



KNOW THE CHAIN

Apparel & Footwear Benchmark Findings Report

How are 20 of the largest companies addressing forced labor in their supply chains?

The methodology for this report was developed by KnowTheChain with input from stakeholders in business, investment, and civil society. Engagement with the companies in the benchmark was conducted by the Business & Human Rights Resource Centre (inviting additional disclosure in response to engagement questions) and Sustainalytics. All research was conducted by Sustainalytics. Contributing authors include: Felicitas Weber (Business & Human Rights Resource Centre), Annabel Short (Business & Human Rights Resource Centre), Megan Wallingford (Sustainalytics), Philip Hunter (Verité), Shawn MacDonald (Verité), and Kilian Moote (Humanity United).

This report provides a summary of key findings from the benchmark. For full results by company and theme, visit KnowTheChain.org.

© 2016 KnowTheChain

Updated December 2016

For additional information or questions please contact:
Kilian Moote at info@knowthechain.org

One Letterman Drive
Building D, Suite D3100
San Francisco, CA 94129

Main: (415) 426-6300
Fax: (415) 426-6301

TABLE OF CONTENTS

Introduction	4
Forced Labor in the Apparel & Footwear Sector Supply Chain	5
How do I Engage the Benchmark?	9
Key Findings	10
Findings by Theme	14
Commitment and Governance	14
Traceability and Risk Assessment	16
Purchasing Practices	17
Recruitment	20
Worker Voice	22
Monitoring	24
Remedy	27
What Next?	29
Annex: Benchmark Methodology	30

INTRODUCTION

Recognizing that benchmarks can play a powerful role in encouraging companies to uphold labor standards, KnowTheChain has benchmarked 20 apparel and footwear companies on the transparency of their efforts to eradicate forced labor from their global supply chains.

These publicly-traded companies were selected on the basis of their size (market cap) and the extent to which they derive revenues from corporate-branded apparel and footwear products. KnowTheChain assessed information available on each company's own website as well as additional public disclosure that 80% of the companies provided in response to engagement questions.

The companies were evaluated using a methodology with seven themes: commitment and governance, traceability and risk assessment, purchasing practices, recruitment, worker voice, monitoring, and remedy. Each company received a score out of 100 possible points.

This report provides a summary of key findings from the benchmark. For full results by company and theme visit [KnowTheChain.org](https://www.knowthechain.org).

Please note that this benchmark is based on public reporting by the companies. KnowTheChain encourages users to read this information in conjunction with other reports and resources that have documented companies' impacts on the ground, such as those available on the Business & Human Rights Resource Centre website.

KnowTheChain is committed to continue to improve its methodology and to learn from and align with approaches including the UN Guiding Principles Reporting Framework, the Corporate Human Rights Benchmark, and the indicators developed by the Sustainable Apparel Coalition.

Forced Labor in the Apparel & Footwear Sector Supply Chain

According to the International Labour Organization (ILO), an estimated 21 million people are victims of forced labor around the world. As defined by the ILO, forced labor refers to “situations in which persons are coerced to work through the use of violence or intimidation, or by subtler means such as accumulated debt, retention of identity papers or threats of denunciation to immigration authorities.”¹

The apparel & footwear industry is an at-risk sector. Forced labor occurs both in the production of raw materials and during the manufacturing stages of apparel and footwear companies’ supply chains, especially at lower tier suppliers and in home-based or informal manufacturing. Most nations in the world participate to some degree in the textile and apparel sector. And, the textiles, clothing, and footwear industry is a rapidly growing field of employment: While in 2000 the global garment industry employed about 20 million workers, this number has at least tripled to 60-75 million workers in 2014, three quarters of whom are women.²

Following incidents of child labor and reports about sweatshop conditions since the 1990s, companies have taken action, and associations such as the [Ethical Trading Initiative](#), the [Fair Labor Association](#), and the [Better Work Initiative](#), a partnership between the ILO and the International Finance Corporation, have helped companies to work towards improving conditions in apparel supply chains. Today, companies acknowledge responsibility for working conditions in their supply chains, and traceability and transparency are higher than in other sectors. The majority of large apparel and footwear companies have in place supplier monitoring systems, and, through initiatives such as [ACT \(Action, Collaboration, Transformation\)](#), apparel brands, retailers, manufacturers, and trade unions are collaborating to implement living wages.

Why does forced labor in the sector persist? While progress has been made, forced labor persists in the sector.³ The tragic collapse of the Rana Plaza building in Bangladesh has proven that auditing systems can easily fall short: two factories in the building had been audited for social compliance and several brands were unaware that their clothes were being made there. Where audits are announced, some employers ask undocumented workers or child workers to hide. In other instances, the work is subcontracted, and poor working conditions move to a deeper, less visible part of the supply chain.⁴ “Fast fashion” models can exacerbate the risk of forced labor, with pressure on lead times and pricing leading suppliers to outsource production.

1 ILO - [The Meanings of Forced Labour](#)

2 Clean Clothes Campaign (2015) – [General Factsheet Garment Industry February 2015](#).

3 See Clean Clothes Campaign (2015), SOMO (2013) – [Fact Sheet. Forced Labour](#), and SOMO (2015) - [From moral responsibility to legal liability? Modern day slavery conditions in the global garment supply chain and the need to strengthen regulatory frameworks](#).

4 See for example: SOMO (2015) - [Fact Sheet. Hidden subcontracting in the garment industry](#).

Today, global economic and political developments have resulted in over 65 million displaced people (more than after WWII)⁵ and more than 150 million migrant workers globally.⁶ The International Organization for Migration finds that over 70% of migrants arriving in Europe by boat experienced exploitation and practices which may amount to human trafficking.⁷ Migrant workers are particularly exposed to risks such as a weak legal position or exploitation through recruitment agencies. In some countries, such as Thailand and Malaysia, migrant workers are prohibited by law to form or to take up positions in trade unions and in other cases their right to freedom of association is restricted through contracts.⁸ Informal sector workers are particularly vulnerable to forced labor, as they typically do not have employment contracts which specify working agreements, such as working hours and wages.⁹

Where does forced labor in the apparel and footwear sector occur? Goods produced with forced labor include cotton, leather, textiles, and garments, including embellished or embroidered garments. According to the US Department of Labor, cotton is one of the goods most commonly produced using forced labor, in particular in Central Asia. For example, in Turkmenistan, in order to fulfill government quota, students and private and public sector workers are forced to harvest cotton without payment and under threat of government penalty. In Uzbekistan, independent observers noted in 2015 that, following the central government's prohibition of child labor, forced mobilization of adult workers increased. While forced labor in cotton is most prevalent in Central Asia, it also occurs in other regions. For example, both leather and cotton are reportedly produced using forced labor in China, the world's largest cotton producer and exporter.¹⁰

In addition to risks at the commodity level, forced labor and human trafficking are also endemic in the manufacturing stages of garments and textiles, affecting both internal workers and foreign migrant workers across regions. It occurs in Asia (e.g., India and Malaysia), Latin America (e.g., Argentina, Bolivia and Chile), as well as in other regions (e.g., Jordan, Russia, and Turkey). In India, human trafficking mainly affects those from disadvantaged backgrounds, such as members from low castes or religious minorities, who suffer from debt bondage and are forced to work in spinning mills or embroidery factories. In other countries, it is largely international migrants who are affected. For example, in nearly half of Jordan's garment factories, Asian migrant workers pay unauthorized recruitment fees to agents in their home country, and some don't have access to their passports and are restricted in their freedom of movement.¹¹

Forced labor also occurs in Western countries. Europol, the European Union's law enforcement agency, considers textiles a sector at risk of labor exploitation.¹² Migrants from India, Pakistan, and China were found to be forced to

5 UNHCR (2016) – [Global Trends. Forced displacement in 2015](#).

6 ILO (2015) - [ILO global estimates on migrant workers](#).

7 International Organization for Migration United Kingdom (16 Oct 2016) - [Abuse, Exploitation and Trafficking: IOM reveals data on the scale of the danger and risks that migrants face on the Mediterranean routes to Europe](#).

8 SOMO (2016) - [Fact Sheet. Migrant labour in the textile and garment industry](#). Note freedom of association is often also restricted for non-migrant workers. For example, in Cambodia and Pakistan, trade union members may be dismissed, detained, or sometimes threatened with their lives. See Clean Clothes Campaign (2015).

9 ILO (2014) – [Profits and Poverty: The Economics of Forced Labor](#).

10 See Verité (2015) - [Strengthening Protections Against Trafficking in Persons in Federal and Corporate Supply Chains](#), Verité – [Forced Labor Commodity Atlas: Cotton](#) and US Department of State (2016) - [2016 Trafficking in Persons \(TIP\) Report](#).

11 See US Department of State (2016) and SOMO (2013).

12 Joseph Rowntree (2013) - [Detecting and tackling forced labor in Europe](#).

work in textile factories in Spain, for example. Likewise, in Italian textile factories in cities like Milan or Rome, Chinese workers were found to be in forced labor.¹³

What next? Forced labor poses a business risk to suppliers and retailers alike. This ranges from operational risks, such as having to discontinue supplier contracts due to public pressure, to reputational risks incurred from negative publicity, to legal and regulatory risks, such as lawsuits from employees, customers, and other stakeholders. At the same time, companies—particularly consumer-facing brands—can benefit from a proactive stance on eliminating forced labor in their supply chains in terms of reputation, reduced operational and regulatory risks, and employee motivation.

There is growing global momentum in both soft and hard law requiring companies to address forced labor risk in their supply chains and disclose their efforts in this respect. The [UN Guiding Principles on Business and Human Rights](#) have established that businesses have a responsibility to respect human rights, including through business relationships. The [UN Sustainable Development Goals](#) also address the issue: Goal 8 includes the objective to “take immediate and effective measures to eradicate forced labor [and] end modern slavery and human trafficking.” Regulatory requirements include the California Supply Chains Transparency Act and the Modern Slavery Act in the UK. Access to government contracts is increasingly linked to provisions on forced labor, with both the US and Dutch governments having put provisions for government contractors in place in 2012. The ILO’s legally binding Protocol on Forced Labour, which was adopted in 2014 and requires states to prevent and remedy forced labor, has been ratified by eight ILO member countries with more to come.¹⁴

Investors from North America, Europe, and Australia have been engaging consumer facing companies, including apparel companies, on supply chain labor aspects, with a particular spike of engagement following the factory collapse in Bangladesh.¹⁵ Engagements typically focused on either child labor in cotton sourcing or labor conditions at manufacturing level more broadly,¹⁶ and concerted action from investors and other stakeholders addressing forced labor specifically would be welcome.

Bold leadership is needed in particular from companies and their associations. Positive signs include a recent initiative, [YESS: Yarn Ethically & Sustainably Sourced](#), which intends to go further down the chain to address forced labor at the spinning mill level. Many of the buyers are already working together in industry associations—which presents a major opportunity to create momentum within existing coalitions of trust to address this pervasive problem.

13 See Joseph Rowntree (2013) and US Department of State (2016).

14 As of October 2016. For a list of ILO member states which have ratified the Protocol, see [here](#).

15 The [Bangladesh Investor Initiative led by the Interfaith Centre for Corporate Responsibility](#) represents 240 institutional investors from North America and Europe with collective assets under management of over US\$4.5 trillion and focuses on worker health and well-being. Further, a [group of Canadian investors](#) issued a statement in support of the Accord on Fire and Building Safety in Bangladesh, and investors carried out [site visits to Bangladesh](#).

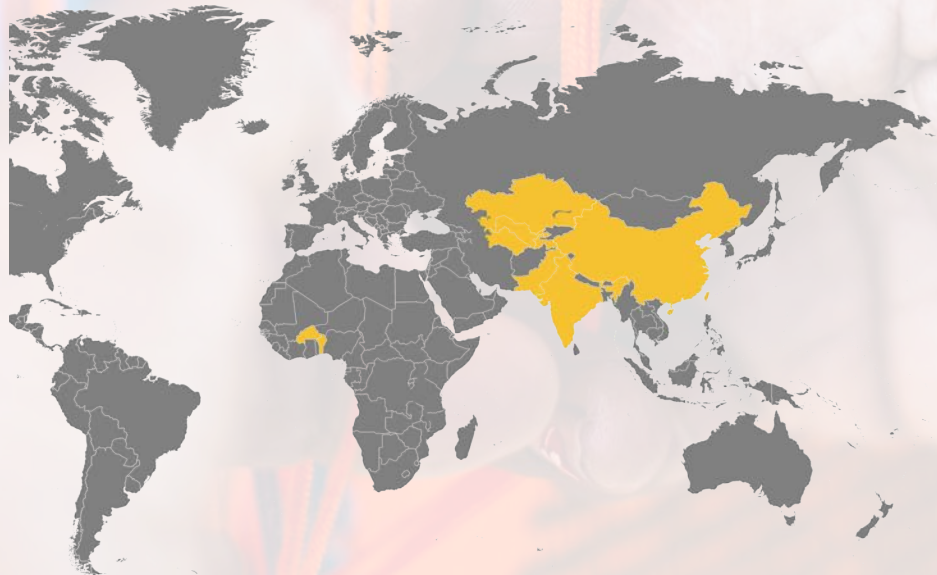
16 See for example Australian Council of Superannuation Investors – [Annual Report 2015](#), Mirova – [Mirova Engagement Report 2015](#), Boston Common Asset Management (Aug 2008) - [Boston Common Appeals to Government of Uzbekistan to Stop Using Forced Child Labor](#). Accessed 26 October 2016.

Forced Labor Exists in

9 COUNTRIES PRODUCING **65%** OF THE WORLD'S COTTON

Where Forced Labor Exists in Cotton Production:

BENIN
BURKINA FASO
CHINA
INDIA
KAZAKHSTAN
PAKISTAN
TAJIKISTAN
TURKMENISTAN
UZBEKISTAN



Source: List of Goods Produced by Child Labor or Forced Labor from the [United States Department of Labor](#) and cotton report from the [United States Department of Agriculture Foreign Agricultural Service](#). Based on a graphic from the [Responsible Sourcing Network](#).

How do I Engage with the Benchmark?

Companies

Companies that are included in this benchmark can use it as a tool for internal and external engagement with relevant stakeholders to drive improvements in their operations. All companies—including any company in the apparel and footwear sector—can use the findings and recommendations to identify good practices and assess areas where they may need to pay greater attention to forced labor risks.

“At Adidas Group, we have worked closely with the ILO and other local non-government organisations to safeguard the rights of migrant workers who are a group particularly at risk of exploitation through middle men and unscrupulous employment agencies within our supply chain. Further, as part of our Modern Slavery Outreach programme, we are working with our tier 1 suppliers to train our tier 2 suppliers on modern slavery, and we are developing collaborative models to address potential risks of modern slavery in our tier 3 raw materials supply chain, globally. KnowTheChain recognizes the steps we have taken to address forced labour and human trafficking risks in our supply chain, and by pointing out gaps and achievements, it is a resource that can help drive improvement across our industry.”

- William Anderson, Vice President, Social & Environmental Affairs, Adidas Group

Investors

Forced labor can have negative impacts on companies' operations and business development. Investors are increasingly engaging with companies on this issue, given the long-term financial performance implications stemming from legal and reputational risks. Indeed, exposure to forced labor can not only create risk for companies, but can also generate direct reputational risks for investors themselves (see [ShareAction's forced labor briefing](#)). Investors can use the benchmark results as a basis for engagement with their holdings, encouraging the adoption of best practices (see [KnowTheChain investor resources for engagement](#)). They may also decide to channel investment towards companies that have strong transparency and practices in place.

“One of the predominant and systemic risks in the apparel and footwear industry is forced labor within corporate supply chains. We believe this has potential legal, reputational, and operational implications for companies. We are encouraged by the growing availability of information on corporate supply chain practices and believe that active and regular benchmarking of apparel and footwear companies is an especially useful tool for investors in their due diligence and direct engagement with companies.”

- Mike Lombardo, Director, Governance and Sustainability Research, Calvert Investments

Key Findings

Due in part to consistent attention and pressure on apparel companies regarding supply chain labor issues over the past few decades, the benchmark finds a relatively high average overall company score of 46 out of 100 for the sector, especially compared to the other two sectors benchmarked during 2016 (information communications technology: 39 out of 100; food and beverage: 30 out of 100). However, the benchmark still finds significant room for improvement for companies to address forced labor in their supply chains. Eight of the 20 companies, for example, still do not demonstrate awareness of and commitment to addressing human trafficking and forced labor. And, the average scores on benchmark themes such as recruitment (22/100) and worker voice (29/100) are low.

The four top-scoring companies, Adidas (81/100), Gap (77/100), H&M (69/100), and Lululemon (69/100), stand out for their efforts across themes. Notably, Adidas demonstrates a number of leading practices across several of the benchmark themes. For example, the company trains its second-tier suppliers on forced labor, ensures workers sign contracts directly with suppliers to avoid exploitation through recruitment agencies, and ensures remedy is provided to supply chain workers whose rights have been violated (such as removing wage deductions by recruitment agencies or relocating migrant workers to safer and higher quality dormitories).

Companies scoring above the average score of 46/100 have taken at least initial steps across all seven themes, and the six highest-scoring companies also demonstrate strong practices with respect to training and stakeholder engagement. Most companies that score below the benchmark average are taking forced labor considerations into account when selecting and monitoring their first-tier suppliers. However, those companies typically have taken limited or no steps in the areas of worker voice and recruitment and with regard to assessing and addressing risks further down the supply chain. Overall, luxury brands, including Hugo Boss, Kering (holding company of Alexander McQueen, Gucci, Stella McCartney, and others) and Prada, score much lower than high street apparel retailers (such as H&M, Inditex or Primark), with Ralph Lauren scoring highest among them (46/100).

Three companies score less than 25 out of 100 points. These include China's number-one shoe retailer, the Hong Kong-based Belle International Holdings (0/100), the Chinese clothing manufacturer, Shenzhou International Group Holdings (1/100), and the Italian luxury fashion house, Prada (9/100).

While the lowest-scoring companies have significant opportunities to improve across all themes, there are opportunities for all benchmarked companies to improve, especially with regards to rolling out programs across their supply chains, including to lower tiers. Companies may wish to focus in particular on improving practices in the following areas:

Purchasing Practices

Supply chain workers in the sector are particularly at risk of forced labor in areas of apparel production which can be outsourced to subcontractors, as companies' monitoring systems often don't capture the at-times poor practices at this level of the supply chain.¹⁷ It is encouraging that half of the companies have at least begun to address risks associated with subcontracting (such as requiring approval of subcontractors or assessing subcontractors on policies and practices related to migrant workers), and nine companies require their first tier suppliers to ensure that their own suppliers implement standards that are in line with the company's supply chain standards. Given that the risk of forced labor in the sector tends to manifest itself in lower tiers, it is essential that all companies ensure their standards are cascaded and enforced beyond their first-tier suppliers.

Recruitment

With an average score of only 22 out of 100, recruitment is the lowest-scoring of all themes, which is concerning as it is through recruitment processes that migrant workers are exposed to exploitative labor practices. For example, only six companies require that no fees be charged during recruitment processes conducted throughout their supply chains. Three companies ensure recruitment agencies in their supply chains are audited, and two companies encourage direct hiring of workers in their supply chains.

Worker Voice and Remedy

Most companies have monitoring systems in place, which should be complemented with engaging supply chain workers and providing remedy where rights have been violated. Speaking directly to supply chain workers enables companies to get a clearer picture of what is happening on the ground, to address concerns and grievances early, and to empower workers to exercise their rights—thus creating greater equity in the relationship between workers and employers. This is particularly pressing as worker voice is one of the lowest scoring themes of the benchmark (average score of 29 out of 100), and, within the theme of remedy, only six companies disclose examples of outcomes of their remedy processes.

17

See SOMO (2015) - [From moral responsibility to legal liability? Modern day slavery conditions in the global garment supply chain and the need to strengthen regulatory frameworks.](#)

Figure 1: Overall Company Scores

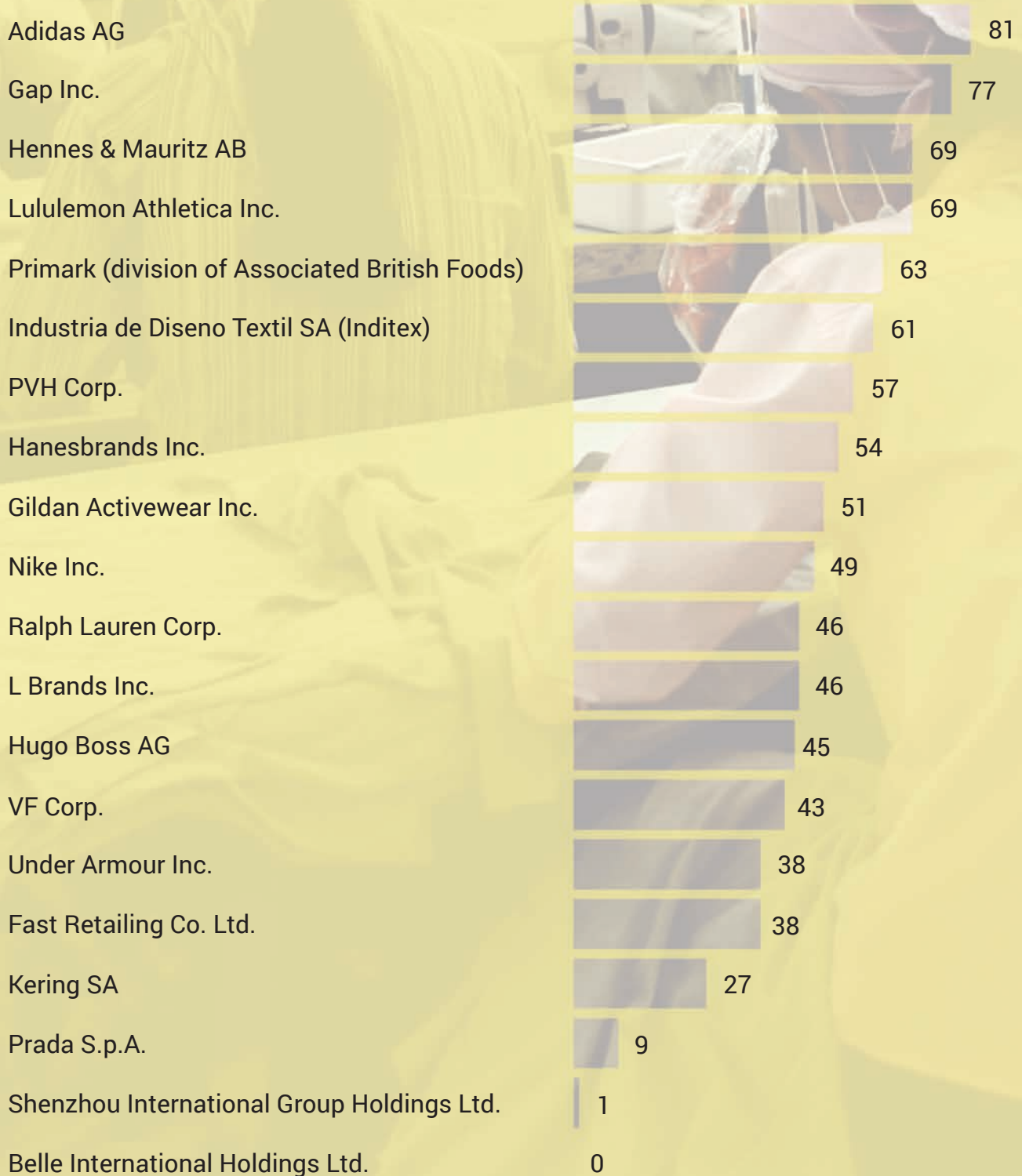
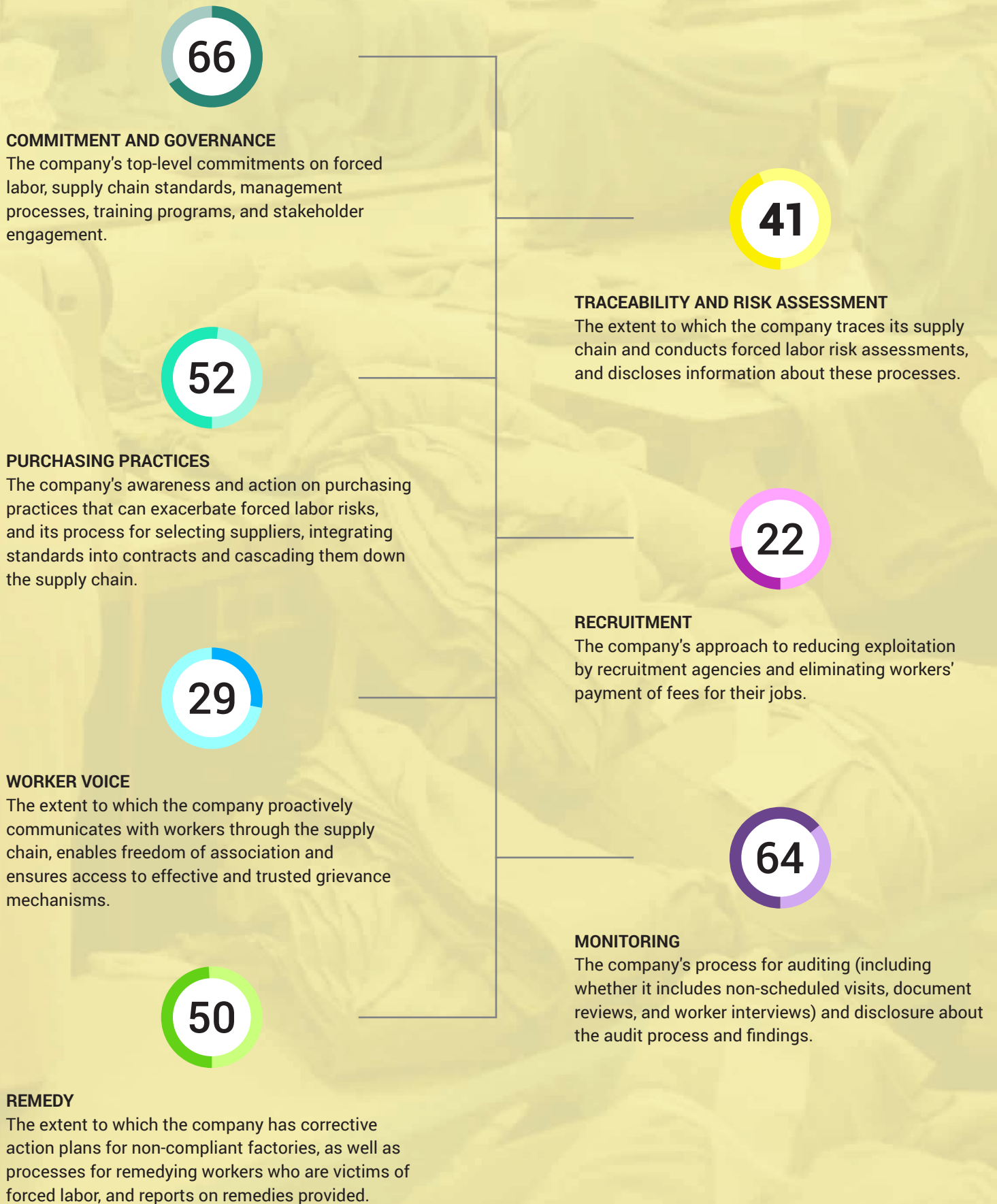


Figure 2: Benchmark Average By Themes



Findings by Theme

COMMITMENT AND GOVERNANCE

This theme evaluates a company's awareness of and commitment to addressing forced labor, supply chain standards, management processes, training programs, and engagement with stakeholders.

Average Company Score: 66/100



This theme has the highest overall score, and 18 out of the 20 companies have a supply chain standard in place. Thirteen of the standards are considered easily accessible from the website, and seven include evidence that they are approved by a senior executive.

However, only 12 of the 20 companies benchmarked have publicly demonstrated their awareness of and commitment to addressing forced labor, among them Adidas and H&M. Adidas has a Group Policy on Forced Labor and Human Trafficking which states that Adidas strictly prohibits the use of forced labor and human trafficking in all company operations and in its global supply chain. The document further specifies that Adidas prohibits and will act against all forms of modern day slavery where the company has the ability, leverage, and authority to do so. H&M's Human Rights Policy explains that the company's human rights approach is based on the UN Guiding Principles on Business and Human Rights and the ILO's Declaration on Fundamental Principles and Rights at Work. The company commits to respect human rights in all aspects of its operations and to work with suppliers to ensure human rights are respected in its supply chain. H&M has identified forced labor as one of ten salient human rights issues for its business.

Nine companies have clear managerial responsibility and accountability, which provides a higher level of assurance that these companies are able to implement their policies and standards related to human trafficking and forced labor effectively. An additional six companies report on having a managerial structure to address forced labor, but provide limited details.

It is positive that 14 out of the 20 companies benchmarked train relevant internal decision-makers, and eleven companies train suppliers on risks, policies, and standards related to human trafficking and forced labor. Notably, Adidas and H&M provide training to suppliers below the first tier.

In the last three years, seven companies have engaged with trade unions, local NGOs, and/or policymakers in countries in which their suppliers operate on forced labor and human trafficking. It is positive that a number of companies engage stakeholders at local level. This happens mostly in Asia (Taiwan, Bangladesh, India, Thailand, Vietnam, Cambodia, Indonesia, and Myanmar) as well as in

Jordan and Mexico. Many of those local level engagements were undertaken through multi-stakeholder initiatives, such as the Ethical Trading Initiative's Tamil Nadu Multi-Stakeholder program or the ILO's Better Work project in Jordan, which focuses on fair recruitment.

Engagement with policy-makers and unions is more limited. Some companies have engaged governments in Turkmenistan and Uzbekistan via the Responsible Sourcing Network or the Cotton campaign, and a few companies report engaging with global unions. Nine companies actively participated in one or more multi-stakeholder or industry initiatives focused on forced labor and human trafficking, such as the Ethical Trading Initiative, the Fair Labor Association, the ILO Better Work Initiative, and/or the Better Cotton Initiative. Notably, Adidas reports engaging with an international electronics brand which is the main customer of a shared supplier in Malaysia. Adidas asked the electronics brand to adopt more stringent policies on eliminating foreign worker deductions, and the electronics company subsequently agreed that the shared supplier fully absorb government fees levied against foreign workers in Malaysia.

Notable Examples

Adidas (supplier training): As part of its Modern Day Slavery Supply Chain Evaluation program launched in 2016, Adidas is forging partnerships with its first-tier suppliers to support targeted training for second-tier suppliers and subcontractors. In addition, the company is providing direct training for material second-tier suppliers and developing collaborative models to address potential risks of forced labor in the third-tier raw materials supply chain with a focus on conventional cotton, leather, and natural rubber.

Lululemon (stakeholder engagement): In 2015, Lululemon engaged with stakeholders, including Taiwan's workforce development agency, Taiwan's foreign migrant worker office, other industries, several progressive brands, and its Taiwanese suppliers, to understand migrant workers' rights and to identify steps for progress. Based on this engagement, the company updated its Foreign Migrant Workers Standard.

Recommended Company Actions

Supplier training: Engage in training and capacity building of suppliers on risks, policies, and standards related to human trafficking and forced labor. Undertaking training of shared suppliers jointly with peer companies can enhance effectiveness by reaching more suppliers and ensuring consistent messaging regarding buyer standards and expectations.

Engaging stakeholders: Engage on forced labor and human trafficking with trade unions, local NGOs, and/or policy-makers in countries in which suppliers operate.

TRACEABILITY AND RISK ASSESSMENT

This theme measures the extent to which a company traces its supply chain, conducts forced labor risk assessments, and discloses information about these processes.

Average Company Score: 41/100



With an average of 41/100, this theme is the third-lowest scoring theme, below the overall average score of 46/100. Twelve out of the 20 companies analyzed have a process in place to trace their supply chains. Four companies disclose the names and locations of first-tier suppliers: Adidas, H&M, Lululemon, and Nike, which also provides the percentage of migrant workers at each factory.

Seven companies disclose some information on suppliers beyond the first tier, such as sourcing countries of certain commodities. For example, Hanesbrands discloses geographic information about the different tiers of its supply chain, which includes garment factories (Central America, the Caribbean, Vietnam, and China), textile mills (Dominican Republic, El Salvador, and China), yarn (United States) and cotton (United States). Notably, Adidas and H&M also provide the names of at least some second-tier suppliers, and Puma (one of the brands of Kering) even discloses the names of its core third tier suppliers (in addition to first- and second-tier suppliers).¹⁸

A number of companies have set time-bound targets aiming to source 100% sustainable cotton or to achieve full traceability across all tiers, something few companies have achieved yet. Lululemon reports that it has traced its supply chain down to subcontractors of mills and holds direct relationships with all raw material vendors.

Eleven out of the 20 companies disclose some information on their supply chain risk assessment processes. Only five companies conduct forced labor risk or impact assessments focused on specific commodities, regions, and/or groups, such as migrant workers. Seven companies disclose forced labor risks identified throughout their supply chains. Risks identified include forced labor in cotton harvest in Uzbekistan, the Sumangali scheme in Indian spinning mills,¹⁹ the large migrant population in Taiwan, and high-risk countries in the Middle East, Asia, and Southeast Asia which employ foreign temporary workers and/or have minimal human rights regulation and enforcement (such as Bangladesh and Cambodia).

¹⁸ Kering was not given points for disclosing the names and locations of its first-tier suppliers, as none of the other companies Kering is holding, such as Alexander McQueen, Brioni, or Gucci, are disclosing the names and locations of their first-tier suppliers.

¹⁹ The Sumangali scheme refers to forced labor practices identified in spinning mills in South India. Agents employed by those mills abuse the vulnerability of poor rural families from lower castes, tempting parents with a lump sum payment for their daughter's wedding at the end of three years of labor. See [Fair Wear Foundation](#).

Notable Examples

H&M (traceability): H&M reports that 1,900 factories, about 820 suppliers, and 1.6 million workers make its products. The company discloses a supplier factory list that includes the names, addresses, and sustainability gradings for its first tier and most important second-tier suppliers. The company aims to update this list every three months. Further, H&M has set the target to achieve full traceability of cotton and 100% sustainable cotton sourcing by 2020.

Gap (risk assessment): Gap's country risk assessment process aims to evaluate risks in its key sourcing countries, including risks related to forced labor, migrant workers, and trafficking in persons. For example, Gap identified that many factories in Middle East, Asia, and Southeast Asia employ foreign contract workers whom are particularly vulnerable to exploitation and, as a result, has developed and implemented stringent policies for factories to ensure the rights of these workers are protected.

Recommended Company Actions

Traceability: Trace the supply chain and at least set a time-bound target to achieve full traceability. Disclose sourcing countries of commodities and at least the names and locations of first-tier suppliers.

Risk assessment: Assess risks related to forced labor on specific commodities, regions, or groups such as migrant workers in the supply chain, and disclose the risks identified. Companies may wish to engage relevant stakeholders, such as NGOs working with migrants, unions, or local groups, to better understand their risk exposure.

PURCHASING PRACTICES

This theme assesses a company's awareness and action on purchasing practices that can exacerbate forced labor risks and its process for selecting suppliers, integrating supply chain standards into supplier contracts, and cascading standards down its supply chain.

Average Company Score: 52/100



Supplier selection: Notably, 17 out of the 20 companies assess risks of forced labor at potential suppliers prior to entering into contracts with them. For example, Adidas has a strict initial assessment process of potential suppliers which includes forced labor and migrant labor concerns. The company estimates that 50% of potential suppliers pass this initial assessment process. Ralph Lauren assesses conditions and policies including passport retention, wage deductions, living conditions, freedom of movement, and recruitment fees at potential suppliers. Notably, Nike's initial assessment of potential

suppliers is undertaken using a Manufacturing Index which scores factories on their sustainability performance, including labor practices, equal to other considerations, such as cost, quality, and on-time delivery.

Half of the companies address risks associated with subcontracting. For example, one company aims to address undeclared subcontracting through pre-sourcing assessments of factories' corporate responsibility and production capacities. Six companies require approval of subcontractors, usually accompanied with an undeclared subcontracting policy. Notably, Under Armour's approval process of subcontractors includes the Dhaka Principles for Migration with Dignity.²⁰ For Hanesbrands, subcontracting is a zero-tolerance issue, which the company clearly communicates to its suppliers and, in case of a breach, will lead to termination of contract.

Purchasing practices: Fourteen companies either demonstrate awareness that purchasing practices such as short-term contracts or sudden changes of workload can increase the risk of forced labor and/or have some good purchasing practices in place (such as longer-term contracts). Only five companies demonstrate they understand this link and take steps accordingly to minimize forced labor risks related to purchasing practices.

Nine companies report putting in place longer-term contracts, ranging from multi-year contracts to partnerships over decades. For four of the companies, this goes in hand with consolidating their supplier base. Three companies report on training purchasing teams on their impacts and responsibilities with suppliers. Other good practices include regular discussions of production plans with suppliers, longer lead times, or smoothing out production between peak and low seasons.

Notably, H&M's purchasing practices support suppliers in implementing a living wage, for example through reflecting wage increases in its pricing. Adidas rewards suppliers that demonstrate not only compliance with its standards, but also have sound social and environmental management systems.

Some companies note that membership in industry associations such as the Fair Labor Association, the Ethical Trading Initiative, and/or ACT (Action, Collaboration, Transformation) helps them to understand and implement responsible purchasing practices.

Integration in contracts: Twelve companies state that they integrate supply chain standards into supplier contracts, but only two provide evidence of doing so by disclosing the contracts or the contractual language used. Four other companies do not have enforceable contracts with suppliers in place but require suppliers to adhere to their standards or sign a commitment.

²⁰ The [Dhaka Principles for Migration with Dignity](#) are a set of human rights based principles to enhance the rights of migrant workers, a group particularly at risk of forced labor.

Cascading standards: Nine companies require their first-tier suppliers to ensure that their own suppliers implement standards that are in line with the company's supply chain standards. Five companies encourage their suppliers to do so.

Notably, Adidas specifies that it encourages suppliers to share the company's standards with their own suppliers, including catering and security firms, and is among a number of companies which extend their monitoring processes to sub-contractors (see monitoring).

Fast Retailing and Inditex disclose their codes also apply to home workers. Inditex specifies its code applies to "all suppliers and factories that make up the company's supply chain, irrespective of which tier they are or what process they do." The company requires suppliers to communicate and enforce its code with subcontractors and report to the company the locations and working conditions of subcontracted homeworkers.

Notable Examples

Lululemon (purchasing practices + cascading standards): Lululemon recognizes that practices such as short-term contracts, excessive price pressure and order volatility increase the risk of human right and labor violations, including forced labor practices." The company focuses on building long-term relationships and engages in annual multi-year planning discussions with its vendors. Further, Lululemon has implemented a process requiring vendors to request approval and provide a rationale for overtime.

Lululemon also requires its first-tier suppliers to ensure that their own suppliers implement standards aligned with the company's standards. Further, the company requires subcontractors used in its supply chain to be approved and conducts audits on subcontractors that have foreign migrant workers.

Gap (supplier selection): Gap requires potential new suppliers to undergo an assessment against the company's supplier code of conduct. After the initial assessment, the facility either earns approval or is placed in pending status while it addresses outstanding issues. Gap further evaluates potential suppliers' technical capability and capacity in order to understand whether a facility has the necessary equipment and number of lines to produce the quantity of the product ordered without subcontracting. Approved suppliers are required to obtain written authorization from Gap to use subcontractors and are required to monitor and verify performance of their handwork subcontractors. If Gap discovers a situation of unauthorized subcontracting, it requires the supplier to immediately stop production and to register for management systems training.

Recommended Company Actions

Purchasing practices: Take steps to mitigate the risk of human trafficking and forced labor caused by certain purchasing practices (such as excessive downward pressure on pricing and sudden changes of workload) and address risks related to subcontracting. Incentivize suppliers to implement good labor practices and reward suppliers which have good practices in place.

Cascading standards: Require first-tier suppliers to ensure that their own suppliers implement standards that are in line with the company's supply chain standards addressing human trafficking and forced labor.

RECRUITMENT

This theme measures a company's approach to reducing the risk of exploitation of supply chain workers by recruitment agencies and eliminating workers' payment of fees during recruitment processes throughout its supply chain.

Average Company Score: 22/100



This is the lowest-scoring theme, where, despite strong policies of a few companies, overall awareness and transparency is limited, and no company receives full points across all indicators.

Seven companies demonstrate awareness of the risk of exploitation of migrant workers by recruitment agencies and brokers and a commitment to address such risks, but only two companies encourage direct hiring of workers in their supply chains. Four companies have policies that require recruitment agencies in their supply chains to uphold workers' rights, and five companies require suppliers to disclose to them the recruiters that they use.²¹

Six companies have a standard or policy specifically regarding recruitment of foreign migrant workers. For example, Nike requires suppliers to put in place such a policy which should, at a minimum, include the requirements of foreign migrant workers' fair treatment, payment of employment eligibility fees, payment of transportation costs, repatriation, and any requirements under country law. Suppliers are required to effectively communicate the policy to workers.

Six companies require that no fees be charged during any recruitment processes conducted throughout their supply chains, and five companies ensure fees are reimbursed to supply chain workers in the event that they discover such fees have been paid.

²¹ Where supplier monitoring covers suppliers' use of recruitment agencies, this is covered in the monitoring section.

Only three companies ensure recruitment agencies in their supply chains are audited: L Brands reserves the right to undertake such audits, and Adidas occasionally requires suppliers to assess their recruiters in order to evaluate if fees were paid or how contracts with workers were negotiated. Gap requires its suppliers to ensure all third-party employment agencies recruit workers in compliance with its code of conduct and to provide evidence of this through relevant documentation.

Notable Examples

Adidas (recruitment approach): In its Guidelines on Employment Standards, Adidas explains in detail the forced labor risks related to recruitment agencies. It identifies examples of non-conformances regarding forced labor, explaining what went wrong and what a factory can do to improve, as well as what best practice looks like.

Adidas favors direct, permanent employment. Factories which use a recruitment agency must ensure the agency complies with the company's standards for the treatment and recruitment of migrant labor, including provisions on pre-employment and recruitment, orientation and training, language concerns, wages and benefits, working hours, health and support services, living conditions and security, and end of contract. In addition, suppliers must maintain a direct employment relationship with workers (i.e., set the terms of employment and directly sign contracts with all workers, including those recruited through agencies).

Suppliers are further required to disclose the recruitment agencies they are using, the amount of fees that were paid, and the hiring practices followed by these agencies.

Ralph Lauren (recruitment fees): Ralph Lauren requires all recruitment fees paid by workers to be reimbursed by the employer. For example, once the company identified through auditing that 33 Bangladeshi workers working for one of its suppliers in Jordan were charged recruitment fees, the company ensured workers were reimbursed. The company further aims to raise awareness and work toward a "recruitment fee-free" environment for supply chain workers.

Recommended Company Actions

Recruitment Fees: Ensure that no fees are charged to supply chain workers and require that workers are repaid when they are charged. Companies may wish to work with peers, for example through the Leadership Group for Responsible Recruitment.

Direct Hiring: Promote direct hiring and—where this is not possible—perform robust due diligence of third-party recruitment agencies.

WORKER VOICE

This theme measures the extent to which a company proactively communicates with workers through its supply chain, enables freedom of association, and ensures access to effective and trusted grievance mechanisms.

Average Company Score: 29/100



As the second-lowest scoring theme and one that is critical to reducing instances of forced labor in supply chains, engagement with supply chain workers is an area where the industry needs to significantly improve, not least as engagement with workers can help identify, resolve, and prevent labor abuses in supply chains that traditional monitoring systems do not catch.

Seven companies communicate their human trafficking and forced labor policies and standards to workers in their supply chains. Most companies do so by posting posters of their code in local languages at suppliers' factories. Notably, to improve the effectiveness of this process, Adidas provides supporting guidance, such as SMS messaging services and trainings, tailors information such as booklets and videos to focus on local labor laws, and communicates with factories that employ foreign workers. Another example is Primark, which empowers supply chain workers to take ownership of the company's code (e.g., through role play, facilitation by local NGOs, and peer-to-peer learning at factories in India, China, and Bangladesh). Primark publishes its code of conduct in 39 languages on its website, covering all major languages used at its production facilities, and requires suppliers to communicate its code to workers. Ten additional companies make their policies and standards available in the languages of suppliers' workers.

It is encouraging that five companies provide at least limited details on engaging workers outside of the context of the factories in which they work in a manner that may give more voice to workers, a practice rarely seen in other sectors.

Equally encouraging is that, where there are regulatory constraints on freedom of association, three companies encourage suppliers to ensure workplace environments in which workers are able to pursue alternative forms of organizing. Two additional companies provide examples of engaging suppliers on this issue.

While company-level grievance mechanisms are common, only 11 companies have a grievance mechanism for suppliers' workers in place, and only seven disclose ways in which the mechanism is made accessible to workers in their supply chains (e.g., the mechanism is available in workers' languages). Five companies ensure that the existence of the mechanism is proactively communicated to suppliers' workers, for example by posting the grievance mechanism details in factories, by

providing training on the use of the mechanisms, or by providing relevant contact details directly or via SMS systems to workers. Further, four companies require suppliers to have in place a grievance mechanism for workers and to convey this same requirement to their suppliers. Seven companies are members of the Fair Labor Association and therefore third parties such as suppliers' workers have access to the FLA's Third Party Complaint procedure.

While most grievance mechanisms tend to focus on factory level, VF states that all worker communities, including second-tier and third-tier suppliers' workers, have access to VF's Ethics Helpline, and that suppliers are encouraged to establish their own grievance mechanisms. In addition to establishing a grievance mechanism, H&M provides its contact information to workers in its supply chain so that they are able to report complaints directly to the company. Notably, H&M works with local trade unions as grievance channels, whereby trade union representatives are given business cards to distribute to workers. H&M then follows up on the grievances.

Notable Examples

Primark (worker voice): Primark works with the NGO SAVE in the South Indian state Tamil Nadu to create Worker Education Groups (WEGs) in local communities where its supply chain workers live. The program aims to educate workers on their rights and the use of negotiation tactics with management, and, over the course of six years, has directly reached 5,000 workers and, through peer-to-peer learning, has indirectly reached 25,000 workers. An external evaluation found that workers were able to vocalize their rights and use the negotiation tactics with managers in their workplace, resulting in improvements on safety equipment, wage and bonus increases, paid time off, and access to benefits. WEGs also function as grievance mechanisms. By working in regional clusters, representatives have been able to raise grievances with factories. Primark is considering creating similar partnerships in other communities in its sourcing countries.

Adidas (worker empowerment): Adidas encourages suppliers to maintain a non-interference environment where trade union activities are not only allowed, but also stimulated through effective systems of worker-management communication and collective bargaining. The company recognizes the challenges that workers might face in forming trade unions, particularly in countries such as China and Vietnam, where the creation of independent trade unions is prohibited by law. Since these are major sourcing regions for the company, Adidas has engaged with supply chain workers in order to identify parallel means for worker representation through direct worker-led elections, and in addition is tracking the emergence of more representative state unions and the role of sectoral level collective agreements.

The company also requires suppliers to issue “Right to organize guarantees’ to workers” declaring their freedom to form and join unions of their own choosing in order to prevent direct infringement of rights or the workers’ freedom to exercise them. They have done this especially in situations when they discover direct infringement of rights (such guarantees have been issued by suppliers in Indonesia, Sri Lanka, Philippines, El Salvador, and Honduras).

Recommended Company Actions

Grievance Mechanisms: Provide workers throughout the supply chain access to the company’s grievance mechanism that adhere to the “effectiveness criteria” set out in the [UN Guiding Principles on Business and Human Rights](#). Require suppliers to establish grievance mechanisms and to convey the same expectation to their suppliers.

Worker Voice: Engage with workers outside of the context of the factories in which they work, either directly or in partnership with stakeholders, to help workers assert their voice.

Worker Empowerment: Translate policy-level commitments to freedom of association into practice by taking steps to ensure that workers in the supply chain are able to organize, especially in contexts where there are regulatory obstacles (often the case for migrant workers).

MONITORING

This theme evaluates a company’s process for auditing (including whether it performs nonscheduled visits, document reviews, and/or worker interviews)²² and disclosure on the outcomes of its audit process.

Average Company Score: 64/100



With an average score of 64/100, the benchmark finds that most companies are monitoring their suppliers and disclosing information on the results of these processes. In fact, 17 out of the 20 companies audit their suppliers to measure compliance with their supply chain standards, yet only eleven out of those disclose they undertake at least some audits unannounced. Thirteen companies review relevant documents, which may include information on wages, benefits and deductions, working hours, labor contracts, termination documents, contract of recruiters, and training and grievance records. It is positive that 16 companies interview workers as part of their audit processes. Details on how interviews with workers are conducted are limited. VF reports that interviews provide added insight into a facility’s working conditions, including hiring practices, wages and hours, worker-

²² While the effectiveness of audits can be significantly increased process improvements such as undertaking unannounced audits or speaking directly to workers, audit effectiveness may also depend on other factors, including the capabilities of individual auditors or whether workers are able to voice their opinion when interviewed. This is why audits should be complemented with other ways of engaging workers (see worker voice theme).

management communications, worker treatment, and environmental issues. Notably, Adidas reports it conducts worker interviews both on and off site.

“No control system, regardless of how mature and tested it is, can guarantee the absence of risk.”

- Kering, 2015 Reference document

KnowTheChain acknowledges that audits on their own are limited in effectiveness. The findings on the monitoring theme should therefore be read in conjunction with the findings on the worker voice and other themes.

Some companies disclose monitoring elements particularly pertinent to detect forced labor. Supplier audits at Adidas include an evaluation of migrant labor issues, and, at Under Armour, the use of recruitment agencies. Where auditors identify a supplier uses recruitment agencies, Under Armour engages the suppliers on risks such as passport retention, wage payment/deductions, or recruitment fees. PVH requires auditors to examine suppliers' recruitment policies, and, in cases where the factory employs migrant or foreign contract workers, the auditor must examine a listing of all contract workers identifying the recruitment agency, the date of hire, length of contract, and country of origin. PVH further verifies whether suppliers' workers are trained on using grievance mechanisms. Likewise, H&M monitors the existence and effectiveness of worker/management communication systems, such as grievance systems and effective workers' committees.

While audits typically focus on the first tier of the supply chain, there are a number of notable examples of companies monitoring lower tiers, where the risk of forced labor tends to be higher, including Adidas, Hugo Boss, H&M, and Lululemon. VF includes sub-contractors like cutting facilities, screen printers, embroiderers, laundries, and packaging locations in its audits. In addition, the majority of its garment suppliers purchase fabrics through suppliers recommended by VF, which are covered in VF's audit process.

Sixteen companies disclose at least some information on the outcome of their audit programs, such as who carried out the audit. Seven companies disclose the percentage of suppliers audited annually, and five companies disclose the percentage of unannounced audits. Eleven companies provide a summary of audit findings, including details regarding any violations revealed. Suppliers at seven companies are audited by third parties such as the ILO Better Work Program or the Fair Labor Association (FLA), which discloses the audit findings of its member companies on its website. Companies typically identify

a higher number of incidents related to health and safety, working hours, and wages than on forced labor (issues which—when accumulated—can indicate forced labor). Some also report on incidents of subcontracting, freedom of association, child labor, and forced labor. H&M discloses a supplier compliance list including the overall percentage of compliant suppliers on every element of its audit program, which also incorporates questions on basic workers' rights (e.g., freedom to terminate work, same contracts for migrant workers, and local workers) and on home workers.

Notable Examples

Lululemon (audit process): Lululemon reports that its audits include meetings with facility management, site visits, document reviews, and interviews of employees at all levels of the organization. The documents reviewed include contracts, payment records, wage slips, information on contracts of recruiters, training records, as well as grievances, and disciplinary action and response records. Worker interviews include questions on the recruitment process, contract terms, identification documents, wage processes, and broader questions with respect to human rights and labor practices. A typical assessment includes interviews with at least 20 workers.

Inditex (audit disclosure): Inditex disclosed that in 2015 it audited 97% of its suppliers using an audit methodology developed in 2007 jointly with IndustriALL Global Union and the Cambridge Centre for Business and Public Sector Ethics. For each sourcing country, Inditex discloses the number of suppliers in each classification unit based on the social audits results (A, B, C suppliers, corrective action plan suppliers), the number of suppliers trained, details on improving auditing effectiveness in the country, and a summary on how workers were involved in audits. Further Inditex discloses the approximate percentage of compliant factories by region and by topic (topics include forced labor).

Recommended Company Actions

Audit Process: Ensure that the audit process includes a review of relevant documents (such as wage slips, information on labor recruiters, contracts, etc.) and worker interviews. Work to increase the percentage of audits that are non-scheduled, and also conduct audits below first-tier suppliers where the risk of forced labor is higher.

Audit Disclosure: Disclose the percentage of suppliers audited annually, the percentage of unannounced audits and a summary of findings, including details regarding any violations revealed.

REMEDY

This theme measures the extent to which a company has corrective action plans for non-compliant suppliers as well as processes for remedying workers who are victims of forced labor and whether it reports on remedies provided.

Average Company Score: 50/100



Seventeen out of 20 companies have a process to create corrective action plans with first-tier suppliers found to be in violation of the company's standards. Most of the corrective action plans include potential actions taken in case of non-compliance, such as stop-work notices or supplementary training, a means to verify remediation and/or implementation of corrective actions, and potential consequences if corrective actions are not taken. A number of companies verify suppliers' corrections of non-compliance through follow-up audits. Gap specifies it monitors progress with corrective action plans through follow-up visits and on-site meetings with unions (where unions are present in a factory). Ralph Lauren sends field monitors to verify the corrections.

A number of companies focus on preventing the issues from re-occurring. For example, as part of a corrective action plan, Under Armour requires suppliers to create a management system that includes the creation of policies, procedures, training, communication, accountability, and a review and update process. Further, Under Armour may direct and require manufacturers to engage firms to help support and document the remediation of identified issues and to enhance and build sustainable compliance systems. Companies including PVH and Lululemon specify their corrective action plans include a root-cause analysis, and H&M reports that, when compliance with standards is lacking, it sets up strategies and projects aiming to improve compliance for the specific issue both on individual factory level as well as from a holistic perspective. Some companies support their suppliers in correcting issues of non-compliance. For example, Nike collaborates with factory managers to take corrective actions and remediate problems.

Given both the progress of the sector in a number of areas and the fact that grave human rights violations persist, it is disappointing that only two companies disclose a process for responding to complaints and/or reported violations of standards, and only six companies provide examples of outcomes of these remedy processes. Primark provides an example of a situation where workers from Pakistan were suspected to be in forced labor in a supplier factory in UAE. The company states it investigated the issue, confirmed multiple breaches of its code of conduct, and immediately addressed the breaches, including repatriation of one worker, all at a cost to supplier. Adidas discloses that, in 2013 and 2014, it worked with its suppliers in Taiwan to remedy poor working conditions for migrant labor by eliminating wage deductions made by employment agencies, returning passports and bank books, and relocating migrant workers to safer and higher quality dormitories.

Notable Examples

PVH (corrective action plans): PVH discloses that, in cases of non-compliance, factories are required within 14 business days to create a corrective action plan (CAP) which includes a detailed root-cause evaluation, a timeline for completion, and responsible parties. When feasible, the company will discuss and provide support to the factory for the corrective action plan. In addition, PVH will work with the factory to suggest remedial actions, tools, or other resources to effectively address the issues. The implementation of the CAP will be verified during follow up or reevaluation assessments. In cases where non-compliances are not resolved, PVH may terminate the business relationship.

Hanesbrands (process for responding to complaints and example of remedy): Hanesbrands prioritizes grievances received through its mechanism and assigns them to trained investigators in local countries, who provide recommendations to the headquarters. For issues of particular severity, senior management will be engaged throughout the process and help make disciplinary decisions. A typical investigation lasts 14-30 days. The complaining party is usually contacted multiple times throughout the process, in their local language, to provide additional information and is informed of the final outcome.

Hanesbrands also works with stakeholders to help remedy issues discovered at suppliers' facilities. The company discloses that it has discovered instances where suppliers have fired employees for exercising their right to freedom of association; the company required reinstatement of employment in these cases.

Recommended Company Actions

Corrective Action Plans: Have in place a process to create corrective action plans with suppliers found to be in violation with regulations or standards. Ensure to verify remediation and/or implementation of corrective actions (e.g., through record review, employee interviews, spot-checks, or with the help of local stakeholders).

Remedy Programs: Adopt a victim-centered approach to remedying workers in the supply chain found to be in situations of forced labor, and report outcomes of this approach. Depending on the circumstance, approaches might include repatriation, access to health support, consultation with relevant local authorities and NGOs, and working with local victim service-provision organizations.

What Next?

KnowTheChain will continue its engagement with and benchmarking of companies in the apparel & footwear sector to encourage improvement. It will also raise awareness of the benchmark results among investors and civil society.

KnowTheChain is also benchmarking [information communications technology companies](#) and [food & beverage companies](#) and will provide guidance for companies in each of the sectors. The goal behind each benchmark and accompanying guidance is to help drive improvements on policies, practices, and related disclosure on efforts to mitigate the risks of forced labor in supply chains.

To find out more, visit [KnowTheChain.org](https://www.knowthechain.org).

ANNEX

Benchmark Methodology – Apparel & Footwear

Indicator Name	Indicator Description	Indicator Elements
1 . 0 C o m m i t m e n t a n d G o v e r n a n c e		
1.1 Awareness and Commitment	The company publicly demonstrates its awareness of and commitment to addressing human trafficking and forced labor.	The company has publicly demonstrated its awareness of and commitment to addressing human trafficking and forced labor.
1.2 Supply Chain Standards	The company has supply chain standards that require suppliers throughout its supply chain to uphold workers’ fundamental rights and freedoms (as articulated in the ILO Declaration on Fundamental Principles and Rights at Work), including the elimination of forced labor. The standards have been approved by a senior executive and are easily accessible on the company’s website.	The company’s supply chain standard: (1) requires suppliers to uphold workers’ fundamental rights and freedoms (those articulated in the ILO Declaration on Fundamental Principles and Rights at Work), including the elimination of forced labor. (2) has been approved by a senior executive. (3) is easily accessible from the company’s website. (4) is reviewed and updated regularly.
1.3 Management and Accountability	The company has established within its managerial structure clear responsibilities and accountability for the implementation of its supply chain policies and standards relevant to human trafficking and forced labor.	The company: (1) has a committee, team, program, or officer responsible for the implementation of its supply chain policies and standards relevant to human trafficking and forced labor.
1.4 Training	The company has training programs in place to ensure that relevant decision-makers within the company and in its supply chain are aware of risks related to human trafficking and forced labor and are effectively implementing the company’s policies and standards.	Training programs include: (1) the training of all relevant decision-makers within the company on risks, policies, and standards related to human trafficking and forced labor. (2) the training and capacity building of suppliers on risks, policies, and standards related to human trafficking and forced labor.

Indicator Name	Indicator Description	Indicator Elements
1.5 Stakeholder Engagement	The company engages with relevant stakeholders on human trafficking and forced labor. This includes engagement with trade unions, local NGOs, and/or policy-makers in countries in which its suppliers operate, as well as active participation in one or more multi-stakeholder or industry initiatives.	In the last three years, the company has: (1) engaged with trade unions, local NGOs, and/or policy-makers in countries in which its suppliers operate on forced labor and human trafficking. (2) actively participated in one or more multi-stakeholder or industry initiative focused on forced labor and human trafficking.

2 . 0 T r a c e a b i l i t y a n d R i s k A s s e s s m e n t

2.1 Traceability	The company has processes to trace its supply chain. It publicly discloses the names and locations of its first-tier suppliers and some information on suppliers beyond its first tier.	The company: (1) has a process to trace its supply chain. (2) publicly discloses the names and locations of its first-tier suppliers. (3) publicly discloses some information on suppliers beyond its first-tier suppliers (e.g., name, location, source country).
-------------------------	---	---

2.2 Risk Assessment	The company has a process to assess forced labor risks associated with specific commodities, regions, and/or groups, and it publicly discloses forced labor risks identified throughout its supply chain.	The company: (1) conducts forced labor risk or impact assessment(s) focused on specific commodities, regions, and/or groups. (2) publicly discloses forced labor risks identified throughout its supply chain.
----------------------------	---	--

3 . 0 P u r c h a s i n g P r a c t i c e s

3.1 Purchasing Practices	The company demonstrates awareness of the increased risk of human trafficking and forced labor caused by certain purchasing practices (e.g., short-term contracts, excessive downward pressure on pricing, and sudden changes of workload) and takes steps to mitigate this risk.	The company: (1) demonstrates awareness that certain types of purchasing practices can increase the risk of human trafficking and forced labor (e.g., short-term contracts, excessive downward pressure on pricing, and sudden changes of workload). (2) is taking steps to mitigate the risk of human trafficking and forced labor caused by certain purchasing practices (e.g., such as short-term contracts, excessive downward pressure on pricing, and sudden changes of workload).
---------------------------------	---	--

Indicator Name	Indicator Description	Indicator Elements
3.2 Supplier Selection	The company assesses risks of forced labor at potential suppliers prior to entering into any contracts with them and has a procurement selection process that considers the capacity of suppliers to meet fluctuating demands.	The company: (1) assesses risks of forced labor at potential suppliers prior to entering into any contracts with them. (2) has a procurement selection process that considers the capacity of suppliers to meet fluctuating demands (to reduce risk of undeclared subcontracting).
3.3 Integration into Supplier Contracts	The company integrates supply chain standards addressing forced labor and human trafficking into supplier contracts.	The company: (1) The company integrates supply chain standards addressing forced labor and human trafficking into supplier contracts.
3.4 Cascading Standards through the Supply Chain	The company extends its supply chain standards beyond its first tier by requiring that its first-tier suppliers ensure that their own suppliers implement standards that are in line with the company's standards.	The company: (1) requires its first-tier suppliers to ensure that their own suppliers implement standards that are in line with the company's supply chain standards addressing forced labor and human trafficking.
4 . 0 R e c r u i t m e n t		
4.1 Recruitment Approach	The company demonstrates awareness of the risk of exploitation of migrant workers by recruitment agencies and brokers and has relevant policies in place (e.g., on direct employment). The company also requires suppliers to disclose to them the recruiters that they use.	The company: (1) demonstrates awareness of the risk of exploitation of migrant workers by recruitment agencies and brokers and commitment to address such risks. (2) has a policy that requires recruitment agencies in its supply chain to uphold workers' rights. (3) has a policy that requires direct employment. (4) requires suppliers to disclose to them the recruiters that they use.
4.2 Recruitment Fees	In its relevant policies or standards the company requires that no fees be charged during any recruitment process in its supply chain. In the event that it discovers that fees have been paid, the company ensures that such fees are reimbursed.	The company: (1) requires that no fees be charged during any recruitment processes conducted throughout the supply chain. (2) in the event that it discovers that fees have been paid, ensures that such fees are reimbursed.

Indicator Name	Indicator Description	Indicator Elements
4.3 Recruitment Audits	The company audits recruiters to assess risks of forced labor and human trafficking.	The company: (1) audits recruiters to assess risks of forced labor and human trafficking.
5.0 Worker Voice		
5.1 Communication of Policies	The company communicates its human trafficking and forced labor policies and standards to supply chain workers in their native languages.	The company: (1) communicates its human trafficking and forced labor policies and standards directly to workers in its supply chain. (2) makes its policies and standards available in the languages of suppliers' workers.
5.2 Worker Voice	The company engages with workers outside of the context of the factories in which they work, either directly or in partnership with stakeholders.	The company: (1) has initiatives to engage with workers outside of the context of the factories in which they work, either directly or in partnership with stakeholders.
5.3 Worker Empowerment	Where there are regulatory constraints on freedom of association, the company encourages suppliers to ensure workplace environments in which workers are able to pursue alternative forms of organizing.	The company: (1) where there are regulatory constraints on freedom of association, encourages suppliers to ensure workplace environments in which workers are able to pursue alternative forms of organizing.
5.4 Grievance Mechanism	The company has an accessible, formal grievance mechanism that facilitates the impartial reporting by suppliers' workers of workplace grievances and informs workers as to how to access the mechanism. Measures are taken to ensure that the impacted stakeholders trust the mechanism.	The company: (1) has formal procedure that allows suppliers' workers to report a grievance to an impartial entity. (2) demonstrates that the mechanism is made accessible to workers in the supply chain (e.g., is available in workers language). (3) ensures that the existence of the mechanism is proactively communicated to suppliers' workers. (4) takes steps to ensure that impacted stakeholders trust the mechanism (e.g., workers who report a grievance can do so without the fear of penalty, dismissal, or reprisal of any kind). (5) requires its suppliers to establish grievance mechanisms and to convey the same expectation to their suppliers.

Indicator Name**Indicator Description****Indicator Elements****6 . 0 M o n i t o r i n g**

6.1 Auditing Process	The company audits its suppliers to measure compliance with applicable regulations and with its supply chain standards. The process includes scheduled and non-scheduled visits, a review of relevant documents, and interviews with workers.	The company has an audit process that includes: (1) scheduled and non-scheduled visits. (2) a review of relevant documents. (3) interviews with workers.
6.2 Audit Disclosure	The company publicly discloses information on the results of its audits. This includes the number and percentage of suppliers audited annually, what percentage were unannounced, and information on whom carried out the audits.	The company discloses: (1) the percentage of suppliers audited annually. (2) the percentage of unannounced audits. (3) information on who carried out the audits. (4) a summary of findings, including details regarding any violations revealed.

7 . 0 R e m e d y

7.1 Corrective Action Plans	The company has a process to create corrective action plans with suppliers found to be in violation of applicable regulations and/or the company's standards, with the goal of improving conditions and achieving compliance. The company's corrective action plans include potential actions taken in case of non-compliance, a means to verify remediation and/or implementation of corrective actions, timelines for remediation, and potential consequences if corrective actions are not taken.	The company's corrective action plans include: (1) potential actions taken in case of non-compliance, such as stop-work notices, warning letters, supplementary training, and policy revision. (2) a means to verify remediation and/or implementation of corrective actions, such as record review, employee interviews, spot-checks, or other means. (3) potential consequences if corrective actions are not taken.
7.2 Remedy Programs	The company has a process to provide remedy to workers in its supply chain in cases of human trafficking and forced labor. In its public reporting the company provides examples of outcomes of this process.	The company discloses: (1) a process for responding to the complaints and/or reported violations of policies and standards. (2) examples of outcomes of these remedy process.

ABOUT KNOWTHECHAIN

KnowTheChain—a partnership of Humanity United, the 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 a global, independent, non-profit organization that provides consulting, training, research, and assessment services with a mission to ensure that people worldwide work under safe, fair, and legal working conditions. As such, it works with some of the companies covered in the benchmark. Verité was not involved in ranking, researching, or evaluating company disclosures for the benchmark. Find out more: verite.org.