



Subset of Indicators¹

Version 1 (August 2019)

The KnowTheChain methodology assesses companies' efforts to address forced labor risks in their supply chains. It is based on the UN Guiding Principles on Business and Human Rights and covers policy commitments, due diligence, and remedy. The methodology uses the ILO core labor standards (which cover the human rights that the ILO has declared to be fundamental rights at work: freedom of association, the right to collective bargaining, and the elimination of forced labor, child labor, and discrimination) as a baseline standard.

Indicator Name	Indicator Elements
1 Supplier Code of Conduct and Integration into Supplier Contracts	The company: (1) has a supplier code of conduct that requires suppliers to respect the ILO core labor standards, which include the elimination of forced labor; and (2) integrates the ILO core labor standards, which include the elimination of forced labor, into supplier contracts.
2 Management and Accountability	The company: (1) has a committee, team, program, or officer responsible for the implementation of its supply chain policies that address forced labor and human trafficking; and (2) has tasked a board member or board committee with oversight of its supply chain policies that address forced labor and human trafficking.
3 Stakeholder Engagement	To fully understand and address working conditions in sourcing countries, companies need to engage with potentially affected groups and local stakeholders such as trade unions, worker organizations, or local NGOs—in addition to engaging suppliers. Furthermore, as forced labor risks tend to be systemic in nature, collaboration with other companies, for example, to engage policy makers to strengthen labor legislation, is needed to address forced labor in supply chains. In the last three years, the company has engaged relevant stakeholders by: (1) providing at least two examples of engagements on forced labor and human trafficking with stakeholders such as policy makers, worker rights organizations, or local NGOs in countries in which its first-tier suppliers and suppliers below the first tier operate; and (2) actively participating in one or more multi-stakeholder or industry initiatives focused on eradicating forced labor and human trafficking across the industry.

¹ KnowTheChain uses this subset of indicators to assess companies' efforts to address forced labor in the information & communications technology, food & beverage, and apparel & footwear sectors.

Indicator Name**Indicator Elements****4 Traceability and Supply Chain Transparency**

The company discloses:

(1) the names and addresses of its first-tier suppliers; and

Information & Communications Technology Sector / Food & Beverage Sector:

(2) at least two types of data points on its suppliers' workforce (e.g., the number of workers, gender or migrant worker ratio, or level of unionization per supplier).

Apparel & Footwear Sector:

(2) the number of workers per supplier, and one additional data point on its suppliers' workforce (e.g., the gender ratio, migrant worker ratio, or level of unionization per supplier).

5 Risk Assessment

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

The company discloses:

(1) details on how it conducts human rights supply chain risk or impact assessments that include forced labor risks or assessments that focus specifically on forced labor risks; and

(2) details on forced labor risks identified in different tiers of its supply chains.

6 Purchasing Practices

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

The company:

(1) is adopting responsible purchasing practices in the first tier of its supply chains, which include planning and forecasting; and

(2) provides procurement incentives to first-tier suppliers to encourage or reward good labor practices (such as price premiums, increased orders, and longer-term contracts).

7 Recruitment Fees

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

The company:

(1) requires that no worker in its supply chains should pay for a job—the costs of recruitment (i.e., recruitment fees and related costs) should be borne not by the worker but by the employer ("Employer Pays Principle"); and

(2) takes steps to ensure that such fees are reimbursed to the workers and/or provides evidence of payment of recruitment-related fees by suppliers if it discovers that fees have been paid by workers in its supply chains.

Indicator Name**Indicator Elements****8 Freedom of Association**

The company:

- (1) works with independent local or global trade unions to support freedom of association in its supply chains; and
- (2) provides at least two examples covering different supply chain contexts of how it improved freedom of association and/or collective bargaining for its suppliers' workers such as migrant workers (e.g., by taking action where suppliers impede workers' rights to freedom of association and/or collective bargaining or by engaging policy makers to improve respect for such rights).

9 Grievance Mechanism

The company:

- (1) takes steps to ensure a formal mechanism to report a grievance to an impartial entity regarding labor conditions in the company's supply chains is available to its suppliers' workers and their legitimate representatives; and
- (2) discloses data about the practical operation of the mechanism, such as the number of grievances filed, addressed, and resolved, or an evaluation of the effectiveness of the mechanism.

10 Remedy Programs / Response to Allegations

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

- (1) a process for responding to potential complaints and/or reported violations of policies that address forced labor and human trafficking; and
- (2) at least two examples of outcomes of its remedy process in practice, covering different supply chain contexts, for its suppliers' workers.

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

- (1) a process for responding to potential complaints and/or reported violations of policies that address forced labor and human trafficking; and
- (2) outcomes of the remedy process in the case of the allegation(s), including evidence that remedy(ies) are satisfactory to the victims or groups representing the victims.

B.2. If one or more allegations regarding forced labor in the company's supply chains have been identified in the last three years, and the company denies the allegation, the company discloses:

- (1) a process for responding to potential complaints and/or reported violations of policies that address forced labor and human trafficking; and
- (2) a description of what actions it would take to prevent and remediate the alleged impacts.

G l o s s a r y

Forced Labor According to the International Labour Organization (ILO) Forced Labour Convention, 1930 (No. 29), forced or compulsory labor is:
"all work or service which is exacted from any person under the threat of a penalty and for which the person has not offered himself or herself voluntarily." The ILO further notes that: "forced labor can be understood as work that is performed involuntarily and under the menace of any penalty. It refers to situations in which persons are coerced to work through the use of violence or intimidation, or by more subtle means such as manipulated debt, retention of identity papers, or threats of denunciation to immigration authorities."

ILO core labor standards Fundamental rights at work are set out in and are often referred to as the ILO core labor standards and cover: (a) freedom of association and the effective recognition of the right to collective bargaining; (b) the elimination of all forms of forced or compulsory labor; (c) the effective abolition of child labor; and (d) the elimination of discrimination in respect of employment and occupation. (See ILO Declaration on the Fundamental Rights and Principles at Work).

Supply chains / Suppliers "Supply chains" and "suppliers" refer to all the supply chains that are directly related to the company's creation of products in the relevant category (electronics, food and beverage, apparel and footwear). Where no further specification is provided, companies should report as a minimum on policies and practices applicable to all of their first-tier suppliers. Additional reporting on below-the-first-tier suppliers, including raw material suppliers, is welcome.

First tier of supply chains / First-tier suppliers Suppliers with whom the company has direct contractual relationships.

Supply chain tiers Refers to the distance between a company and its supplier and indicates that there can be several different business relationships that link a company and a below-the-first-tier supplier. For example, a company may have first-tier manufacturing suppliers, which source from below-the-first-tier suppliers, which in turn source from raw material suppliers.

Different supply chains contexts This term is used to evaluate if a company is taking action beyond a one-off pilot project and can provide examples of implementation that refer to different sourcing countries, raw materials, or tiers of its supply chains.

Workers The term is used to describe workers in a company's supply chains, as opposed to workers contracted or subcontracted to work for the company itself.

Legitimate representatives Legitimate representatives are those that the affected or potentially affected workers have asked to represent them. They can include (but are not limited to) community representatives, legal representatives and trade unions, community-based organizations, and civil society organizations.

G l o s s a r y

Stakeholder

Any individual or organization that may affect or be affected by a company's actions and decisions. In the UN Guiding Principles on Business & Human Rights (the UN Guiding Principles) the primary focus is on affected or potentially affected stakeholders, meaning individuals whose human rights have been or may be affected by a company's operations, products, or services. Other particularly relevant stakeholders in the context of the UN Guiding Principles are the legitimate representatives of potentially affected stakeholders, including trade unions, as well as civil society organizations and others with experience and expertise related to business impacts on human rights.

Taking steps to ensure

A company should report on steps taken to ensure a process or practice is in place. For example with regards to grievance mechanisms, a company could either take steps to ensure that its suppliers make available effective grievance mechanisms for their workers or it could provide such mechanisms itself (or work with peers or other third parties to ensure that effective grievance mechanisms for workers in its supply chains exist).