

Decent Work in Global Supply Chains

A Baseline Report



United Nations
Global Compact



INTRODUCTION

Worldwide, 152 million people are victims of child labour.¹ Widespread informal employment persists, and an estimated 24.9 million people are trapped in forced labour. Out of them, 16 million are exploited in the private sector.² Across the world, millions of young women and men are looking for opportunities to enter the labour market. At the same time, 780 million working women and men are not earning enough to lift themselves out of poverty. Current megatrends, such as globalization, technological advances (including robots and artificial intelligence), demographic changes and climate change will significantly influence the future of work. In this transition, vulnerable groups will be especially affected risking the rise of inequalities and the broadening of the gender gap.

Supply chains continue to be one of the most important levers for business to create a positive impact in the world, with an estimated 80% of global trade passing through supply chains.³ Supply chains contribute to economic growth, job creation, poverty reduction, entrepreneurship and to workers' transition from the informal to the formal economy. However, failures at all levels within global supply chains have contributed to decent work deficits and the undermining of fundamental labour rights and human rights. To effectively tackle decent work deficits and prevent human rights violations throughout the supply chain, businesses need to take a holistic approach to supply chain sustainability in a way that addresses root causes and goes beyond mere compliance with labour standards.

The UN Global Compact defines supply chain sustainability as the management of environmental, social and economic impacts and the encouragement of good governance throughout the lifecycles of goods and services.⁴ The objective of supply chain sustainability is to create, protect and grow long-term environmental, social and economic value for all stakeholders involved in bringing products to the market. Through supply chain sustainability, companies protect the long-term viability of their business and secure a social license to operate. Companies that are committed to taking action to advance decent work in the supply chain can significantly improve the lives of people and could lift millions out of poverty.

152 million
people are victims of child labour

16 million
out of the 24.9 million people trapped in forced labour are exploited in the private sector

780 million
working women and men are not earning enough to lift themselves out of poverty

For more information, refer to:



[Supply Chain Sustainability - A Practical Guide for Continuous Improvement, Second Edition](#)

¹ Global Estimates of Modern Slavery: Forced Labour and Forced Marriage, International Labour Organization, Geneva, 2017

² Global Estimates of Modern Slavery: Forced Labour and Forced Marriage, International Labour Organization, Geneva, 2017

³ Supply Chain Sustainability - A Practical Guide for Continuous Improvement, Second Edition, UN Global Compact, New York, 2015

⁴ Supply Chain Sustainability - A Practical Guide for Continuous Improvement, Second Edition, UN Global Compact, New York, 2015

In 2017, the UN Global Compact developed an Action Platform on Decent Work in Global Supply Chains to provide a forum for open dialogue and a launching pad for action to address one of the most urgent challenges facing companies, workers and their communities, namely the continued violation of human rights in supply chains. Through the facilitation of continuous learning and collaboration at the global and local level, the Platform aims to inspire action, help build a human rights-based approach to the 2030 Agenda, and develop thought leadership on the role of business in promoting decent work.

Participants are given the opportunity to advance the SDGs taking into account the UN Guiding Principles on Business and Human Rights and the International Labour Conference's Conclusions on Decent Work in Global Supply Chains. The participating organizations come from a wide range of industries and countries and their supply chains vary greatly in size and scope.

Decent Work in Global Supply Chains Action Platform Participants (2018)

- Accenture
- A.P. Moller-Maersk
- Assent Compliance Incorporated
- BASF SE
- Fuji Xerox Co., Ltd.
- INDITEX
- Nestlé S.A.
- NPI Governance Consulting
- Pernod Ricard
- Pirelli & C. S.p.A.
- RELX Group plc
- Restaurantes Toks S.A. de C.V.
- Safaricom Limited
- Sakhalin Energy Investment Company Ltd.
- SAP Ariba
- Total
- Unilever
- UPM-Kymmene Corporation
- Valeo
- Volvo Cars



OBJECTIVE

This report aims to summarize salient issues to provide a baseline picture of participating companies at the start of the Action Platform, and to ensure that the work of the Action Platform is Intentional, Ambitious, Consistent, Collaborative and Accountable.⁵ In 2019 — after the Action Platform's two-year lifespan — another round of bilateral interviews will be conducted to capture the companies' progress on developing sustainable supply chains, which will be captured in the Action Platform progress report.

METHODOLOGY

This assessment is based on data of bilateral interviews with supply chain, procurement, and sustainability executives of 17 of the companies that participate in the Action Platform on Decent Work in Global Supply Chains of the UN Global Compact. Each company is committed to developing their procurement strategies and making their supply chains more sustainable. In the interviews, the company representatives provided valuable inputs on the challenges, opportunities and drivers of sustainable supply chains. All companies

provided information on their supplier mapping, challenges and opportunities in sustainable supply chains, and actions taken to combat modern slavery and child labour and to ensure good labour standards. Also other sources of information were referred to in the preparation of this report, such as the Blueprint for Business Leadership on the SDGs, the 2017 Progress Report of the UN Global Compact, the Women's Empowerment Principles Global Trends Report 2018, and insights from participating Global Compact Local Networks.

Disclaimer: This assessment was designed and conducted by the UN Global Compact. It is not based on UN recommendations, and is not meant to make any assessment of the level of compliance with UN standards. It has been developed to capture a snapshot of what companies are already tracking in terms of their activities related to decent work and human rights in their supply chains.

The company examples in the report are real-life practices undertaken by some of the Action Platform participants. The examples are not endorsed by the UN and have not been formally vetted. They are intended to raise awareness of the many ways in which business can improve decent work in their supply chains.



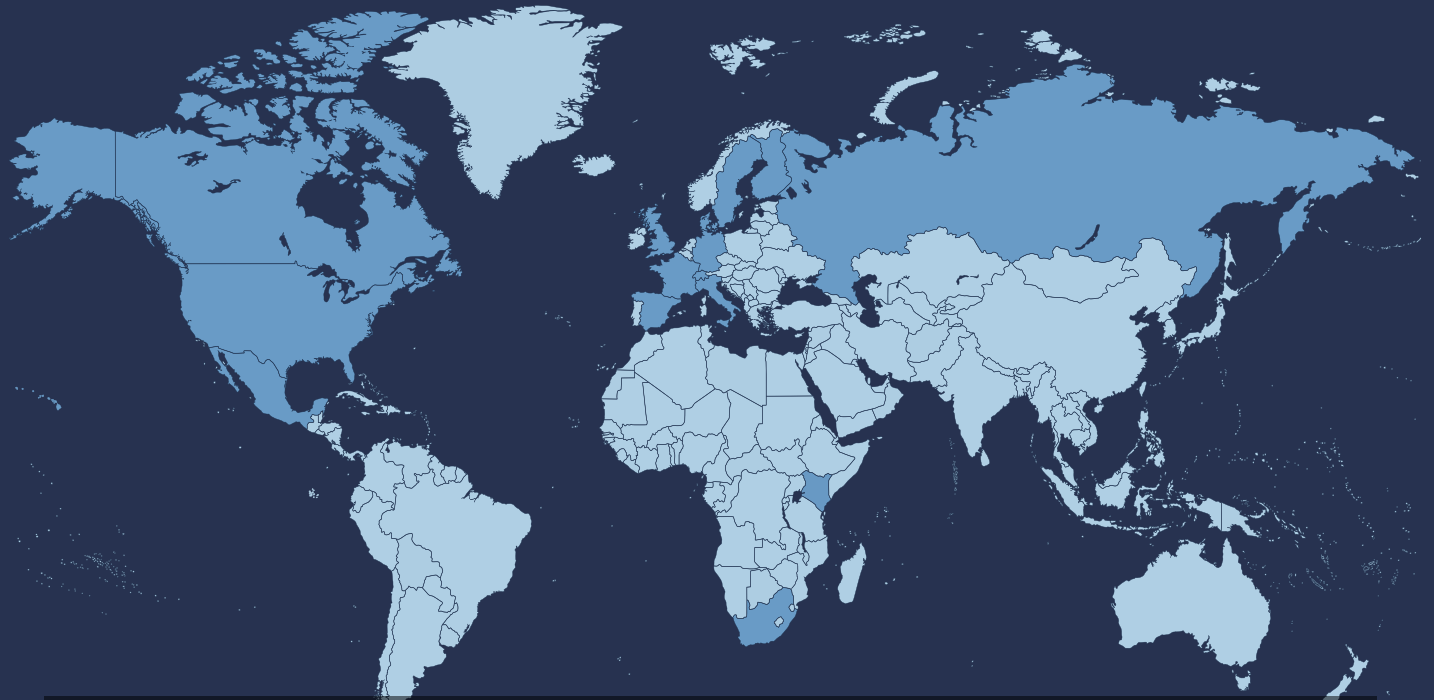
For more information, refer to:



[Blueprint for Business
Leadership on the SDGs](#)

⁵ These five values are based on the "Five Qualities of SDG Leadership" covered in [the Blueprint for Business Leadership on the SDGs](#) by the UN Global Compact. 4

GEOGRAPHICAL REPRESENTATION



- Canada
- Denmark
- Finland
- France
- Germany
- Italy
- Japan
- Kenya
- Mexico
- Russian Federation
- South Africa
- Spain
- Sweden
- Switzerland
- United Kingdom
- United States of America

INDUSTRIES



2. KEY FINDINGS



Companies predominantly take a risk-based approach to decent work in procurement.



Companies experience internal challenges when managing sustainability across supply chains, including lack of resources, data, technology and buy-in.



Companies experience external challenges when managing sustainability across supply chains, including weak institutions, inconsistent labour legislations, crime and corruption and a lack of leverage with suppliers.



Collaboration is essential for companies to make greater progress in achieving sustainability in supply chains.



Technology enables transparency and oversight through supply chains beyond Tier 1.



Modern slavery and child labour persist as most pressing human rights risks in supply chains.

3. PARTICIPANT DATA AND SUPPLIER MAPPING

KEY STATS

53%

of Action Platform participants are already mapping their suppliers beyond Tier 1

24%

An additional 24% of Action Platform participants are planning to map beyond Tier 1 suppliers in the future

There is an increasing expectation for all suppliers to meet standards, thus requiring companies to double down on efforts to achieve supply chain traceability and transparency in all procurement activities.

The most widely reported challenge in sustainable supply chain management amongst goods manufacturers is achieving transparency beyond Tier 1 suppliers. This challenge is amplified by the sheer number of suppliers, the complexity of global operations involving inconsistent regulations as well as the use of short-term subcontractors. Even within the companies' Tier 1 supplier mapping, there are varying levels of traceability depending on the region and commodity. Around half of the companies stated they were mapping beyond Tier 1 suppliers and tracing sub-tier suppliers as well. Another 24% are planning on increasing their supply chain traceability by starting to manage suppliers beyond Tier 1 in the near future. The most common reasons why companies do not trace their sub-tier suppliers are the lack of formal processes for mapping beyond Tier 1 as well as the lack of capacity and resources to improve supply chain transparency.

Typically, companies are utilizing a risk-based approach to procurement, mapping those materials and goods that present the greatest estimated risk to people, planet and profit. This means that the decision to map beyond Tier 1 suppliers is greatly influenced by the nature, location and priority of the commodities supplied. For instance in high-risk sectors, such as mining, metal and chemical industries, participants are mapping up to seven tiers of suppliers — in some cases due to strict regulations.

OWNERSHIP OF SUSTAINABLE SUPPLY CHAINS

Accountability for supply chain sustainability typically resides within a range of different functions:

- In almost 50% of Action Platform participants supply chain sustainability is owned by the corporate sustainability team.
- In 25% of Action Platform participants it is owned by the procurement or supply chain function.
- The remaining Action Platform participants leverage marketing, finance or operations teams to drive supply chain sustainability.

4. DECENT WORK IN GLOBAL SUPPLY CHAINS: CHALLENGES FOR ORGANIZATIONS



INTERNAL IMPEDIMENTS

Lack of resources

Most companies identified the lack of financial and human resources as a major constraint for achieving supply chain sustainability. They agreed that a dedicated team of professionals is critical for embedding sustainability into procurement operations. Without significant internal human resources capacity, it can be extremely difficult to track suppliers and employment standards across supply chains. Similarly, various companies stated that limited financial resources allocated to supply chain sustainability remain an issue in assessing and monitoring suppliers. As one company put it "maintaining investment flows that target responsible sourcing remains one of our greatest internal impediments, especially when there are competing business priorities related to operational cost."

Lack of data and technology

Another major challenge for organizations is the lack of data on supply chains. Global supply chains are a highly complex net of operations involving a magnitude of suppliers, subcontractors and middlemen operating in numerous countries, which makes tracing resources and raw materials to their source extremely difficult. Companies typically rely on financial systems that often do not provide a comprehensive picture of the supplier base, particularly on a factory level. This poor visibility of supply chain transactions makes under-the-radar movement difficult to track. Without adequate traceability tools and systems to monitor all actors

throughout extended supply chains it is difficult to know where issues manifest and what the drivers behind those issues look like on the ground. Another major challenge in tracking issues in supply chains is the absence of automated data systems that are capable of monitoring and transferring traceability information between companies and suppliers. One company stated that it put nearly all of last year's efforts of managing its supply chain sustainability into updating and streamlining an internal platform for data sharing.

Lack of buy-in across the company

Companies also identified the difficulty of getting buy-in across different departments and sectors within a company as a challenge. Supply chain professionals often find demonstrating and communicating the value of sustainability to business challenging, since it can be hard to quantify and assess the impact of investing in social and environmental practices, at least on a short-term basis. That is why some companies mentioned that they have had difficulties in gaining high-level support for remedial actions against suppliers that behave irresponsibly. One company stated that "knowing how to maintain business momentum on issues that take years to change or transform is challenging." Large multinational corporations in particular may find it challenging to communicate the importance of responsible sourcing across subsidiaries.



EXTERNAL IMPEDIMENTS

Weak institutions and inconsistent labour legislations

Governments play a critical role in advancing sustainability through regulating businesses. They set minimum sustainability requirements for their respective markets and create a level playing field for companies in terms of social and environmental standards. However, most companies cite the lack of Government enforcement as a challenge for the effective implementation of legislation in certain countries and regions. Supplier countries with lower decent work standards or limited enforcement capacities perpetuate occupational health and safety issues as well as inadequate labour and wage standards. A number of companies reported that inconsistent labour legislation and a limited respect for the rule of law in certain supplier countries make compliance with international human rights standards challenging. Companies operating in environments with weak Government institutions or regulatory enforcement indicated that they feel an obligation to establish their own standards to measure their suppliers.

Crime and corruption

Organized crime and corruption have great influence in environments where respect for decent working conditions is compromised. Many companies indicated that crime and corruption levels present a major constraint on managing sustainability across supply chains. One company stated that “many suppliers signal corruption as a barrier to fully committing to sustainability and equal opportunity and do not see the competitive advantage in being more sustainable than their competitors.”

Lack of leverage with suppliers

Another frequently identified challenge is ensuring suppliers' compliance with a company's due diligence policies. Several companies may source from the same factory and each company may only represent a small percentage of the factory's production. Additionally, competition with peer companies that may not comply with comparable decent work standards often perpetuates companies' inability to have leverage over their suppliers. This lack of leverage not only presents a challenge in enforcing employment policies but it also makes identifying risk areas more difficult. Companies cited that without enough leverage over their suppliers, due diligence questionnaires and surveys are often ignored or not deemed important enough, which results in very low overall response rates. Companies also acknowledged that their suppliers may struggle to respond to multiple questionnaires from different buyers.

5. DECENT WORK IN GLOBAL SUPPLY CHAINS: OPPORTUNITIES

MOST EFFECTIVE MEANS OF MANAGING SUPPLY CHAIN RISK

Industry collaboration

Almost all of the participating companies mentioned collaboration with industry peers as one of the most effective ways to manage supply chain risks. Industry initiatives offer collaboration opportunities and they can be either broad in scope, such as the chemical industry sustainability initiative Together for Sustainability (TfS), or focus on specific target areas, such as the Slavery and Trafficking Risk Template Development Committee or the ACT initiative on living wages. These industry collaborations help companies streamline industry expectations by creating shared ethical guidelines and Codes of Conduct, establishing common supplier assessment and screening tools and offering opportunities for knowledge sharing and capacity building. Many industry collaborations establish shared platforms with a clear set of guiding principles and implementation frameworks.

These industry collaborations require a willingness of all industry players to cooperate and share their knowledge, which can be difficult for companies. As one company put it, “theoretically all players in our industry would benefit from cooperating and applying coordinated and equal pressure within their supply chains to drive change.” However, some companies did admit that the fear of inadvertently violating antitrust laws could sometimes hinder such collaboration, and stressed the importance of taking measures to avoid that from happening. While almost all participants mentioned industry collaborations as effective ways to manage supply chain risk, around 70% also expressed concerns about the lack of opportunities to collaborate with peers to make progress on shared decent work goals.

Assent Compliance actively engages in multi-stakeholder industry initiatives that aim to advance respect for human rights in global supply chains through knowledge sharing and the development of innovative due diligence tools and technological solutions. Some of these initiatives include the Social Responsibility Alliance, Social and Labor Convergence Project, and the Global Reporting Initiative.

EXAMPLES OF INDUSTRY COLLABORATIONS⁶

- DRIVE Sustainability Initiative – Automotive Industry
- Together for Sustainability (TfS) – Chemical Industry
- ACT (Action, Collaboration, Transformation) on Living Wages – Textile Industry
- Responsible Business Alliance – Electronics Industry
- Consumer Goods Forum – Consumer Goods

⁶ This is not an exhaustive list, and there are many other useful initiatives and industry collaborations to support companies on specific supply chain sustainability topics.

On-the-ground management

Most companies are convinced that direct and sustained engagement with suppliers on the ground is one of the most effective ways to mitigate supply chain risks. Examples of engaging with suppliers include practice sharing, capacity building and training exercises on supplier sites. Companies work with implementation partners on the ground and develop tangible and time-bound remediation action plans that relate to actual conditions in the supply chain instead of theoretical frameworks developed far away from the suppliers. Some companies also use local labour relation teams as liaisons between suppliers and the company headquarters. These local teams can network with local governments, trade unions, NGOs and other stakeholders on the ground and regularly communicate issues to the headquarters.

Companies mentioned numerous worker–management collaborations, varying in scope and scale. Examples include real-life information gathering as an oversight measure to monitor the treatment of workers, working closely with trade unions to better understand the workers' needs, employment assistant programmes in factories, annual worker grievance surveys, and labour relation teams that visit suppliers.

Policy Documents and Codes of Conduct

A widely used way to mitigate supply chain risks is the development of internal policies and external Codes of Conduct for suppliers. 94% of companies have a Code of Conduct that all of their Tier 1 suppliers are required to sign and acknowledge the contents of. Most companies also utilize stand-alone policies on human rights issues, such as child labour or modern slavery. Not all companies, however, have a clear framework in place for cases in which a supplier breaks the Code of Conduct. Around 70% of companies have specific, written guidelines on procedures in the case of a breach in the Code of Conduct, including terminating the business relationship as a last resort.



BASF has Community Advisory Panels (CAPs) at their larger production sites that provide communities with the opportunity for direct involvement, while allowing BASF to better address local expectations. These panels are part of BASF's grievance mechanism. They consist of individuals who live near or around a chemical facility and who represent the fabric of their community. Under the CAPs, the panel members meet regularly with site management to discuss issues of mutual interest.

Restaurantes Toks hired an individual coffee producer and asked them to organize the company's other coffee producers. That way, the company built its own cooperative, consisting of 120 coffee producers this season, and 500 projected for next season. The company now buys coffee directly from the producers without intermediaries. The producers in the cooperative are paid up to 100% more than what they usually earn in the supply chain. The coffee project serves as a trust-building initiative between the company and its suppliers and continues to contribute to raising the standard of living for individuals working within the supply chain.

RELX Group requires their business partners to sign the company's Code of Conduct, which is based on the Ten Principles of the UN Global Compact and stipulates that auditing will be a part of their business relationship with the group. RELX Group also ensures that all of its suppliers visibly post their Code of Conduct in the workplace so employees are able to contact RELX directly if they feel retribution is taking place. The company has also made a series of webinars on their Code of Conduct (e.g., on the topic of modern slavery). These webinars are made available for suppliers to inform them on how to identify and report supply chain risks.



OPPORTUNITIES FOR GREATEST IMPACT ON FUTURE SUPPLY CHAINS

Technology was most frequently cited as having the greatest impact on future supply chains. It has opened up new frontiers in supply chain transparency and process automation, and plays a critical role in enhancing the ability of companies to manage sustainability effectively. Although it can require changes in management and investments, companies are looking for ways to leverage and enhance technology solutions to support visibility, collaboration and communication.

SUPPLY CHAIN RISK MANAGEMENT VENDORS MENTIONED BY COMPANIES

- Assent Compliance
- Maplecroft
- SAP Ariba
- Ecovadis
- RepRisk
- Sedex

The global trend of so-called real-time technologies and cloud software has created a surge in digital supply chain solutions. Technology enables supply chains and procurement executives to better understand their supply chain characteristics, get a better handle on supplier performance, and more successfully manage their risks.

The **SAP Ariba** Supplier Risk Management tool enables companies to detect, assess and remediate compliance, ESG (environmental, social and governance) and operational risks that improve sustainable, and responsible business practices within a company's supply chain. It empowers procurement professionals in making informed buying decisions by helping track and improve progress on sustainable sourcing strategies, such as ending forced and child labour and achieving inclusion and diversity goals. To date, the tool tracks over 1 million suppliers across 230 risk signals, providing an opportunity to proactively assess and remediate risks. It provides a framework for companies to assess their suppliers' practices against regulatory controls and internal policies. In the future, the tool will have the ability to report across the supplier base the practices of good, risky and strong suppliers based on the factors outlined in the Global Reporting Initiative (GRI) Indicators. The tool is now expanding to provide corporate procurement organizations with more information on the available resources and governance practices based on the Interactive Map for Business of Anti-Human Trafficking Organisations of the United Nations Global Compact Action Platform on Decent Work in Global Supply Chains.

Solutions vary in their focus and scope, but most companies stated that they were increasingly focused on streamlining data-tracking processes to provide a single 'source of truth' of supply chain information. One third of all companies mentioned blockchain technology as a key resource to potentially improve supply chain traceability, with some starting to explore and test its usability for this purpose. In the future, blockchains could increase access to manufacturing information, since they are structured as shared databases and enable firms and suppliers at the very end of the supply chain to engage in transactions. Companies also identified that data analytics tools together with cloud technologies — that involve not only data tracking but also analysis and visualization of supplier data — will have a significant impact on future supply chains. Social media and messaging apps were frequently cited to provide opportunities to expose where labour abuses occur within supply chains in real time. Social media may even have the potential to supplement traditional grievance protocols. Building and ensuring trust among supply chain stakeholders is, however, required in order for these solutions to be effective. Companies also identified a need for collaborative platforms to share supplier assessments with industry peers, such as the Sedex platform for the sharing of supplier data on responsible sourcing.

Unilever is exploring more effective uses of external platforms — including social media outlets — to expose where labour abuses may occur within supply chains. The company believes that in the future social media may supplement traditional auditing protocols and worker grievance tools.

UPM identifies suppliers with a 'high sustainability risk' by assessing the company's country of origin, commodity-related risks and the number of tiers in the company's supply chain. Additionally, UPM is in the process of introducing an external risk assessment tool to continuously categorize suppliers based upon a range of variables, including whether they are on sanction lists or if they have received negative publicity in the past.



6. MODERN SLAVERY AND CHILD LABOUR

The International Labour Organization (ILO) estimates that 24.9 million people are victims of forced labour, with one in four being a child.⁷ Additionally, the ILO estimates that forced labour generates an annual profit of USD 150 billion. These numbers demonstrate clearly how likely it is that forced labour exists in a company's supply chain regardless of the industry. They also showcase how important it is for companies to manage their supply chains effectively to combat modern slavery and child labour and to ensure decent work. The ways in which companies operate can increase the likelihood of modern slavery and child labour occurring in their supply chains. Companies are increasingly aware of these risks and take steps to mitigate them: 88% of Action Platform participants have measures in place that are intended to contribute to the eradication of child labour and 94% of them have measures in place that are intended to contribute to the eradication of modern slavery.

For more information, see:



- [Interactive Map for Business of Anti-Human-Trafficking Organisations](#)
- [Business: It's Time to Act](#)

24.9 million
people are victims of forced labour

1 in 4
of the 24.9 million people are children

\$150 billion
in profits generated by forced labour

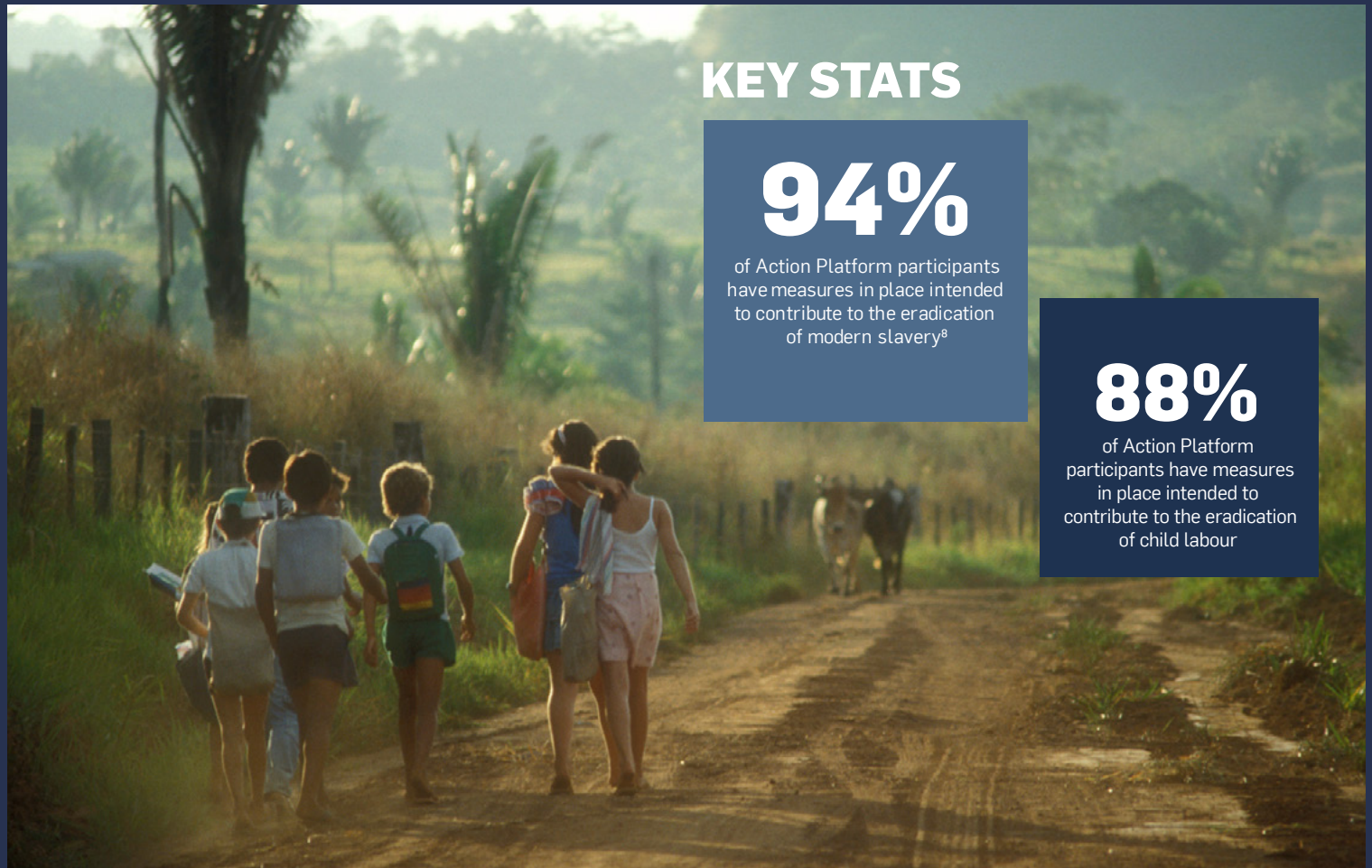
KEY STATS

94%

of Action Platform participants have measures in place intended to contribute to the eradication of modern slavery⁸

88%

of Action Platform participants have measures in place intended to contribute to the eradication of child labour



⁷Global Estimates of Modern Slavery: Forced Labour and Forced Marriage, International Labour Organization, Geneva, 2017

⁸Modern slavery covers a set of specific legal concepts, including forced labour, debt bondage, forced marriage, other slavery and slavery like practices, and human trafficking. (Global Estimates of Modern Slavery: Forced Labour and Forced Marriage, International Labour Organization, Geneva, 2017)

STEPS TAKEN TO COMBAT MODERN SLAVERY AND CHILD LABOUR



The most common approaches taken by companies to show their commitment to combat modern slavery are Modern Slavery Statements and supplier audits. Legislation requiring the disclosure of information about companies' efforts to ensure that there is no slavery in their supply chains has become increasingly prominent. The California Transparency in Supply Chains Act of 2012 requires large companies with annual gross receipts of over USD 100 million doing business in California to disclose information about their efforts to eradicate slavery from their supply chains. In 2015, the Parliament of the United Kingdom passed the Modern Slavery Act, which requires businesses that have an annual turnover of over £36 million to publish an annual statement confirming the steps taken to ensure that slavery and human trafficking are not taking place in their supply chains.

While no company had a specific statement on child labour, 94% of companies state that child labour is part of their supplier Code of Conduct. Some companies have child labour remediation plans that include procedures to follow up with suppliers that abuse the company's child labour guidelines and collaboration with local NGOs to ensure children go to school. Most companies also mentioned that they have periodic supplier audits with the specific purpose to expose and combat modern slavery and child labour.

Pernod Ricard assesses suppliers through its 'Blue Source Process,' which includes policies, commitments, mapping tools, assessments and audits. The measures start with signing a Supplier CSR Commitment, including a dedicated section to labour and human rights, and referring to the Ten Principles of the UN Global Compact, the ILO Principles and other key conventions. Following these commitments, the company conducts a supplier risk mapping to identify high-risk suppliers. Suppliers that are considered high-risk based on the analysis go through an Ecovadis CSR assessment. Depending on the result of the assessment, Pernod Ricard can request suppliers to go through a Sedex Members Ethical Trade Audit (SMETA).

35% of Action Platform participants
currently issue modern slavery statements

94% of Action Platform participants
state that child labour is part of their supplier Code of Conduct

A.P. Moller-Maersk has a global supply chain of more than 70,000 suppliers in over 100 countries. The supply chain sustainability impacts vary from industry to industry and region to region. Hence, a single-standard approach does not work for driving responsible procurement at A.P. Moller-Maersk. Maersk has developed a risk-based supplier category approach to address supply chain sustainability impacts in some of the critical supplier categories. The company assesses each supplier category for potential sustainability risks and develops customized approaches to assess suppliers through practices, such as documentation reviews, self-assessments and audits, and to drive improvements through time-bound improvement plans where gaps are identified. This approach is further sharpened with a geographical risk mapping and by combining it with supplier risk categories to drive focused efforts.

7. EMPLOYMENT STANDARDS AND SUPPLY CHAINS

Around the world, 780 million working women and men are not earning enough to lift themselves out of poverty.⁹ Current trends that are changing the future of work, such as globalization, climate change, and technological advancements, affect vulnerable groups in particular and risk the rise of inequalities and the broadening of the gender gap. Companies try to combat this with requirements for their suppliers to meet minimum wage levels, maximum working hours and anti-discrimination policies. However, it is important to note that there is typically a difference between the national minimum wage and an adequate wage, since national minimum wages often do not cover basic living expenses. In many cases, paying workers the national minimum wage is not enough to lift them out of poverty.

STEPS TAKEN TO IMPROVE EMPLOYMENT STANDARDS ALONG THE SUPPLY CHAIN

35% of the companies interviewed for this report require for their suppliers to pay the legal minimum wage and 52% have policies in place that require suppliers to pay an adequate or living wage. While minimum wages and living wages are important to meet the needs of workers and their families, measures to prevent non-compliance in the supply chain are required for them to be effective. To combat the challenge of supplier non-compliance, companies mentioned measures such as periodic audits, lobbying to raise the national minimum wage and the development of cross-sector guidelines to put pressure on all suppliers equally. Another important measure to ensure that workers are paid fairly is to recognize the right to freedom of association and trade unions for all workers across the supply chain. 82% of Action Platform participants include freedom of association in their policy statements and Codes of Conduct. Most companies expect their suppliers to ask their own suppliers to follow their policies on fair employment standards, therefore multiplying the impact.

ILO DEFINITION OF MINIMUM WAGE

- Minimum wages have been defined as the minimum amount of remuneration that an employer is required to pay wage earners for the work performed during a given period, which cannot be reduced by collective agreement or an individual contract.
- For further information, refer to the [ILO's website](#).

KEY STATS

82%

of Action Platform participants have a policy that recognizes the right to freedom of association for all workers in the supply chain

35%

of Action Platform participants require suppliers to pay workers a minimum wage

52%

of Action Platform participants require suppliers to pay workers a living wage

70%

of Action Platform participants have health and safety policies in place that explicitly extend to workers along the supply chain

47%

of Action Platform participants require major business partners along the supply chain to have anti-discrimination policies

⁹Global Estimates of Modern Slavery: Forced Labour and Forced Marriage, International Labour Organization, Geneva, 2017



Less than half of the companies participating in the Action Platform on Decent Work in Global Supply Chains require major business partners along their supply chain to have anti-discrimination policies on the basis of gender, age, ethnicity, sexual orientation, race, disabilities, religion or membership of a union. This finding is also complemented by an analysis carried out by the UN Global Compact, UN Women and IDB Invest of the aggregate results arising out of the first 100 companies' use of the Women's Empowerment Principles Gender Gap Analysis Tool. The analysis shows that few businesses are effectively implementing gender strategies across their value chains. Currently, only about 12% of businesses include gender equality criteria in their supply chain management tools and approximately 5% set procurement and/or percentage-spend targets specific to women-owned businesses.¹⁰

In 2017, **INDITEX** approved a Strategy for the Empowerment of Women in its Supply Chain based on three main pillars, including empowerment, health and protection. This strategy has a gender perspective that allows going deeper into sensitive gender issues and developing specific actions and practices related to women. To guarantee greater equality for women — and in line with Inditex's global commitment under the "Workers at the Centre" strategy — a number of projects have been developed locally. These include the health programme in Morocco in partnership with the NGO Medicus Mundi International and the Sowbhagyam Project to contribute to the enforcement of better working conditions for women in Southern India.

Accenture is committed to promoting ethical and sustainable procurement practices that create long-term value for its clients, suppliers and communities. With a multi-billion-dollar supply chain, the company leverages its purchasing power to drive positive change on a global scale and to build a more inclusive world. Accenture's Supplier Inclusion & Diversity Program, which reaches 17 countries, incorporates diverse businesses into its supply chain, while providing access to innovative, responsive and cost-competitive supply solutions for its clients. At the same time, it helps suppliers grow their representation and influence in their own markets.

For further information, refer to:



[The Women's Empowerment Principles Gender Gap Analysis Tool](#)

8. HUMAN RIGHTS AND SUPPLY CHAINS

Steps Taken to Conduct Human Rights Due Diligence

Almost all companies (94%) have supplier Codes of Conduct that cover human rights issues, and 59% have a stand-alone policy that refers exclusively to human rights in their operations. Human Rights Impact Assessments (HRIA) were referenced as being an important step when conducting effective human rights due diligence across supply chains.

Human Rights Impact Assessment

Human Rights Impact Assessment (HRIA) can be defined as a process for identifying, understanding, assessing and addressing the adverse effects of programmes, projects and activities on the human rights enjoyment of workers, communities, consumers or other rights-holders. The United Nations Guiding Principles on Business and Human Rights set the expectation that businesses should respect human rights by using a process of human rights due diligence. The assessment of human rights impacts is a critical step in this process.¹¹

KEY STATS

94%

of Action Platform participants have a publicly available Code of Conduct which addresses human rights

76%

of Action Platform participants have undertaken a Human Rights Impact Assessment

59%

of Action Platform participants have a stand-alone human rights policy

¹¹ [Business and Human Rights Resource Center](#)



Around 75% of companies participating in the Action Platform on Decent Work in Global Supply Chains have undertaken HRIAs of one or more of their operations, varying in scope and scale. Most companies are taking a risk-based approach to HRIAs, typically assessing high-risk business partners, such as suppliers of raw materials involved in mining conflicts. Examples of challenges companies mentioned regarding HRIAs include difficulties in deciding on the quantity of sample selections, limited ability to observe change, the lack of internal expertise to conduct HRIAs and the cost and time required. However, companies also reported numerous benefits of HRIAs, such as improved long-term relationships with partners and suppliers, internal cooperation and peer support for the benefit of a cause that employees identify with, and the benefit of addressing customers' expectations. The effect of HRIAs on suppliers was also noted by one company, which stated that "when suppliers recognize the business benefits associated with changed behavior, this then creates a convincing case for continued socially responsible behavior." Another company noted that "after working with one of our supplies in a high-risk industry, we were able to map up to Tier 5 of our supply chain, creating an unprecedented transparency in our supply chain."

Sakhalin Energy conducts Human Rights Impact Assessments as part of its integrated Environmental, Social, and Health Impact Assessment (ESHIA). The company undertakes this assessment prior to any significant project activity. The results of the assessments help inform key decisions related to project development. For a systematic and consistent assessment of human rights impacts the company applies a risk assessment matrix.

Total has conducted dedicated Human Rights Impact Assessments of some potential and actual operations, particularly in sensitive operational contexts. These assessments related to human rights and communities vary in scope depending on local context and what are deemed as the main salient human rights issues. For example, Total conducted an impact assessment focused on gender, security and conflict issues in local communities in the South Pacific while in a case in Africa the key topics were indigenous people, land acquisition, security and labour rights. The HRIAs were timed so that key findings and recommendations could feed into the Environmental and Social Impact Assessment process and management plans.

Around 75% of Action Platform participants

have undertaken a Human Rights Impact Assessment

9. LOCAL PERSPECTIVES: INPUTS FROM THE GLOBAL COMPACT LOCAL NETWORKS



Global Compact Local Networks

The Global Compact Local Networks are independent, self-governed and self-managed bodies that support and work closely with the UN Global Compact in advancing corporate sustainability. The Local Networks help local companies and subsidiaries of multinational corporations to understand what responsible business means within different national, cultural and language contexts, and facilitate outreach, learning, policy dialogue, collective action and partnerships. The Local Networks in Argentina, France, Japan, Russia, South Africa, Spain, Switzerland, Turkey and the United Kingdom are participants of the Decent Work in Global Supply Chains Action Platform.

Global Compact Local Networks: Japan, Russia, Spain, Turkey and United Kingdom

The Local Networks in Japan, Russia, Spain, Turkey, and the United Kingdom have provided their insights for this report, having gained knowledge and experience from daily interactions with companies leading sustainability efforts in the different local contexts. One common concern among Local Networks was companies' insufficient knowledge of business and human rights and human rights due diligence in the context of supply chains. While this baseline study showed that more than half of the companies have established human rights policies and 76% of them have previously conducted Human Rights Impact Assessments, the Local Networks indicated that companies still lack a comprehensive understanding of these issues.

Local Network Spain specified that SMEs in particular need more resources and training to enhance their supply chain management. Local Networks identified this deficiency as a key obstacle for successfully promoting human rights and sustainable supply chains.

Another prevailing concern was the absence of a universal legal framework that specifies the parameters of sustainable supply chains. This discourages companies from engaging in effective and accurate reporting, which can be instrumental in identifying human rights and sustainable supply chain-related risks. Local Network UK expressed that companies refrain from disclosing more information to avoid exposure to reputational and legal risks. Local Network Russia stated that many leading companies expressed willingness to improve supply chain management systems — including at the global level — but that there are many difficulties in supply chain monitoring, highlighting the need for more competence, knowledge and resources. Local Network Japan added that the lack of a consistent reporting mechanism may force companies to fulfill several different requirements, which can make the process lengthy, costly and unappealing for companies.

A rising issue found in the Local Networks' feedback was related to refugee and migrant workers. Since these groups often do not have access to local registration and social security rights — and they may not be protected by local labour laws — they run greater risks of suffering human rights violations. This highlights the fact that these groups are especially vulnerable and deserve special attention in the efforts to advance human rights and sustainable supply chains.

Finally, the Local Networks were optimistic about the use of technology and saw it as a promising means to support and help realize human rights in supply chains. One network highlighted the International Labour Organization's mobile apps, which feature a checklist for due diligence to eliminate and prevent child and forced labour. Another example is the utilization of digital technologies and artificial intelligence to ensure the traceability of goods and services in supply chains, and the adoption of facial recognition technology to more effectively identify human trafficking and child labour.

10. CONCLUSION AND OUTLOOK



This report aims to summarize data of bilateral interviews with supply chain, procurement, and sustainability executives of 17 of the companies that participate in the UN Global Compact Action Platform on Decent Work in Global Supply Chains. Each company is committed to making their supply chains more socially responsible and they provided valuable inputs on

supplier mapping, challenges and opportunities in developing more sustainable procurement strategies and steps taken to combat pressing human rights issues in supply chains, such as modern slavery, child labour, and non-compliance with employment standards.

To advance the Sustainable Development Goals — adhering to the Ten Principles of the UN Global Compact, the ILO Fundamental Principles and Rights at Work and the UN Guiding Principles on Business and Human Rights, and taking into account their interlinkages and reinforcing effects — companies participating in the UN Global Compact Action Platform on Decent Work in Global Supply Chains commit to:

COMMITMENT 1: COMMUNICATION

Communicate the importance of respecting human rights and labour rights in our supply chains, engaging our executive leadership, our colleagues and our suppliers through continuous dialogue.

COMMITMENT 2: TRANSPARENCY

Take steps to understand our supply chains, identifying salient human rights and labour rights risks, and assessing potential human rights and labour rights impacts.

COMMITMENT 3: ENGAGEMENT

Build the capacity of our partners and suppliers in their efforts to ensure decent working conditions in their operations, giving special consideration to the needs of SMEs, and improve the knowledge of workers on their fundamental rights.

COMMITMENT 4: LEADERSHIP

Undertake efforts to enhance the positive social and labour effects of our operations to achieve decent work for all, taking into account the Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy (MNE Declaration).

COMMITMENT 5: COLLABORATION

Collaborate with others and share experiences to scale efforts to achieve greater transparency.

COMMITMENT 6: ACCOUNTABILITY

Be accountable for our actions by tracking and reporting on our progress.



United Nations
Global Compact

ABOUT THE UNITED NATIONS GLOBAL COMPACT

The United Nations Global Compact is a call to companies everywhere to align their operations and strategies with ten universally accepted principles in the areas of human rights, labour, environment and anti-corruption, and to take action in support of UN goals and issues embodied in the Sustainable Development Goals. The UN Global Compact is a leadership platform for the development, implementation and disclosure of responsible corporate practices. Launched in 2000, it is the largest corporate sustainability initiative in the world, with more than 9,500 companies and 3,000 non-business signatories based in over 160 countries, and more than 70 Local Networks.

www.unglobalcompact.org

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ABOUT THE BASELINE REPORT

This report was prepared by the UN Global Compact for the UN Global Compact Decent Work in Global Supply Chains Action Platform.

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ABOUT THE DECENT WORK IN GLOBAL SUPPLY CHAINS ACTION PLATFORM

The United Nations Global Compact Action Platform on Decent Work in Global Supply Chains is an alliance of companies committed to respecting human rights and fundamental principles and rights at work by leveraging their supply chains and taking collective action to address decent work deficits. This platform will build the case for improving decent work in global supply chains and demonstrate how labour rights and human rights are critical for achieving the UN Sustainable Development Goals (SDGs).

For further information, please visit: www.unglobalcompact.org/take-action/action-platforms/decent-work-supply-chains

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