

2024 Good Practice Guide





KnowTheChain has unrivalled visibility into how companies measure up on fighting forced labor in supply chains. After years of analyzing various approaches to finding, remediating, and preventing these abuses across many sectors, KnowTheChain has now produced much needed guidance into promising practices that all companies should adopt.

Shawn MacDonald

CEO, Verité



HPE encourages the measurement of corporate performance on forced labor, engages across the industry, and contributes to best practices. We believe the commitment to continuous improvement is the key to preventing, identifying, and remedying forced labor. We welcome KnowTheChain's guide and look forward to learning from this resource.

Pam Wood

Director, Global Human Rights Ethics & Compliance Office, Hewlett Packard Enterprise



KnowTheChain's Good Practice Guide for companies and investors is a welcome resource that provides concrete examples which demonstrate how to address forced labour risks in supply chains. The publication of this Guide is timely and relevant given the increasing regulation on mandatory human rights and environmental due diligence and import bans on products made using forced labour.

Radhika Sarin

Private Sector Senior Adviser, Impact Division, Oxfam



KnowTheChain is an invaluable resource for investors navigating corporate dialogue and engagement, guiding investors as they prepare for discussions with portfolio companies. The KnowTheChain team has been instrumental in helping investors prioritise key engagement topics, balancing the need to praise companies for progress in certain areas and push them to do more in others.

Chavi Keeney Nana

Director, Equitable Global Supply Chains, Interfaith Center on Corporate Accountability

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INTRODUCTION



KnowTheChain – a programme of the Business & Human Rights Resource Centre – is a resource for companies and investors to identify and address forced labour and labour rights risks within their supply chains. KnowTheChain benchmarks companies across three high-risk sectors; Information & Communications Technology (ICT), Apparel & Footwear and Food & Beverage. The benchmarking model seeks to harness the competitive nature of markets and generate reputational risks to incentivise companies to improve practice.

Our insights and practical resources inform investor decision-making and corporate approaches to the identification, prevention and remedy of forced labour risks and conditions.

Further detail on sector-specific findings, trends, and examples of good practice can be found in KnowTheChain's [benchmark reports](#). Full datasets of scored company disclosure per sector are available on KnowTheChain's [website](#).

The KnowTheChain [benchmark methodology](#) and [reporting guidance](#), aligned with the standards in this Guide, can be found on KnowTheChain's [website](#).

Companies across all sectors can play a vital role in advancing human rights. From promoting decent work, upholding living wages, championing gender equality, and safe and healthy workplaces, they are uniquely positioned to generate shared prosperity through respect for basic rights and fair negotiations in operations and supply chains. Legislative developments globally, alongside shifting [consumer](#) and [shareholder expectations](#), increasingly require companies to take on an active role and ensure that, in bringing their products to market, they do not exacerbate or benefit from existing human rights risks or vulnerabilities – at any stage, from the extraction or cultivation of raw materials to the final product.

But as companies seek to navigate today's intersecting global crises – from climate change to regional conflict – the potential for serious harm to some of the most marginalised workers in global supply chains, including women and migrants, continues to rise. [Recent research](#) by the International Labour Organisation (ILO) demonstrates a drastic increase (37%) in both illegal profits generated by forced labour in the last 10 years and the number of victims globally, highlighting critical action is required to halt one of the most egregious forms of labour abuse, forced labour, in the private economy.

At the same time, an unprecedented drive by [legislators and policymakers globally](#) to demand companies prevent and mitigate this and other human rights risks – as well as improve disclosure on efforts taken in this regard – now seeks to do just this.

These regulatory developments include the [EU's Corporate Sustainability Due Diligence Directive](#) (CSDDD) and [Corporate Sustainability Reporting Directive](#) (CSRD), the [US Tariff Act](#), the [Uyghur Forced Labour Prevention Act](#) (UFLPA) and [EU Forced Labour Import Ban](#) and [China stock exchanges' disclosure requirements on Environmental, Social and Governance](#) (ESG) issues, among others.

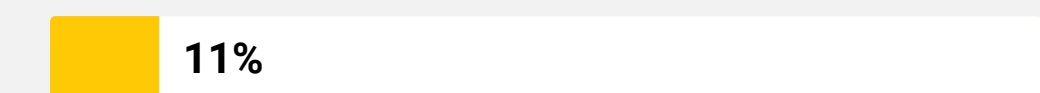
Against this background, companies around the world will increasingly face legal and financial pressure to do better. Put simply, the 'business as usual' approach to ignoring or externalising human rights risks and impacts no longer makes good business sense.

How ready are companies to address growing forced labour risks?*

Identify: 58% of companies disclose how they are conducting a human rights risks assessment.



Mitigate: 11% of companies demonstrate how they are engaging with unions to support freedom of association and collective bargaining, no capital letters in supply chains.



Remedy: 72% of companies disclose a grievance mechanism open to supply chain workers, but only 18% of companies disclose data on the use of the mechanism.



* Average performance across the three sector benchmarks.

THIS GUIDE

This Guide is a resource for companies and investors seeking to understand what strong corporate practice and disclosure looks like with respect to a range of key elements of upstream **supply chain human rights due diligence** (HRDD).

It draws on data collected by KnowTheChain over eight years of benchmarking global multinational companies across three sectors: Apparel & Footwear, Food & Beverage and ICT. With a focus on risks related to **supply chain forced labour and abuses of workers in supply chains more broadly**, this Guide responds to the need for clear guidance and examples of the steps companies could take on some of the most critical aspects of due diligence to address forced labour risks in their supply chains.

This Guide is intended for relevant decisionmakers and teams within **companies**, including companies not benchmarked by KnowTheChain, looking for guidance on how to design or improve their supply chain human rights programmes. By providing a concrete benchmark against which existing disclosure can be measured, as well as aggregating data to show the feasibility of adopting certain practices, the Guide is also intended for **investors** who seek to better understand how to effectively assess companies' disclosure on steps taken to address forced labour risks. For both groups of stakeholders, a new dawn is here for HRDD expectations – and the plethora of real-life better practice examples by business demonstrates how meeting these standards does not have to come at the expense of the bottom line.

Public disclosure and effective human rights due diligence

Each section in the Guide provides detail on the type and extent of public disclosure expected in each thematic area. Effective public communication on how a company is addressing risks in its supply chains is a key component of human rights due diligence under the UN Guiding Principles, and increasingly a legal requirement under existing and emerging due diligence legislation. Transparency is a foundational step in any robust due diligence program: it demonstrates to stakeholders that a company is serious about identifying and addressing human rights risks in its supply chains and willing to adopt an open, collaborative approach to addressing them.

For instance, transparency around sourcing locations yields benefits for the company's due diligence process by, for example, helping identify unauthorised subcontracting and receiving early notice from stakeholders when violations in a company's supply chains arise. The company may also reap operational and reputational benefits when external stakeholders are able to identify, and notify a company of, risks or impacts at an earlier stage and escalation can be prevented. Increased transparency on steps taken to address risks further helps companies improve processes by being able to easily access disclosure of peers.



USING THE GUIDE

The sections of the Guide are fully self-contained and can be referred to independently based on interest and priority. Each section provides guidance on a specific element of due diligence, from identifying risks to thematic areas such as freedom of association, purchasing practices, recruitment and remedy. Each section contains:

- | **Target performance** sets out what good corporate practice looks like on a specific issue, including the type and level of detail of public disclosure expected.*
- | **Big picture data** showcases the number of companies across the three sectors which have already adopted a certain practice,** with a view to demonstrating feasibility.
- | **Examples of good practice** provide concrete, illustrative examples of good practice from companies benchmarked by KnowTheChain in 2022/2023, in line with the elements included in target performance. Where relevant, examples of good practice from companies not benchmarked by KnowTheChain are included.
- | **Where to begin** guides companies, where relevant, in taking their first steps on a specific element of due diligence by referring to useful resources, questions to discuss internally and areas of focus.

While this Guide is modular, the elements of human rights due diligence (HRDD) covered do not operate in isolation. For instance, buyers' purchasing behaviours can shape the systemic recruitment risks in supply chains where poor purchasing practices incentivise the use of temporary labour – so a responsible recruitment policy must be accompanied by the adoption of responsible purchasing practices. Likewise, freedom of association and collective bargaining cuts across themes and will underpin effective approaches to many different building blocks of due diligence. A robust HRDD programme will address these intersecting issues holistically, even as it prioritises issues of particular importance or severity.

That a company's approach is highlighted as an example of good practice on a specific issue does not imply a broader endorsement of the company's efforts to address forced labour in its supply chains. Practices highlighted represent positive steps towards the expected performance, rather than an indication that they represent a gold standard or that there is no room for improvement. Furthermore, it does not mean the company has "slavery-free" supply chains, as KnowTheChain operates under the assumption that forced labour is endemic in large global supply chains. For information on each company's human rights impacts and past responses to allegations, see the Business & Human Rights Resource Centre's [website](#).

* Target performance is informed by our methodology criteria for full credit and in consultation with companies, civil society, trade unions and investors, reflecting our expertise across eight years of benchmarking and in line with evolving stakeholder expectations and regulatory developments.

** In the 2022/2023 cycle, 185 companies were benchmarked by KnowTheChain: 60 in the ICT sector, 60 in the Food & Beverage Sector, and 65 in the Apparel & Footwear sector. The percentages in the "Big picture data" feature refer to these benchmarked companies.



BOARD OVERSIGHT

KTC INDICATOR 2.3

Target performance

The company has mandated its board of directors – “supervisory board” in certain jurisdictions, or a specific committee of the board – with a clear responsibility to oversee the implementation of its policies and programmes governing labour rights issues in its supply chains. This mandate must be clear, specific and expressly cover supply chain labour rights’ policies – beyond a general reference to “sustainability”, “ESG” or “human rights”. Information about the scope of this mandate should be integral to the relevant board committee’s charter and publicly available on the company’s website.

The board’s – or the relevant board committee’s – discussions related to labour and human rights in supply chains should be informed by the views of workers, worker organisations (including unions) and/or civil society organisations.

Examples of good practice

Fast Retailing (Apparel & Footwear) discloses the Human Rights Committee of its Board of Directors has oversight of its supply chain forced labour policies, and discloses the specific responsibilities included within this mandate. This includes advice on the implementation of human rights due diligence and playing a role in the investigation of human rights violations and implementation of remedies, how frequently the Committee met in 2022 (five times), and the specific topics which were discussed in 2022. Topics discussed included initiatives related to the rights of migrant workers, alert systems, training based on a human rights survey of Fast Retailing employees and improving the effectiveness of grievance mechanisms.

Coles (Food & Beverage) discloses that its Board of Directors actively oversees its response to modern slavery risks through quarterly reports on the performance of its ethical sourcing programme, which includes updates on relevant complaints received through grievance channels, social audit results and modern slavery reporting, and that it approves key risk indicators related to workers’ rights in supply chains.

How this disclosure could be improved: both companies could disclose how board discussions are informed by views and expertise of workers and worker organisations, including unions and/or civil society organisations.

Big picture data

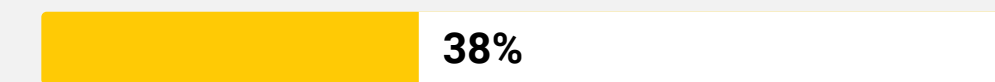
Disclosure of board oversight of supply chain labour rights policies and programmes:

Apparel & Footwear:



48% of benchmarked companies

Food & Beverage:



38% of benchmarked companies

ICT:



43% of benchmarked companies



SUPPLY CHAIN TRACEABILITY AND TRANSPARENCY

KTC INDICATORS 3.1, 3.2, 3.3

Target performance

The company has mapped all business entities in its upstream supply chains. In its mapping and disclosure, the company should include facilities to which the suppliers subcontract. Supplier lists should be updated at regular intervals: good practice is every 6 months and after any significant business or product changes. The lists can be published on the company website and/or uploaded to external repositories such as [Open Supply Hub](#).

The company publicly discloses:

- The full list of names and addresses of first-tier suppliers;
- The full list of names and locations of second- and third-tier suppliers (best practice is to gradually expand disclosure through all tiers of the company's supply chains down to raw material level);
- The full list of sourcing countries for the high-risk* raw materials/commodities it uses in its products.

Big picture data

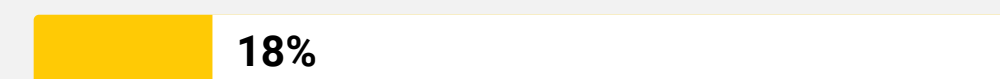
Disclosure of at least a partial list of first-tier suppliers:

Apparel & Footwear:



52% of benchmarked companies

Food & Beverage:



18% of benchmarked companies. Examples of companies disclosing first-tier supplier lists for at least three high-risk commodities include Amazon, Tesco, and Wilmar

ICT:



20% of benchmarked companies, including Apple, Nokia, NXP Semiconductors, and Qualcomm

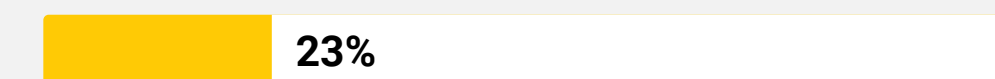
Disclosure of at least partial supplier lists for lower tiers:

Apparel & Footwear:



31% of benchmarked companies

Food & Beverage:



23% of benchmarked companies. Examples of companies disclosing names and locations of suppliers for at least two high-risk commodities include Hershey, Nestlé, and Mondelez

ICT:



77% of benchmarked companies – disclosure related to conflict minerals under the U.S. Dodd-Frank Act

Disclosure of at least partial sourcing (origin) countries for high-risk* raw materials:

Apparel & Footwear:



20% of benchmarked companies

Food & Beverage:



48% of benchmarked companies

ICT:



70% of benchmarked companies – disclosure related to conflict minerals under the U.S. Dodd-Frank Act

* Materials considered as high-risk for forced labour include those [listed](#) by the U.S. Department of Labour.

SUPPLY CHAIN TRACEABILITY AND TRANSPARENCY

KTC INDICATORS 3.1, 3.2, 3.3

Examples of good practice

Disclosure of first-tier suppliers:

- | **Sainsbury's** (Food & Beverage) discloses a full list of all its first-tier suppliers, which includes names, addresses, product type, number of workers, gender breakdown, and whether the facility has a union or a worker committee present.
- | **Deckers** (Apparel & Footwear) discloses a full list of names and addresses of its first and second-tier suppliers, as well as the type of product supplied, the number of workers at each supplier with a breakdown by gender, the percentage of foreign workers, the percentage of contract workers, and whether there is union presence or a worker committee at the facility.
- | **Dell** (ICT) discloses a list of the names and addresses of its original design manufacturers, final assembly, and suppliers it buys from directly and/or that "provide substantial product transformation," as well as the product line, procurement category and supplier type, which it states covered at least 95% of its spend in FY2021.

Disclosure of suppliers beyond the first tier:

- | **JD Sports** (Apparel & Footwear), in addition to disclosing full lists of names and addresses of its first- and second-tier suppliers, discloses the names and addresses of 137 of its third-tier and 127 of its fourth-tier suppliers.
- | Companies including **Hershey's** and **Mondelēz** (Food & Beverage) disclose names and locations of their second-tier cocoa suppliers.

Disclosure of full lists of sourcing (origin) countries for high-risk raw materials:

- | **Kellanova** (formerly Kellogg Company) (Food & Beverage) discloses full lists of sourcing countries for its cocoa, palm oil, and soy, as well as a partial list for sugarcane.
- | **Puma** (Apparel & Footwear) discloses a full list of sourcing countries for leather, with percentages: "USA (44%), Argentina (24.4%), China (13.2%) Australia (7.4%), France (4.4%), Uruguay (2.5%), Paraguay (1.9%), Italy (1.5%), Columbia (0.7%) and Brazil (0.3%)."
- | **Woolworths Group** (Food & Beverage) discloses the sourcing countries for over 90% of its palm oil, soy, sugar and tea.

Where to begin

Disclosure: Partial, and then gradually expanded, disclosure is welcome by stakeholders as a first step. Most companies map their supply chains and disclose supplier lists in stages. Depending on the company, this could mean starting with specific raw materials, commodities, geographies, product types, or parts of the supply chain for which the data might be internally more readily available. The company should prioritise mapping and disclosure of its supply chains involving high-risk* raw materials, processes, and/or locations. This expansion process should be timebound and the company should publicly disclose its time targets for expansion.



* Materials considered as high-risk for forced labour include those [listed](#) by the U.S. Department of Labour.

RISK ASSESSMENT

KTC INDICATOR 4.1

Target performance

The company has in place a **clearly defined process for identifying and assessing human rights risks, including labour rights risks, in its supply chains**. This human rights risk assessment is conducted either at regular intervals or on an ongoing basis. It should take into account a range of sources, which can include civil society, academic, and media reports, third-party data providers, global and local unions, groups representing rightsholders (workers), and other experts, as well as the company's own internal information (such as grievance mechanism data, audit findings, results of supply chain mapping, and data on its own business model and purchasing practices, including pricing). As workers experience labour rights risks first-hand, any serious due diligence process should prioritise insights from workers and local worker-led organisations over insights from paid service providers. Freedom of association and collective bargaining is an essential element: where workers can raise issues freely and on an ongoing basis, their local, up-to-date, context-specific knowledge helps companies adequately identify risks in real time.

The risk types assessed should include those associated with specific raw materials, manufacturing processes, countries or regions, or types of workers (such as migrant and/or women workers). In line with the UN Guiding Principles, where the company needs to prioritise actions, it should prioritise addressing risks or impacts that are most severe or where delayed response would make them irremediable.

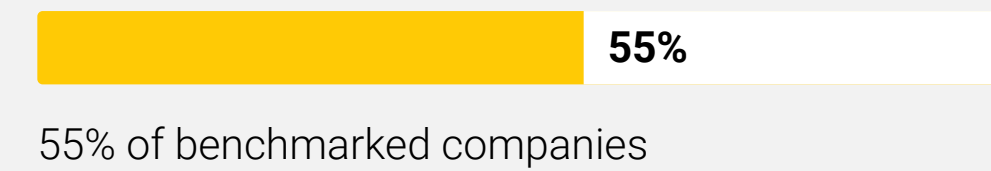
The company publicly discloses:

- How it conducts its human rights risk assessment**, including the sources of information or data used and the specific (named) external stakeholders, (including, importantly, rightsholders and rightsholder organisations) it consults; and
- The findings** of its human rights risk assessment process – the risks identified in the process. Disclosure of risks should include detail on the specific types of risk identified and where they occur in the company's supply chains (e.g. "recruitment fees charged to Indonesian migrant workers brought to work in the ICT sector in Taiwan" or "vulnerability to abuse and obstacles to the right to freedom of association generated by the physical isolation of migrant workers on fishing vessels in the UK") and address different tiers of the company's supply chain to ensure stakeholders' confidence in the robustness of the process.

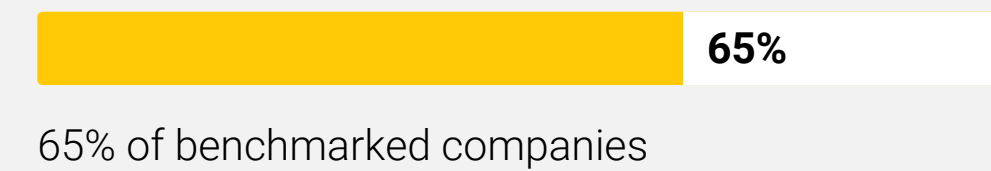
Big picture data

Discloses information on how it conducts human rights risk assessment on its supply chains:

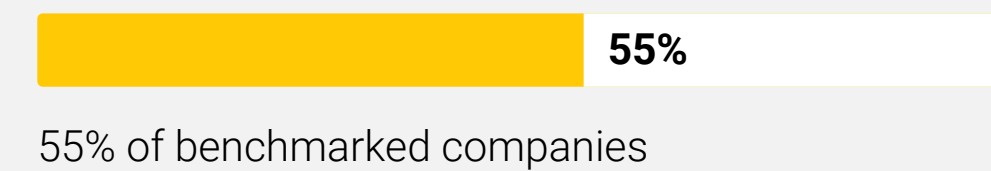
Apparel & Footwear:



Food & Beverage:

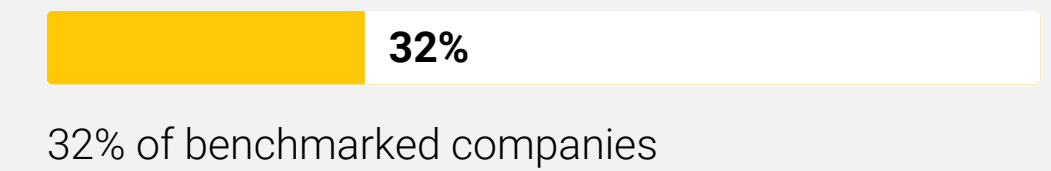


ICT:

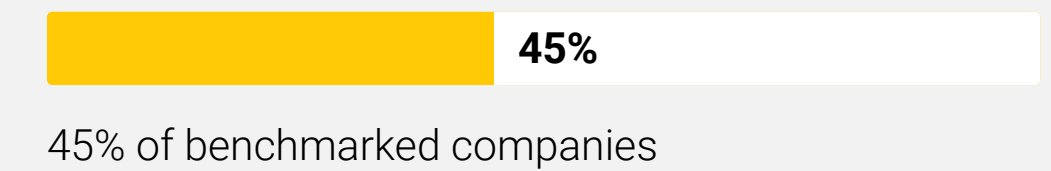


Discloses information on the forced labour rights risks it identified in its supply chains:

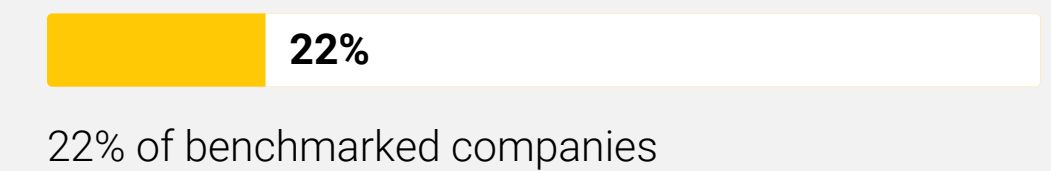
Apparel & Footwear:



Food & Beverage:



ICT:



RISK ASSESSMENT

KTC INDICATOR 4.1

Examples of good practice

Disclosure of a human rights risk assessment process:

Note: the inclusion of disclosure in this section is intended to illustrate how companies can effectively publicly report their human rights risk assessment processes, rather than an endorsement of the specific sources used.

Ajinomoto (Food & Beverage) discloses that to assess human rights risks, it first uses the Verisk Maplecroft human rights risk database and advice from external experts and then, for countries, regions, and agricultural products where risks have been identified, conducts on-site visits and engages in direct dialogues with rightsholders. It discloses conducting field interviews in the marine processing (shrimp) and poultry industry supply chain in Thailand and desktop surveys and remote interviews with stakeholders across the sugarcane and coffee industry in Brazil. It discloses the list of NGOs, industry organisations, government ministries and labour unions interviewed in Brazil.

How this disclosure could be improved:
the company could provide more detail on the specific “external experts” consulted.

HPE (ICT) discloses that its risk assessment process includes engaging with external stakeholders (and lists specific stakeholders it engaged with on forced labour issues, including the Migrant Forum in Asia, IOM, and UNICEF), information from its supplier monitoring program, research, reports, government

indices, self-assessment questionnaires and Verite’s Cumulus tool, and “worker engagement”. It states that its supplier risk calculator considers supplier, facility, product, and country risk.

Examples of tailored assessments:

Coles (Food & Beverage) discloses an assessment of accommodation standards in the Australian horticulture sector, which included assessment of risk indicators of forced labour and interviews with 21 seasonal workers and three union representatives.

Puma (Apparel & Footwear) discloses a rubber mapping project in Vietnam in collaboration with the Fair Labor Association to map the natural rubber value chain in Vietnam to understand supply chain structure, worker demographics, the process of recruiting workers, and working conditions across the tiers of the natural rubber supply chain.

Disclosure on risks identified:

Woolworths Group (Food & Beverage) discloses forced labour risks identified across commodities, geographies, and supply chain tiers. It identifies extreme risks of forced labour in Malaysia and in relation to migrant workers in China and Vietnam, increased risks in Thailand and Vietnam, and high forced labour risks in Bangladesh and India. As well as reporting on high-risk supply chain locations, it discloses higher risk commodities including Australian horticulture (berries, cherries, grapes, stone fruit, citrus, tomatoes, cucumber and brassica) and

highlights where risks are higher at raw material level – including seafood and “bulk dry commodities such as rice, cocoa, and dried fruit and nuts”.

Ericsson (ICT) identifies forced labour risks in different tiers in its supply chains: hardware and component manufacturing (“related to migrant labor and issues such as recruitment fees, debt bondage, withholding of identification papers and low wages”); upstream in the extractive sector (“forced labor can be linked to ongoing armed conflicts and instability”); logistics suppliers (with “issues such as low wages, excessive overtime and migrant labor”); business support services including cleaning, security and canteen staff (“which often include vulnerable groups such as migrant workers”); and in the hospitality sector in certain countries during business travel. It further publishes a table indicating whether the modern slavery risk for each supplier category is high or low.

Primark (Apparel & Footwear) discloses detail on forced labour risks to specific demographics in different locations: including young women in spinning mills and factories in South India, undocumented workers in Turkey, overtime risks in Moroccan garment factories, and risks to workers hired through agencies and labour providers in the UK and Western Europe. It further notes risks for workers in China and North Korea.



PURCHASING PRACTICES

KTC INDICATORS 6.1, 6.2, 6.3

Target performance

The company has adopted responsible purchasing practices in the first tier of its supply chains, tailored to its line of business, including through:

Effective planning and forecasting with suppliers, maintaining steady order volumes, and ensuring order timelines do not lead to poor or precarious working conditions for suppliers' workers;

Costing and pricing practices that ensure orders are priced to cover the costs of compliance with the company's supplier code, including the payment of living wages and required social security contributions and adhering to health and safety norms and the Employer Pays Principle;

Ring-fencing labour costs during pricing negotiations to ensure suppliers do not need to compete by lowering wages to levels below the living wage, or otherwise take concrete steps to ensure workers in the first tier of its supply chains are paid a living wage including using price premiums;

Payment terms which ensure prompt payment to suppliers;

Moving to responsible (or "shared-responsibility") contracting in its contracts with direct suppliers. Whereas traditional supplier contracts make the supplier solely responsible for upholding the buyer's human rights standards, under this due-diligence-aligned approach the buyer and supplier share responsibility in accordance with the buyer's due diligence obligations. The Responsible Contracting Project, building on past work of the American Bar Association, has proposed Model Contract Clauses 2.0 and the Responsible Buyer Code of Conduct. The Model Contract Clauses, among others, integrate human rights remediation into supply contracts through clauses stipulating that should harms occur, both companies are contractually responsible for working together to provide remedy to victims, in proportion to their contribution to the harm. This addresses a major shortcoming of contractual remedies, where it is only the non-breaching contractual party, the buyer, who is entitled to remedies. The "shared-responsibility" approach is now a requirement under the EU Corporate Due Diligence Directive.*

Tracking and disclosing year-on-year quantitative data related to purchasing practices, such as data on the placement and cancellation of orders, costing and wages.

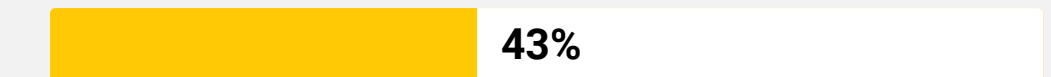
The company publicly discloses:

- The concrete steps it has taken to analyse the impacts of its existing purchasing practices on working conditions and experiences of workers in its supply chains;
- The concrete steps it has taken to implement responsible purchasing practices including those mentioned above;
- The concrete steps it has taken to adopt a responsible contracting approach in its contracts with direct suppliers;
- Quantitative data points related to purchasing practices, such as data on the placement and cancellation of orders, length of contracts with suppliers, costing and wages.

Big picture data

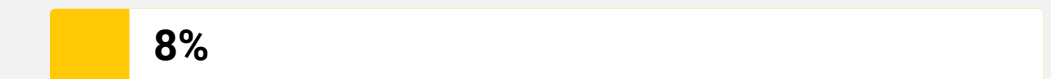
Discloses taking concrete steps to analyse and improve its purchasing practices

Apparel & Footwear:



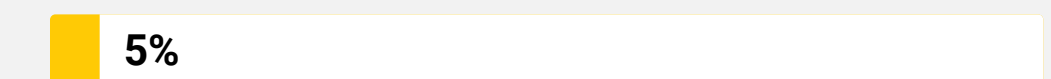
43% of benchmarked companies

Food & Beverage:



8% of benchmarked companies, including Costco, Mondelez, Suntory and Walmart

ICT:



5% of benchmarked companies, including Cisco, Corning and Samsung

* "Contractual assurances should be designed to ensure that responsibilities are shared appropriately by the company and the business partners", paragraph 46 and 54 of the adopted EU CSDDD text.

PURCHASING PRACTICES

KTC INDICATORS 6.1, 6.2, 6.3

Examples of good practice

| **Walmart** (Food & Beverage) is a member of the [Fair Food Program](#) (FFP) which includes legally binding agreements between the organisation and participating buyers, and ensures a premium is paid to workers.

| **Asics** (Apparel & Footwear) discloses that it conducts ongoing business planning and forecast updates with each supplier and that forecasts are usually shared three months prior to the first production month in each season and followed by monthly discussions with the supplier to determine where adjustments are necessary. It further discloses coordinating the production capacity and the actual order with the factories at the time of ordering every month.

| **Cisco** (ICT) reports it provides forecasts to suppliers on a quarterly basis and that its demand forecasts are also reviewed monthly. It discloses that in 2022 it worked with key partners to address labour costs independently of production costs in order to safeguard workers from supply volatility, resulting in increased financial stability.

| **H&M** (Apparel & Footwear) discloses its suppliers are paid on average within 15 days. It further discloses training almost 500 employees in responsible purchasing practices in 2022.

How this disclosure could be improved: the company could disclose more detail, such as what topics and issues were covered and whether incoming procurement team members are also trained.

| **Samsung** (ICT) discloses it has automated the submission of requests for the provision of parts to its suppliers and that set delivery dates cannot be changed without approval from the supplier.

Disclosure of quantitative data points:

| **Corning** (ICT) discloses the average length of its contracts and the percentage of orders changed after an order is placed. It also discloses payment terms applicable to small suppliers.

How this disclosure could be improved: the company could disclose further data points concerning order planning, such as the minimum or average lead time provided to suppliers and average % change in order volume or time of delivery where changes are made, and concerning pricing/costing, such as % of orders for which wages and other labour costs are isolated/ring-fenced and % of orders in which the pricing of labour costs reflects the local living wage.

Good practice beyond KnowTheChain:

| **Zeeman** (Apparel & Footwear) adopted a [Two-Way Code of Conduct](#), which outlines Zeeman's own responsibilities to uphold human rights alongside its suppliers, including commitments to make "purchasing decisions that ensure good working conditions," timely payments, responsible exits, and to engage in open costing to ensure orders are not placed below production costs. Zeeman's Code also includes a phased-in goal to pay living wages.

| **Patagonia** (Apparel & Footwear) discloses setting up an internal Responsible Purchasing Practices taskforce, with representatives from various departments, to examine gaps in its purchasing practices and assess what could be improved.

Where to begin

| **Building a conversation between procurement and human rights/sustainability teams:** taking effective steps to adopt responsible purchasing practices requires buy-in from and collaboration between procurement and human rights teams within the company. A useful first step can be to enable honest discussions, facilitating understanding of each other's work, goals, KPIs and challenges. Ensuring leadership understands the potential human rights impacts of procurement practices and their relevance to human rights due diligence can provide increased support, opportunity and resources for this cross-team collaboration.

| **C-suite empowering the procurement team to consider factors other than price when selecting suppliers, i.e. human rights risk ("risks to people") alongside business risk:** the UN Guiding Principles [definition](#) of human rights due diligence makes clear that it concerns risks to people, over and above risks to business resulting from human rights harm. In the long run, effective due diligence thus requires that procurement decision-makers are enabled and mandated to take this form of risk into account in their day-to-day work.

| **Institutionalising human rights training for procurement teams:** as the understanding of business responsibility changes, so does the "usual" way of doing business. To reflect that, it should be ensured procurement teams receive regular, effective, tailored and in-person training on responsible purchasing and the impact of purchasing practices on human rights in the supply chains.

| **Internal data gathering and analysis:** seek to incorporate data related to the timing of order placement, changes and cancellations, as well as costing, as part of the human rights due diligence process. This can include incorporating supplier ratings collected by the [Better Buying Institute](#).

| **Responsible contracting:** the [Responsible Contracting Project](#) provides resources, including drafts of model contract clauses which can be adapted to different jurisdictions. The resources are a helpful starting point for understanding the rationale behind, and practical implications of, adopting responsible clauses in contracts with suppliers. These can provide a useful basis for initiating internal dialogue with legal teams, and the Project provides workshops and gap analyses for companies.

LIVING WAGE

KTC INDICATOR 5.3

Why is relying on minimum wages insufficient?

The legally mandated minimum wages in many countries **fail to reflect the real cost-of-living**; in some countries, they may fall below the poverty line. In contrast, living wage is a wage that allows a worker to afford a decent standard of living for themselves and their family, including food, water, housing, education, health care, transportation and clothing. It is location-specific and calculated based on the real current cost-of-living in a location, accounting for differences between living costs in different regions within a given country and in rural and urban areas. For a distinction between living wage and living income, and where each might apply, see [here](#).

According to a University of Cambridge [study](#), living wages and income further offer companies the benefit of resilient supply chains and have a wider multiplying effect on local economies, eradication of poverty, and socio-economic opportunities. Under the EU Corporate Sustainability Due Diligence Directive, in-scope companies will now also be required to adopt purchasing practices which contribute to living wages and incomes in their supply chains and, more broadly, “to use their influence” to contribute to an adequate standard of living in their supply chains.

Several organisations publish living wage levels per location. These data can be employed by companies. The list of existing living wage estimation methodologies can be found [here](#) (Table 6).

Target performance

The company has:

- analysed base wages* in its supply chains (i.e. not including overtime, bonuses or other additions) against a living wage/living income benchmark;
- devised a clear strategy, with time-bound objectives and internal accountability, for bringing base wages in its supply chains in line with living wage/living income levels.

Beyond wage analysis and pricing, strong action on living wages will include:

- Meaningful steps to promote worker collective bargaining in the company’s supply chains. Collective bargaining has been shown to be a key way to raise wage floors beyond mandated legal minimums at a facility, sectoral or national levels and is underscored within the [ILO wage-setting principles](#). (See more: [Freedom of Association & Collective Bargaining](#))
- Regular revisions to the target living wage levels and using the latest living wage estimates to ensure wages keep pace with the cost of living.

* The requirement that it is the base wage which should reflect living wage standards stems from the [ILO definition of a living wage](#).

** In some sectors, it may be more appropriate to begin collecting and disclosing wage data not from the first tier, but rather, for instance, from farm-level. This should be determined based on risk.

- Where relevant, the company should use its leverage, in collaboration with other companies, to meaningfully advocate with governments in production countries for bringing national legal minimum wage levels closer to living wage levels.

The company publicly discloses:

- Average wage levels paid by its first-tier** suppliers, broken down per country or down to sub-national regions or, alternatively, the percentage or number of workers in the first tier of its supply chain being paid a living wage, according to a specified methodology, broken down per country. This data can be initially provided for countries identified as priority geographies based on risk – and later expanded across the supply chain.
- Where the company is in the process of conducting the assessment of wages in its supply chains, a clear strategy, with time-bound objectives and internal accountability, for achieving living wages or income in its supply chains.

Big picture data

Taking steps on living wage analysis, strategy, and disclosure:

Apparel & Footwear:



11% of benchmarked companies

Food & Beverage:



13% of benchmarked companies

ICT:

Disclosed by HPE only

LIVING WAGE

KTC INDICATOR 5.3

Examples of better practice

| **H&M** (Apparel & Footwear) discloses average monthly wages, excluding overtime, at its supplier factories in nine production countries: Bangladesh, Cambodia, China, India, Indonesia, Myanmar, Pakistan, Türkiye and Vietnam, and stated it collects wage data from suppliers each quarter.

How this disclosure could be improved:

the company should clarify whether the wage data published reflects base wages. Overtime and bonus payments should not be included in wage analysis.

| **Puma** (Apparel & Footwear) discloses the percentage of its first-tier supply chain workers who are paid a living wage. It further provides some geography-specific information: the company stated 21 out of 23 of its “strategic” factories in Vietnam and Cambodia, which cover approximately 32% of its production volume and 70,832 workers, pay on average a living wage set by the Global Living Wages Coalition. It further reported its average supplier wage in Pakistan was at 89% and in Bangladesh at 70% of the amount set by the Global Living Wage Coalition.

Good practice beyond KnowTheChain:

| **Tony's** (Food & Beverage) discloses the model and specific data sources it uses to calculate the cocoa price that enables a farmer to earn a living income. It discloses calculating the price each year and paying a premium to bring farmers' income to the calculated living income level.

| **Fairphone** (ICT) discloses working with its manufacturing supplier in Suzhou, China to bring wages to a living wage level. It reports on steps taken in detail, including identifying its living wage target by collating three existing living wage estimates for Suzhou and conducting an additional worker survey at the plant (which further showed a relationship between insufficient base wages and excessive overtime); calculating the gap between existing base wage and the living wage target and the required increase in consumer price per phone (1.5 EUR); how it has implemented the increase; and how often it will revise the living wage level. It shares resources, including a price increase calculator and a model contract clause and commits to publishing an evaluation on the impact of its living wage pilot.

| **Zeeman** (Apparel & Footwear) discloses partnering with Schijvens, a workwear manufacturer, to provide living wages at a shared supplier in Pakistan, as well as with Prenatal, a children's apparel brand, to launch a similar living wage pilot at a shared supplier in India. In India, the two brands provided direct worker premiums to make up the difference between the statutory minimum wage and living wage; the premium is listed on the salary slips received by workers. The NGO FairWear ensures the premium amount reaches workers.



RECRUITMENT

KTC INDICATORS 7.1, 7.2, 7.3, 8.1, 8.2

Target performance

- | The company has in place, and publicly discloses, a **policy** specifying the employer (supplier), not the worker, must bear recruitment fees and related costs (the “**Employer Pays Principle**”), clarifying the employer obligation to pay recruitment fees and related costs, as defined by the [ILO](#)*, upfront whenever possible and ensuring workers are not charged in the first instance. This should be contained in the code of conduct signed by suppliers or in a standalone policy which is binding on suppliers.
- | **The company has a clearly defined, communicated and ongoing process in place to ensure the implementation of this policy** to prevent workers in its supply chains being charged recruitment fees and to verify employers pay recruitment fees and related costs directly and upfront whenever possible. This may include: mapping and disclosure of migration corridors and their associated costs; mapping and disclosure of labour agencies in origin and destination countries to understand the practices used by labour agencies in both locations; cost mapping conducted on a regular basis (at least annually) to ensure the amounts calculated are accurate and to allow for long-term pricing planning that takes recruitment costs into account as part of the product price. [Verité’s fee calculator](#) can be a useful resource to understand average fees charged across different migration corridors. Verification can be done via SAQs, audits, screenings, investigations focused specifically

on ensuring workers have not paid fees and other due diligence mechanisms, which may be assisted by tools such as [Verité’s CUMULUS Forced Labor Screen](#).

- | As a result of this process, **the company has a good understanding of:**
 - | Supply chain workforce demographics, including the number of migrant workers in different parts of its supply chains (tiers, geographies, process stages, etc.)
 - | Migration corridors relevant to the company’s supply chains and the amounts and types of recruitment-related fees charged to workers by actors in these corridors including but not limited to, brokers, employers, recruiters, agents etc. in these corridors.
 - | The true cost of goods and services, which includes employer-paid recruitment fees and related costs where applicable.
- | Has a clearly defined **process to ensure workers are repaid** where it is discovered recruitment-related fees have been charged in its supply chains and collects verifying evidence for the repayment. All prohibited types of fees should be repaid in a timely manner, and affected workers should be engaged in the remediation process. The amounts for repayment should be calculated taking into account loan interest, inflation, exchange rate and opportunity cost. As workers in certain contexts may lack the paperwork to prove the payments, adequate and fair thresholds of evidence required to prove fee charging should be adopted

instead: where standard fee amounts are known per migration corridors mapping, workers should be believed as to the amounts they are owed. Companies may find useful the Impactt [principles on fee repayment](#). **The company publicly discloses data on the amounts reimbursed, number of workers reimbursed, the countries where the violations occurred**, and the time frames to demonstrate to stakeholders that fee remediation is being undertaken systematically.

- | Has compiled (or is compiling) and regularly updates, a **list of labour recruiters used by suppliers** in the first tier of its supply chains, in both origin and destination countries. The company publicly discloses:
 - | a description of its strategy for, and progress in, mapping labour agencies or recruiters.
 - | the names of labour recruiters used in its supply chains, or comprehensive information on agencies such as number of agencies contracted in certain sourcing countries.
 - | accompanying verification that the employer paid those agents for their services and the agents (or their subagents) did not charge workers.

Tools such as [IOM CREST’s labour migration process mapping guide](#) may be helpful in assessing risks to migrant workers. The [Fair Labour Association](#) and [Andy Hall’s Guidance](#) for companies on promoting responsible recruitment of migrant workers can also provide insights into better practice.



* For details on the International Labour Organisation’s definition of recruitment fees and related costs, see ILO (2019) [General principles and operational guidelines for fair recruitment](#) and [Definition of recruitment fees and related costs](#).

RECRUITMENT FEES:

POLICY ON WORKER-PAID RECRUITMENT FEES

KTC INDICATOR 7.1

Examples of good practice

Adidas (Apparel & Footwear) discloses a Responsible Recruitment Policy supplemented by additional guidelines for suppliers, in which it states recruitment fees should be borne by the employer and that it uses the ILO definition of the prohibited categories of fees and costs.

Big picture data

Disclosure of an Employer Pays Principle-aligned policy prohibiting the charging of fees to workers and expressly providing the employer must cover the cost of recruitment:

Apparel & Footwear:



34% of benchmarked companies

Food & Beverage:



28% of benchmarked companies

ICT:



75% of benchmarked companies



RECRUITMENT FEES:

ACTION TO PREVENT WORKER-PAID RECRUITMENT FEES

KTC INDICATOR 7.2

Examples of good practice

Lululemon (Apparel & Footwear) discloses taking the following steps to implement its policy prohibiting charging recruitment-related fees and costs to workers in Taiwan:

- Requires suppliers to have direct contracts with recruitment agencies, which shall specify that fees must not be charged to workers.
- Verifies worker personnel files, payslips and contracts with vendors and labour agencies during its on-site visits.
- Discloses detail on how it is obtaining an understanding of recruitment channels via information from suppliers and interviews with workers, agencies and the Taiwan Direct Hiring Office.
- Discloses detail on how it is understanding and obtaining data on the costs of recruitment.
- Discloses concrete examples of supplier-level implementation, including a supplier in Taiwan using a direct hiring channel instead of overseas labour agents to reduce 70% of recruitment costs; using the Vietnam and Thailand facilities to provide local recruitment services and thus reduce reliance on overseas labour agents; and hiring abroad directly in partnership with a local Taiwanese agent.

Apple (ICT) discloses conducting specialised debt-bonded labour audits in high-risk environments and high-risk labour corridors, including in Japan, Malaysia, the Philippines, Singapore, Taiwan, Thailand, Vietnam and the United Arab Emirates in 2021. It reports that each specialised audit includes verification of documents from suppliers and labour agents, as well as interviews with labour agencies and workers. In particular, the company notes investigations included monitoring job postings and hiring events on social media channels to identify, for example, “discriminatory job listings, the illegal hiring of students and interns, and the non-payment of sign-on bonuses.” It reports it has mapped 1,182 labour agencies in its supply chains in 32 countries, demonstrating the scope of these efforts across supply chain contexts.

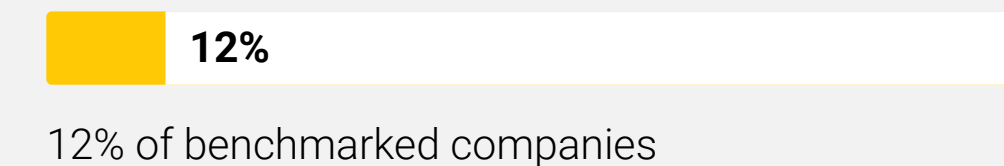
How this disclosure could be improved: the company could disclose how many suppliers in total were subject to the specialised audits and whether it relied on local (migrant) worker organisations in the conduct of interviews, or merely on auditors.

Cisco (ICT) discloses it has worked with suppliers to develop models to ensure that employers pay healthcare providers for health examinations to remove the need for workers to be reimbursed.

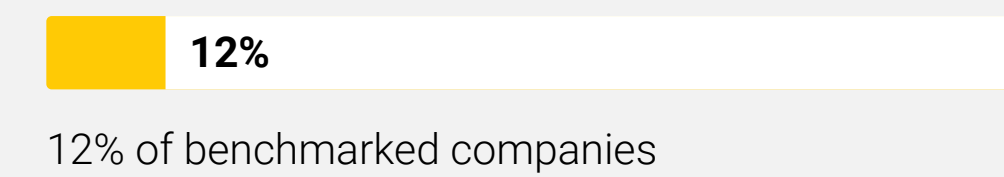
How this disclosure could be improved: the company could report on the outcomes of the project.

Big picture data

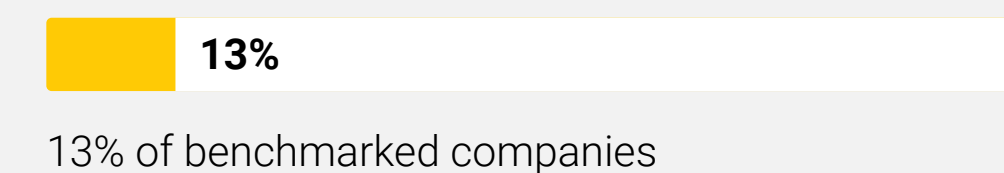
Apparel & Footwear:



Food & Beverage:



ICT:



RECRUITMENT FEES:

EXAMPLES OF FEE REPAYMENT

KTC INDICATOR 7.3

Examples of good practice

Puma (Apparel & Footwear) discloses it annually maps the factories in its supply chain which employ foreign migrant workers, if any recruitment fees were paid by workers, and the amounts paid – and engages with sourcing managers, suppliers’ management and, in some cases, other brands sourcing from the supplier to agree on a timeline for repayment to workers. It reports that through such engagements, factories paid back more than US\$100,000 to 255 foreign migrant workers at six factories in Japan, South Korea, Taiwan and Thailand. It reports that its sustainability team checked the payment evidence as part of verification process regarding paying back recruitment fees for five factories in Japan, South Korea, Taiwan, Thailand, and that the onsite verification in Thailand included interviews with 18% of the 226 migrant workers.

Woolworths Group (Food & Beverage) discloses it identified a case of debt bondage in its supply chain in Malaysia in 2021, which included payment of excessive recruitment fees. It reports that it made an agreement with the supplier to return \$750,000 to an estimated 226 migrant workers from Nepal, Bangladesh and Myanmar. It reports that after it received the first alert, it carried out a deeper dive recruitment fees investigation to validate the initial finding and to determine the average fees paid per person. The company states this process took place over 18 months, it held over 28 meetings with the supplier’s executives and CEO, and that it uses interviews

with workers to determine the amounts paid. It discloses seeking expert advice throughout the process from an unnamed Malaysian non-government organisation (NGO) specialising in migrant worker rights and reports the repayment was facilitated through a local NGO. The company discloses that, in total, repayments of around \$1 million have been or were being made (at the time of the disclosure) by its suppliers to 990 workers in 2022.

HPE (ICT) discloses that in 2020 it worked with four suppliers to repay US\$500,000 to workers who had paid recruitment fees to agencies. It reports it found evidence five workers at a supplier manufacturing facility based in Malaysia had paid fees and associated costs, including those relating to medical, immigration security clearance, orientation and agency fees in their home country. It states the supplier then identified further instances of recruitment charges and agreed to repay all migrants from Nepal, regardless of whether they had reported paying fees or had evidence to support fee payment, and ensured workers were reimbursed within three months. It reports workers were consulted on the remediation plan.

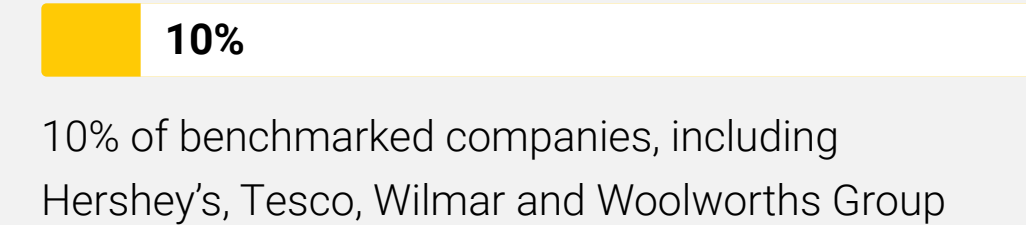
How this disclosure could be improved: *the company could report on how much time has lapsed between the discovery of fees and repayment, as well as between when the fees were originally paid and the repayment. Swift action is essential as long-term debt, especially in contexts of work-related debt bondage, has lasting harmful consequences on the affected individuals’ lives.*

Big picture data

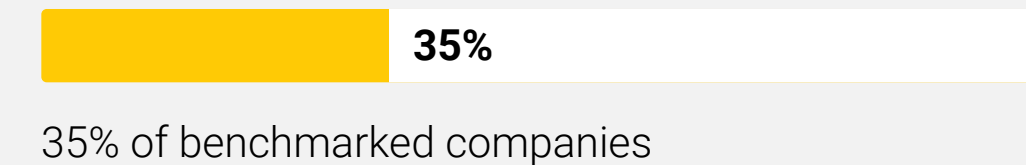
Apparel & Footwear:



Food & Beverage:



ICT:



RECRUITMENT:

LABOUR AGENCY DUE DILIGENCE

KTC INDICATOR 8.1

Examples of good practice

Apple (ICT) reports that in 2021 it identified 1,182 labour agencies supporting 482 facilities in 32 countries. It states these labour agencies represent more than 870,000 workers (with 427,000 working on Apple's products) and that it requires prospective suppliers in India, Malaysia, South Korea, Taiwan, Thailand and Vietnam to undergo labour agency mapping and responsible labour recruitment training as part of its supplier selection process.

Woolworths Group (Food & Beverage) describes how it traces labour providers used by suppliers and growers in its horticultural supply chain and reports the number of providers identified and whether they were compliant with its requirements. It further discloses a list of licensed agencies that can be used under its approved programmes.

J.M. Smucker (Food & Beverage) discloses the names of 15 of the recruitment agencies used by its suppliers.

***How this disclosure could be improved:** by expanding the tracing and disclosure to cover other parts, and eventually the entirety of, the company's supply chains.*

Capri (Apparel & Footwear) supplier code requires its suppliers to provide a list of the recruitment agencies used and the amount of fees being paid to these agencies.

***How this disclosure could be improved:** the company could report on (1) the information it has collected from suppliers, (2) whether and how it uses the information collected.*

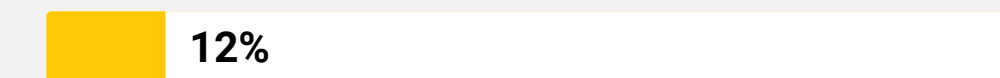
Big picture data

Apparel & Footwear:



17% of benchmarked companies

Food & Beverage:



12% of benchmarked companies

ICT:



13% of benchmarked companies



FREEDOM OF ASSOCIATION & COLLECTIVE BARGAINING

KTC INDICATORS 9.1, 9.2, 9.3

Target performance

The company:

- Works with independent, local or global trade unions or – where not possible – with other legitimate worker representatives to enable freedom of association in its supply chains.** Such engagement can be to understand – and support the remedying of – challenges to freedom of association and labour rights abuses faced by workers in a specific supply chain context, put in place structures in collaboration with the union to improve working conditions, or to liaise in resolving specific grievances raised. The company publicly discloses examples of such engagement where it is safe to do so, including the union involved, the geography, the issue on which the engagement focused and the outcome.
- Enters into, and publicly discloses, enforceable supply chain labour rights agreements** (rather than merely non-binding global framework agreements) with trade unions, which cover the company's supply chains.
- Collects and publicly discloses data on the presence and number of recognised unions** at facilities in the first and second tiers of its supply chains, and the percentage of workers or facilities in the first and second tiers of its supply chains covered by collective bargaining agreements. The data being collected and publicly disclosed should include information on the type of collective bargaining agreement in place (company-level, national sectoral agreement, etc.)

Big picture data

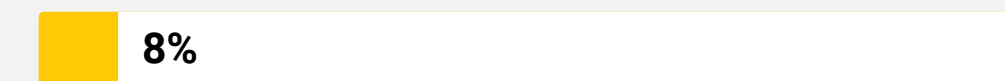
Discloses engaging with a local, national, or international labour union to address an issue or improve freedom of association in its supply chains:

Apparel & Footwear:



22% of benchmarked companies

Food & Beverage:



8% of benchmarked companies, including Ahold Delhaize, Mondelēz, Tesco and Woolworths Group

ICT:

Disclosed by HPE only (opportunity to drive change in the sector)

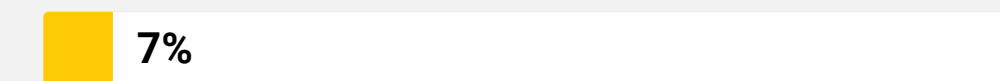
Discloses being party to an enforceable labour rights agreement or a Global Framework Agreement with a union:

Apparel & Footwear:



28% of benchmarked companies

Food & Beverage:



7% of benchmarked companies, including Coles, Tesco, Walmart and Woolworths Group

ICT:

None (opportunity to drive change in the sector)

Discloses data on the coverage of workers in its supply chains by collective bargaining agreements for at least a section of its supply chains:

Apparel & Footwear:



12% of benchmarked companies

Food & Beverage:



3% of benchmarked companies, including Suntory and J. M. Smucker

ICT:

None (opportunity to drive change in the sector)

FREEDOM OF ASSOCIATION & COLLECTIVE BARGAINING

KTC INDICATORS 9.1, 9.2, 9.3

Examples of good practice

Labour rights agreements with unions:

Gap Inc., H&M and PVH (Apparel & Footwear) are parties to a legally binding agreement, the [Dindigul Agreement](#), with a local women-led union Tamil Nadu Textile and Common Labour Union (TTCU), aimed at addressing gender-based violence and harassment (GBVH) at the brands' supplier Eastman Exports in Tamil Nadu, India. The Agreement, among other things:

- Grants the TTCU access to train all suppliers' management, supervisors and workers on GBVH;
- Establishes an independent grievance mechanism managed by independent expert assessors appointed by the Agreement's Oversight Committee, which includes representatives from a local union, Asia Floor Wage Alliance and GLJ-ILRF;
- Provides for appointing union-selected "floor monitors" to help co-workers report GBVH and hold meetings with management;
- Mandates protection from retaliation for workers, as well as a guarantee of freedom of association and collective bargaining rights; and
- Requires the supplier to introduce specific policy changes on anti-discrimination, among others.

Details and implementation progress of the Dindigul Agreement to date are disclosed in a [report](#).

H&M (Apparel & Footwear) has in place a Global Framework Agreement with IndustriALL Global Union Federation and IF Metall union, through which it has set up national monitoring committees (NMCs) in six production countries. The NMCs include union representatives to oversee the implementation of the Agreement on the ground. As they receive reports of potential issues from workers and are able to intervene and liaise, they play a role as both an ongoing monitoring tool and an avenue for workers to report grievances to an impartial body.

Engagement with unions:

Tesco (Food & Beverage) discloses:

- Signing a Memorandum of Understanding with the global union federation IUF, focused on the access of women in global food supply chains to "effective grievance mechanisms, freedom of association and trade union representation." The agreement includes jointly creating an incident reporting process, and Tesco states the project will initially focus on key priority supply chains including bananas, tea and meat.
- A partnership with COLSIBA to support an increase in women's participation as worker representatives, "and specifically in national trade unions and collective bargaining forums in Latin America through labour rights education."
- Engaging with unions through the Malawi Tea 2020 coalition, through which it states it supported two collective bargaining agreements that ensured increased wages for workers.

HPE (ICT) discloses working with a final assembly supplier, a union, a third-party expert and an NGO to address concerns raised by workers and reports on outcomes from this process.

How this disclosure could be improved: the company could disclose more details, including the country, name of the union and NGO, the nature of workers' concerns addressed and what steps were taken in response.

Woolworths Group (Food & Beverage) discloses it has signed a Collaboration Protocol with the United Workers Union, committing to quarterly meetings on improving labour hire standards in its horticulture supply chains, and discloses some outcomes of these meetings.

Over 20 companies (see [here](#)) joined a pilot of the [Employment Injury Scheme](#) (EIS), launched in 2022 by the Government of Bangladesh with involvement by IndustriALL, to provide voluntary contributions towards income protection and medical care for workers in Bangladesh following employment-related injuries.

Ahold Delhaize (Food & Beverage) discloses cooperating with FNV, a Dutch trade union confederation, in commissioning a human rights impact assessment into the processed tomato supply chain in Italy, conducted by a third party and covering issues related to freedom of association.

How this disclosure could be improved: the company could describe how it has used the findings from the assessment.

Collecting and disclosing the percentage of supply chain workforce covered by collective bargaining agreements:

Lululemon (Apparel & Footwear) discloses the percentage of its first- and second-tier suppliers with collective bargaining agreements in place.

How this disclosure could be improved: the company could provide a breakdown by geographies.

Intel (ICT) reports the percentage of facilities with a collective bargaining agreement in place for "primarily ... Tier 1 suppliers but also some limited deeper tiers".

How this disclosure could be improved: the company could (1) clarify what scope of its first- and/or second-tier supply chains the data point refers to and (2) provide a breakdown by geographies.

FREEDOM OF ASSOCIATION & COLLECTIVE BARGAINING

KTC INDICATORS 9.1, 9.2, 9.3

Where to begin

- | **Developing robust policies** that assert freedom of association as a key human rights commitment, including workers' right to join and form trade unions free from harassment, intimidation and discrimination, and support for unions' role as collective bargaining agents.
- | **Analysing the legal framework and political context for freedom of association:** data collected should feed into the company's sourcing decisions and risk assessment process as it illustrates where workers might face obstacles to bargaining, indicating greater risks to freedom of association and thus a greater likelihood of poor working conditions and exploitative wages.* For more information on the legal framework, worker representative structures and associated challenges in key garment sourcing countries, please see [here](#).
- | **Collecting data on the presence of labour unions at supplier facilities,** including the number and names of unions. Robust data would capture both, and distinguish between, unions which are recognised in the workplace and any other unions organising at the workplace or in the area, and relevant local civil society representing or supporting high-risk groups, such as local women's and migrant associations. This helps build a more accurate picture of where workers might attempt to organise but face obstacles to recognition. Data on the presence and names of recognised unions at facilities should be made public, for instance within the supplier list.

- | **Collecting and disclosing data on the number of workers covered by collective bargaining agreements:** understanding whether supply chain workers are covered by collective bargaining agreements is essential for building an accurate picture of whether they are de-facto able to exercise their right to associate and bargain. Because this metric is outcome-based, it goes beyond union membership, which might not reflect whether the union is de-facto able to freely operate without intimidation and obstacles and whether it is independent, or a "yellow union" controlled by the employer. This data is best collected through a partner on the ground, but it could also be obtained through existing means of collecting information about suppliers, such as during social audits. It is important to include the type of collective bargaining agreement in place (whether it is the national sectoral agreement or a company-level one). Data on the presence and type of a collective bargaining agreement should be made publicly available.

- | **Building meaningful engagement with workers and local stakeholders:** acknowledging and taking seriously the expertise of affected workers on their working conditions is crucial to effective due diligence, including understanding risks and obstacles to freedom of association.



* ILO, through its 2016 Global Survey, [found](#) the presence of a collective agreement at a facility was associated with, among other things, fairer wages and less excessive work hours.

MONITORING

KTC INDICATORS 11.1, 11.3

Target performance

The shortcomings of relying on social audits as a means of detecting human rights issues in supply chains are well-documented. Necessarily, audits are a selective diagnostic tool and provide only a snapshot of conditions in the workplace, rather than a genuine picture of the working environment. Further, interviews conducted as part of the audit process do not provide the necessary channel for workers to be truthful about the conditions and abuses they face, without fear of reprisal.

The alternative is to enable strong bottom-up worker-driven monitoring schemes, operating free from retaliation based on the guaranteed protections offered by the buyer, and with channels to communicate issues to the buyer where relevant. These mechanisms rely on workers' ability to exercise their rights to **freedom of association and collective bargaining**. Where workers are safe to organise in the workplace and speak up, and where independent unions have workers' trust, they can provide the most accurate, real-time monitoring of the situation on the ground and either address issues directly with supplier's management or escalate, through agreed channels, to the buyer to flag a potential violation of the buyer's ethical standards.

Examples of good practice

| **Walmart** (Food & Beverage) is a member of the Fair Food Program (FFP). Alongside a mechanism to ensure a premium is paid directly to workers, workers at Fair Food Program farms receive training by the Coalition of Immokalee Workers' Worker Education Committee, whose members are former and current farmworkers themselves and are paid for participation. The training equips all workers with the knowledge they need to identify and safely report abuses and dangers in the workplace without fear. The FFP also provides farm workers with access to a complaint mechanism. Complaints are investigated and resolved by the Fair Food Standard Council and, whenever possible, complaint resolutions include an educational component, consisting of meetings with relevant supervisors and crews so all workers on the farm can see complaints are heard and resolved without retaliation. As such, workers themselves are equipped undertake ongoing monitoring of conditions on the farms.

| **Inditex** (Apparel & Footwear) discloses, as part of its agreement with IndustriALL Global Union, IndustriALL and its local affiliates are granted access to facilities in Inditex's supply chain to undertake ongoing monitoring of working conditions.

| **H&M** (Apparel & Footwear), through its Global Framework Agreement with IndustriALL Global Union Federation and IF Metall union, set up national monitoring committees (NMCs) in six production countries. The NMCs are permanent bodies which include union representatives and oversee the implementation of the Agreement on the ground. As they are mandated to receive reports of potential issues from workers, they play a role as an ongoing union-driven monitoring tool on the ground.

| **Gap Inc., H&M and PVH** (Apparel & Footwear), which share a supplier in India, are parties to the Dindigul Agreement. Through the Agreement, a local union has trained selected workers at the facility to act as shop-floor monitors to detect gender-based violence and harassment (GBVH), help their co-workers report GBVH, and hold regular meetings with management to resolve incidents.



Target performance

The company:

- has a clearly defined internal policy and process in place** specifying how it responds to alerts related to labour rights issues in its supply chains received through its grievance mechanism or raised by external stakeholders or in public allegations and how it ensures remedy is provided to affected workers. This policy should include engaging affected rightsholders (workers) as part of the process. It should provide a system for addressing issues on a proactive and ongoing, rather than ad-hoc, basis.
- incorporates clauses on remediation of human rights impacts into contracts with suppliers**, which guarantee remedy will be provided to affected individuals rather than only to the contracting party through normal contractual remedies. The [Responsible Contracting Project](#) provides resources and model clauses to this effect.

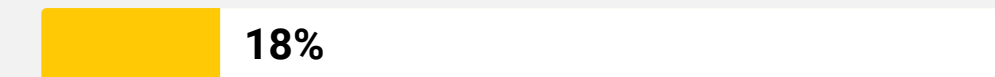
The company publicly discloses:

- Either the full text or the description of its **process** for responding to grievances and ensuring remedy is provided to affected workers in its supply chains. The disclosure should include details on the internal accountability for the process (responsible parties at different stages of the process), approval procedures, timelines for dealing with allegations, and how engagement with affected workers is incorporated.
- Examples of several outcomes of its remedy process** in practice, covering different supply chain contexts, to assure stakeholders of the systematic and robust nature of its programme. Such examples should focus on the **outcomes of the remedy process for the workers affected**, above and beyond any general policy changes made by the supplier following the issue. The examples should include information on the number of workers affected, timeframes, country and supply chain contexts or tiers.

Big picture data

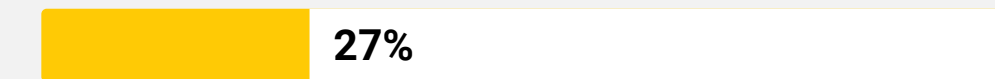
Disclose a clear process for handling grievances and providing remedy:

Apparel & Footwear:



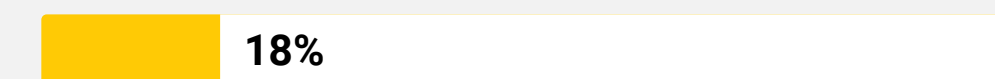
18% of benchmarked companies

Food & Beverage:



27% of benchmarked companies

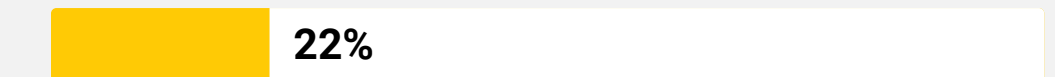
ICT:



18% of benchmarked companies

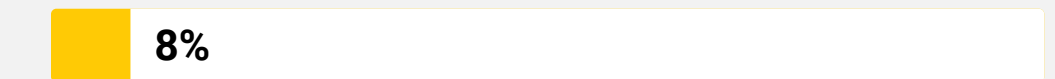
Disclose at least one example of remedy provided to workers in their supply chains:

Apparel & Footwear:



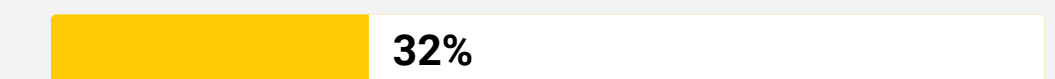
22% of benchmarked companies

Food & Beverage:



8% of benchmarked companies, including companies such as J. M. Smucker, Wilmar and Woolworths Group

ICT:



32% of benchmarked companies

Examples of good practice

Disclosure of remedy process:

Wilmar (Food & Beverage) discloses a detailed procedure for handling grievances, which includes timelines, clearly outlines responsibilities of relevant internal actors, and provides descriptions of suspensions procedures and criteria for re-entry. In addition to the general procedure document, it discloses an additional protocol dedicated to “Exploitation” issues, which includes forced labour and other labour issues. For cases in the “Exploitation” category, which include labour rights violations, the company further provides a list of example corrective actions, remediation and group level systemic changes for non-compliances related to forced labour, as well as other types of labour rights violations. On stakeholder engagement, the company discloses, in addition to maintaining communication with the stakeholder who raised the grievance, its field verification process may involve broader stakeholder consultation and the Grievance Unit may undertake interviews and dialogues with relevant stakeholders.

Lululemon (Apparel & Footwear) discloses a grievance response procedure which includes timelines (in days) for each step and the internal party responsible for each step. It states the grievance is considered resolved when the complainant is satisfied with the resolution and the solution is deemed to be “rights-compatible.” The company also provides an example of a grievance

raised in Bangladesh: the company notes in response it commissioned an investigation that included 90 interviews with workers, supervisors and former employees, and an on-site review of documentation.

Woolworths Group (Food & Beverage) discloses grievances are allocated to an investigator and notified to relevant stakeholders. It reports the investigator conducts a desktop review and presents it to the Investigation Working Group (a cross-functional group of team members established in each case, including a responsible sourcing, legal and commercial representative). It states the investigator drafts and implements an investigation plan and holds meetings with the complainant, respondent and witnesses. It discloses the investigator then prepares a report, which is considered at the final working group meeting and a determination of whether the allegations are substantiated. If the allegations are considered substantiated, the company states its human rights team will engage with the supplier to develop a remediation plan and the complainant’s wishes will be taken into account in determining the appropriate remedy. The company also states it has introduced “Standard Operating Procedures for Human Rights Investigations (SOPs). The SOPs codify and elaborate on our existing practice for conducting human rights investigations, and provide clarity, consistency and transparency to those managing an investigation process.”

Disclosure of examples of remediation:

Wilmar (Food & Beverage) publicly discloses on its website a database of grievances raised in relation to its palm oil operations and the first-tier supply chain – and for each grievance includes a description of the steps taken and timelines. For example, it discloses its supplier Sime Darby Plantation Berhad approved a reimbursement of a total of Rm 82.02 million to current and past migrant workers following a discovery of recruitment fees. Wilmar states workers were given access to raise concerns around the process, the supplier set up a committee to oversee the reimbursement process, it launched a new initiative focused on ethical recruitment, on which it provides some detail, and implemented several other structural changes. 15,078 current and 19,565 former workers were to be reimbursed.

***How this disclosure could be improved:** the company could describe its own involvement in securing the remedy that was provided.*

Next (Apparel & Footwear) discloses an example of a remediation process in response to a discovered case of child labour, involving 25 children in Myanmar. It states its internal team instructed a local NGO to carry out a detailed on-site assessment in the initial weeks of the case, including detailed interviews with some of the children, families and factory management, to identify root causes, and then a second NGO worked with

all stakeholders to develop an action plan to ensure children were removed from employment and their families were supported on a monthly basis until the children reach legal working age. It states the support provided included provision of financial support equivalent to wages the children would have earned in employment, and that prior to a new school year, skills training workshops were arranged for the children and free transportation to and from training provided. It states the NGO partner continues to work with Next to ensure progress on the remediation plan.

Intel (ICT) provides examples of remediation beyond the first tier. It reports where at second tier it found workers were not in possession of their passports, it worked with the first-tier suppliers to ensure the second-tier supplier returned passports to all workers. It also reports an instance of recruitment fees and passports being returned to foreign workers in Tier 3 of its supply chains in late 2019.

***How this disclosure could be improved:** the company could provide more detail, including the numbers of workers affected, sums involved and whether they were repaid in full. For the Tier 3 example, it could further describe its own involvement in securing the remedy that was provided.*

Where to begin

Develop an internal policy outlining a clear process for responding to grievances related to supply chain working conditions with inputs from internal or external experts on effective grievance mechanisms and the investigation of human rights (including labour rights) abuses. The policy should include timelines, clearly outline responsibilities of relevant internal actors, and provide descriptions of suspensions procedures and criteria for re-entry. It should also include engaging affected rightsholders (workers) as part of the process. It should provide a system for addressing issues on a proactive and ongoing, rather than ad-hoc, basis.

Responsible contracting: the [Responsible Contracting Project](#), which builds on the work of the American Bar Association's Model Contract Clauses Project, provides resources, including drafts of model contract clauses which can be adapted to different jurisdictions – which are a helpful starting point for understanding the rationale behind, and practical implications of, adopting responsible clauses in contracts with suppliers, including human rights remediation clauses. These can provide a useful basis for initiating internal dialogue with legal teams.



TRAINING AND CAPACITY BUILDING TO CASCADE STANDARDS

KTC INDICATOR 1.2

Target performance

The company provides training or other capacity building to suppliers which are **designed to cascade the company's standards down to lower tiers in its supply chains**. This can take the form of:

- direct training or capacity-building provided to suppliers in lower tiers (e.g. second-tier suppliers);
- training or capacity-building provided to first-tier suppliers, which is specifically focused on developing and strengthening the ability of first-tier suppliers to manage labour standards in their own supply chains and cascade the relevant standards to sub-suppliers.

Training is typically one element of capacity building, which could also include other forms of support in building up a responsible supply chain labour management system and expertise. Companies can work with peers or other stakeholders to scale training or capacity building.

KnowTheChain focuses on training and capacity-building around the identification of forced labour risks, indicators, and the implementation of policies, but the format described can be used to provide training on any human rights issue.

Strong disclosure on training includes information regarding:

- Who attended the training? (incl. within the supplier's company, were the individuals attending top managers? Line managers? Line workers?) How many individuals were trained?
- What specific topics or issues did the training cover?
- Who conducted the training? (Specifying the NGO, union, or organisation by name if the trainer was external to the company)
- Where did the training take place? (incl. whether it took place online or in-person and whether it was live or asynchronous)
- When did the training take place? Was the training a one-off event or is it recurring? If so, how often does it take place?

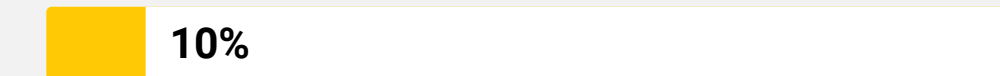
Big picture data

Apparel & Footwear:



15% of benchmarked companies

Food & Beverage:



10% of benchmarked companies

ICT:



18% of benchmarked companies



TRAINING AND CAPACITY BUILDING TO CASCADE STANDARDS

KTC INDICATOR 1.2

Examples of good practice

Intel (ICT) discloses a project designed to build the capacity of its second-tier suppliers to manage and address forced labour risks, including in relation to responsible recruitment of migrant workers. It reports it has reached over 135 second-tier suppliers. It further reports that since 2018, it has required 50 of its first-tier suppliers to work with three of their own major suppliers (second-tier to Intel) to assess and address their risks of forced labour, which has resulted in a number of positive changes made by second-tier suppliers to their staffing and recruiting policies – and closer engagement and expectation setting with their recruiting agents and a remediation of US\$1.2 million fees to workers. It additionally discloses suppliers report benefits as a result of improved practices, which include "reduced business risks, better and larger pools of candidates, a more satisfied workforce, and higher worker retention."

It also discloses contracting Verité to deliver training for suppliers in Southeast Asia, organised with several ICT peers sourcing from the region. The training was delivered in two sessions and included a discussion on the eleven ILO indicators of forced labour, covering key principles and approaches to developing forced labour remediation policies, effective remediation for recruitment fees, types of effective remedy and preventive controls for recruitment fees, and sharing learnings from breakout sessions.

How this disclosure could be improved: the company could disclose more detail on the countries in which the training took place, how many persons representing how many suppliers of which tier were trained, and what types of roles these individuals hold in the companies.

Cisco (ICT) discloses it offered training to component suppliers who provide parts to its contract manufacturers, which included onboarding on the RBA Code and guidance on building a next-tier supplier management system based on code of conduct requirements, including communicating the RBA Code to their next tier and how to implement the RBA Code within their next tier. It reports it conducted pre- and post-assessments, according to which suppliers gained a better understanding on the RBA code requirements and supplier management. It further reports sponsoring at least one component supplier and a recruitment agency to attend RBA's RLI Forced Labour and Responsible Recruitment Due Diligence Trainings in Taiwan.

How this disclosure could be improved: more information about the training could be provided, such as how many individuals were trained and how many component suppliers they represented.

Adidas (Apparel & Footwear) discloses conducting training on responsible recruitment for second-tier suppliers in Taiwan in partnership with an expert organisation.

How this disclosure could be improved: more information about the training could be provided, in

line with suggestions in the "Target performance" box.

Inditex (Apparel & Footwear) reports that, through its participation in YESS (Yarn Ethically and Sustainably Sourced), training was provided to suppliers operating some of the cotton yarn spinning mills, as well as weaving and knitting cotton fabric mills in its supply chains, aimed at helping these suppliers comply with anti-slavery and due diligence regulations and implementing effective due diligence system.

How this disclosure could be improved: more information about the training could be provided, in line with suggestions in the "Target performance" box.



ABOUT KNOWTHECHAIN

KnowTheChain – a programme of the Business & Human Rights Resource Centre – is a resource for companies and investors to identify and address forced labour and labour rights abuses within their supply chains. It benchmarks current corporate practices, develops insights, and provides practical resources with the aim of informing investor decision-making and changing corporate approaches to the identification, prevention and remedy of forced labour conditions.

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 organisations, each guided by its own approach, but united by a common desire to catalyse social impact.