address them. It identifies forced labor risks at the raw material level and, as such, has banned cotton from countries such as Uzbekistan, Turkmenistan, and Syria. It stated that there is a risk of exploitative labor practices among its second- and third-tier suppliers, such as in Tamil Nadu’s spinning mill industry. It identified risks of involuntary overtime and exploitation of vulnerable groups such as migrants and refugees at the product manufacturing level.</p>
<p><b>Purchasing Practices</b></p>	<p><b>Primark</b> (United Kingdom) reported that it uses off-season production to lengthen lead times and allow factories “to plan their production more effectively and provide stable employment in typical low seasons.” It stated it is developing training on responsible purchasing for its employees. It also reported that in response to Covid-19, it established a wage fund amounting to £23 million [US\$32 million] to advance payment to suppliers in Bangladesh, Cambodia, India, Myanmar, Pakistan, Sri Lanka, and Vietnam to support them in the payment of wages.</p> <p><b>Marks and Spencer</b> (United Kingdom) stated that, in 2010, it developed a “Cost Price Model tool,” which ringfences labor costs to allow suppliers to pay living wages. It also stated that it commissioned an ethical trade consultancy to prepare annual wage analysis reports of its key sourcing countries, which incorporate worker interviews, to calculate a living wage.<sup>244</sup></p> <p><b>H&amp;M</b> (Sweden) reported that it ringfences labor costs as part of its purchasing practices, such that the costs of labor are not part of price negotiations.</p>
<p><b>Recruitment Fees</b></p>	<p><b>JD Sports’</b> (United Kingdom) supplier code of conduct includes the Employer Pays Principle.</p> <p><i>The New York Times</i> reports that nine companies, including <b>Levi</b> (United States), agreed to a “collective reimbursement plan” following a finding of worker-paid recruitment fees. Over 1,400 workers from eight countries received payments.</p> <p><b>Lululemon</b> (Canada) reported that it launched a migrant worker program in Taiwan in 2018, which included an initiative to achieve no fees by December 2019. It reported that, as of December 2019, 18 of the 19 suppliers had achieved no fees “and set up processes to facilitate continued improvement.” The company stated that “2,700 workers benefitted from the eradication of recruitment fees” as a result. It reported that it began to roll out the program to suppliers outside Taiwan and, in 2020, this included its suppliers in Malaysia, Korea, Thailand, and Japan.</p>

INDICATOR	COMPANY EXAMPLES
<p><b>Freedom of Association</b></p>	<p><b>H&amp;M</b> (Sweden) disclosed that it is part of a global framework agreement with IndustriALL and IF Metall focusing on freedom of association and collective bargaining in many of its production markets. It stated that this includes expectations for H&amp;M’s direct suppliers and their subcontractors. As part of the agreement, it has set up national monitoring committees in Bangladesh, Cambodia, India, Indonesia, Myanmar, and Turkey, which oversee its implementation and “local collaboration to support good industrial relations.”</p> <p><b>Adidas</b> (Germany) disclosed that it received an allegation in which managers at a supplier in Turkey told the workers that they would be dismissed if they became union members. It stated that it briefed all its workers about their freedom to join trade unions of their own choosing and required all managers to attend freedom of association training. It also disclosed that in response to an allegation submitted by an NGO regarding unlawful dismissal of trade union organizers at one of its direct suppliers’ subcontractors in Myanmar, it worked with the supplier to ensure that the subcontractor addressed the worker dismissals. It stated that it offered legal support to the dismissed workers and that the subcontractor offered compensation payments to the workers.</p>
<p><b>Grievance Mechanism</b></p>	<p><b>Asics</b> (Japan) stated that it introduced a grievance mechanism for migrant workers in its factories in Thailand and Japan in collaboration with the Global Alliance for Sustainable Supply Chain. It disclosed that, in 2020, it received two reports from workers through this mechanism: one related to harassment and one related to overtime work.</p> <p><b>Fast Retailing</b> (Japan) stated that it has a hotline “for employees and organizations representing a group of individuals at core sewing factories and fabric manufacturers” that is available in local languages and locations, including Shanghai, Ho Chi Minh City, Dhaka, Jakarta, and Tokyo. It stated that it has improved translation services to enable workers to send an SMS in their native language and provided multi-lingual posters. Fast Retailing stated it collaborates with the IOM to identify local NGOs that can support foreign migrant workers in resolving their grievances. It stated that 63 of the grievances raised to its hotline mechanism in 2019 were related to violations of the ILO core labor standards, local labor laws, or its supplier code. It also provided a chart of the breakdown of grievances, including those concerning discrimination, working hours, coercion and harassment, and wages and benefits.</p>
<p><b>Remedy</b></p>	<p><b>Marks and Spencer</b> (United Kingdom) stated that it includes affected rightsholders in the remedy process, including through worker interviews and meetings. It stated that it aims to keep all parties informed of the steps that are being taken to investigate issues and the results. It stated that if a party is unhappy with the outcome, they can raise the issue with the corporate head of human rights, who will review the case with an independent human rights stakeholder advisory group and can refer the case to a national contact point.</p> <p>The Workers’ Rights Consortium stated that in response to an allegation of gender-based violence at a factory supplier for <b>Levi</b> (United States), the company (along with the other brands implicated) has, “via enforceable agreements with the factories’ unions, leading Lesotho women’s organizations, and US labor rights organizations—established a robust independent mechanism with the power to document abuses, punish perpetrators, and protect women workers.”</p>

# ENDNOTES

- 1 Clean Clothes Campaign (2020), [“Un\(der\)paid in the pandemic. An estimate of what the garment industry owes its workers,”](#) p. 10.
- 2 Journal of Supply Chain Management: Genevieve LeBaron, University of Sheffield (2021), [“The role of supply chains in the global business of forced labour,”](#) pp. 31-33. UN Human Rights Office of the High Commissioner (30 November 2020), [“Governments must do more to prevent slavery and exploitation during COVID-19 pandemic.”](#) ILO (2020), [“COVID-19 impact on child labour and forced labour: The response of the IPEC+ Flagship Programme.”](#)
- 3 For example, Nike and Inditex each made over US\$1 billion profits in Q3-2020 alone. Remake (21 December 2020), [“#ShareYourProfits: A Call for Severance & Direct Relief.”](#)
- 4 Prada (10 March 2021), [“Press release: marked improvement in retail sales in h2 in all geographical areas strong cashflow and positive operating margin.”](#) Tapestry (4 February 2021), [“Press release: Tapestry, Inc. Reports Fiscal 2021 Second Quarter Results. Holiday Quarter Exceeded Expectations Underscoring Power of Acceleration Program.”](#)
- 5 According to KnowTheChain’s assessment of the top five investors (for Shenzhou International only the top three institutional investors could be identified). Membership in the Principles for Responsible Investment, the largest global responsible investment initiative, was used as a proxy for defining investors as “ESG investors.”
- 6 Business & Human Rights Resource Centre, [“Foot Locker.”](#) Accessed 29 March 2021. Business & Human Rights Resource Centre, [“Prada.”](#) Accessed 29 March 2021.
- 7 Invesco (July 2020), [“Tackling inequality through ESG and active ownership,”](#) p. 1. Vanguard (December 2020), [“Vanguard economic and market outlook for 2021: Approaching the dawn,”](#) p. 1.
- 8 Please note the benchmark only assesses corporate disclosure on addressing forced labor risks and on responding to forced labor allegations. For information on the companies’ response to broader labor rights allegations, see the Business & Human Rights Resource Centre’s company pages for [Adidas](#) and [Lululemon](#).
- 9 This still led to score drops in some instances as not all companies were able to keep up with evolving expectations that had been integrated into benchmark methodology (making it more difficult for companies to achieve higher scores).
- 10 Reuters (15 March 2021), [“Fashion brands urged to fix ‘broken industry’ with pledge on workers’ pay.”](#) Clean Clothes Campaign, [“Pay your workers.”](#) Accessed 29 March 2021.
- 11 For more information, see the [“Just Recovery from COVID-19”](#) blog series from the Asian Forum for Human Rights and Development (FORUM-ASIA), Business & Human Rights Resource Centre, and International Corporate Accountability Roundtable (ICAR).
- 12 For detailed recommendations, see chapters on [Supply Chain Transparency](#), [Purchasing Practices](#), and [Worker Voice](#).
- 13 Such requests are put forward by worker rights organizations around the world: Asia Floor Wage Alliance calls for companies to pay [2% of total annual sourcing](#) toward immediate relief for supply chain workers; Migrant Forum in Asia suggests companies contribute to a [compensation fund](#); and Clean Clothes Campaign asks companies to publicly commit to wage assurance and the [Severance Guarantee Fund](#).
- 14 Demonstrating public support for remediation mechanisms can also send an important signal to investee companies. See the [public letter of support](#) of the Interfaith Centre on Corporate Responsibility for the Migrant Forum in Asia’s call for an Urgent Justice Mechanism for Repatriated Migrant Workers.
- 15 In 2020, the Council on Ethics for the Norwegian Government Pension Fund Global recommended that the fund exclude the Indian textile company Page Industries because worker testimonies detailed systemic labor rights violations. Norges Bank Investment Management, [“Observation and exclusion of companies.”](#) Accessed 30 March 2021.
- 16 The indicator elements of the [benchmark methodology](#) included in the worker-centric assessment were 4.2.2 Repayment of Recruitment Fees, 4.4.3 Outcomes for Workers in Vulnerable Conditions, 5.1.3 Positive Impact of Worker Engagement, 5.2.2 Global Framework Agreements/Enforceable Labor Rights Agreements, 5.2.4 Examples of Improvements of Freedom of Association, 5.3.3 Involvement of Workers in Design and Operation of Grievance Mechanisms, and 7.2.2 Remedy Outcomes. It also includes 5.1.2 Worker Engagement (only worker-led efforts on labor rights education were counted) and 6.2.4 Monitoring Disclosure (only worker-driven monitoring was counted [i.e., monitoring undertaken by independent organizations that includes worker participation and is guided by workers’ rights and priorities]).
- 17 Four hundred and fifty workers were surveyed on their working hours, wages, and other conditions in China, Indonesia, India, Ukraine, and Croatia. Clean Clothes Campaign (September 2020), [“Out of the shadows: A spotlight on exploitation in the fashion industry,”](#) p. 9.
- 18 The Guardian (3 December 2020), [“Garment workers going hungry as fallout from cancelled orders takes toll – report.”](#)
- 19 Fashionista (25 June 2019), [“New report uncovers labor abuses in Malaysian clothing factories – and shows how brands should respond.”](#) The Guardian (22 June 2019), [“NGO’s softly-softly tactics tackle labor abuses at Malaysia factories.”](#)
- 20 WWD (24 December 2020), [“All the Major Brands and Retailers Severely Impacted by the COVID-19 Pandemic.”](#)
- 21 Independent (14 October 2020), [“Asos profits quadruple amid online shopping surge during coronavirus lockdown.”](#) The Guardian (17 June 2020), [“Boohoo sales surge as it pays £5.25m for Oasis and Warehouse brands.”](#)

- 22 BBC (28 April 2020), [“Coronavirus: ‘I returned my suits and spent £100 on joggers.’”](#)
- 23 The Guardian (10 December 2020), [“‘I thought about killing my children’: the desperate Bangladesh garment workers fighting for pay.”](#)
- 24 Four hundred workers were surveyed in Myanmar, India, Indonesia, Lesotho, Haiti, Ethiopia, El Salvador, Cambodia, and Bangladesh by the Worker Rights Consortium. The Guardian (3 December 2020).
- 25 Care International, [“What is the impact of COVID-19 on the global garment industry?”](#) Accessed 12 January 2021.
- 26 BBC (17 November 2020), [“Indian factory workers supplying major brands allege routine exploitation.”](#)
- 27 Fashionista (25 June 2019). Transparentem (22 June 2019), [“Forced labor probe in Malaysia forces buyers to act.”](#)
- 28 See, for example, Human Rights Watch (23 April 2019), [“‘Paying for a Bus Ticket and Expecting to Fly’ How Apparel Brand Purchasing Practices Drive Labor Abuses.”](#)
- 29 Labour Behind the Label, [“Trade Unions.”](#) Accessed 4 December 2020. Clean Clothes Campaign, [“Union busting.”](#) Accessed 13 January 2021.
- 30 For information on forced labor risks per raw material and across supply chain tiers, see [Addressing Forced Labor Risks in the Lower Tiers of Supply Chains.](#)
- 31 Labour Behind the Label, [“Gender.”](#) Accessed 11 May 2021.
- 32 International Labour Organization (2 December 2020), [“COVID-19 drives wages down, new ILO report finds.”](#)
- 33 Reuters (22 September 2020), [“Exclusive: China sharply expands mass labor program in Tibet.”](#)
- 34 Labour Behind the Label, [“Trade Unions.”](#)
- 35 Medium (18 January 2018), [“Top Four Asian Countries for Garment Manufacturing.”](#)
- 36 International Trade Union Confederation (June 2020), [“ITUC Global Rights Index 2020.”](#)
- 37 Business & Human Rights Resource Centre (December 2020), [“Masking Misery: the Covid-19 Pandemic and Migrant Workers in São Paulo’s Fashion Industry,”](#) p. 17.
- 38 Business & Human Rights Resource Centre (August 2020), [“Union busting & unfair dismissals: Garment workers during Covid-19,”](#) p. 3.
- 39 Verité, [“Responsible Sourcing Tool: Textiles and Apparel.”](#) Accessed 4 December 2020.
- 40 Business & Human Rights Resource Centre (December 2020), p. 17.
- 41 WIEGO (21 April 2020), [“The world’s most vulnerable garment workers aren’t in factories – and global brands need to step up to protect them.”](#)
- 42 Fashionista (25 June 2019).
- 43 Clean Clothes Campaign (April 2020), [“Exploitation made in Europe,”](#) p. 25.
- 44 Clean Clothes Campaign (April 2020), p. 10.
- 45 Verité, [“Responsible Sourcing Tool: Textiles and Apparel.”](#)
- 46 Verité, [“Responsible Sourcing Tool: Textiles and Apparel.”](#)
- 47 Four hundred and fifty workers were surveyed on their working hours, wages, and other conditions in China, Indonesia, India, Ukraine, and Croatia. Clean Clothes Campaign (September 2020), p. 9.
- 48 BBC (17 November 2020).
- 49 Quote from anonymous garment worker. Clean Clothes Campaign, [“Global campaign confronts H&M, Primark, and Nike with unpaid workers’ voices.”](#)
- 50 The Guardian (29 August 2020), [“Sexual assault, forced labor, wage theft: garment workers in Jordan suffer for US brands.”](#)
- 51 The Guardian (29 August 2020).
- 52 Business & Human Rights Resource Centre (December 2020), p. 9.
- 53 BBC (17 November 2020).
- 54 Thomson Reuters Foundation (1 November 2019), [“Failure to tackle worker abuse breeds modern slavery, UN expert warns.”](#)
- 55 International Labour Organization (October 2020), [“The supply chain ripple effect: How COVID-19 is affecting garment workers and factories in Asia and the Pacific,”](#) p. 2.
- 56 US Department of Labor (2020), [“2020 list of goods produced by child labor or forced labor.”](#)
- 57 Clean Clothes Campaign, [“Migrants: Workers on the move.”](#) Accessed 10 December 2020.
- 58 New York Times (28 July 2020), [“A Close Look at a Fashion Supply Chain Is Not Pretty.”](#)

- 59 Australian Strategic Policy Institute (1 March 2020), “Uyghurs for Sale.” In response to the international pressure regarding alleged forced labor in Xinjiang, Chinese authorities have rejected the accusations<sup>(1)</sup> by arguing that they have “proactive labor and employment policies [... and measures to ensure] that the people of all ethnic groups in Xinjiang have the opportunity to enjoy moderate prosperity in all respects and achieve long-term social stability together with their fellow countrymen and countrywomen in other parts of China.”<sup>(2)</sup> A research team commissioned by the Development Research Centre of Xinjiang also claims that “the employment of minority people are obviously voluntary, independent and free.”<sup>(3)</sup> A report published by Xinjiang Textile Industry Association calls for all business players to “consider the actual and potential impacts of the sourcing decisions on upstream cotton-growing households, employees of all ethnic groups, and small and medium-sized enterprises (SMEs) in Xinjiang,” and “objective and thorough understanding of the unique local historical context, cultural background and industry reality in the region” for jointly constructing “a fair, inclusive and sustainable global textile and garment supply chain.”<sup>(4)</sup>
- (1) See for example, Permanent Mission of the People’s Republic of China to the United Nations Office at Geneva and Other International Organizations in Switzerland (29 March 2021), [“Chinese Mission Spokesperson Liu Yuyin’s Remarks on the Erroneous Remarks against China by the Working Group on Business and Human Rights and other Special Procedures.”](#) Ministry of Foreign Affairs of the People’s Republic of China (25 March 2021), [“Foreign Ministry Spokesperson Hua Chunying’s Regular Press Conference on March 25, 2021.”](#) Ministry of Foreign Affairs of the People’s Republic of China (13 January 2021), [“Foreign Ministry Spokesperson Zhao Lijian’s Regular Press Conference on January 13, 2021.”](#)
- (2) The State Council Information Office of the People’s Republic of China (September 2020), [“Employment and Labor Rights in Xinjiang.”](#)
- (3) China Daily (20 October 2020), [“An investigation report on employment of ethnic minorities in Xinjiang.”](#)
- (4) Xinjiang Textile Industry Association (January 2021), [“Xinjiang Cotton Textile Industry Social Responsibility Report.”](#)
- 60 US Customs and Border Protection (13 January 2021), [“CBP Issues Region-Wide Withhold Release Order on Products Made by Slave Labor in Xinjiang.”](#)
- 61 The Guardian (15 December 2020), [“Xinjiang: more than half a million forced to pick cotton, report suggests.”](#)
- 62 Labour Behind the Label (June 2020), [“Boohoo & COVID-19: The people behind the profits,”](#) pp. 3 and 7.
- 63 Clean Clothes Campaign (April 2020), p. 20.
- 64 New York Times (20 September 2018), [“Inside Italy’s Shadow Economy.”](#)
- 65 US Department of Labor (2020).
- 66 Business & Human Rights Resource Centre (December 2020).
- 67 Reuters (6 December 2019), [“Union leaders harassed in Brazil’s textile factories – report.”](#)
- 68 Seventy-eight percent of workers in total said that the price per product had decreased. There were 142 respondents to the survey, largely including Bolivian migrant workers in Brazil. Business & Human Rights Resource Centre (December 2020), p. 17.
- 69 Reuters (3 April 2019), [“Brazil names major fashion company to its slavery ‘dirty list’.”](#)
- 70 Worker Rights Consortium (December 2018), [“Ethiopia is a North Star: Grim conditions and miserable wages guide apparel brands in their race to the bottom,”](#) p. 1.
- 71 Worker Rights Consortium (December 2018), p. 6.
- 72 Clean Clothes Campaign, [“Migrants: Workers on the move.”](#)
- 73 The Guardian (29 August 2020).
- 74 The Guardian (3 December 2020).
- 75 Remedy outcomes were disclosed either in relation to allegations in the benchmark or in response to other labor rights violations.
- 76 Financial Times (1 January 2021), [“Prospering during the pandemic: 2020’s top 100 companies.”](#)
- 77 The indicator elements of the **benchmark methodology** included in this assessment were 4.2.2 Repayment of Recruitment Fees, 4.4.3 Outcomes for Workers in Vulnerable Conditions, 5.1.3 Positive Impact of Worker Engagement, 5.2.2 Global Framework Agreements/ Enforceable Labor Rights Agreements, 5.2.4 Examples of Improvements of Freedom of Association, 5.3.3 Involvement of Workers in Design and Operation of Grievance Mechanisms, and 7.2.2 Remedy Outcomes. It also includes 5.1.2 Worker Engagement (only worker-led efforts on labor rights education were counted) and 6.2.4 Monitoring Disclosure (only worker-driven monitoring was counted, [i.e., monitoring undertaken by independent organizations that includes worker participation and is guided by workers’ rights and priorities]).
- 78 Reuters (6 April 2021), [“Garment workers owed millions in pandemic severance pay, study finds.”](#)  
Reuters (4 December 2020), [“Going hungry; garment workers cut back on food as pandemic hits wages.”](#)
- 79 Business & Human Rights Resource Centre (16 February 2021), [“EU mandatory due diligence legislation: What investors need to know and why they should care.”](#)
- 80 Human Rights Watch (23 April 2019).
- 81 Verité, [“Responsible Sourcing Tool: Textiles and Apparel.”](#)
- 82 Labour Behind the Label, [“Trade Unions.”](#)
- 83 Genevieve LeBaron, Neil Howard, Cameron Thibos, and Penelope Kyritsis (2018), [“Confronting root causes: forced labour in global supply chains,”](#) pp. 42-43.

- 84 Genevieve LeBaron, Neil Howard, Cameron Thibos, and Penelope Kyritsis (2018), pp. 42-43.
- 85 Fair Action (December 2020), [“Bearing the Brunt of a Pandemic: Accounts of leather workers in India and China during the COVID-19 crisis,”](#) p. 26.
- 86 IndustriALL, [“Global Framework Agreements.”](#) Accessed 10 February 2021. Worker-Driven Social Responsibility Network, [“Success Stories.”](#) Accessed 10 February 2021.
- 87 See the [data set](#) of KnowTheChain’s 2021 apparel and footwear benchmark.
- 88 Verité, [“Responsible Sourcing Tool: Cotton.”](#) Accessed 28 April 2021.
- 89 Verité, [“Responsible Sourcing Tool: Rubber.”](#) Accessed 28 April 2021.
- 90 See [Forced Labor Risks in Apparel and Footwear Supply Chains.](#)
- 91 While it is positive that monitoring efforts reach the lower tiers of supply chains, companies should ensure that monitoring processes are effective and worker-focused, given that there are limitations associated with social auditing. Business & Human Rights Resource Centre, [“Beyond Social Auditing.”](#) Accessed 12 April 2021.
- 92 US Department of Labor (2020).
- 93 Maplecroft (9 September 2019), [“Xinjiang supply chain risks intensify and extend beyond China’s borders.”](#) just-style (21 October 2021), [“New Research adds to Xinjiang forced labour concerns.”](#)
- 94 Maplecroft (9 September 2019).
- 95 US Department of Labor (2020).
- 96 Statista (6 October 2020), [“Leading cotton producing countries worldwide in 2019/2020.”](#)
- 97 The Guardian (23 July 2020), [“‘Virtually entire’ fashion industry complicit in Uighur forced labour, say rights groups.”](#)
- 98 See company disclosure under 2.2.2 in [KnowTheChain’s dataset](#) for the 2021 Apparel & Footwear Benchmark. Benchmark data can be downloaded [here](#).
- 99 Fair Action (December 2020), p. 26.
- 100 Fair Labor Association (2020), [“Pre-competitive collaboration in supply chain mapping of the natural rubber sector in Vietnam.”](#)
- 101 US Department of Labor (2020).
- 102 World’s Top Exports (2019), [“Natural Rubber Imports by Country.”](#)
- 103 US Department of Labor (2020).
- 104 Verité, [“Responsible Sourcing Tool: Textiles and Apparel.”](#)
- 105 Business Wire (30 May 2019), [“The Global & Chinese Viscose Fiber Markets, 2019 to 2025.”](#) See also just-style (15 January 2021), [“What the US ban on Xinjiang cotton means for apparel.”](#)
- 106 OEC, [“Woven fabric polyester + viscose rayon, nes.”](#) Accessed 8 February 2021. Vietnam, India, and Bangladesh are among the world’s biggest exporters of clothing: see Statista (23 November 2020), [“Share in world exports of the leading clothing exporters 2019, by country.”](#)
- 107 US Department of State, the US Department of the Treasury, the US Department of Commerce, and the US Department of Homeland Security (1 July 2020), [“Xinjiang Supply Chain Business Advisory.”](#)
- 108 According to: US Department of Labor, [“List of Goods Produced by Child Labor or Forced Labor.”](#) Accessed 8 April 2021.
- 109 According to company disclosure and/or third-party research. See [data set](#) of KnowTheChain’s 2021 apparel and footwear benchmark for details.
- 110 Certifications that include standards on forced labor.
- 111 See for example: Genevieve LeBaron, Neil Howard, Cameron Thibos, and Penelope Kyritsis (2018), p. 59. See also: GreenBiz (22 December 2020), [“A lot of certified sustainable products aren’t, and that’s about to change.”](#)
- 112 The term “sustainably sourced” may instead refer to organic cotton or cotton sourced according to particular environmental standards.
- 113 UN Human Rights Office of the High Commissioner (2011), [“Guiding Principles on Business and Human Rights.”](#) Such a process should cover salient human rights issues. In the apparel and footwear sector, that should include working conditions in supply chains, given the widespread reports about abuses—or an explanation of why the topic is not relevant to the company. The OECD specifically notes that forced labor is a sector-specific risk. OECD (2018), [“OECD Due Diligence Guidance for Responsible Supply Chains in the Garment and Footwear Sector,”](#) p. 38.
- 114 For further details, see Business & Human Rights Resource Centre, [“Beyond Social Auditing.”](#)
- 115 See key findings chapter: [From Commitment to Due Diligence & Remedy—Findings on Seven Themes.](#)
- 116 Clean Clothes Campaign (2019), [“Fig leaf for fashion. How social auditing protects brands and fails workers.”](#)
- 117 Clean Clothes Campaign (2019), pp. 8 and 67-69.
- 118 Science Blogs (13 December 2016), [“Hansae Vietnam: Case study of hazardous working conditions and the failure of corporate social responsibility audits to fix the hazards.”](#)
- 119 Clean Clothes Campaign (2019), p. 25.

- 120 Clean Clothes Campaign (2019), p. 83.
- 121 Peter Bengtsen (2 December 2020), "[Beyond social audits in supply chains: Who should monitor? Whom to trust?](#)"
- 122 For company examples, see the chapters on [Supply Chain Transparency](#) and [Worker Voice](#).
- 123 UN Human Rights Office of the High Commissioner (2011), p. 19.
- 124 OECD (2018), p. 27.
- 125 Cornell University (February 2020), "[Where Do We Go from Here? Social Dialogue in the 21st Century Global Garment Industry](#)," slides 22-24.
- 126 OECD (2018), p. 29.
- 127 MSI Integrity (July 2020), "[Not Fit-for-Purpose. The Grand Experiment of Multi-Stakeholder Initiatives in Corporate Accountability, Human Rights and Global Governance](#)," p. 5
- 128 Clean Clothes Campaign, "[Binding agreements](#)." Accessed 6 April 2021.
- 129 Worker-Driven Social Responsibility Network, "[Success Stories](#)."
- 130 For examples of company practices, see chapter on [Purchasing Practices](#).
- 131 OECD (2018), pp. 73-74.
- 132 See also Ethical Trading Initiative, "[Human Rights Due Diligence Framework](#)," p. 13, which recommends, for example, that companies should "assess whether prices paid to suppliers enable provision of decent wages and safe working conditions." Accessed 10 May 2021.
- 133 See chapter on [Purchasing Practices](#).
- 134 Worker Rights Consortium, "[Covid-19 and Garment Workers](#)." Accessed 6 April 2021.
- 135 UN Human Rights Office of the High Commissioner (2011), p. 18.
- 136 UN Human Rights Office of the High Commissioner (2011), p. 14.
- 137 OECD (2018), p. 71.
- 138 For further details and examples, see chapter [Addressing Forced Labor Risks in the Lower Tiers of Supply Chains](#).
- 139 Business & Human Rights Resource Centre, "[EU Commissioner for Justice commits to legislation on mandatory due diligence for companies](#)." Accessed 15 April 2021. European Parliament (10 March 2021), "[MEPs: Companies must no longer cause harm to people and planet with impunity](#)." For legislative developments and proposals across Europe, see: Business & Human Rights Resource Centre, "[National & regional movements for mandatory human rights & environmental due diligence in Europe](#)." Accessed 6 April 2021.
- 140 Business & Human Rights Resource Centre, "[Germany: Cabinet passes mandatory due diligence proposal; Parliament now to consider & strengthen](#)." Accessed 15 April 2021.
- 141 Business & Human Rights Resource Centre (17 December 2019), "[High hopes for mandatory human rights due diligence in 2020](#)."
- 142 US Customs and Border Protection, "[Forced Labor](#)." Accessed 6 April 2021. Ben Vanpeperstraete for MEP Anna Cavazzini (12 February 2021), "[Towards an EU import ban on forced labour and modern slavery](#)." South China Morning Post (25 February 2021), "[As Australia mulls ban on Xinjiang-made goods, critics ask why China is being singled out for forced labour](#)." Government of Canada (12 January 2021), "[Canada announces new measures to address human rights abuses in Xinjiang, China](#)."
- 143 Due diligence scores for benchmarked companies were calculated by taking the average scores of the benchmark themes 2-6 (Traceability & Risk Assessment, Purchasing Practices, Recruitment, Worker Voice, and Monitoring).
- 144 PRI, "[About the PRI](#)." Accessed 13 April 2021.
- 145 The World Bank, "[Data](#)." In 2019, the GDP of the top five richest countries—US, China, Japan, Germany, and India—was US\$47 trillion. The GDP of all countries US\$88 trillion.
- 146 Financial Times (12 April 2021), "[What does ESG-friendly really mean?](#)"
- 147 S&P Global Market Intelligence (6 April 2021), "[ESG funds beat out S&P 500 in 1st year of COVID-19; how 1 fund shot to the top](#)." The Economist (6 June 2020), "[ESG investors get their heads around social risks](#)." Financial Times (3 April 2020), "[ESG funds continue to outperform wider market](#)."
- 148 Examples of investor engagement in the apparel sector include Interfaith Centre for Corporate Responsibility, "[Protecting Worker Rights: ICCR's Bangladesh Initiative](#)." Accessed 14 April 2021. Principles for Responsible Investment (2017), "[An investor briefing on the apparel industry: Moving the needle on responsible labour practices](#)." Platform Living Wage Financials, "[Platform Living Wage Financials](#)." Accessed 14 April 2021.
- 149 CCLA (12 April 2021), "[Find It, Fix It, Prevent It. Annual Report](#)."
- 150 PRI (22 October 2020), "[Why and how investors should act on human rights](#)."
- 151 Financial Times (10 March 2021), "[ESG/BlackRock: greenwash should no longer wash in investment](#)." Bloomberg (5 February 2021), "[Demystifying the Sustainable Finance Disclosure Regulation](#)." EUR-Lex (Current consolidated version: 12 July 2020), "[Regulation \(EU\) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability-related disclosures in the financial services sector](#)."

- 152 Johannes Blankenbach & Saskia Wilks, Business & Human Rights Resource Centre (8 February 2021), "[EU mandatory due diligence legislation: What investors need to know and why they should care.](#)"
- 153 VF discloses strong levels of transparency down to the fourth tier of its supply chains, yet still has a way to go. For example, its second-tier factory list currently accounts for only 70% of its spend.
- 154 US Customs and Border Protection.
- 155 An additional 8% of companies disclose a full list of countries where their first-tier suppliers are based.
- 156 For more information see Transparency Pledge, "[Why disclose.](#)" Accessed 13 April 2021.
- 157 Transparency Pledge, "[The Pledge.](#)" Accessed 14 April 2021.
- 158 This is aligned with civil society expectations—see Clean Clothes Campaign, "[Civil society organisations call on policymakers to define meaningful supply chain reporting requirements.](#)" p. 2. Accessed 11 May 2021.
- 159 See also Transparency Pledge, "[Good Practices.](#)" Accessed 30 April 2021.
- 160 Open Apparel Registry, "[Search.](#)" Accessed 25 January 2021.
- 161 Learn about forced labor risk in different tiers of apparel supply chains in the chapter on [Addressing Forced Labor Risks in the Lower Tiers of Supply Chains.](#)
- 162 Two additional companies, Asics and Lululemon, disclosed a limited number of second-tier suppliers (seven and ten respectively) but did not give an indication of what proportion of their second-tier suppliers this covers.
- 163 See risks per region in [Forced Labor Risks in Apparel and Footwear Supply Chains.](#)
- 164 According to: US Department of Labor, "[List of Goods Produced by Child Labor or Forced Labor.](#)"
- 165 According to company disclosure and/or third-party research. See [data set](#) of KnowTheChain's 2021 apparel and footwear benchmark for details.
- 166 Certifications that include standards on forced labor.
- 167 For more information on responsible purchasing practices see OECD (2018), p. 73-74.
- 168 See chapter on [Addressing Forced Labor Risks in the Lower Tiers of Supply Chains.](#)
- 169 Human Rights Watch (23 April 2019).
- 170 Genevieve LeBaron, Neil Howard, Cameron Thibos, and Penelope Kyritsis (2018), p. 53.
- 171 Human Rights Watch (23 April 2019).
- 172 Human Rights Watch (23 April 2019).
- 173 Human Rights Watch (23 April 2019).
- 174 Better Work (2016), "[Progress and Potential: How Better Work is improving garment workers' lives and boosting factory competitiveness.](#)" p. 36.
- 175 The Guardian (8 October 2020), "[World's garment workers face ruin as fashion brands refuse to pay \\$16bn.](#)" See also The Daily Star (26 June 2020), "[Is foul play the new normal?](#)"
- 176 Better Buying and Ulula (February 2021), "[Better Buying Institute and Ulula joint report on assessing purchasing practices impacts on suppliers and workers.](#)" p. 2. Based on a survey of 17 suppliers, many of which were based in Vietnam.
- 177 Better Buying and Ulula (February 2021), p. 3.
- 178 Compared to pre-pandemic data. Better Buying and Ulula (February 2021), p. 6.
- 179 Worker Rights Consortium (Updated: 21 April 2021), "[Covid-19 Tracker: Which Brands Are Acting Responsibly toward Suppliers and Workers?](#)"
- 180 Business & Human Rights Resource Centre, "[COVID-19 Apparel Action Tracker.](#)" Accessed 14 April 2021.
- 181 European Center for Constitutional and Human Rights, ILaw and Worker Rights Consortium (September 2020), "[Force majeure: How global apparel brands are using the COVID-19 pandemic to stiff suppliers and abandon workers.](#)"
- 182 Market Watch (29 April 2021), "[Amazon's pandemic profits top previous 3 years of earnings.](#)"
- 183 Business & Human Rights Resource Centre (11 November 2020), "[Major fashion brands record profits while vulnerable workers languish in poverty.](#)"
- 184 Better Buying (2019), "[Better Buying Index Report, 2019.](#)" p. 25.
- 185 Five companies: Adidas, H&M, Fast Retailing, Lululemon, and VF (though Lululemon discloses a limited number of subcontractors).
- 186 Note the company is not part of KnowTheChain's assessment. Fashionista (25 June 2019).
- 187 European Center for Constitutional and Human Rights, ILaw and Worker Rights Consortium (September 2020). See also Business & Human Rights Resource Centre and the Harvard Kennedy School—Corporate Responsibility Initiative (1 April 2020), "[Moral bankruptcy during times of crisis: H&M just thought twice before triggering force majeure clauses with suppliers, and here's why you should too.](#)"

- 188 Better Buying defines costs of compliant production as follows: Consider the impact of changes made to the product/order after committing to the price that resulted in cost increases, for example requiring more embellishment/design details. Include the costs of wages and benefits; a safe and healthy workplace; non-workplace-related compliance; procuring environmentally friendly materials; and required audits, assessments and certifications related to social/labor, environment, quality, and others. Better Buying, [“Better Buying Purchasing Practices Index \(BBPPI\) Questionnaire 2021,”](#) p. 9.
- 189 The Guardian (22 June 2019).
- 190 Fifty-seven percent have a policy that prohibits recruitment fees in their supply chains but does not incorporate the Employer Pays Principle. Only 43% of companies have a policy that states the employer must be responsible for the payment of fees.
- 191 Five companies have no policy at all, and three companies have policies that prohibit fees but do not specify that the employer must be responsible for paying fees or that limit only certain types of fees, such as “excessive fees.”
- 192 See chapter on [What Do We Mean When We Talk About Human Rights Due Diligence?](#)
- 193 Note the company is not part of KnowTheChain’s assessment. Fashionista (25 June 2019).
- 194 Business & Human Rights Resource Centre (August 2020), [“Union busting & unfair dismissals: Garment workers during COVID-19,”](#) p. 3.
- 195 For more information, see International Labour Organization, [“Q&As on Business and freedom of association.”](#) Accessed 22 February 2021.
- 196 Pou Chen discloses the existence of such a code, yet the code itself was not publicly available.
- 197 IndustriALL Global Union (6 October 2020), [“#UnionWin as garment workers are reinstated.”](#) IndustriALL Global Union (26 March 2020), [“South African textile union wins full pay guarantee during coronavirus lockdown.”](#) Solidarity Center (6 April 2020), [“Unions lead creation of a feminist world of work.”](#)
- 198 International Trade Union Confederation (2016), [“Eliminating Slavery: Frontline Guidance for Trade Unions,”](#) p. 7.
- 199 Labour Behind the Label, [“Trade unions.”](#)
- 200 Clean Clothes Campaign, [“Union busting.”](#) See also International Trade Union Confederation (18 June 2020). These countries are listed as having “no guarantee of rights.”
- 201 Business & Human Rights Resource Centre (August 2020), p. 3.
- 202 Business & Human Rights Resource Centre (August 2020), p. 8.
- 203 Business & Human Rights Resource Centre (August 2020), p. 13.
- 204 The Guardian (7 August 2020), [“Covid let to ‘brutal crackdown’ on garment workers’ rights, says report.”](#)
- 205 For additional KPIs covered, see Puma, [“Annual Report 2019,”](#) p. 65.
- 206 See KnowTheChain (2020), [“2020 ICT Benchmark Findings Report,”](#) pp. 56-57. No company in the ICT sector discloses steps taken to support freedom of association in its supply chains. See also KnowTheChain (2020), [“2020 Food & Beverage Benchmark Findings Report,”](#) pp. 56-58.
- 207 OECD (2018), p. 29.
- 208 Worker-Driven Social Responsibility Network (11 July 2017), [“What is WSR?,”](#) p. 4.
- 209 Business & Human Rights Resource Centre (August 2020), pp. 3 and 27.
- 210 Business & Human Rights Resource Centre, “Beyond Social Auditing.” Clean Clothes Campaign (2019).
- 211 OECD (2018), p. 34.
- 212 Clean Clothes Campaign, [“Binding agreements.”](#) Worker-Driven Social Responsibility Network, [“Comparison of Critical Elements of WSR vs. CSR and MSIs,”](#) pp. 1-2. MSI Integrity (July 2020), p. 5.
- 213 Worker-Driven Social Responsibility Network, [“Gender Justice in Lesotho Apparel.”](#) Accessed 29 April 2021.
- 214 Business & Human Rights Resource Centre (August 2020), p. 3. Business & Human Rights Resource Centre, [“Covid-19: Supply Chain Workers.”](#) Accessed 14 April 2021.
- 215 Of the 27 companies with a grievance mechanism, nine make theirs available to their suppliers’ workers, but workers’ representatives do not appear to be able to report grievances on behalf of the workers.
- 216 Market Watch (29 April 2021). Reuters (4 November 2020), [“Zalando profit jumps as pandemic drives home shopping.”](#)
- 217 Worker Rights Consortium, [“Fired, then robbed. Fashion brands’ complicity in wage theft during Covid-19,”](#) p. 5.
- 218 UN Human Rights Office of the High Commissioner, [“Access to Remedy.”](#) Accessed 15 January 2021.
- 219 Ethical Trading Initiative (2019), [“Access to remedy; Practical guidance for companies,”](#) p. 11.
- 220 See [Worker Voice](#) chapter for further details on grievance mechanisms.
- 221 KnowTheChain only considers allegations of forced labor. Companies in the benchmark may also be involved in other human rights-related allegations. For more information, see the [company pages](#) of the Business & Human Rights Resource Centre.
- 222 Note that indicators of forced labor were also identified in North America; however, the allegations lacked relevant detail and therefore were not included.

- 223 Wall Street Journal (16 May 2019), "[Western Companies Get Tangled in China's Muslim Clampdown](#)." BBC (13 November 2019), "[Xinjiang cotton sparks concern over 'forced labour' claims](#)." Accessed 15 April 2021.  
Australian Strategic Policy Institute (1 March 2020), "[Uyghurs for sale: 'Re-education', forced labour and surveillance beyond Xinjiang](#)."
- 224 See [Forced Labor Risks in Apparel and Footwear Supply Chains](#).
- 225 Specifically, KnowTheChain added an indicator looking at the steps that companies have taken to address such risks. In its assessment, KnowTheChain focused on the call to action of the [Coalition to End Forced Labour in the Uyghur Region](#), which includes engagements with the coalition (rightsholder engagement), setting time-bound targets, remedy, tracing supply chains, assessing supply chain risks across tiers, and calls for disengaging from business relationships linked to Uyghur forced labor. In addition, points were capped from existing indicators, namely 1.5, 2.1, 2.2, 3.1 (stakeholder engagement, supply chain transparency, risk assessment, and responsible raw material sourcing) where companies did not disclose relevant information.
- 226 Sources such as the Fair Labor Association note that workers may not be able to freely communicate about their working conditions due to fear of reprisals. Fair Labor Association (9 January 2020), "[Forced Labor Risk in Xinjiang, China](#)."
- 227 Coalition to End Forced Labour in the Uyghur Region (Updated Version: October 2020), "[Call to Action](#)."
- 228 Worker Rights Consortium (24 June 2019), "[New WRC Report: Hetian Taida/Badger Sport \(China\)](#)."
- 229 Fashionista (25 June 2019).
- 230 PVH denied the allegation noting that the factories in question do not supply to PVH. The company did not disclose a description of what actions it would take to prevent and remediate the alleged impacts.
- 231 It stated that after not sourcing from the facility for more than 12 months, it "transitioned the leadership of the remediation to another brand" that is a significant buyer, and that it continues to support remediation efforts.
- 232 It is not clear whether the statement of satisfaction came directly from workers.
- 233 Such requests are put forward by worker rights organizations around the world: Asia Floor Wage Alliance calls for companies to pay [2% of total annual sourcing](#) for immediate relief for supply chain workers; Migrant Forum in Asia suggests companies contribute to a [compensation fund](#); Clean Clothes Campaign asks companies to publicly commit to wage assurance and the [Severance Guarantee Fund](#); and the Coalition to End Forced Labour in the Uyghur Region suggests companies provide remedy by offering [compensation](#) to affected workers.
- 234 For further information, see KnowTheChain, "[Investors](#)." Accessed 26 April 2021.
- 235 "Yes" indicates that a company participated in the engagement process by having an engagement call with KnowTheChain or submitted links or additional disclosure to KnowTheChain during the three-month engagement period (December 2020 to February 2021). "Informal" engagement means a company had some form of contact with KnowTheChain between April 2020 and March 2021. This could include an email enquiring about KnowTheChain or its benchmarking methodology or a call outside the engagement period. "No" means a company did not interact with KnowTheChain between April 2020 and March 2021 (beyond confirming a point of contact for KnowTheChain).
- 236 KnowTheChain assesses companies' efforts across different tiers, from manufacturing to raw materials. For an assessment of companies' efforts in relation to their own operations, please see the [Corporate Human Rights Benchmark](#). KnowTheChain is currently not assessing efforts to address forced labor in downstream supply chains (such as transportation or retail). Feedback to the methodology is welcome at [info@knowthechain.org](mailto:info@knowthechain.org).
- 237 For more information on high-risk raw materials and locations used by companies, as well as whether they have significant own operations, see the [KnowTheChain full research data file](#).
- 238 For more information, see [Appendix 2: Benchmark Methodology](#).
- 239 "No steps" indicates that a company disclosed no relevant information. "Basic steps" indicates that a company disclosed relevant information for up to one-quarter of the indicators. "Some steps" indicates that a company disclosed relevant information for up to one-half of the indicators (and at least one-quarter of them). "Intermediate steps" indicates that a company disclosed relevant information for up to three-quarters of the indicators (and at least half of them). "Advanced steps" indicates that a company disclosed relevant information for over three-quarters of the indicators.
- 240 For further details on sourcing materials at high risk of forced labor, see section [Addressing Forced Labor Risks in the Lower Tiers of Supply Chains](#).
- 241 The Guardian (22 June 2019).
- 242 See chapter on [Remedy](#) for further details and information on the inclusion of a sector-wide allegation.
- 243 The responses to company-specific allegations are assessed separately from sector-wide allegations and are not included in this graph. It should be noted that while KnowTheChain only considers allegations of forced labor, companies in the benchmark may also be involved in other human rights-related allegations. For more information on labor conditions in the sector, see the [Business & Human Rights Resource Centre website](#).
- 244 However, the company did not provide evidence of its cost-price model tool implementation.

## ABOUT KNOWTHECHAIN

**KnowTheChain**—a partnership of Humanity United, Business & Human Rights Resource Centre, Sustainalytics, and Verité—is a resource for businesses and investors who need to understand and address forced labor abuses within their supply chains. It benchmarks current corporate practices, develops insights, and provides practical resources that inform investor decisions and enable companies to comply with growing legal obligations while operating more transparently and responsibly.

**Business & Human Rights Resource Centre** is a non-profit that tracks the positive and negative human rights impacts of more than 9,000 companies worldwide and, since 2015, has taken up more than 6,000 allegations of human rights violations with companies. The Resource Centre has a global team of around 60 members based in over 20 locations in every region of the world.

**Humanity United** is a foundation dedicated to bringing new approaches to global problems that have long been considered intractable. It builds, leads, and supports efforts to change the systems that contribute to problems like human trafficking, mass atrocities, and violent conflict. Humanity United is part of The Omidyar Group, a diverse collection of organizations, each guided by its own approach, but united by a common desire to catalyze social impact.

**Sustainalytics** is a leading independent ESG and corporate governance research, ratings, and analytics firm that supports investors around the world with the development and implementation of responsible investment strategies. Sustainalytics works with hundreds of the world's leading asset managers and pension funds that incorporate ESG and corporate governance information and assessments into their investment processes. The firm also works with hundreds of companies and their financial intermediaries to help them consider sustainability in policies, practices, and capital projects.

**Verité** is a global, independent, non-profit organization that provides consulting, training, research, and assessment services with a mission to ensure that people worldwide work under safe, fair, and legal working conditions. As such, it may work with some of the companies covered in this report. Verité was not involved in researching or evaluating company disclosures, and its role in KnowTheChain is to help provide resources for encouraging better practices to fight forced labor.