GLOBAL FORUM ON RESPONSIBLE BUSINESS CONDUCT

SESSION NOTE

Supply Chain Transparency : A Growing Norm for Responsible Business Conduct

Wednesday 21 June 2018 - 13:15-14:15
Room CC1 - OECD Conference Centre

The term "transparency" in this session is used to explicitly refer to the disclosure of supplier information.

When supply chain information is publicly disclosed, it can enable a host of avenues of learning for the company, while being used as a critical means of empowering workers. This session will consider the issue of supply chain transparency as a growing expectation across a range of sectors. It will consider the relationship between supply chain transparency and due diligence, discuss challenges to disclosure, and explore how companies and other stakeholders, including government, can work together to ensure supply chain transparency is an integral component of responsible business conduct.

Beginning in the late 1990s and early 2000s, a handful of apparel and footwear companies began disclosing information about their suppliers. Over the last decade, this practice has grown and spread to other industries, such as the information and communications technology (ICT) sector and agriculture sector.[1] Different industries are at different stages on the path towards supply chain transparency, with some further along and others just getting started.[2] Additionally, within each industry there is wide variation in practice, including in relation to the scope of the suppliers that are disclosed and the specific information that is shared. While there is no exact figure currently available on the number of companies that are disclosing some level of supplier information, it is clear that there is an emerging trend towards greater supply chain transparency. For example, while only a handful of apparel companies were disclosing supplier information in the early 2000s, in 2018, 31% of the 150 brands reviewed in the Fashion Transparency Index were publishing factory lists that included at least the facility address.[3]

In part, this trend is the result of changing expectations and demands of various stakeholders, such as consumers and investors. Increasingly, these stakeholders are calling for greater supply chain transparency. This trend may also be further energized by the increase in legislation on due diligence. While the majority of these laws do not require disclosure of specific supplier information (instead focusing on disclosure of due diligence processes), they may nonetheless be driving supplier transparency in the recognition that transparency can enable workers and civil society to play a role in monitoring labour, human rights, corruption, and environmental risks as well as unauthorised subcontracting in a company's supply chain.

---

[1] For example, the first major tech company to disclose was Hewlett-Packard, which disclosed a supplier list for the first time in 2008, www.businesswire.com/news/home/20080403005469/en/HP-Technology-Sector-Release-List-Top-Suppliers; After that, Apple first disclosed supplier information in 2012, www.reuters.com/article/us-apple-suppliers/apple-reveals-supply-chain-details-conditions-idUSTRE80C1KQ20120113; Examples of other electronics companies that are currently disclosing include Dell, IBM, and Intel, who have been disclosing at least as of 2015, (pg 6) www2.weed-online.org/uploads/practical_guide_ict_procurement_en.pdf

[2] For example, Nestle and Unilever published their palm oil supply chains in February 2018, making them the first companies to do so. www.seekingalpha.com/article/4152771-chain-unilever-nestle-publish-detailed-supplier-lists

[3] Fashion Revolution, *Fashion Transparency Index 2018* (2018) 43.

The OECD Guidelines for Multinational Enterprises and the OECD Principles of Corporate Governance include disclosure expectations for companies on material information as well as value statements and company codes of conduct, and performance in relation to these statements and codes. These expectations are independent of the due diligence expectations of companies also included in the OECD Guidelines. Transparency is also touched on in the OECD's due diligence guidance. For example, the OECD Due Diligence Guidance for Responsible Supply Chains in the Garment and Footwear Sector recognises the role that transparency can play in identifying risks linked to suppliers and monitoring progress on preventing and mitigating adverse impacts. While neither the OECD Guidelines for Multinational Enterprises, nor any of the OECD due diligence guidance takes an explicit stance on the disclosure of supplier information, it is an important tool for conducting human rights risk assessments, identifying and addressing actual adverse human rights impacts, and empowering workers.

Despite this positive emerging trend towards greater transparency, concerns regarding retaining competitive advantage, particularly for smaller companies with potentially more limited leverage with their suppliers, also remain pertinent. Additionally, some companies state that it is too resource intensive to disclosure supplier information and keep it complete and up to date. Others point to the necessity of an enabling environment – including freedom of association and the establishment of other credible grievance mechanisms – for disclosure lists to be meaningfully used by trade unions, civil society or investors to monitor labour, human rights, environmental and integrity conditions linked to sourcing. As such, through sharing industry case studies this session will explore these challenges, ways to overcome them, and will also consider ways workers are using supply chain information.

Resources

- Human Rights Watch et al. (2017), Follow the Thread: The Need for Transparency in the Garment and Footwear Industry.
- Electronics Watch (2018), Policy Brief: Worker-Driven Transparency.
- Ethical Trading Initiative (2017), Towards Greater Transparency: The Business Case.
- Fair Labor Association (2017), Supply Chain Traceability and Transparency: Shifting Norms, Emerging Regulations, and Greater Interest from Civil Society.