Resource and Action Guide for Apparel & Footwear Companies

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This resource provides guidance to companies in the apparel and footwear sector on addressing risks of forced labor in their supply chains. It complements the key findings of KnowTheChain’s first benchmark of 20 large apparel and footwear companies, but its advice is relevant to the whole sector. The guidance prioritizes areas of engagement that the benchmark found to be particularly weak. As an example, the benchmark found that many of the efforts companies are currently employing are solely focused on the first tier of their supply chains. Few leading practices were identified that extended to deeper tiers.

To enhance efforts that go deeper in supply chains and engage where risks are greatest, this action guide highlights practices that can be implemented and encourages companies to adopt new tools and unique approaches.
Commitment and Governance

Commitment and governance have the highest overall ranking in the benchmark, with an average company score of 66 out of 100. Encouragingly, a majority of apparel and footwear companies have a supply chain standard on forced labor in place, with over half of these (13) easily accessible from their websites. Nevertheless, only nine companies have clear managerial structures and accountability mechanisms for implementing supply chain standards, while only eleven train their suppliers on forced labor risks and policies. Only seven companies report that they engage stakeholders in their efforts to address risk.

Companies are encouraged to adopt robust supply chain standards that address forced labor and are consistent with international labor standards and human rights, including the fundamental principles and rights at work set out by the International Labour Organization (ILO). These standards should be comprehensive, covering all risks including debt bondage, recruitment fees, and restrictions on freedom of movement, and should set out specific protections for vulnerable categories of workers such as migrants, young workers, and indigenous peoples. Company policies should apply to the full supply chain, including third-party labor suppliers such as recruitment agencies in order to address risks in the pre-employment phases of recruitment and migration.

Supply Chain Training

To enhance the implementation and enforcement of supply chain policies, companies should invest in robust awareness-raising and training programs, beginning with their own staff and including senior managers, supervisors, and key personnel from procurement, legal, and human resources. Training should cascade through the supply chain with first-tier suppliers from which finished products are sourced and where business relationships, visibility, and influence are likely strongest. This, in turn, should be extended beyond the first tier to support training for sub-contractors that are involved in production, manufacturing or processing, or contribute in any other way to the finished product as well as other business partners or service providers to ensure that they understand and adhere to company standards related to forced labor. In cases where workers are employed or managed by a third party (e.g., an employment agency), training should also involve them.

It is important that training on forced labor is comprehensive and covers all related risks, including vulnerable categories of workers, geographies or “hot-spots” of risk, and the different ways that forced labor manifests itself in different parts of the apparel and footwear supply chain. Companies are also encouraged to combine greater
understanding of risk with a comprehensive examination of strategic responses, solutions, and corrective actions. Where possible, partnership with other companies, suppliers, multi-stakeholder initiatives (MSIs), and subject-matter experts will ensure deeper learning, while joint training with suppliers across tiers can promote more effective, consistent, and sustained compliance with company standards. Beyond suppliers, companies are also encouraged to provide training directly to supply chain workers on labor and human rights, human resource practices, and practical steps for communicating with management and raising questions or grievances in the workplace.

**Working with Stakeholders**

Companies in apparel and footwear scored an average of 59 out of 100 on stakeholder engagement. While most report some level of joint action on labor standards broadly (e.g., in the context of multi-stakeholder or industry-based initiatives), it is often unclear how they engage on forced labor specifically and what activity they undertake in MSIs. Companies are encouraged to engage stakeholders across their action to address forced labor. These can include: brand peers, business partners and suppliers, industry representatives, trade associations and employer organizations, civil society organizations, trade unions, academics, or others with expertise on the subject.

Stakeholder engagement can help companies develop and implement supply chain standards, ensure greater reach in awareness and training programs, and strengthen the effectiveness of corporate practices to address forced labor.

Multi-stakeholder initiatives and industry coalitions are an important vehicle through which companies can engage stakeholders. They serve an important purpose in formalizing stakeholder engagement and help companies share information and experience, learn from each other, disseminate and replicate good practice, and reduce some of the inefficiencies of working in supply chain silos. Companies in the sector are encouraged to join and actively participate in relevant MSIs that promote sustainable production of apparel and footwear and the commodities they rely on (e.g., cotton and leather), such as the Fair Labor Association (FLA), Sustainable Apparel Coalition (SAC), and the emerging Yarn Ethically and Sustainably Sourced (YESS) coalition. Within them, companies should reinforce the development and implementation of robust standards against forced labor, due diligence, and third-party verification as key strategies to eliminate risks.

Companies should also engage local stakeholders, including trade unions and community-based organizations, and consider engaging in policy dialogue with national governments in sourcing countries. The latter can help to address the particularly complex issues that companies may face but may not be able to solve on their own (e.g.,

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1 Other MSIs relevant to the apparel and footwear sector include the Ethical Trading Initiative based in the United Kingdom and the Dutch Fair Wear Foundation.
legal frameworks that allow migrant workers to be charged recruitment fees or restrict their right to form or join trade unions). Companies can use their economic leverage, acting alone or in the framework of their representative trade association, to advocate for better laws, greater respect for human rights, stronger labor administration, and enforcement, all of which not only improve conditions for workers, but level the playing field to ensure that businesses with strong labor practices are not undercut by those that take advantage of workers.

Further Resources

- IHRB, Dhaka Principles for Migration with Dignity
- Verité, Fair Hiring Toolkit: Improving Codes of Conduct & Company Policies
- Verité, Fair Hiring Toolkit: Raising Awareness & Building Capacity

Traceability & Risk Assessment

Companies scored an average of 41 out of 100 on traceability and risk assessment, the third-lowest scoring theme of the benchmark. While 12 out of 20 companies reported having a process in place to trace their supply chains, only four disclose the names and locations of their first-tier suppliers. With regard to risk assessment, just over half (11) of the companies report some information on their practices, but only five indicate that they conduct forced labor risk or impact assessments on specific commodities, regions, or vulnerable groups such as migrants.

From Traceability to Remedy

Companies are encouraged to fully trace their product supply chains, starting with high-risk commodities where cases of forced labor are well documented and extending to cover all commodities used in all products over time. Traceability should be rigorous and reveal each step in the production process from the agricultural base, farm, or plantation through processing to the manufacturing of the finished product. Traceability should not stop at the level of a commodity trader, who for example purchases, aggregates, and/or resells the product (e.g., wool, cotton, leather, etc.), nor should it only reach the mill or production site where raw materials are collected and processed. In both cases, important parts of the supply chain will remain invisible to brands and therefore untouched by corporate compliance programs, significantly elevating risks of forced labor and labor exploitation in these parts of the supply chain.
Companies are encouraged to publicly disclose the names and locations of their first-tier suppliers and progressively disclose the same for sub-contractors or other business partners deeper in the supply chain. Moreover, disclosure and traceability mechanisms should include labor metrics (e.g., the total number of workers, percentage of female or migrant workers, safety and health data, trade union membership, etc.) and should be aligned with supply chain due diligence and remedy to ensure that tracing not only helps companies understand the complexity of their supply chain, but enables them to understand and address risks and improve supply chain standards.

At the same time, there is an emerging market for supply chain tracing tools and industry collaboration that focuses on sharing data, both of which can help companies better trace their supply chains. While the utilization of technology is nascent, companies should pay attention to how the field matures over the coming years.

**Implementing Forced Labor Risk Assessments**

Companies should implement risk assessments as a measure to prevent forced labor across commodity, product, and labor supply chains. This assessment should cover the full scope of risks associated with forced labor, including but not limited to issues such as debt bondage, compulsory overtime, and restrictions on freedom of movement. Assessments should be conducted periodically, their results should be integrated into due diligence and monitoring systems (e.g., social audits), and they should be considered when companies are making future sourcing and procurement decisions. Publicly available resources such as ILO estimates of forced labor and government and civil society reports on supply chain risks are a valuable starting point for risk assessments. Companies may also wish to engage relevant stakeholders at both international and national levels such as trade unions, migrants’ rights groups, or other partners to better understand their exposure to forced labor risks.

**Further Resources**

- ILO, *Global Estimate of Forced Labor: Results & Methodology*
- Verité, *Responsible Sourcing Tool*
- US Department of Labor, *List of Goods Produced by Child Labor or Forced Labor*
- US Department of State, *2016 Annual Trafficking in Persons Report*
Purchasing Practices

Most apparel and footwear companies—14 out of the 20 benchmarked—demonstrate awareness of the link between certain types of purchasing practices and risks of forced labor. However, only five companies report taking steps to reduce these risks. Just under half of the companies (nine) require first-tier suppliers to ensure that their own suppliers implement standards that are in line with the company's supply chain standards. Two specifically disclose that their standards also apply to home-based workers, one of which reports requiring suppliers to communicate and enforce their standards with sub-contractors and report the locations and conditions of sub-contracted homeworkers.

Improving Purchasing Practices & Cascading Standards Through Supply Chains

Companies are encouraged to integrate forced labor policies into supplier contracts, assess and screen suppliers using human and labor rights criteria, and ensure that supplier selection processes are fully integrated into ongoing due diligence. Companies should review procurement and sourcing procedures to prevent practices that exacerbate risks of forced labor (e.g., the systemic use of short term contracts, excessive downward pressure on pricing, or sudden changes in orders and workload). Examples of good practices from some companies in the sector include the use of longer-term contracts (ranging from multi-year contracts to partnerships over decades), longer lead times, regular dialogue with suppliers to facilitate production planning, and strategies to balance low- and peak-production seasons. Companies should also raise awareness of and train relevant procurement staff and decision-makers, extend awareness-raising on policy expectations deeper in the supply chain, and incentivize suppliers by rewarding those with good practices.

Companies should also make every effort to cascade social and human rights policies throughout their supply chain. They should work with direct suppliers to encourage the application of robust labor standards deeper in the supply chain; increase visibility, assessments, and due diligence both within the first tier, but also among sub-contractors and other business partners; and leverage relationships with suppliers to engage sub-contractors (e.g., through awareness-raising, communications, or training activities, including attention on both product sub-contractors and labor providers). Companies are specifically encouraged to work with suppliers to develop their own supply chain standards on forced labor, establish due diligence mechanisms and audits to assess sub-contractor performance, and consider supporting grievance mechanisms to support assessments in better identifying and addressing risks of forced labor beyond the first tier. Where suppliers are shared by more than one global brand, companies should
consider joint engagement to reduce duplication of efforts, socialize lessons learned, and enhance their impact and sustainability.

Further Resources

- Verité, Responsible Sourcing Tool

Recruitment

Recruitment practices are an important new area of focus in supply chains as companies address the forced labor risks faced by migrant workers. Nevertheless, despite strong policies on the issue from a few companies, overall awareness, action, and transparency in the sector is low. Recruitment is the lowest-scoring theme across the benchmark with an average score of 22 out of 100.

Strengthening Due Diligence in Labor Supply Chains

Companies are encouraged to adopt responsible recruitment policies and ensure that they are respected and enforced throughout the supply chain, including within sub-contracted facilities where due diligence may not yet reach. These policies should strictly prohibit the fees charged to workers for recruitment, a practice that commonly creates conditions of debt bondage and significantly heightens risks of forced labor, and related services (e.g., transportation, health checks, visa or passport processing, etc.)

To give effect to these policies, companies should take a number of steps. They should strengthen audit protocols and other monitoring activities (see below) to ensure that supplier assessments investigate and address human resource practices such as the recruitment, hiring, and on-boarding of new employees. In cases where suppliers do not hire workers directly but instead contract third-party service providers such as recruitment or private employment agencies, assessments should examine how recruitment agencies are screened, selected, and monitored by the supplier to ensure full compliance with forced labor and responsible recruitment policies. Other measures include:

- Promote direct hire of workers throughout the supply chain to ensure greater transparency and accountability for recruitment, hiring, and other human resource functions;
• When recruitment agencies are used, ensure that suppliers only engage those that are licensed by the competent authority, operate in full compliance with the law, and adhere to the highest ethical standards;
• Inform all business partners and suppliers of company expectations, prioritizing at-risk suppliers in countries where workers are most vulnerable;
• Provide anonymous, confidential means for workers to report charging of fees at any time during recruitment, migration, or job placement;
• Where workers have paid recruitment fees, reimburse them in full and directly to the worker(s) concerned;
• Work with suppliers (and other companies in the industry) to identify and implement sustainable solutions to fee-charging and unethical recruitment practices in supply chains and to prevent recurrence of abuse; and
• Report on the measures taken to address recruitment-related risks throughout the supply chain.

In recent years, new multi-stakeholder initiatives have emerged to promote responsible recruitment in the global economy. These include the ILO’s Fair Recruitment Initiative, the International Organization for Migration’s International Recruitment Integrity Initiative, and the Leadership Group for Responsible Recruitment established by the Institute for Human Rights and Business. Companies are encouraged to support one or more of these initiatives. Engaged companies can help advance how these initiatives accelerate change for workers who are exploited through the recruitment process.

Further Resources
• ILO, Handbook for Employers and Business, Booklet 3: Guiding Principles to Combat Forced Labor
• Institute for Human Rights and Business, Responsible Recruitment Resource Bank
• UN Global Compact & Verité, Eliminating Recruitment Fees Charged to Migrant Workers
• Verité, Fair Hiring Toolkit: Improving Codes of Conduct & Company Policies

Worker Voice

Apparel and footwear companies rank poorly on policies, practices, and transparency to promote worker voice and empowerment in supply chains. While just over a third of companies report that they communicate forced labor policies to supply chain workers in their own language, in most cases this is done only by placing posters
of their code of conduct within supplier facilities. Only three companies report engaging suppliers on freedom of association, where this is restricted by law, and only eleven companies report having a grievance mechanism for supply chain workers in place. Recently, there have been promising developments of new tools that can help increase the degree to which workers can communicate directly and freely via complaints mechanisms. While the majority of these tools are not widely used, if used alongside policies that encourage worker empowerment and protections, they can help companies increase worker participation and engagement.

**Strengthening Worker Voice for Vulnerable Workers in Supply Chains**

Worker voice and empowerment—and the fundamental rights and freedoms they represent—are key ingredients in promoting decent work and the fight against forced labor. Freedom of association for all workers is an “enabling right” that allows workers to join together, establish their own organizations, protect themselves, and promote their collective interests. This creates an environment in which other rights can be exercised and can help workers protect themselves against coercion, deception, and other common features of forced labor. For some workers, however, these rights are restricted by law, regulation, or long-standing patterns of discrimination. Special attention should be paid to them in the context of overarching commitments to ensure that their rights and freedoms are also respected.

Companies should adopt clear policies on freedom of association and trade union rights. They should ensure that suppliers respect the right of all workers to form or join a union of their own choosing, free from intimidation and fear of reprisal. Policies and practices to explicitly prohibit anti-union discrimination and employer interference in union affairs are strongly encouraged. Companies should engage their suppliers and sub-contractors directly on these issues, provide guidance and training, and encourage worker-management dialogue at workplace and company levels. They should also communicate directly with workers. This can be done in different ways: Some companies in the sector are experimenting with new technologies to reach supply chain workers through text messages, hotlines, and other means. This provides an additional layer of communication to reinforce traditional compliance measures such as worker interviews during audits. Training can also be provided to workers on their individual and collective rights and worker-management dialogue. This can be through in-person training, online learning, or a combination of the two, and working with experts to develop and implement training programs will enhance learning and impact. Companies should also consider advocating for legal and regulatory reform in jurisdictions where trade union rights and freedoms are restricted.

**Improving Grievance Mechanisms**

It is important that workers have access to grievance mechanisms that meet the effectiveness criteria established
by the UN Guiding Principles on Business and Human Rights. Grievance mechanisms should be accessible to all workers, fair and impartial, transparent, and follow a clear and established procedure. Where possible, companies should support mechanisms that are independently operated by credible, third-party service providers.

Mechanisms like this can be an important “early warning” system for companies about structural or systemic problems, including forced labor or debt bondage that can result from excessive fees charged to migrant workers. They can also be part of broader processes to promote better communication, trust, and understanding between management and workers, which in turn allow for problems to be raised and solved before they escalate into conflict. Companies should:

- Ensure that a grievance mechanism is accessible to all workers across all tiers of the supply chain and including migrants, taking into consideration their unique language needs;
- Work with suppliers to encourage the development and implementation of a grievance mechanism, ensure that this is communicated directly and proactively to workers, and support supplier and worker training on the value and use of grievance mechanisms;
- Consider partnering with other stakeholders—including civil society and trade unions—in the implementation of grievance mechanisms; and
- Guarantee that any worker—migrant or otherwise—acting individually or as part of a group can submit a grievance without prejudice or retaliation of any kind.

Further Resources

- CSR Europe, Assessing the Effectiveness of Company Grievance Mechanisms
- KnowTheChain, Forced Labor Action Compared: Findings from Three Sectors
- UN Global Compact, Webinar: Grievance Mechanisms for Business & Human Rights
- Verité, Fair Hiring Toolkit: Establishing Effective Grievance Mechanisms & Protections for Whistleblowers

Monitoring

Monitoring is the second-highest scoring theme among apparel and footwear companies at an average of 64 out of 100. A majority of these companies—17 out of 20—report auditing their suppliers to measure compliance with supply chain standards. However, only 11 report that some of their audits are unannounced, five disclose the percentage of these unannounced audits, and only 11 provide a summary of audit results.
Strengthening Forced Labor Audits

Forced labor and human trafficking are complex crimes. They are often characterized by fraud and deception and carried out not by a single person—or perpetrator—but by different actors involved in the recruitment, transport, hiring, and employment process. They are often hidden from view and deeper in supply chains where work and production is outsourced, sub-contracted, or performed at the margins of the formal economy, rendering abuse invisible to all but the most robust due diligence systems. To address this, companies need equally complex and sophisticated monitoring mechanisms.

There are many steps companies can take to strengthen their audits. They should prioritize unannounced assessments over announced to ensure that the information they gather is an accurate reflection of working and employment conditions. The percentage of unannounced audits should be increased over time. While taking advantage of a multi-faceted assessment strategy—including management interviews, site visits, and a review of documents—companies should prioritize gathering information directly from workers. To support this and extend good practice, they should consider developing a protocol for interviewing workers.

It is also important to consider where assessments are conducted. Companies should assess their own operations as well as their first-tier suppliers. In doing so, they are encouraged to prioritize at-risk regions and countries or parts of their supplier base where risk is greatest. Thereafter, audits should progressively extend to cover the company’s full first tier. Companies should also look deeper in their supply chains to examine working conditions and human rights in sub-contracted facilities, including home-based workers or workshops that contribute to production (e.g., cutting or embroidery). They should also assess third-party service providers such as recruitment agencies and the security, cleaning, or transport companies used by suppliers. To do so, auditors will need robust training as well as new tools, skills, and protocols to enable them to better identify and assess risk. Finally, companies should extend assessments and due diligence to the so-called base of the supply chain to shine a light on conditions in the production of commodities such as the cotton and leather used in apparel and footwear products. This presents a challenge, but partnership strategies and multi-stakeholder engagement can support such efforts. In expanding and deepening monitoring activities, companies should enhance their disclosure of audit results, reporting on the percentage of suppliers and sub-contractors audited annually, the percentage of unannounced audits, information about who and how audits are conducted, and details about audit findings—in particular, violations of forced labor policies and the actions taken to remedy them.
Further Resources

- Verité, *Fair Hiring Toolkit: Strengthening Assessments & Social Audits*

Remedy

Most companies in the sector report having a process in place to create corrective action plans with first-tier suppliers. These include a list of potential actions to take in case of non-compliance and potential consequences. However, only two companies disclose their process for responding to complaints or reported violations, and only six provide examples of the outcomes of remediation for supply chain workers.

From Corrective Action Plans to Systems Improvement

Forced labor and human trafficking are crimes under international law and in most countries around the world. A case of abuse must be treated accordingly—as a major breach of company policy that requires immediate corrective action. This should guarantee effective remedy to identified victims based on a victim-centered approach that prioritizes the well-being and best interests of the worker(s) involved.

Corrective Action Plans (CAPs) are an important part of remedying the wrongs faced by workers. Companies should ensure that they have in place a process to create such plans with suppliers, that they verify the timely and full implementation of those plans, and that the consequences (and their escalation) of failure to implement CAPs are clear to suppliers. Moreover, CAPs should be placed in the broader context of systems improvement planning to ensure that remedy not only supports the worker, but also contributes to future prevention efforts as well. A systems improvement plan should:

- Detail specific responses to cases that arise;
- Establish protective measures for workers;
- Address root causes; and
- Feed the results and learning from corrective action into future planning and prevention measures to promote continuous improvement.
To effectively address a case of forced labor, remedy must be comprehensive and systemic. It will involve both short- and longer-term solutions and must provide for the full protection of the worker, including rehabilitation, repatriation (if desired), and support for reintegration into the labor market and community. Public and non-governmental organizations with expertise in supporting victims will be valuable partners and resources. Specific remedial action may include:

- An immediate investigation and site visit by company representatives;
- Identification of the workers affected;
- Determination of the extent and form of the problem;
- Development, implementation, and monitoring of a CAP by the company or supplier; and
- Implementation of full protection measures (e.g., full reimbursement of fees charged to workers for recruitment, immediate return of any passports or other valuable personal items, payment of all owed wages, etc.)

Further Resources

- KnowTheChain, Forced Labor Action Compared: Findings from Three Sectors
- Verité, Fair Hiring Toolkit: Taking Corrective Action & Developing Systems Improvements
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. Find out more: knowthechain.org

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. Find out more: humanityunited.org.

Sustainalytics is an independent ESG and corporate governance research, ratings, and analysis firm supporting investors around the world with the development and implementation of responsible investment strategies. Find out more: sustainalytics.com.

Business & Human Rights Resource Centre is a non-profit that tracks the human rights conduct of over 6,000 companies worldwide. Find out more: business-humanrights.org.

Verité is an international nonprofit social auditing, training, consulting and research organization that aims to ensure that people worldwide work under safe, fair, and legal conditions. Find out more: verite.org.