

# Measuring the Uptake and Impact of Due Diligence in the Garment and Footwear Supply Chain: Draft OECD Feasibility Study

## Written Consultation Deadline 30 September 2020

The OECD is holding a written consultation on its Feasibility study for Measuring the Uptake and Impact of Due Diligence in the Garment and Footwear Supply Chain. Organisations working in the garment and footwear sector are invited to review the draft study and provide feedback via [this online form](#). This consultation will close on **30 September 2020**.

The OECD has conducted a Feasibility Study on Measuring the Uptake and Impact of Due Diligence in the Garment and Footwear Supply Chain. This study was designed to identify and assess potential methodological approaches for measuring the uptake, incentives and outcomes of enterprises' due diligence practices as presented in the OECD Guidelines for Multinational Enterprises and elaborated upon in the OECD Due Diligence Guidance for Responsible Supply Chains in the Garment and Footwear Sector.

It looks at 11 possible methodologies for measuring incentives, uptake and outcomes of due diligence. The study also highlights linkages between methodologies, and considerations for selecting approaches. Finally the study maps data sources, and highlights considerations for using existing data sets. The findings are intended to provide options for public sector monitoring and evaluation, designed to be adequately broad to enable the OECD and member governments to act on the results.

Organisations are invited to review the draft report as well as the annexes of key data sources and provide feedback by 30<sup>th</sup> of September. We also welcome interested organisations to contact the OECD in case you would like to discuss this project further. Contact emails: [Dorothy.Lovell@oecd.org](mailto:Dorothy.Lovell@oecd.org) and [Benjamin.Katz@oecd.org](mailto:Benjamin.Katz@oecd.org)

## EXECUTIVE SUMMARY

This study was designed to identify and assess potential methodological approaches for measuring the uptake, incentives and outcomes of enterprises' due diligence practices as presented in the OECD Guidelines for Multinational Enterprises and elaborated upon in the OECD Due Diligence Guidance for Responsible Supply Chains in the Garment and Footwear Sector. The findings are intended to provide options for public sector monitoring and evaluation.

### Incentives

Methodological approaches proposed for evaluating incentives include:

- |                                                              |                                                                                                          |
|--------------------------------------------------------------|----------------------------------------------------------------------------------------------------------|
| 1) National Incentive Benchmark:                             | Map and score or categorise key national institutions shaping incentives to conduct due diligence        |
| 2) Linking Incentives & Uptake through Mining Existing Data: | Analyse existing datasets covering incentive environments and enterprise-level data                      |
| 3) Incentive Enterprise Survey:                              | Identify enterprise perspectives on drivers for due diligence uptake through a survey                    |
| 4) Exploratory Incentive Case Study:                         | Focus on a handful of enterprises to examine processes of how incentives may affect enterprise behaviour |

When considering specific research objectives, each methodological approach for measuring incentives has different strengths.

- To compare the effectiveness of different incentives: (2)
- To compare incentives across countries: (1)
- To explore how enterprises react to incentives: (3), (4)

### Uptake

Methodological approaches proposed for measuring and monitoring incentives include:

- |                     |                                                                  |
|---------------------|------------------------------------------------------------------|
| 1) Light Benchmark: | Score a sample of enterprises on selected due diligence measures |
|---------------------|------------------------------------------------------------------|

- |                                            |                                                                                                   |
|--------------------------------------------|---------------------------------------------------------------------------------------------------|
| 2) Uptake-Focused Mining of Existing Data: | Analyse existing datasets covering enterprises' uptake of due diligence practices                 |
| 3) Uptake Enterprise Survey:               | Identify enterprises' due diligence practices through a survey                                    |
| 4) Exploratory Uptake Case Study:          | Focus on a handful of enterprises and examine processes of how due diligence has been implemented |

When considering specific research objectives, each methodological approach for measuring uptake has different strengths.

- To measure uptake among a representative sample of enterprises: (3)
- To compare uptake across countries: (1)
- To monitor over time: (1), (2)
- To identify best practices: (4)

## Outcomes

Methodological approaches proposed for evaluating outcomes include:

- |                                                                 |                                                                                                                      |
|-----------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------|
| 1) Linking Uptake and Outcomes through Mining of Existing Data: | Analyse existing data covering enterprises' due diligence practices and related outcomes                             |
| 2) Quantitative Impact Assessment:                              | Conducting impact assessment of selected due diligence intervention(s)                                               |
| 3) Exploratory Impact Case Study                                | Explore how a few enterprises' due diligence practices affect outcomes or explore contributing factors to an outcome |

When considering specific research objectives, each methodological approach for measuring outcomes has different strengths.

- To identify links between overall uptake practices and outcomes: (1)
- To compare the impact of different due diligence practices: (1)
- To assess the impact of a selected intervention: (2), (3)
- To identify best practices: (3)

## Choosing Methodological Approaches

Each of the methodological approaches presented in this report serves different purposes. The choice of an approach should be based on the objectives for carrying out the study, while synergies and complementarities of different approaches should also be taken into account. In terms of efficient use of resources, mining of existing data (through 'Linking Incentives and Uptake', Uptake-Focused Mining of Existing Data', or 'Linking Uptake and Outcomes through Mining of Existing Data') is a preferred option as it leverages existing data and serves multiple purposes. However, this approach is contingent upon obtaining access to relevant datasets and limited in terms of the countries, enterprises, and topics covered by the datasets.

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# 1. Introduction

1. With the growth of fragmented global supply chains in recent decades, how to conduct international business more responsibly has become a pressing global concern. Actors seeking to promote responsible business have included intergovernmental organisations, national governments, trade unions, civil society, multi-stakeholder initiatives (MSIs) and investors. Consequently, many multinational enterprises operate within an environment characterised by a patchwork of pressures created by different sources across their home countries and the other countries in which they operate.

2. Facing high levels of scrutiny, the garment and footwear sector has been one of the most active sectors in developing and adopting new standards and approaches to responsible business conduct. Despite the proliferation of private standards, problematic practices remain rampant in this sector. In recent years, several OECD member governments have enacted legislation seeking to regulate the negative aspects of global production, propelled by tragic incidents, notably the Rana Plaza disaster in 2013.

3. In this context, the OECD Due Diligence Guidance for Responsible Supply Chains in the Garment and Footwear Sector (“OECD Garment and Footwear Guidance”) was developed and launched in 2017 to help enterprises implement the due diligence recommendations contained in the OECD Guidelines for Multinational Enterprises (“OECD MNE Guidelines”). The OECD Garment and Footwear Guidance has been approved by 48 governments and endorsed by business, trade unions and civil society. While awareness raising and implementation of the OECD Garment and Footwear Guidance are underway, there is a growing recognition that the degree of uptake and outcomes of due diligence in the sector needs to be measured and monitored.

4. This feasibility study seeks to identify and analyse possible methodological approaches for measuring incentives, uptake and outcomes of labour, human rights, environmental and integrity due diligence, as defined by the OECD Garment and Footwear Guidance. This introduction includes an overview of the key features of the OECD’s due diligence model, the objectives of this study, a process model that was used to develop and assess the methodological approaches, and the structure of the report.

## 1.1. Overview of OECD MNE Guidelines and Related Due Diligence Guidance

5. The OECD has created a set of guidelines intended to ensure that enterprises carry out responsible practices in their global operations. The OECD MNE Guidelines provide voluntary principles and standards for responsible business conduct in areas such as employment and industrial relations, human rights, environment, information disclosure, combating bribery, consumer interests, science and technology, competition, and taxation. When following these guidelines enterprises should conduct due diligence on their operations and through their supply chains to identify, prevent and mitigate actual or potential adverse impacts.

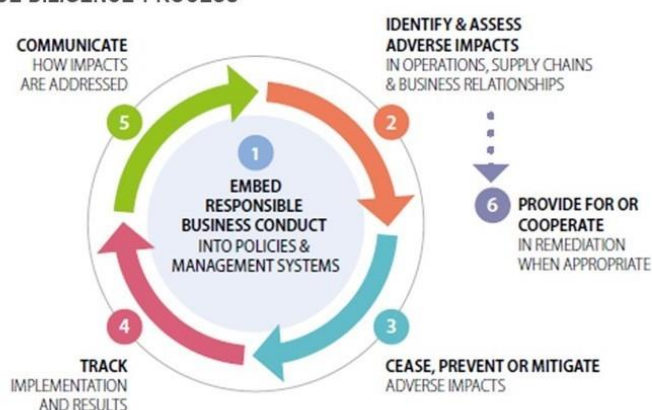
6. The core characteristics of the due diligence approach are that it is preventative, integral to decision making, based on ongoing communication, commensurate with risk and involves prioritisation

(i.e. is risk based), appropriate to an enterprise's circumstances and dynamic and informed by meaningful engagement with stakeholders. To support the implementation of the OECD MNE Guidelines, a number of guidance documents have been created, including sector specific guidance for minerals, garment and footwear, agriculture, as well as for institutional investors. Across these guidance documents, six key steps for businesses to identify and address risk are presented (see Figure 1.1): embed responsible business conduct; identify and assess adverse impacts; cease, prevent or mitigate; track; communicate; and, provide for or cooperate in remediation.

**Figure 1.1. The Due Diligence Process**

What is due diligence and how does it differ from traditional code of conduct compliance?

#### DUE DILIGENCE PROCESS



#### DUE DILIGENCE:

1. Looks **beyond tier 1**, including to sub-contractors
2. Is **risk-based** (i.e. focuses on where impacts are most severe)
3. Involves **workers** at each stage of the process
4. Measures the effectiveness of a company's approach
5. Includes processes to **provide remedy** to those impacted

7. As a key feature of due diligence is that it is risk-based, it is important to consider what risks are most prevalent in the sector. Through a multi-stakeholder consultation process, the OECD has identified 12 key sector risks for the garment and footwear sector (see Table 1.1).

**Table 1.1. Key Garment and Footwear Sector Risks**

1. Child labour	7. Wages
2. Sexual harassment and sexual & gender-based violence in the workplace	8. Hazardous chemicals
3. Forced labour	9. Water
4. Working time	10. Greenhouse gas emissions
5. Occupational health & safety	11. Bribery & corruption
6. Trade Unions & Collective bargaining	12. Responsible sourcing from homeworkers

## 1.2. Evaluating Incentives, Uptake and Outcomes of Due Diligence for Responsible Business Conduct

8. This report presents the results from a feasibility study with the objectives of identifying and analysing a range of methodological approaches by which the OECD and/or national governments can

potentially measure the incentives, uptake and the outcomes of labour, human rights, environmental and integrity due diligence by enterprises operating in the garment and footwear sector.

9. Specifically, the study seeks to understand the following:

- Topic 1: The feasibility of evaluating **what incentivises** the uptake of labour, human rights, environmental and integrity due diligence (i.e. what are the drivers of uptake?).
- Topic 2: The feasibility of measuring and monitoring the **uptake** of labour, human rights, environmental and integrity due diligence as defined by the OECD Garment and Footwear Guidance.
- Topic 3: The feasibility of measuring the contribution of due diligence practices to environmental, labour, human rights and integrity **outcomes**.

10. Under each of these three topics, the feasibility study sought to identify and analyse the following:

- Stakeholder perspectives
- Methodologies that could potentially be used and the strengths and limitations of each
- The data that would be required to carry out the relevant measurement and monitoring
- The recommended frequency of monitoring

11. To fulfil this task, a broad set of evaluation tools were considered (see Annex A). A selection of 83 past studies related to the uptake, incentives and outcomes of due diligence practices were also systematically reviewed. Additionally, external consultation was carried out through interviewing 19 stakeholders from governments, civil society and businesses between September to December 2019 and inviting key stakeholders to a closed-door meeting at the OECD Forum on Due Diligence in the Garment and Footwear Sector in February 2020. Throughout the creation of this report, the authors worked closely with representatives of the OECD's Centre for Responsible Business Conduct.

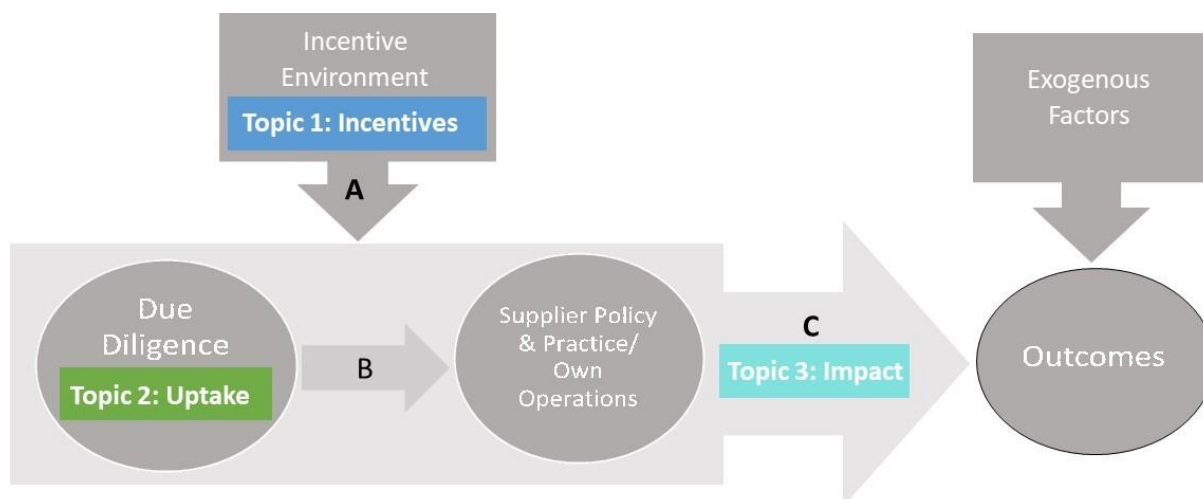
### 1.3. Process Model

12. This study is based on a process model connecting the incentive environment, enterprises' due diligence practices, and outcomes as shown in Figure 1.2. First, the incentive environment at the sector and national levels is likely to shape the degree of due diligence uptake among enterprises. Second, uptake can lead to changes in the enterprise's own behaviour or its suppliers' behaviour. Third, these changes, in turn, can lead to changes in outcomes related to labour, human rights, environment and integrity. There are multiple challenges in making causal linkages between uptake and outcomes, not least due to exogenous factors affecting the outcomes, as explained in Section 4.1.1.

13. In this study, Topic 1 "Incentives" seeks to identify factors that induce enterprises to adopt policies and practices in line with the OECD Garment and Footwear Guidance. Topic 2 "Uptake" seeks to assess the extent to which enterprises take actions in line with the OECD Garment and Footwear Guidance. Topic 3 "Outcomes" seeks to evaluate the impact that enterprises' due diligence may have on ceasing, preventing, mitigating or remediating outcomes (level of adverse impacts) on people, the environment, and integrity.



**Figure 1.2. Process model linking incentives, uptake, and outcomes of due diligence**



## 1.4. Report Structure

14. This report comprises four sections. Following this introduction, the next three sections consider the feasibility of measuring the incentives, uptake and outcomes of due diligence as defined by the OECD Garment and Footwear Guidance. Each of these sections has two parts:

- 1) Key issues for evaluation
  - overview of elements that could be explored in an evaluation process
  - discussion of key issues to consider when designing an evaluation
- 2) Proposals of methodological approaches for evaluation
  - Description of approaches
  - Assessment of benefits and challenges of each approach

15. The final section of this report provides a comparative review of the methodological approaches and an overview of how distinct objectives can be fulfilled through choosing from among the presented approaches.

## 2. Evaluating Incentives

16. This section considers how to evaluate what incentivises enterprises to adopt the due diligence approach. First, key issues to consider when evaluating incentives are discussed. Second, four methodological approaches for evaluating incentives are presented and assessed.

### 2.1. Key Issues for Evaluating Incentives

17. Incentives to adopt due diligence practices can come in many forms. Table 2.1 presents a set of categories that can be used to classify types of incentives, which can exist at multiple scales (e.g. within a country or sector). Each incentive can be evaluated using different criteria. Also, suitable data sources for obtaining information about each incentive can vary. Annex B provides more detail on each of these factors, which can be used to develop indicators in a quantitative approach or explored in a qualitative approach.

**Table 2.1. Types of Incentives**

<b>Norms</b>
Soft Law
Influence of Competitors
Existence of Certification Systems, Industry Associations and MSIs
Topics Covered in Curriculums
Vision Statements
<b>Public Policies</b>
Reporting
Trade Agreements and International Investment Agreements
Tax
Bribery and Corruption
Socially Responsible Investment
Environment
Labour
Human Rights
Other Government Interventions Related to Responsible Business
<b>Civil Society Pressure</b>
Public Benchmarks
Name and Shame Campaigns
Media Coverage
Consumer Preferences
Trade Unions
Advocacy NGOs Driving Changes

Responsible Business-Focused Consultancy Services
<b>Investor Pressure</b>
Targeted Pressure
Public Investor Focused Benchmarks
<b>Relationships to Suppliers and Customers</b>
Formal Pressures
Informal Pressures
Supply Chain Structures
<b>Resource Pressure</b>
Resource Limitations Shaping Enterprises' Options

18. Previous research exploring incentives for enterprises to adopt new practices has answered a variety of research questions by drawing on different data sources and using a variety of analysis techniques.<sup>1</sup> The way a question is framed and the resulting methodological choices should be tied to the specific objectives of an evaluation process. In designing an approach for evaluating incentives, the issues outlined below are important to consider. These issues have been identified through reviewing previous studies and consulting with multiple stakeholders.

### **2.1.1. Incentives vs. Disincentives**

19. While many incentives can be identified as drivers for adopting practices in line with the OECD Garment and Footwear Guidance, there are also many disincentives which push enterprises away from adopting these practices or create barriers for enterprises seeking to adopt due diligence practices.

20. For example, the behaviour of competitors can be a factor pushing towards being more responsible or towards ignoring the due diligence approach. If competitors all publish sustainability reports it may create an incentive for an enterprise to also publish a similar report. If competitors all source products from a low cost source with high risks, it may create an incentive for an enterprise to use similar sourcing practices. Evaluation strategies thus need to incorporate both incentives and disincentives.

### **2.1.2. Categorising Incentives**

21. Incentives can be categorised through multiple systems. One way to categorise incentives is to consider the countries where they originate. For example, researchers have come up with different theories to categorize the sets of institutions which characterize different countries, such as National Business Systems (Whitley, 1999), varieties of capitalism (Hall and Soskice, 2001) and socio-economic models (Steurer et al., 2012). Incentives can also be categorised by the way they function, such as delimitating different types of policies.<sup>2</sup> All of the incentives discussed above can be put into different categories as part of an evaluation process.

### **2.1.3. Intersection of Diverse Incentives Across Countries**

22. By definition, the enterprises being considered work across multiple countries. Thus, they likely face multiple and potentially conflicting pressures from different sources. Incentives and barriers can be based where the risk of adverse impact exists, an enterprise's home country or in other places where an enterprise operates, such as regulations surrounding products being sold in a region. Enterprises working across multiple countries may be operating in environments which allow or do not regulate

<sup>1</sup> Table D.1 in Annex D reviews 23 studies which have used different methodologies to explore topics related to incentives.

<sup>2</sup> Annex B.1 provides further discussion on ways to classify policy incentives.

practices that are associated with adverse impacts.<sup>3</sup> An issue that enterprises can face if they are seeking to implement due diligence practices is that lack of regulatory alignment across countries in which they operate can make it difficult to take certain actions (Rauer and Kaufmann, 2015).

23. Some research has considered what makes different pressures more or less salient for global enterprises. Institutional messages for multinational enterprises to adopt responsible business practices have been found to be stronger when coming from a source on which the enterprise is heavily dependent, when consistent across multiple sources, when coming from countries with higher standards and reputation for responsible business, and when the enterprise is more intensely linked to the particular host country through foreign direct investment (FDI) rather than merely trade (Marano and Kostova, 2016).

24. When subsidiaries operate in foreign countries, they may receive high levels of pressure which cause them to act in ways that are not in line with their home office's objectives. Research measuring levels of alignment between subsidiaries and enterprise headquarters has found local pressures create differences across global subsidiaries of the same enterprise (Durand and Jacqueminet, 2015).

25. Another issue is that conflict can exist related to which governments should regulate a particular activity. Tensions exist between expectations for home countries versus host countries to regulate multinational enterprises. Barriers to regulations include that host states can have incentives to keep investors happy and home countries can face challenges related to state sovereignty if they try to regulate practices in an enterprise's host country (Davarnjad, 2016).

#### ***2.1.4. Enterprises have Different Reactions to the Same Incentives***

26. While incentives can be considered as existing within geographical spaces, not all enterprises will react in the same way to a given incentive. Differences between enterprises (see Section 3.1.1) can make the pressures created by incentives be felt differently.

27. Responses to different pressures can involve single enterprises, intra-sectoral groups or inter-sectoral groups (Schrage and Gilbert, 2019). Options for responding to incentives to adopt a particular behaviour can vary (Zhu et al., 2013). One option is that enterprises can implement practices in line with expectations. Another option is that they can take symbolic actions that do not involve fundamental behaviour changes. A third option is moving parts of the enterprise into areas not affected by the pressure created by a particular driver. With the third option, instead of promoting improved practices, pressure from incentives can lead to sorting effects with mobile enterprises choosing not to work in a region with strong pressures (Koenig-Archibugi 2017). Research has found sectoral difference in this type of behaviour (Maggioni et al., 2019).

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<sup>3</sup> However, with types of pressures differing across locations, enterprises that work across multiple countries are more likely to be exposed to incentives related to responsible business conduct (Preuss et al. 2016).

## Methodological Approaches for Evaluating Incentives

29. As mentioned above, evaluating incentives can involve asking different types of questions. Key overarching objectives can include: identifying drivers, identifying connections between drivers and uptake and exploring the effects of individual drivers.<sup>4</sup> This section presents four methodological approaches for evaluating incentives that drive enterprises to adopt due diligence practices (see Table 2.2). These four approaches can be used on their own or in conjunction with each other.

**Table 2.2. Approaches for Evaluating Incentives**

Approach	Description
National Incentive Benchmark	Map and score or categorise key national institutions shaping incentives to conduct due diligence
Linking Incentives and Uptake through Mining Existing Data	Analyse existing datasets covering incentive environments and enterprise-level data
Incentive Enterprise Survey	Identify enterprise perspectives on drivers for due diligence uptake through a survey
Exploratory Incentive Case Study	Focus on a handful of enterprises to examine processes of how incentives may affect enterprise behaviour

### 2.2.1. National Incentive Benchmark

30. One approach to evaluate incentives is to map and benchmark national incentive landscapes through 'National Incentive Benchmark'. This approach involves institutional mapping (see Annex A.3). The process involves designing a benchmarking system that categorises key incentives (see Table 2.1 and Annex B). These incentives could be scored or put into categories. This approach could be applied to a selected set of countries that house garment and footwear enterprises.

#### Overview:

<b>Key Question</b>	<ul style="list-style-type: none"> <li>What are key sources of pressure for due diligence in a country?</li> </ul>
<b>Coverage</b>	<ul style="list-style-type: none"> <li>Selected Countries</li> </ul>
<b>Data</b>	<ul style="list-style-type: none"> <li>Desk-based research; interviews with key national stakeholders</li> </ul>
<b>Frequency of Monitoring</b>	<ul style="list-style-type: none"> <li>Once (can be repeated)</li> </ul>
<b>Resources<sup>5</sup></b>	<ul style="list-style-type: none"> <li>Number of Staff: Medium</li> <li>Special Skills: Benchmark design requires an expert</li> </ul>
<b>Implementation</b>	<ul style="list-style-type: none"> <li>Best suited to country-level execution coordinated by OECD</li> </ul>
<b>Example of Similar Approach</b>	<ul style="list-style-type: none"> <li>European Commission's (2018) "Tax Policies in the European Union" survey presents an indicator-based analysis of the performance and design of tax systems</li> </ul>

<sup>4</sup> Examples of past studies which use the approaches described below to answer each of these types of questions are provided in Table D.1 in Annex D.

<sup>5</sup> For the approaches that involve research teams focused on selected countries, the assessment for number of people is based on comparative levels that would be needed to cover the same number of countries.

### Key Stages:

Stage	Key Roles	Activities	Outputs
<b>Study Design &amp; Preparation</b>	<ul style="list-style-type: none"> <li>Central research team (OECD)</li> </ul>	<ul style="list-style-type: none"> <li>Review existing evidence on incentives (see Annex A.2)</li> <li>Design benchmark framework and classification system</li> <li>Coordinate national level data collection</li> <li>Designing data collection tools</li> </ul>	<ul style="list-style-type: none"> <li>Benchmark classification system</li> <li>Data Collection Tools: interview guide; incentive classification framework</li> </ul>
	<ul style="list-style-type: none"> <li>National-level research teams</li> </ul>	<ul style="list-style-type: none"> <li>Translate data collection tools</li> <li>Review existing national evidence on incentives (see Annex A.2)</li> </ul>	<ul style="list-style-type: none"> <li>Translated versions of data collection tools</li> </ul>
<b>Data Collection</b>	<ul style="list-style-type: none"> <li>National-level research teams</li> </ul>	<ul style="list-style-type: none"> <li>Interviews with key stakeholders</li> <li>Desk based research to identify relevant national organisations, national regulations, publications from national enterprises</li> <li>Collecting relevant publications in the national media</li> </ul>	
<b>Data Analysis</b>	<ul style="list-style-type: none"> <li>National-level research teams</li> </ul>	<ul style="list-style-type: none"> <li>Examples:               <ul style="list-style-type: none"> <li>Scanning text from enterprises' publications and newspapers (can use Wordstat or QDA Miner)</li> <li>Compiling a list of laws and regulations covering national enterprises</li> <li>Charting which standards or global norms are mentioned by national enterprises (in annual reports, corporate social responsibility [CSR] reports, websites)</li> <li>Mapping legal and regulative pressures on enterprises (e.g. reporting requirements, liability for suppliers' actions)</li> <li>Mapping organizations that put pressure on enterprises to be responsible for supply chains (such as campaigning NGOs, membership organisations)</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>National-level classifications for each indicator</li> </ul>
	<ul style="list-style-type: none"> <li>Central research team (OECD)</li> </ul>	<ul style="list-style-type: none"> <li>Compiling, reviewing and aligning national classification results</li> </ul>	<ul style="list-style-type: none"> <li>A set of national evaluations that outline incentive environments</li> </ul>

**General Assessment:**

<b>Benefits</b>	<ul style="list-style-type: none"> <li>• Provides overview of enterprises' macro incentive environment</li> <li>• Easy to compare across countries</li> </ul>
<b>Challenges</b>	<ul style="list-style-type: none"> <li>• Execution in multiple countries requires language skills &amp; knowledge of multiple national contexts</li> </ul>
<b>Suitability across the Supply Chain</b>	<ul style="list-style-type: none"> <li>• Countries could be chosen that house any part of the supply chain</li> <li>• Framework could distinguish between incentives for enterprises at different points in the supply chain</li> </ul>
<b>Sampling and Reliability Challenges</b>	<ul style="list-style-type: none"> <li>• Does not rely on taking a sample</li> <li>• Coverage and reliability would need to be ensured by triangulating data collected and speaking to relevant experts</li> </ul>
<b>Coverage vs Depth</b>	<ul style="list-style-type: none"> <li>• Provide good coverage and depth</li> <li>• Level of detail would be dependent on the design on the benchmarking system</li> </ul>
<b>Data Uses</b>	<ul style="list-style-type: none"> <li>• Helpful for national governments or other actors seeking to design new national interventions</li> <li>• Helpful for global level actor through systematically comparing countries' incentive environments</li> <li>• Country-level data could be helpful for identifying potential partners for an organisation seeking to promote due diligence</li> </ul>

**Suitability for Overcoming Key Issues for Evaluating Incentives:**

<b>Incentives vs. Disincentives</b>	<ul style="list-style-type: none"> <li>• A benchmark can be designed to focus on incentives that push towards the adoption of due diligence practices or it can consider both incentives and disincentives</li> </ul>
<b>Categorising Incentives</b>	<ul style="list-style-type: none"> <li>• New categories of incentives could be developed</li> <li>• Alternatively, categories that have been used in previous research can be incorporated into the study design</li> </ul>
<b>Intersection of Diverse Incentives across Countries</b>	<ul style="list-style-type: none"> <li>• This approach would not provide any information on how enterprises simultaneously experience different pressures from different incentive environments</li> </ul>
<b>Enterprises can have Different Reactions to the Same Incentives</b>	<ul style="list-style-type: none"> <li>• This approach would not provide information about how enterprises respond to incentives.</li> </ul>

**2.2.2. Linking Incentives & Uptake through Mining Existing Data<sup>6</sup>**

31. Incentives can also be evaluated by using existing data sets to compare enterprises across incentive environments. The selected environments for comparison may be multinational enterprises' home countries, countries where they conduct commercial business or where their subsidiaries are housed.

32. The 'Linking Incentives & Uptake through Mining Existing Data' methodological approach involves compiling datasets that provide information on incentive environments and the characteristics

<sup>6</sup> This approach provides information about incentives and uptake.

and practices of enterprises operating in these incentives environments. Patterns between characteristics of the incentive environments and enterprises' characteristics and practices would then be explored.

**Overview:**

<b>Key Question</b>	<ul style="list-style-type: none"> <li>Which incentive measures are linked to greater uptake of due diligence at an enterprise-level?</li> </ul>
<b>Coverage</b>	<ul style="list-style-type: none"> <li>Countries &amp; enterprises covered in selected databases</li> </ul>
<b>Data</b>	<ul style="list-style-type: none"> <li>Existing dataset(s) on countries' incentives; existing data set(s) on enterprise characteristics &amp; due diligence uptake</li> </ul>
<b>Frequency of Monitoring</b>	<ul style="list-style-type: none"> <li>Once (can be repeated)</li> </ul>
<b>Resources</b>	<ul style="list-style-type: none"> <li>Number of People: Low</li> <li>Special Skills: Quantitative methods</li> </ul>
<b>Implementation</b>	<ul style="list-style-type: none"> <li>Best suited to central study (by OECD)</li> </ul>
<b>Example of Similar Approach</b>	<ul style="list-style-type: none"> <li>Jackson &amp; Apostolakou (2010) compare enterprises' scores on the SAM database (RobecoSAM Corporate Sustainability Assessments designed to evaluate enterprises' environmental, social and governance [ESG] practices) to data which characterizes national business systems (e.g. OECD index of employment protection).</li> </ul>



**Key Stages:**

Stage	Key Roles	Activities	Outputs
<b>Study Design &amp; Preparation</b>	<ul style="list-style-type: none"> <li>Central research team (OECD)</li> </ul>	<ul style="list-style-type: none"> <li>Survey available data sources (see Annex E for initial ideas)</li> <li>Identify variables of interest</li> <li>Select datasets covering:               <ul style="list-style-type: none"> <li>Incentives</li> <li>Uptake</li> </ul> </li> <li>(Create confidentiality agreements with owners of data)</li> <li>Review existing evidence on incentives (see Annex A.2)</li> </ul>	NA
<b>Data Collection</b>	NA		
<b>Data Analysis</b>	<ul style="list-style-type: none"> <li>Central research team (OECD)</li> </ul>	<ul style="list-style-type: none"> <li>Use statistical tests to explore connections between incentive environments and enterprises' characteristics and practices</li> </ul>	<ul style="list-style-type: none"> <li>Identification of patterns linking incentives and uptake</li> </ul>

**General Assessment:**

<b>Benefits</b>	<ul style="list-style-type: none"> <li>Can identify key incentives</li> <li>Takes advantage of existing data</li> <li>Panel data can be used to identify causal connections</li> </ul>
<b>Challenges</b>	<ul style="list-style-type: none"> <li>Available data limit coverage of measures, countries &amp; enterprises</li> <li>Execution requires expertise in advanced statistical analysis</li> </ul>
<b>Suitability across the Supply Chain</b>	<ul style="list-style-type: none"> <li>This approach can be used for any part of the supply chain</li> </ul>
<b>Sampling and Reliability Challenges</b>	<ul style="list-style-type: none"> <li>Relies on using existing datasets</li> <li>A sample of data from the datasets could be checked for accuracy by the research team</li> <li>The statistical tests used to identify patterns in the data would need to include robustness checks</li> </ul>
<b>Coverage vs Depth</b>	<ul style="list-style-type: none"> <li>This approach is best suited to identify broad patterns but does not provide in depth information on any particular case.</li> <li>Topics covered would be shaped by the data used</li> </ul>
<b>Data Uses</b>	<ul style="list-style-type: none"> <li>Patterns would be identified which connect specified incentives with specified enterprise characteristics and practices providing useful information for governments and other actors interested changing incentive environments to promote targeted practices for enterprises</li> </ul>

**Suitability for Overcoming Key Issues for Evaluating Incentives:**

<b>Incentives vs. Disincentives</b>	<ul style="list-style-type: none"><li>• Both incentives and disincentives can be looked at being linked to both increased or lower adoption of due diligence practices</li></ul>
<b>Categorising Incentives</b>	<ul style="list-style-type: none"><li>• Categories of incentives of interest could be predetermined and data sets found with the desired information</li><li>• Alternatively, categories for analysis could be created based on information in available datasets</li></ul>
<b>Intersection of Diverse Incentives across Countries</b>	<ul style="list-style-type: none"><li>• Depending on the available data, the implementation of this approach can take into account the locations of enterprises' subsidiaries and other locations where they work.</li></ul>
<b>Enterprises can have Different Reactions to the Same Incentives</b>	<ul style="list-style-type: none"><li>• This approach could involve splitting enterprises into groups with different reactions to the same incentives and seeking to find patterns that distinguish enterprises in each group.</li></ul>

**2.2.3. Incentive Enterprise Survey**

33. A third methodological approach for evaluating incentives is an 'Incentive Enterprise Survey'. This approach involves designing a survey with questions that gather information on enterprises' experiences with being exposed to incentives. This survey could be administered to representative samples in selected countries.

**Overview:**

<b>Key Question</b>	<ul style="list-style-type: none"><li>• What motivates enterprises to engage in due diligence?</li></ul>
<b>Coverage</b>	<ul style="list-style-type: none"><li>• A large sample of enterprises in selected countries</li></ul>
<b>Data</b>	<ul style="list-style-type: none"><li>• Large-scale survey</li></ul>
<b>Frequency of Monitoring</b>	<ul style="list-style-type: none"><li>• Once (can be repeated)</li></ul>
<b>Resources</b>	<ul style="list-style-type: none"><li>• Number of People: High</li><li>• Special Skills: Quantitative methods</li></ul>
<b>Implementation</b>	<ul style="list-style-type: none"><li>• Best suited to country-level execution coordinated by OECD</li></ul>
<b>Example of Similar Approach</b>	<ul style="list-style-type: none"><li>• Keinert-Kisin (2015) draws on a survey of 600 Austrian enterprises, with 500 being a random sample stratified for size and 100 enterprises selected as CSR leaders. The survey covered topics including enterprise characteristics, CSR engagement and motivation and perspectives on the future.</li></ul>

**Key Stages:**

Stage	Key Roles	Activities	Outputs
<b>Study Design &amp; Preparation</b>	<ul style="list-style-type: none"> <li>Central research team (OECD)</li> </ul>	<ul style="list-style-type: none"> <li>Review existing evidence on incentives (see Annex A.2)</li> <li>Design survey</li> <li>Coordinate national level data collection</li> </ul>	<ul style="list-style-type: none"> <li>Data Collection Tools: survey</li> </ul>
	<ul style="list-style-type: none"> <li>National-level research teams</li> </ul>	<ul style="list-style-type: none"> <li>Translate survey</li> <li>Select sample:               <ul style="list-style-type: none"> <li>This approach aims to collect data on a representative sample</li> <li>To do this a list of enterprises and relevant characteristics is needed, from which a sample can be drawn</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>Translated versions of survey</li> </ul>
<b>Data Collection</b>	<ul style="list-style-type: none"> <li>National-level research teams</li> </ul>	<ul style="list-style-type: none"> <li>Implement survey</li> </ul>	<ul style="list-style-type: none"> <li>Raw survey data</li> </ul>
<b>Data Analysis</b>	<ul style="list-style-type: none"> <li>National-level research teams</li> </ul>	<ul style="list-style-type: none"> <li>Clean and translate survey results</li> </ul>	<ul style="list-style-type: none"> <li>Clean survey data</li> </ul>
	<ul style="list-style-type: none"> <li>Central research team (OECD)</li> </ul>	<ul style="list-style-type: none"> <li>Analyse results</li> <li>Explore patterns connecting uptake to different factors, for example:               <ul style="list-style-type: none"> <li>Country of origin</li> <li>Size</li> <li>Price point</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>Comparable national survey results</li> </ul>

**General Assessment:**

<b>Benefits</b>	<ul style="list-style-type: none"> <li>Can ask tailored questions on specific points of interest</li> <li>Can target representative sample</li> </ul>
<b>Challenges</b>	<ul style="list-style-type: none"> <li>Response rate &amp; representativeness of sample</li> <li>Units within enterprises can respond to different incentives</li> </ul>
<b>Suitability across the Supply Chain</b>	<ul style="list-style-type: none"> <li>This approach is suitable for any part of the supply chain</li> </ul>
<b>Sampling and Reliability Challenges</b>	<ul style="list-style-type: none"> <li>To develop a sampling methodology a list of enterprises would need to be available</li> <li>To make a stratified sample, information also needs to be available about characteristics of concern</li> <li>If this study were repeated with different target groups (e.g. countries or sectors), differences in the quality and coverage of the initial lists of enterprises may affect the results</li> <li>Enterprises which respond may be the ones that are doing the most related to due diligence</li> <li>Information would be self-reported by enterprises, which can create a reliability challenge               <ul style="list-style-type: none"> <li>One way to overcome potential inaccuracies is to ask respondents to provide additional information about their practices as opposed to giving yes or no answers (e.g. describing a practice or listing stakeholders consulted)</li> <li>However, this can also decrease the response rate</li> </ul> </li> </ul>
<b>Coverage vs Depth</b>	<ul style="list-style-type: none"> <li>This approach allows for widespread coverage that is representative of a population</li> </ul>

	<ul style="list-style-type: none"> <li>• The survey could be longer and have more depth but likely lower response rates or shorter with less depth but potentially higher response rates</li> </ul>
<b>Data Uses &amp; Opportunities</b>	<ul style="list-style-type: none"> <li>• Data could identify patterns in characteristics of enterprises' exposure and responses to different incentives</li> <li>• Policy makers could use this data to shape interventions to be more effective</li> <li>• Policy makers could use the data to customise targeting to different types of enterprises</li> </ul>

***Suitability for Overcoming Key Issues for Evaluating Incentives:***

<b>Incentives vs. Disincentives</b>	<ul style="list-style-type: none"> <li>• Questions can be designed to explore incentives as well as disincentives</li> </ul>
<b>Categorising Incentives</b>	<ul style="list-style-type: none"> <li>• The survey design would involve selecting from among existing frameworks or designing a new framework</li> </ul>
<b>Intersection of Diverse Incentives across Countries</b>	<ul style="list-style-type: none"> <li>• This approach is not well suited to collect data on this topic</li> </ul>
<b>Enterprises can have Different Reactions to the Same Incentives</b>	<ul style="list-style-type: none"> <li>• If combined with questions about uptake, this approach is well suited to explore this topic</li> </ul>

## 2.2.4. Exploratory Incentive Case Study

34. A fourth methodological approach for evaluating incentives is 'Exploratory Incentive Case Study'. This approach involves selected a small group of enterprises and exploring internal processes. The starting point for data collection would be through interviews but additional data sources could also be incorporated. This approach can identify how enterprises react to different incentives.

### Overview:

<b>Key Question</b>	<ul style="list-style-type: none"> <li>How do enterprises react to pressures created by incentives?</li> </ul>
<b>Coverage</b>	<ul style="list-style-type: none"> <li>Selected enterprises</li> </ul>
<b>Data</b>	<ul style="list-style-type: none"> <li>Interviews; focus groups; document review; staff surveys</li> </ul>
<b>Frequency of Monitoring</b>	<ul style="list-style-type: none"> <li>Once (can be repeated)</li> </ul>
<b>Resources</b>	<ul style="list-style-type: none"> <li>Number of People: High</li> <li>Special Skills: Qualitative methods</li> </ul>
<b>Implementation</b>	<ul style="list-style-type: none"> <li>Can be conducted at country-level or centrally by OECD</li> </ul>
<b>Example of Similar Approach</b>	<ul style="list-style-type: none"> <li>Alblas et al. (2014) consider incentives shaping whether enterprises can effectively manage sustainability in new product development by conducting a case study of 6 manufacturers using data from interviews, focus groups and existing documents.</li> </ul>

### Key Stages:

Stage	Key Roles	Activities	Outputs
<b>Study Design &amp; Preparation</b>	<ul style="list-style-type: none"> <li>Research team (central or nationally based)</li> </ul>	<ul style="list-style-type: none"> <li>Review existing evidence on incentives (see Annex A.2)</li> <li>Select enterprises: <ul style="list-style-type: none"> <li>Different study designs could require different characteristics</li> <li>Two options are: maximum variation or selecting enterprises perceived to be typical</li> </ul> </li> <li>Design data collection tools</li> <li>(Translate data collection tools)</li> </ul>	<ul style="list-style-type: none"> <li>Data collection tools</li> <li>(Translated versions of data collection tools)</li> </ul>
<b>Data Collection</b>	<ul style="list-style-type: none"> <li>Research team (central or nationally based)</li> </ul>	<ul style="list-style-type: none"> <li>Multiple data collection processes carried out related to each enterprise in the sample (can include collecting data about subsidiaries)</li> </ul>	<ul style="list-style-type: none"> <li>Raw data on selected enterprises</li> </ul>
<b>Data Analysis</b>	<ul style="list-style-type: none"> <li>Research team (central or nationally based)</li> </ul>	<ul style="list-style-type: none"> <li>Explore patterns and process tracing (see Annex A.3) <ul style="list-style-type: none"> <li>Within enterprise analysis</li> <li>Cross enterprise comparison</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>Lessons about how incentives are experienced by enterprises and how they react</li> </ul>

### General Assessment:

<b>Benefits</b>	<ul style="list-style-type: none"> <li>• Can uncover processes &amp; mechanisms of how incentives affect enterprise behaviour</li> <li>• Can explore intended as well as unintended consequences</li> <li>• Can identify within-enterprise variation (e.g. departments)</li> </ul>
<b>Challenges</b>	<ul style="list-style-type: none"> <li>• Reluctance of enterprises to participate</li> <li>• Does not provide general picture</li> <li>• Difficult to compare across enterprises &amp; countries</li> </ul>
<b>Suitability across the Supply Chain</b>	<ul style="list-style-type: none"> <li>• This approach is suitable for any part of the supply chain</li> </ul>
<b>Sampling and Reliability Challenges</b>	<ul style="list-style-type: none"> <li>• This approach does not cover a representative sample</li> <li>• Enterprises could be based in multiple countries and could involve maximum diversity or enterprises perceived to be typical</li> <li>• This approach allows for multiple sources of data to be brought together which could allow for triangulation to ensure accuracy</li> <li>• Processes and mechanisms of selected enterprises would be identified</li> <li>• To check the prevalence of these factors, a subsequent 'Incentive Enterprise Survey' could be conducted</li> </ul>
<b>Coverage vs Depth</b>	<ul style="list-style-type: none"> <li>• In depth information is collected on a small group of enterprises</li> </ul>
<b>Data Uses &amp; Opportunities</b>	<ul style="list-style-type: none"> <li>• Data could be used to identify which incentives are experienced by different parts of an enterprise and how they react to them</li> <li>• Policy makers could use this data to shape the design of interventions</li> </ul>

***Suitability for Overcoming Key Issues for Evaluating Incentives:***

<b>Incentives vs. Disincentives</b>	<ul style="list-style-type: none"> <li>• The study can explore incentives and disincentives</li> </ul>
<b>Categorising Incentives</b>	<ul style="list-style-type: none"> <li>• The analysis could involve selecting from among existing frameworks or designing a new framework</li> </ul>
<b>Intersection of Diverse Incentives across Countries</b>	<ul style="list-style-type: none"> <li>• This approach is well suited to collect data on this topic as data could be collected from multiple parts of an enterprise that operate in different incentive environments</li> </ul>
<b>Enterprises can have Different Reactions to the Same Incentives</b>	<ul style="list-style-type: none"> <li>• This approach can provide information on how enterprises react to incentives and indicative patterns may be identified related to enterprises' characteristics and how they react</li> </ul>

## 3. Evaluating Uptake

35. This section considers how to measure and monitor the uptake of practices in line with the OECD Garment and Footwear Guidance. First, key issues to consider when measuring and monitoring uptake are discussed. Second, a set of four methodological approaches which can be used to measure and monitor uptake are presented and assessed. While enterprises' uptake of due diligence practices can be shaped by their incentive environments, which were discussed in Section 2, this section discusses additional factors which can shape enterprises' levels and forms of adopting due diligence practices.

### 3.1. Key Issues for Measuring and Monitoring Uptake

36. Due diligence practices involve a wide range of elements. Table 3.1 presents a set of key factors and specific activities that can be explored to identify if and how enterprises' behaviours are in line with the due diligence approach. Each of these factors is complex and can be evaluated using different criteria. Also, suitable data sources for obtaining information about these practices can vary. Annex C provides more detail on each of these elements of uptake. These factors and activities can be used to develop indicators in a quantitative approach to measuring and monitoring uptake or explored in a qualitative approach.

**Table 3.1. Key Factors and Activities in Uptake**

<b>Overarching Criteria/Characteristics of Due Diligence</b>
Preventative
Integral Part of Decision Making
Risk-based
Dynamic
Engagement with Stakeholders
Ongoing Communication
Appropriateness to an Enterprise's Circumstances
<b>Embed Responsible Business Conduct into Policies and Management Systems</b>
Enterprise Policies
Enterprise Management Systems
<b>Identify and Assess Adverse Impacts in Operations, Supply Chains and Business Relationships</b>
Scoping Supply Chain Risks
Conducting a Self-Assessment
Assessing Suppliers
Other Channels to Receive Information
<b>Cease, Prevent or Mitigate Adverse Impacts</b>
Cease, Prevent or Mitigate Harm in the Enterprise's Own Operations

Seek to Prevent or Mitigate Harm in the Enterprise's Supply Chain
Ensuring the Rights of Workers
Engaging Stakeholders
Engaging Government
<b>Track Implementation and Results</b>
Verifying, Monitoring, and Validating Progress
<b>Communicate How Impacts are Addressed</b>
Communicating Relevant Content
Communicating with Affected Stakeholders
<b>Provide for or Cooperate in Remediation When Appropriate</b>
Establishing Process to Enable Remediation
Committing to Hearing and Addressing Complaints
Determining the Appropriate Form of Remedy

37. Previous research exploring enterprises' uptake of new practices has answered a variety of research questions by drawing on different data sources and using a variety of analysis techniques.<sup>7</sup> As with the exploration of incentives, the way a question is framed and the resulting methodological choices should be tied to the specific objectives of an evaluation process. In designing an approach for measuring and monitoring uptake, the issues outlined below are important to consider. These issues have been identified through reviewing previous studies and consulting with multiple stakeholders.

### **3.1.1. Enterprise Characteristics affect Due Diligence Uptake**

38. Enterprises can adopt different types of practices based on their individual characteristics. For example, areas of difference that can shape behaviours include size, types of customers (e.g. business-to-consumer [B2C] versus business-to-business [B2B]), product or service provided, ownership model (e.g. family enterprise, publicly traded or state-owned enterprise), role in production network (e.g. brands, producers, traders or logistics providers), sector (Jackson and Apostolakou, 2010), previous experiences (Alblas et al., 2014; Ashwin et al., 2020), top management commitment and involvement (Giunipero et al., 2012), level of reputation consciousness (Oka, 2010), country of origin (Lane and Probert, 2009) and capabilities (Rauer and Kaufmann, 2015). These factors not only shape enterprises' proclivity to be innovators when it comes to responsible business, they can also lead to divergent responses to incentives (see Section 2.1.4).

39. Some characteristics can create barriers to adopting due diligence practices. For example, smaller enterprises may not be able to visit production sites located in multiple countries. Multiple barriers have been identified which can limit enterprises' adoption of more responsible practices, such as most enterprises are not born innovators, most enterprises are risk adverse and are reluctant to put resources into uncertain projects, existing routines and information filters can obscure rational decision making, lack of consensus at the CEO level, costs, lack of unified global standards, misalignment of short-term and long-term strategic goals, newness of concepts, limited top management support, lack of data for measuring outputs, resistance of suppliers, risk of losing supply chain partners and differences in regulation (Giunipero et al., 2012; Alblas et al., 2013; Rauer and Kaufmann, 2015). Increasing enterprises' capabilities can be a way to overcome barriers.

<sup>7</sup> Table D.2 in Annex D reviews 26 studies which have used different methodologies to explore topics related to enterprises' uptake of new behaviours. These studies generally focus on topics related to enterprises adopting practices related to responsible business conduct. However, the focus of some is on behaviours, such as philanthropy, which are outside the scope of the OECD's MNE Guidelines but are included because the research designs can help to guide the implementation of methodological approaches to measure and monitor uptake of practices that are in line with the OECD's MNE Guidelines.



40. Differences between enterprises can also affect data collection strategies as information available for different types of enterprises varies. Also, as due diligence practices should be appropriate to enterprises' circumstances, awareness of enterprises' defining characteristics can be an important concern.

### **3.1.2. Categorising Due Diligence Practices**

41. Categorising uptake behaviours faces two key challenges. One is that some of the practices expected in a due diligence process can be difficult to evaluate. For example, in order to evaluate an enterprise's use of effective risk assessment, criteria would need to be established to identify the components expected in a risk assessment. Another factor that is particularly difficult to evaluate is the expectation that enterprises' actions be appropriate to circumstances. This requires establishing a definition for appropriateness. It would likely involve understanding the specific circumstances of an enterprise (see Section 3.1.1). The topics presented in Annex C can help to make these decisions.

42. The second, and related, key challenge is that the nature and quality of how enterprises carry out nominally the same due diligence practices can vary. For example, enterprises can adopt responsible business policies with distinct structures based on exposure to different incentives. Rathert (2016) found that multinational enterprises adopt standards-based approaches (involving setting minimum standards) when working in high risk locations because they do not want to be associated with known problems. In contrast, enterprises are found to adopt rights-based approaches ("policies that award enabling rights to stakeholders, which limit managerial autonomy more extensively, empowering stakeholders to negotiate outcomes with corporate decision makers" [Rathert, 2016: 859]) in contexts with high stakeholder power. Enterprises' responses related to promoting responsible business have also been found to differ based on the structure of regulations, such as whether requirements focus on reporting or behaviour (LeBaron & Rühmkorf, 2017). The potential for variation in how enterprises attempt to be responsible indicates that it is important to look at qualitative variations in uptake. This can include moving beyond binary indicators to incorporating grading or categorisation schemes.

43. Another issues that can be important to consider when measuring uptake is the use of third-party service providers. Some enterprises contract out elements of due diligence practices to third parties (e.g. risk assessment consultants). Data collection processes may need to involve collecting data about these service providers.

### **3.1.3. Enterprises can Have Internal Heterogeneity**

44. Enterprises' practices related to responsible business may have internal heterogeneity. This can be a big challenge for evaluation approaches which seek to classify enterprises. One dimension where this can occur is across different departments which may have differing objectives and responses to external incentives.

45. Another dimension where internal heterogeneity can occur is when enterprises have subsidiaries in multiple countries (Durand and Jacqueminet, 2015; Munro, 2017; Reimann et al., 2015). To respond appropriately to specific local risks, enterprises may need to use different practices in each location where they work. Suitable local solutions may not always be apparent from a global perspective (Lund-Thomsen and Nadvi, 2010; Newenham-Kahindi, 2015).

### **3.1.4. Uptake can be Collaborative**

46. Enterprises' due diligence practices can involve working with a variety of collaborators particularly in their efforts to cease, prevent and mitigate adverse impacts. Enterprises can collaborate

with their peers, governments, trade unions or their business partners. One way that enterprises can address challenges relating working conditions is through establishing transnational industrial relations agreements (TIRAs), such as global framework agreements and the Accord on Fire and Building Safety in Bangladesh (Ashwin et al., 2020). These initiatives involve enterprises making agreements with global union federations in order to improve working conditions in their supply chains. When actions are part of collective efforts it can be difficult to identify what participation means to each individual enterprises' practices. Enterprises' involvement can vary across initiatives from mainly being based on paying a membership fee to playing more involved roles, such as having a staff member join a steering committee. Joining initiatives can mean that certain due diligence practices move from being conducted internally to being conducted by a third party.

### 3.1.5. Suitability of Data Collection Methods for Uptake

47. Some elements of uptake are observable from existing data. Behaviours can be visible to the external public, shared through enterprises' self-reporting or described in other existing data sources. Other elements of uptake are not readily visible from the outside, such as management systems or processes of engaging with governments. For practices that are not easy to identify without internal access to the enterprise, any data collection would require cooperation and data sharing by the enterprise itself. Options for data collection are outlined in Annex A.4.

48. Another issue with data collection is which enterprises are included in the data collection process. Evaluation methods can seek to explore factors covering an entire population (census), a representative sample of enterprises out of a larger population, or they can focus on a smaller group. The types of research question being explored, the available resources for data collection and the availability of data can all shape data collection and coverage decisions.

## Methodological Approaches for Measuring and Monitoring Uptake

49. As with evaluating incentives, measuring and monitoring uptake can involve asking different types of questions. Key overarching objectives can include: identifying levels of adoption and types of practices, identifying differences between groups, identifying connections between different factors and enterprise behaviour, exploring developments over time, and explaining identified behaviour.<sup>8</sup> This section presents four methodological approaches for evaluating how enterprises are adopting due diligence practices (see Table 3.2). The approaches consider which enterprises are taking action and the types of action they are taking.

**Table 3.2. Approaches for Measuring and Monitoring Uptake**

Approach	Description
Light Benchmark	Score a sample of enterprises on selected due diligence measures
Uptake-Focused Mining of Existing Data	Analyse existing datasets covering enterprises' uptake of due diligence practices
Uptake Enterprise Survey	Identify enterprises' due diligence practices through a survey
Exploratory Uptake Case Study	Focus on a handful of enterprises and examine processes of how due diligence has been implemented

<sup>8</sup> Examples of past studies which use the approaches described below to answer each of these types of questions are provided in Table D.2 in Annex D.

### 3.2.1. Light Benchmark

50. The 'Light Benchmark' approach involves identifying a small set of indicators (~10-15) (e.g. whether an enterprise conducts risk assessments related to the potential for their actions to create or support adverse impacts). The specific indicators could be determined through a consultative process to ensure they represent important and measurable behaviour related to due diligence. For countries that are participating in the benchmark process, a set of enterprises would be chosen to be included in the study (e.g. 20 largest national enterprises). Data would be collected based on publicly available material (e.g. websites, sustainability reports) and supplemented by direct contact with the enterprises in the sample. The specific indicators developed in this approach could also be promoted for inclusion in enterprises' public reporting.

51. This approach is best suited to larger enterprises which are typically a small proportion of enterprises operating within a country. A challenge with considering smaller enterprises is that they are typically a large and diverse group that would be difficult to characterize by looking at a small sample.

#### Overview:

<b>Key Question</b>	<ul style="list-style-type: none"> <li>To what extent do enterprises implement key due diligence measures?</li> </ul>
<b>Coverage</b>	<ul style="list-style-type: none"> <li>Sample of enterprises in selected countries</li> <li>Indicators for due diligence practices determined through consultative process</li> </ul>
<b>Data</b>	<ul style="list-style-type: none"> <li>Publicly available information, supplemented by direct contact with enterprises</li> </ul>
<b>Frequency of Monitoring</b>	<ul style="list-style-type: none"> <li>Annual</li> </ul>
<b>Resources</b>	<ul style="list-style-type: none"> <li>Number of People: High</li> <li>Special Skills: Benchmark design requires an expert</li> </ul>
<b>Implementation</b>	<ul style="list-style-type: none"> <li>Can be conducted at country-level or centrally by OECD</li> </ul>
<b>Example of Similar Approach</b>	<ul style="list-style-type: none"> <li>The Fashion Transparency Index (Fashion Revolution, 2020) is a 'full scale' benchmark that assesses garment sector enterprises' level of uptake.</li> </ul>

#### Key Stages:

Stage	Key Roles	Activities	Outputs
<b>Study Design &amp; Preparation</b>	<ul style="list-style-type: none"> <li>Central research team (OECD)</li> </ul>	<ul style="list-style-type: none"> <li>Review existing evidence on uptake (see Annex A.2)</li> <li>Consultation to agree on main indicators</li> <li>Design benchmark framework and classification system</li> <li>Designing data collection tools</li> <li>Identify countries to participate</li> <li>(Coordinate national level data collection)</li> </ul>	<ul style="list-style-type: none"> <li>Benchmark classification system</li> <li>Data collection tools: framework for recording and classifying enterprises' information</li> </ul>

	<ul style="list-style-type: none"> <li>• Research team (central or nationally based)</li> </ul>	<ul style="list-style-type: none"> <li>• Translate data collection tools</li> <li>• Select enterprises to participate: <ul style="list-style-type: none"> <li>◦ Two options are: selecting the top X number of enterprises in a country or selecting enterprises that represent the top X% of market share in a country</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• Translated versions of data collection tools</li> </ul>
<b>Data Collection</b>	<ul style="list-style-type: none"> <li>• Research team (central or nationally based)</li> </ul>	<ul style="list-style-type: none"> <li>• Collecting available public data on selected enterprises</li> <li>• Interacting with enterprises to ensure accuracy of findings and to fill in gaps</li> </ul>	<ul style="list-style-type: none"> <li>• Raw data covering each selected enterprise</li> </ul>
<b>Data Analysis</b>	<ul style="list-style-type: none"> <li>• Research team (central or nationally based)</li> </ul>	<ul style="list-style-type: none"> <li>• Clean data and translate</li> <li>• Classify each enterprise's results for each indicator</li> </ul>	<ul style="list-style-type: none"> <li>• Comparable national benchmark results</li> </ul>

#### **General Assessment:**

<b>Benefits</b>	<ul style="list-style-type: none"> <li>• Provides picture of industry practices among top enterprises</li> <li>• Takes advantage of existing available data</li> <li>• Easy to compare across time &amp; countries</li> <li>• Publishing a simple set of expected indicators may help drive widespread reporting on these indicators</li> </ul>
<b>Challenges</b>	<ul style="list-style-type: none"> <li>• Can be reliant on self-reported information</li> <li>• Coverage may be patchy if enterprises not willing to provide data beyond publicly available information</li> </ul>
<b>Suitability across the Supply Chain</b>	<ul style="list-style-type: none"> <li>• This approach could be used to assess uptake for any type of enterprise</li> </ul>
<b>Sampling and Reliability Challenges</b>	<ul style="list-style-type: none"> <li>• This approach does not involve a representative sample</li> <li>• Findings can be used to characterise countries, as in many countries, a small group of the largest garment and footwear sector enterprises cover a significant proportion of the market share</li> <li>• The need to make simple classifications for each indicator may limit the identification of diversity in how practices are implemented</li> </ul>
<b>Coverage vs Depth</b>	<ul style="list-style-type: none"> <li>• The approach would provide a limited amount of information but could provide a general overview of cross-country comparisons.</li> <li>• The choice of a small number of indicators may result in excluding important factors</li> </ul>
<b>Data Uses &amp; Opportunities</b>	<ul style="list-style-type: none"> <li>• Data could be used to identify patterns in how due diligence is being implemented</li> <li>• Public rankings could be useful for enterprises to benchmark themselves against sector leaders</li> <li>• Countries could target their policies to where national enterprises showed deficiencies</li> <li>• Other actors seeking to make interventions, such as NGOs or consultancy firms could also focus their efforts on national-level promotion of the adoption of practices which had the lowest adoption rates</li> <li>• OECD governments or other organisations could encourage enterprises to publish information on the selected indicator</li> </ul>

	<ul style="list-style-type: none"> <li>○ This could reduce enterprises' reporting requirement if these indicators replace other forms of reporting</li> <li>○ This could increase enterprises' reporting requirements if these requirements are added on top of existing expectations for enterprises</li> </ul>
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### ***Suitability for Overcoming Key Issues for Evaluating Uptake:***

<b>Enterprise Characteristics affect Due Diligence Uptake</b>	<ul style="list-style-type: none"> <li>• This approach would be able to identify difference in patterns in uptake based on enterprise characteristics</li> <li>• However, excluding smaller enterprise limits the ability of this approach to explore variation that exists outside of large enterprises</li> </ul>
<b>Categorising Due Diligence Practices</b>	<ul style="list-style-type: none"> <li>• This approach relies on creating definitions for each element of the benchmark</li> <li>• Relevant stakeholders should be consulted to establish these definitions</li> </ul>
<b>Enterprises can Have Internal Heterogeneity</b>	<ul style="list-style-type: none"> <li>• This approach is unlikely to take into account the fact that subsidiaries may use different practices across a large organization</li> <li>• Variation across departments may be included</li> </ul>
<b>Uptake can be Collaborative</b>	<ul style="list-style-type: none"> <li>• Where appropriate, collaborative initiatives can be included as indicators of uptake</li> </ul>
<b>Suitability of Data Collection Methods for Uptake</b>	<ul style="list-style-type: none"> <li>• This approach is not suited to assessing internal or less visible practices of uptake</li> <li>• (If any of the indicators involved an assessment of internal practices, the enterprises in the sample would need to cooperate to provide this information)</li> </ul>

### **3.2.2. Uptake-Focused Mining of Existing Data**

52. Another methodological approach for evaluating uptake is 'Uptake-Focused Mining of Existing Data'. This approach involves collecting datasets that can be publicly available, paid access or proprietary data held by different MSIs, industry associations or other partner organisations. For proprietary data, an agreement could be made to use the anonymized data to identify patterns of uptake across countries. The data would be used to identify levels and patterns in uptake across enterprises from different countries or across other categorisations (e.g. size or place in the supply chain). The types of due diligence practices considered would depend on the datasets used. However, it is possible to collect additional data to supplement existing datasets.

#### **Overview:**

<b>Key Question</b>	<ul style="list-style-type: none"> <li>• To what extent do enterprises implement key due diligence measures?</li> </ul>
<b>Coverage</b>	<ul style="list-style-type: none"> <li>• Enterprises and due diligence practices covered by the dataset(s)</li> <li>• Due diligence practices determined by dataset coverage</li> </ul>
<b>Data</b>	<ul style="list-style-type: none"> <li>• Existing datasets</li> </ul>
<b>Frequency of Monitoring</b>	<ul style="list-style-type: none"> <li>• Annual</li> </ul>

<b>Resources</b>	<ul style="list-style-type: none"> <li>• Number of People: Low</li> <li>• Special Skills: Quantitative methods</li> </ul>
<b>Implementation</b>	<ul style="list-style-type: none"> <li>• Best suited to central study (by OECD) as data may cover enterprises in multiple countries</li> </ul>
<b>Example of Similar Approach</b>	<ul style="list-style-type: none"> <li>• Barkemeyer et al. (2015) compare the contents of 933 GRI reports from enterprises in 30 countries and consider GDP per capita for the country of origin in the year of report publication and whether the enterprise is a UN Global Compact membership.</li> </ul>

### **Key Stages:**

<b>Stage</b>	<b>Key Roles</b>	<b>Activities</b>	<b>Outputs</b>
<b>Study Design &amp; Preparation</b>	<ul style="list-style-type: none"> <li>• Central research team (OECD)</li> </ul>	<ul style="list-style-type: none"> <li>• Survey available data sources (see Annex E for initial ideas)</li> <li>• Identify variables of interest</li> <li>• Select datasets</li> <li>• (Create a confidentiality agreement with owners of data)</li> <li>• Review existing evidence on uptake (see Annex A.2)</li> </ul>	NA
<b>Data Collection</b>	NA		
<b>Data Analysis</b>	<ul style="list-style-type: none"> <li>• Central research team (OECD)</li> </ul>	<ul style="list-style-type: none"> <li>• Explore patterns connecting uptake to different factors, for example: <ul style="list-style-type: none"> <li>○ Country of origin</li> <li>○ Size</li> <li>○ Price point</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• Identification of patterns in uptake behaviour</li> </ul>

### **General Assessment:**

<b>Benefits</b>	<ul style="list-style-type: none"> <li>• Takes advantage of existing data</li> <li>• Data are likely to be internally consistent</li> <li>• If time series data is available trends can be explored</li> </ul>
<b>Challenges</b>	<ul style="list-style-type: none"> <li>• Existing data (potentially covering partner organization's members) can have selection bias</li> <li>• Topics covered in existing data sets are limited (Shift 2019)</li> <li>• Can hinge upon willingness of potential partners to share data</li> </ul>
<b>Suitability across the Supply Chain</b>	<ul style="list-style-type: none"> <li>• This approach could be used to assess uptake for any type of enterprise</li> </ul>
<b>Sampling and Reliability Challenges</b>	<ul style="list-style-type: none"> <li>• The choice of datasets is an important consideration with an ideal data set covering a large and diverse set of enterprises</li> <li>• If data is obtained that covers an organisation's members the members may be self-selected, creating bias in the dataset</li> <li>• However, some membership organisation may have comprehensive data sets. For example, in some countries, exporters are required to be members of an export association</li> <li>• The quality of the data would also depend on past data collection processes</li> <li>• If accuracy was a potential concern, a sample of enterprises could be contacted directly to verify the accuracy of the dataset</li> </ul>

<b>Coverage vs Depth</b>	<ul style="list-style-type: none"> <li>The range of data available would depend on the available datasets</li> </ul>
<b>Data Uses &amp; Opportunities</b>	<ul style="list-style-type: none"> <li>Data could identify patterns in characteristics of enterprises in the sample and forms of adoption of due diligence practices (e.g. by country of origin or identifying combinations of practices that tend to be adopted together)</li> <li>Countries could target their policies to where national enterprises showed deficiencies</li> <li>Other actors seeking to make interventions, such as NGOs or consultancy firms could also focus their efforts on promoting the adoption of practices which had the lowest adoption rates</li> </ul>

### ***Suitability for Overcoming Key Issues for Evaluating Uptake:***

<b>Enterprise Characteristics affect to Due Diligence Uptake</b>	<ul style="list-style-type: none"> <li>The enterprises covered in this approach would be determined by the type of enterprises covered in the partner's data</li> <li>Analysis could consider different attributes for different types of enterprises within the dataset</li> </ul>
<b>Categorising Due Diligence Practices</b>	<ul style="list-style-type: none"> <li>The data would be shaped by definitions used by the organisations that collected it</li> </ul>
<b>Enterprises can Have Internal Heterogeneity</b>	<ul style="list-style-type: none"> <li>The availability of information on variations within a large enterprise would be shaped by the available data</li> </ul>
<b>Uptake can be Collaborative</b>	<ul style="list-style-type: none"> <li>The availability of data related to collaboration would be shaped by the data held by the partner</li> <li>Where appropriate, collaborative initiatives can be included as indicators of uptake</li> </ul>
<b>Suitability of Data Collection Methods for Uptake</b>	<ul style="list-style-type: none"> <li>The availability of data related to internal or less visible practices would be shaped by the data held by the partner</li> </ul>

### **3.2.3. Uptake Enterprise Survey**

53. Another methodological approach is 'Uptake Enterprise Survey'. This approach involves administering surveys to representative samples of enterprises in selected countries. This approach allows for targeted questions to be asked and for comparable data to be collected across countries. Additionally, by repeating the survey, changes over time could be measured.

#### **Overview:**

<b>Key Question</b>	<ul style="list-style-type: none"> <li>To what extent do enterprises implement key due diligence measures?</li> </ul>
<b>Coverage</b>	<ul style="list-style-type: none"> <li>Sample of enterprises in selected countries</li> <li>Can cover all due diligence practices</li> </ul>
<b>Data</b>	<ul style="list-style-type: none"> <li>Survey</li> </ul>
<b>Frequency of Monitoring</b>	<ul style="list-style-type: none"> <li>Annual</li> </ul>

<b>Resources</b>	<ul style="list-style-type: none"> <li>• Number of People: High</li> <li>• Special Skills: Quantitative methods</li> </ul>
<b>Implementation</b>	<ul style="list-style-type: none"> <li>• Best suited to country-level &amp; coordinated centrally by OECD</li> </ul>
<b>Example of Similar Approach</b>	<ul style="list-style-type: none"> <li>• The ongoing monitoring process for Germany's National Action Plan for Business and Human Rights applies a similar approach to assess enterprises' integration of the core elements of human rights due diligence by sending a survey with ~40 questions to a sample of enterprises with over 500 employees.</li> </ul>

### **Key Stages:**

<b>Stage</b>	<b>Key Roles</b>	<b>Activities</b>	<b>Outputs</b>
<b>Study Design &amp; Preparation</b>	<ul style="list-style-type: none"> <li>• Central research team (OECD)</li> </ul>	<ul style="list-style-type: none"> <li>• Review existing evidence on uptake (see Annex A.2)</li> <li>• Design survey</li> <li>• Coordinate national level data collection</li> </ul>	<ul style="list-style-type: none"> <li>• Data Collection Tools: survey</li> </ul>
	<ul style="list-style-type: none"> <li>• National-level research teams</li> </ul>	<ul style="list-style-type: none"> <li>• Translate survey</li> <li>• Select sample: <ul style="list-style-type: none"> <li>○ This approach aims to collect data on a representative sample</li> <li>○ To do this a list of enterprises and relevant characteristics is needed, from which a sample can be drawn</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• Translated versions of survey</li> </ul>
<b>Data Collection</b>	<ul style="list-style-type: none"> <li>• National-level research teams</li> </ul>	<ul style="list-style-type: none"> <li>• Implement survey</li> </ul>	<ul style="list-style-type: none"> <li>• Raw survey data</li> </ul>
<b>Data Analysis</b>	<ul style="list-style-type: none"> <li>• National-level research teams</li> </ul>	<ul style="list-style-type: none"> <li>• Clean and translate survey results</li> </ul>	<ul style="list-style-type: none"> <li>• Clean survey data</li> </ul>
	<ul style="list-style-type: none"> <li>• Central research team (OECD)</li> </ul>	<ul style="list-style-type: none"> <li>• Analyse results</li> <li>• Explore patterns connecting uptake to different factors, for example: <ul style="list-style-type: none"> <li>○ Country of origin</li> <li>○ Size</li> <li>○ Price point</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• Comparable national survey results</li> </ul>

### **General Assessment:**

<b>Benefits</b>	<ul style="list-style-type: none"> <li>• Can tailor questions to specific points of interest</li> <li>• Can target a representative sample</li> </ul>
<b>Challenges</b>	<ul style="list-style-type: none"> <li>• Relying on self-reported information</li> <li>• Response rate &amp; representativeness of sample</li> </ul>
<b>Suitability across the Supply Chain</b>	<ul style="list-style-type: none"> <li>• This approach could be used to assess uptake for any type of enterprise</li> </ul>
<b>Sampling and Reliability Challenges</b>	<ul style="list-style-type: none"> <li>• To develop a sampling methodology a list of enterprises would need to be available</li> <li>• To make a stratified sample, information also needs to be available about characteristics of concern</li> </ul>



	<ul style="list-style-type: none"> <li>• If this study were repeated with different target groups (e.g. countries or sectors), differences in the quality and coverage of the initial lists of enterprises may affect the results</li> <li>• Enterprises which respond may be the ones that are doing the most related to due diligence.</li> <li>• Information would be self-reported by enterprises, which can create a reliability challenge <ul style="list-style-type: none"> <li>◦ One way to overcome potential inaccuracies is to ask respondents to provide additional information about their practices as opposed to giving yes or no answers (e.g. describing a practice or listing stakeholders consulted)</li> <li>◦ However, this can also decrease the response rate</li> </ul> </li> </ul>
<b>Coverage vs Depth</b>	<ul style="list-style-type: none"> <li>• This approach allows for widespread coverage that is representative of a population</li> <li>• The survey could be longer and have more depth but likely lower response rates or shorter with less depth but potentially higher response rates</li> </ul>
<b>Data Uses &amp; Opportunities</b>	<ul style="list-style-type: none"> <li>• Data could identify patterns in characteristics of enterprises and forms of adoption of due diligence practices (e.g. comparing enterprise size and practices or combinations of practices that tend to be adopted together)</li> <li>• Countries could target their policies to where national enterprises showed deficiencies</li> <li>• Other actors seeking to make interventions, such as NGOs or consultancy firms could also focus their efforts on promoting the adoption of practices which had the lowest adoption rates</li> </ul>

#### ***Suitability for Overcoming Key Issues for Evaluating Uptake:***

<b>Enterprise Characteristics affect Due Diligence</b>	<ul style="list-style-type: none"> <li>• The sample could be created to cover diverse types of enterprises</li> <li>• For select characteristics, a stratified sample could be created in order to get adequate coverage of enterprise types of interest</li> <li>• Difference in uptake across enterprise types could be analysed</li> </ul>
<b>Categorising Due Diligence Practices</b>	<ul style="list-style-type: none"> <li>• When designing the survey, it would be important to consider definitions of each practice and what components would be of interest to evaluate</li> <li>• Categories could be self-designed or drawn from existing frameworks</li> </ul>
<b>Enterprises can Have Internal Heterogeneity</b>	<ul style="list-style-type: none"> <li>• Questions can be asked that cover internal heterogeneity, however including questions that cover multiple parts of an organisation may reduce response rates</li> </ul>
<b>Uptake can be Collaborative</b>	<ul style="list-style-type: none"> <li>• Questions can be asked that cover collaboration</li> </ul>
<b>Suitability of Data Collection Methods for Uptake</b>	<ul style="list-style-type: none"> <li>• Questions can be asked about internal or less visible practices</li> </ul>

#### **3.2.4. Exploratory Uptake Case Study**

54. A fourth methodological approach for evaluating uptake is 'Exploratory Uptake Case Study'. This approach involves choosing a smaller set of enterprises and conducting in depth research on their

uptake of due diligence practices. This could involve looking at any of the expectations outlined the OECD Garment and Footwear Guidance. The starting point for data collection would be through interviews but additional data sources could also be incorporated. Data collected could cover activities that enterprises take in relation to carrying out due diligence affecting all tiers of their supply chains. Results would be published without naming the participating enterprises. This approach would be beneficial for identifying how enterprises carry out due diligence practices. For example, a key area of interest could be how written policies are implemented in practice.

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**Overview:**

<b>Key Question</b>	<ul style="list-style-type: none"> <li>• How do enterprises implement due diligence measures?</li> </ul>
<b>Coverage</b>	<ul style="list-style-type: none"> <li>• A few selected enterprises</li> <li>• Can cover all due diligence practices</li> </ul>
<b>Data</b>	<ul style="list-style-type: none"> <li>• Interviews; focus groups; document review; staff surveys</li> </ul>
<b>Frequency of Monitoring</b>	<ul style="list-style-type: none"> <li>• Once</li> </ul>
<b>Resources</b>	<ul style="list-style-type: none"> <li>• Number of People: High</li> <li>• Special Skills: Qualitative methods</li> </ul>
<b>Implementation</b>	<ul style="list-style-type: none"> <li>• Can be conducted at country-level or centrally by OECD</li> </ul>
<b>Example of Similar Approach</b>	<ul style="list-style-type: none"> <li>• Scur &amp; Barbosa (2017) explore green supply chain management through interviews with 5 enterprises &amp; 2 professional associations.</li> </ul>

**Key Stages:**

<b>Stage</b>	<b>Key Roles</b>	<b>Activities</b>	<b>Outputs</b>
<b>Study Design &amp; Preparation</b>	<ul style="list-style-type: none"> <li>• Research team (central or nationally based)</li> </ul>	<ul style="list-style-type: none"> <li>• Review existing evidence on uptake (see Annex A.2)</li> <li>• Select enterprises: <ul style="list-style-type: none"> <li>○ Different study designs could require different characteristics</li> <li>○ Two options are: maximum variation or selecting enterprises perceived to be typical</li> </ul> </li> <li>• Design data collection tools</li> <li>• (Translate data collection tools)</li> </ul>	<ul style="list-style-type: none"> <li>• Data collection tools</li> <li>• (Translated versions of data collection tools)</li> </ul>
<b>Data Collection</b>	<ul style="list-style-type: none"> <li>• Research team (central or nationally based)</li> </ul>	<ul style="list-style-type: none"> <li>• Multiple data collection processes carried out related to each enterprise in the sample (can include collecting data about subsidiaries)</li> </ul>	<ul style="list-style-type: none"> <li>• Raw data on selected enterprises</li> </ul>
<b>Data Analysis</b>	<ul style="list-style-type: none"> <li>• Research team (central or nationally based)</li> </ul>	<ul style="list-style-type: none"> <li>• Explore patterns and process tracing (see Annex A.3) <ul style="list-style-type: none"> <li>○ Within enterprise analysis</li> <li>○ Cross enterprise comparison</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• Lessons about how uptake is realised</li> </ul>

**General Assessment:**

<b>Benefits</b>	<ul style="list-style-type: none"> <li>• Can identify how due diligence is implemented within an enterprise</li> <li>• Can explore intended &amp; unintended aspects</li> <li>• Can identify within-enterprise variation across departments or subsidiaries</li> </ul>
<b>Challenges</b>	<ul style="list-style-type: none"> <li>• Reluctance of enterprises to participate</li> <li>• Does not provide general picture</li> <li>• Difficult to compare across enterprises &amp; countries</li> </ul>
<b>Suitability across the Supply Chain</b>	<ul style="list-style-type: none"> <li>• This approach could be used to assess uptake for any type of enterprise</li> </ul>
<b>Sampling and Reliability Challenges</b>	<ul style="list-style-type: none"> <li>• This approach does not cover a representative sample</li> <li>• Enterprises could be based in multiple countries and could involve maximum diversity or enterprises perceived to be typical</li> <li>• This approach allows for multiple sources of data to be brought together which could allow for triangulation to ensure accuracy</li> <li>• Processes and mechanisms of selected enterprises would be identified</li> <li>• To check the prevalence of these factors, a subsequent 'Incentive Enterprise Survey' could be conducted</li> </ul>
<b>Coverage vs Depth</b>	<ul style="list-style-type: none"> <li>• In depth information is collected on a small group of enterprises</li> </ul>
<b>Data Uses &amp; Opportunities</b>	<ul style="list-style-type: none"> <li>• A potential use of the data collected through this approach is to create a framework or typology that can classify different ways that enterprises adopt due diligence practices</li> <li>• Information could help policy makers and other actors better target policies intended to increase or improve the quality of due diligence practices</li> </ul>

**Suitability for Overcoming Key Issues for Evaluating Uptake:**

<b>Enterprise Characteristics affect Due Diligence</b>	<ul style="list-style-type: none"> <li>• With the small sample involved in this approach, all enterprises could be the same type or selected variation could be designed into the selection process</li> </ul>
<b>Categorising Due Diligence Practices</b>	<ul style="list-style-type: none"> <li>• This approach would allow for an in-depth exploration of how an enterprise was implementing each criterion, which could be useful for creating definitions and expectations for what is involved in implementing each practice</li> </ul>
<b>Enterprises can Have Internal Heterogeneity</b>	<ul style="list-style-type: none"> <li>• This approach would allow for an exploration of internal differences within the selected enterprises.</li> </ul>
<b>Uptake can be Cooperative</b>	<ul style="list-style-type: none"> <li>• This approach would allow for an exploration of collaboration involving participating enterprises</li> </ul>
<b>Suitability of Data Collection Methods for Uptake</b>	<ul style="list-style-type: none"> <li>• The approach would allow for an exploration of internal or less visible practices used by the selected enterprises</li> </ul>

## 4. Evaluating Outcomes

55. This section considers how to measure the contribution of due diligence practices to environmental, labour, human rights and integrity outcomes. First, key issues to consider when measuring outcomes are discussed. Second, a set of four methodological approaches for evaluating outcomes is presented and assessed. An important consideration is that assessments of outcomes can be tied to identification of enterprises' uptake of due diligence practices, which were discussed in Section 3.

### 4.1. Key Issues for Evaluating Outcomes

56. While many outcomes can result from enterprises' due diligence practices, evaluating their impact is a complex undertaking. Outcomes of interest can be related to the 12 key sector risks for garments and footwear. It is outside the scope of this report to thoroughly identify and discuss potential outcomes. However, Table 4.1 provides some examples of outcomes that can be considered related to each risk.

57. Additionally, when enterprises adopt due diligence practices, a wide range of outcomes can occur outside of those directly related to these sector risks. Examples of outcomes that can be affected by adopting due diligence practices include:

- Employment levels
- Export opportunities for producers
- Production methods
- Production materials
- The nature of business relationships

58. Outcomes can be measured with specified indicators in a quantitative evaluation or be explored more holistically in a qualitative approach. Suitable data sources for obtaining information about outcomes can vary (see Annex A.4 and Table E.6 in Annex E).

**Table 4.1. Key Sector Risks and Related Outcomes**

Risk	Examples of Outcomes that Could be Evaluated
Child Labour	Numbers of child workers Where identified child workers end up
Sexual Harassment and Sexual & Gender-Based Violence in the Workplace	Levels of harassment Responses to reported harassment Options for victims of harassment to receive support
Forced Labour	Improvements in labour rights
Working Time	Hours worked Flexibility in work schedules

Occupational Health & Safety	Number of accidents Workers understanding of health and safety procedures
Trade Unions & Collective Bargaining	Employers participating in collective bargaining agreements
Wages	Wage levels Payment practices
Hazardous Chemicals	Availability of PPE Types of waste disposal systems used
Water	Water usage Use of effluent treatment facilities
Greenhouse Gas Emissions	Levels of emissions
Bribery & Corruption	Levels of bribery and corruption Responses to reports of bribery and corruption
Responsible Sourcing from Homeworkers	Improved working conditions for homeworkers Homeworkers knowledge of their rights

59. Previous research exploring outcomes of enterprises' various attempts to carry out responsible practices has answered a variety of research questions by drawing on different data sources and using a variety of analysis techniques.<sup>9</sup> As with the exploration of incentives and uptake, the way a question is framed and the resulting methodological choices should be tied to the specific objectives of an evaluation process. In designing an approach for evaluating outcomes, the issues outlined below are important to consider. These issues have been identified through reviewing previous studies and consulting with multiple stakeholders.

#### **4.1.1. Attributing Causal Connections**

60. Causal connections can be explored through considering mechanisms, channels, distance to outcome and exogenous factors, as described below.

##### ***Mechanisms: Selection vs. Engagement for Change***

61. There are broadly two mechanisms by which the enterprise can affect due diligence outcomes: *selection* and *engagement for change*. Selecting refers to the enterprise's selection decisions on where to source from (e.g. country, supplier) and what to source (e.g. raw materials, fabrics). While such decisions affect the level of risks the enterprise will face (e.g. higher risks of labour abuses in countries and suppliers with high rates of migrant labour), such decisions do not bring about change on the ground, at least not immediately (e.g. disengagement from high risky countries does not reduce the overall level of risks). The other mechanism, engaging for change, refers to direct engagement by the enterprise to induce change in their supply chains, at the supplier, sector or producing country-level.

62. The difference in mechanisms has implications on measuring efforts. First, it is less resource-intensive to assess the impact of the enterprise's selection than engagement. This is because the impact of selection is readily measurable (e.g. the energy, water, and chemical impact of changing materials), whereas the impact of engagement is much harder to measure due to a multitude of factors affecting the outcome. Moreover, the impact of selection is felt immediately (e.g. withdrawing from a country or a supplier), whereas the impact of engagement often takes time to bear fruit. While it is easier to measure selection than engagement, measuring selection only can create incentives for the enterprise to prioritise disengagement over engagement. Such decisions can reduce opportunities for

<sup>9</sup> Table D.3 in Annex D reviews 36 studies which have used different methodologies to explore topics related outcomes of enterprises' policies and behaviours.

enterprises in high risk regions, which is not desirable. Thus, a measurement strategy should balance both types of mechanisms.

### ***Channels: Direct vs. Indirect***

63. Another issue shaping the attribution of causality is the channels by which due diligence activities affect the outcomes. The enterprises' due diligence may have a direct bearing on the outcome via a direct channel. For instance, the enterprise's due diligence policy on hazardous chemicals can directly affect worker health and safety as well as the environment. Another example of a direct channel is the compensation to the victims or their families through a compensation scheme set up by a group of enterprises.

64. Nonetheless, indirect channels are the most common, where the enterprise's due diligence may affect the supplier's policies or practices, which may in turn impact the outcome on workers or the environment. For instance, responsible sourcing practices and better forecasting at the enterprise-level enable the supplier to better manage their work schedules, which may reduce excessive overtime at supplier facilities. Another type of indirect channel can be found when the enterprise's due diligence affects the incentive environment of a producing country, which may affect supplier's practice and then the social, environmental or integrity outcome (e.g. a group of brands advocating for a higher minimum wage or stronger labour rights). Teasing out the causal effect going through indirect channels is more complex given the multiplicity of steps and actors involved, which likely requires large panel data sets or in-depth process tracing (see Annex A.3).

### ***Distance to the Outcome***

65. Many business relationships in the sector are indirect going through intermediaries (e.g. sourcing agents). There could be a number of tiers between the enterprise and the outcome of interest, especially beyond Tier 2 (e.g. homeworkers, cotton growers). In complex supply chains it can be particularly difficult to link lower tier suppliers to brands and retailers (Alexander, 2019). In general, the longer the distance to the outcome and the larger the number of tiers, the more difficult it is to establish association or causality. One way to address this challenge is to focus on an intervention that has a clear cut-off point and implications on lower tiers (e.g. change in sourcing requirements) to examine the change before and after or to design a quasi-experiment with a treatment and a control group (see Annex A.3).

### ***Exogenous Factors***

66. Meanwhile, outcomes are influenced by various exogenous factors independent of enterprises' due diligence. For example, the complexity of products and thus the required skill level of workers impact the level of wages and working conditions offered. Teasing out causality among these factors likely requires panel datasets. Also overarching trends can impact specific cases being evaluated. For example, sector-wide worker shortages are likely to impact wages and working conditions. One way to try to address this challenge is to try to identify a comparison group through an experiment design, such as collecting data from different countries or regions that are less affected by the same overarching trends.

#### **4.1.2. *Intentional versus Unintentional Impacts***

67. When enterprises engage in policies and practices intended to be part of due diligence programmes, it is possible that their actions could have unintended consequences. An evaluation process can consider intended and unintended outcomes. These can be both positive and negative. For example, knowledge can informally spillover from a multinational enterprise to its suppliers (Fu et al., 2011) or wages can be cut as a result of implementing a new policy (Yu, 2008).

68. Another potential issue with measuring outcomes in a particular place is that efforts towards promoting responsible supply chains may lead to a displacement effect (Koenig-Archibugi, 2017). This can involve practices with adverse impacts remaining at the same level but moving out of the purview of the private regulation. For example, if a due diligence related policy sets requirements for full-time employees of suppliers, suppliers can restructure their operations to move selected functions to be carried out by a sub-contractor or temporary workers (Mezzadri, 2012).

#### **4.1.3. *Suitability of Data Collection Methods for Outcomes***

69. One side of evaluating an outcome is identifying the trigger for the outcome (in this case an enterprise's due diligence behaviour). Overall, a key challenge is that processes involved in due diligence can be difficult to observe (see Section 3.1.5). When exploring outcomes, another issue of concern can be that simply identifying if an enterprise is engaging in a particular activity may not be enough information to carry out an assessment. For example, if an enterprise is involved in running training programmes, it may be necessary to evaluate the quality of the programmes, potentially considering variations in quality across different sites of implementation.

70. The other side of evaluating an outcome is collecting data on the outcome itself. Data collection options are diverse (see Annex A.4) and should be appropriate to the outcome being explored. For example, when considering worker-related outcomes, while monitoring by auditors has been found to be effective for identifying levels of measurable standards (e.g. access to fire escapes), this approach is not effective at identifying enabling rights (e.g. freedom of association, discrimination or harassment) (Barrientos et al., 2011).

71. Another issue related to collecting data on outcomes is that existing measurement tools may not be effective at identifying practices throughout complex supply chains and for practices with complex impacts that are difficult to categorise. For example, Life-Cycle Analysis (LCA) is a popular tool to assess environmental impacts but users have reported challenges with its implementation (Hellweg and Canals, 2017).

72. Finally, the coverage of data collection is another concern. This includes what types of uptake are considered and what kinds of outcomes are considered. For both of these decisions, data needs to be collected on the actors involved (see Section 3.1.5) and also possibly on control groups who are not connected to the uptake practices of interest. The type of research question being explored, the available resources for data collection and the availability of data can all shape data collection and coverage decisions.

#### **4.1.4. *Interaction between Practices***

73. The due diligence approach outlined in the OECD Garment and Footwear Guidance involves many distinct practices which come together as a whole to reduce the risk of adverse outcomes occurring related to enterprises' own operations or those of their business partners. However, in order to measure the impact of enterprises' due diligence practices it can be helpful to single out individual practices.



74. In addition to considering the impact of individual practices, it can also be helpful to consider how sets of practices interact with each other to shape outcomes. Combinations of strategies used simultaneously may influence effectiveness. For example, if a buyer sets supplier standards, do they provide training on how to meet them? Boström (2015) finds that a combination of monitoring and trust can be effective at addressing chemical risks. Similarly, Locke et al. (2007) found that while monitoring on its own had little impact on factories' working conditions, when combined with other activities intended to address root causes of poor working conditions, such as scheduling skills and quality and efficiency management, working conditions improved. Also, some internal practices can shape how external practices are delivered. For example, training of suppliers can be given to top suppliers or to those deemed at highest risk through a risk assessment (Oka et al. forthcoming a)

## Methodological for Measuring Outcomes

75. As with evaluating incentives and measuring and monitoring uptake, evaluating uptake can involve asking different types of questions. Key overarching objectives can include: exploring individual interventions and their potential effect, exploring multiple interventions and their effects, and how and why identified outcomes occurred.<sup>10</sup> This section presents three methodological approaches to evaluate outcomes that result from enterprises' due diligence practices (see Table 4.2). For all of these approaches, any of the 12 garment and footwear sector risks could be considered.

**Table 4.2. Approaches for Evaluating Incentives**

Approach	Description
Linking Uptake and Outcomes through Mining of Existing Data	Analyse existing data covering enterprises' due diligence practices and related outcomes
Quantitative Impact Assessment	Conducting impact assessment of selected due diligence intervention(s)
Exploratory Impact Case Study	Explore how a few enterprises' due diligence practices affect outcomes or explore contributing factors to an outcome

### 4.2.1. Linking Uptake and Outcomes through Mining of Existing Data

76. One methodological approach for exploring outcomes is 'Linking Uptake and Outcomes through Mining of Existing Data'. This approach compares data on enterprises' practices and data on outcomes. It requires obtaining and analysing datasets that provide information on (1) enterprises that may be carrying out due diligence practices, and (2) related outcomes. Multiple attributes of the enterprises in the data set can be explored with this approach to look for characteristics or practices that are associated with better outcomes.

77. Organisations that might hold relevant outcome-related data are NGOs, MSIs, auditing firms, clearing houses, brands and retailers or national statistics agencies (see Annex E). Data on enterprises' characteristics and practices may come from one of the uptake studies in this report ('Light Benchmark',

<sup>10</sup> Examples of past studies which use the approaches described below to answer each of these types of questions are provided in Table D.3 in Annex D.

'Enterprise Uptake Survey', or 'Uptake-Focused Mining of Existing Data') or from an organization that holds enterprise related data (see Annex E).

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**Overview:**

<b>Key Question</b>	<ul style="list-style-type: none"> <li>What are the relationships between uptake &amp; outcome measures of due diligence?</li> </ul>
<b>Coverage</b>	<ul style="list-style-type: none"> <li>Outcomes covered by the chosen dataset(s)</li> <li>Practices of enterprises covered in selected datasets</li> </ul>
<b>Data</b>	<ul style="list-style-type: none"> <li>Existing dataset(s) on enterprise characteristics &amp; due diligence uptake; existing data on outcomes</li> </ul>
<b>Frequency of Monitoring</b>	<ul style="list-style-type: none"> <li>Annual</li> </ul>
<b>Resources</b>	<ul style="list-style-type: none"> <li>Number of People: Low</li> <li>Special Skills: Quantitative methods</li> </ul>
<b>Implementation</b>	<ul style="list-style-type: none"> <li>Best suited to central study (by OECD)</li> </ul>
<b>Example of Similar Approach</b>	<ul style="list-style-type: none"> <li>Short et al. (2020) using data from a social auditor covering about ~5,000 suppliers to explore under which conditions codes and monitoring are likely to improve supplier working conditions.</li> </ul>

**Key Stages:**

<b>Stage</b>	<b>Key Roles</b>	<b>Activities</b>	<b>Outputs</b>
<b>Study Design &amp; Preparation</b>	<ul style="list-style-type: none"> <li>Central research team (OECD)</li> </ul>	<ul style="list-style-type: none"> <li>Identify outcomes of interest</li> <li>Survey available data sources (see Annex E for initial ideas)</li> <li>Select datasets covering:               <ul style="list-style-type: none"> <li>Uptake</li> <li>Outcomes</li> </ul> </li> <li>(Create confidentiality agreements with owners of data)</li> <li>Review existing evidence on related outcomes (see Annex A.2)</li> </ul>	NA
<b>Data Collection</b>	NA		
<b>Data Analysis</b>	<ul style="list-style-type: none"> <li>Central research team (OECD) (requires advanced statistical skills)</li> </ul>	<ul style="list-style-type: none"> <li>Use statistical tests to explore connections between enterprises' characteristics and practices and outcomes</li> </ul>	<ul style="list-style-type: none"> <li>Identification of patterns linking uptake and outcomes</li> </ul>

**General Assessment:**

<b>Benefits</b>	<ul style="list-style-type: none"><li>• Takes advantage of existing data</li><li>• Can cover many variables</li><li>• Panel data may enable attribution of causality</li></ul>
<b>Challenges</b>	<ul style="list-style-type: none"><li>• Can hinge upon willingness of potential partners to share data</li><li>• Coverage determined by existing data</li><li>• Audit data likely to under-report certain issues and outcomes (e.g. discrimination)</li></ul>
<b>Suitability across the Supply Chain</b>	<ul style="list-style-type: none"><li>• Data could be found related to any part of the supply chain</li></ul>
<b>Sampling and Reliability Challenges</b>	<ul style="list-style-type: none"><li>• Relies on using existing datasets</li><li>• A sample of data from the datasets could be checked for accuracy by the research team</li><li>• The statistical tests used to identify patterns in the data would need to include robustness checks</li></ul>
<b>Coverage vs Depth</b>	<ul style="list-style-type: none"><li>• The coverage of countries and enterprises in this study would be based on existing datasets</li><li>• The due diligence practices and outcomes covered and the amount of detail would also be based on the existing data</li><li>• Additional data could be sought if desired</li></ul>
<b>Data Uses &amp; Opportunities</b>	<ul style="list-style-type: none"><li>• This study would provide information on the links between enterprises characteristics and practices and outcomes</li><li>• The results would show which practices were linked with the best outcomes</li><li>• Organisations seeking to promote increased due diligence, such as policy makers could benefit from the results</li><li>• Organizations seeking to provide training to enterprises to improve their due diligence practices could benefit from the results</li><li>• Enterprises themselves seeking to learn more about the types of due diligence practices that might have the most impact could benefit from the results</li></ul>

### ***Suitability for Overcoming Key Issues for Evaluating Outcomes:***

<b>Attributing Causal Connections</b>	<ul style="list-style-type: none"><li>• Panel data (if available) can help tease out causality among various factors</li></ul>
<b>Intentional vs Unintentional Impacts</b>	<ul style="list-style-type: none"><li>• The data available on impacts may be limited to covering intentional impacts</li><li>• However, it would also be possible to collect additional data on impacts, which could include an exploration of unintended impacts</li></ul>
<b>Suitability of Data Collection Methods for Outcomes</b>	<ul style="list-style-type: none"><li>• The data available on outcomes could be limited to the existing datasets</li><li>• However, it would also be possible to collect additional data if desired</li></ul>
<b>Interaction between Practices</b>	<ul style="list-style-type: none"><li>• Depending on the data available, this approach would be able to explore interaction effects of different due diligence practices.</li></ul>

### ***4.2.2. Quantitative Impact Assessment***

78. In order to assess the impact of particular due diligence practices, two variations of a 'Quantitative Impact Assessment' can be employed. For the first variation (V1) a set of enterprises could be identified that carry out the practices of interest. Then data could be collected to measure if changes have occurred related to the targeted risk. The analysis could include exploring changes in sites before and after enterprises' interventions. Alternately, it may be possible to explore the intervention as a natural experiment if a group can be identified that has not been covered by the intervention through a reason that can be determined to be randomly applied (see Annex A.3). Examples of interventions could include the use of worker hotline systems or the implementation of chemical management policies.

79. A second variation (V2) for this approach is to conduct a survey of large group of actors or entities that may have been affected by due diligence practices of interest. This survey would cover a random sample of the selected group and ask them about their experiences. This approach could involve selecting a group of enterprises that may have been targeted by other enterprises' due diligence interventions (e.g. garment manufactures in a selected country) and asking them about their interactions with their buyers (e.g. brands and retailers'). Alternatively, it could involve selecting a group of enterprises that may be applying due diligence policies to cover their own operations (e.g. using policies to reduce the gender pay gap). Questions could cover (1) exposure to due diligence practices, (2) reacted to any interventions, and (3) characteristics and practices of their enterprises.

#### ***Overview:***

<b>Key Question</b>	<ul style="list-style-type: none"><li>• What is the impact of selected due diligence practice(s)?</li></ul>
<b>Coverage</b>	<ul style="list-style-type: none"><li>• V1: Sample of actors or entities targeted by intervention (&amp; "control group")</li><li>• V2: Sample of actors or entities that may be covered by selected intervention(s)</li><li>• Selected outcomes addressed by due diligence intervention(s)</li></ul>
<b>Data</b>	<ul style="list-style-type: none"><li>• Quantitative data such as surveys (managers or workers) &amp; administrative records (e.g. worker turnover rates)</li></ul>

<b>Frequency Monitoring</b>	of	<ul style="list-style-type: none"> <li>Once</li> </ul>
<b>Resources</b>		<ul style="list-style-type: none"> <li>Number of People: High</li> <li>Skill Level: Quantitative methods</li> </ul>
<b>Implementation</b>		<ul style="list-style-type: none"> <li>Best suited to central study (by OECD) with implementing partners where outcomes occur</li> </ul>
<b>Examples of Similar Approaches</b>		<ul style="list-style-type: none"> <li>V1: To evaluate the ILO's Better Work programme (intended to improve factory working conditions), Brown et al. (2016) conducted a multi-method impact assessment using surveys, interviews &amp; factory audits with randomised control trials, quasi-experimental design &amp; qualitative analysis.</li> <li>V2: EY (2018) surveyed 2550 executives in 55 countries collecting data exploring impacts of enterprises' own fraud prevention efforts.</li> <li>V2: Vaughan-Whitehead and Pinedo Caro (2017) conducted a survey of 1457 suppliers from 80 countries to identify connections between working conditions and buyers' practices.</li> </ul>

### Key Stages:

Stage	Key Roles	Activities	Outputs
<b>Study Design &amp; Preparation</b>	<ul style="list-style-type: none"> <li>Central research team (OECD)</li> </ul>	<ul style="list-style-type: none"> <li>Select intervention</li> <li>Review existing evidence on related outcomes (see Annex A.2)</li> <li>V1: <ul style="list-style-type: none"> <li>Select enterprises carrying out the intervention of interest</li> <li>These enterprises can be drawn from information on uptake from: <ul style="list-style-type: none"> <li>'Light Benchmark',</li> <li>Uptake-Focused Mining of Existing Data'</li> <li>'Uptake Enterprise Survey'</li> <li>existing data (see Annex E)</li> </ul> </li> <li>Obtain information on groups targeted by the selected due diligence practices and select a sample from among the target group.</li> <li>If possible, identify a "control group" and select a sample from this group as well.</li> </ul> </li> <li>V2: <ul style="list-style-type: none"> <li>Identify a population that involves targets of enterprises' due diligence practices. Select a sample from within this population (within this sample some will</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>Data collection tools</li> <li>(Translated versions of data collection tools)</li> </ul>

		<p>have been exposed to the intervention and other will not)</p> <ul style="list-style-type: none"> <li>• Design data collection tools</li> <li>• (Translate data collection tools)</li> </ul>	
<b>Data Collection</b>	<ul style="list-style-type: none"> <li>• Research team (central or based where outcomes take place)</li> </ul>	<ul style="list-style-type: none"> <li>• Collect data from target group</li> </ul>	<ul style="list-style-type: none"> <li>• Raw data on target group</li> </ul>
<b>Data Analysis</b>	<ul style="list-style-type: none"> <li>• Research team (central or based where outcomes take place)</li> </ul>	<ul style="list-style-type: none"> <li>• Analyse data to determine connections between use of selected intervention(s) and outcomes in target group</li> </ul>	<ul style="list-style-type: none"> <li>• Measurement of the level of impact of selected intervention(s)</li> </ul>

### **General Assessment:**

<b>Benefits</b>	<ul style="list-style-type: none"> <li>• Tests the impact of selected intervention(s)</li> </ul>
<b>Challenges</b>	<ul style="list-style-type: none"> <li>• Scope limited to selected intervention(s)</li> <li>• May require research partners where outcomes occur</li> </ul>
<b>Suitability across the Supply Chain</b>	<ul style="list-style-type: none"> <li>• Interventions could be carried out by enterprises at any point in the supply chain and outcomes could be located at any point in the supply chain</li> </ul>
<b>Sampling and Reliability Challenges</b>	<ul style="list-style-type: none"> <li>• A representative sample could be selected from the actors/entities targeted by an intervention.</li> <li>• A sample may also be drawn from a “control group” that has not been exposed to the intervention.</li> <li>• Multiple forms of data could be collected to ensure reliability</li> </ul>
<b>Coverage vs Depth</b>	<ul style="list-style-type: none"> <li>• This approach would focus on the practices of a selected group of enterprises</li> <li>• The depth of exploration of the outcomes would depend on the study design</li> <li>• Study is limited to selected due diligence practices</li> </ul>
<b>Data Uses &amp; Opportunities</b>	<ul style="list-style-type: none"> <li>• This study would provide information about the effectiveness of selected due diligence practices</li> <li>• The results would be helpful for organisations seeking to promote increased due diligence, such as policy makers</li> <li>• The results would be helpful for organizations seeking to provide training to enterprises to improve enterprises’ due diligence practices</li> <li>• The results would be helpful for enterprises themselves seeking to learn more about the types of due diligence practices that might have the most impact</li> </ul>

### **Suitability for Overcoming Key Issues for Evaluating Outcomes:**

<b>Attributing Causal Connections</b>	<ul style="list-style-type: none"> <li>• Time series data or quasi experimental approaches can be used to attribute causality (see Annex A.3)</li> </ul>
<b>Intentional vs Unintentional Impacts</b>	<ul style="list-style-type: none"> <li>• Data can be collected on intentional and unintentional impacts, although the latter is less likely to be captured.</li> </ul>

<b>Suitability of Data Collection Methods for Outcomes</b>	<ul style="list-style-type: none"> <li>Existing data would be drawn upon to identify enterprises' due diligence practices</li> <li>Data collection method can be customized to the outcomes of interest (see Annex A.4)</li> </ul>
<b>Interaction between Practices</b>	<ul style="list-style-type: none"> <li>This approach could explore selected patterns of uptake but it is not suited to assessing various combinations of diligence practices.</li> </ul>

#### **4.2.3. Exploratory Impact Case Study**

80. The third methodological approach for evaluating outcomes is 'Exploratory Impact Case Study'. This approach is very flexible and can be used to explore all three types of questions outlined above (exploring effects of single intervention, multiple interventions and how and why an outcome occurred).

81. The first variant of this approach (V1) could be focused on looking the practices of a small group of enterprises and exploring their due diligence practices and impacts. These could be any enterprises at any part of the supply chain, such as garment brands or cotton traders. The actions they have taken to support due diligence processes could be identified. Then an impact assessment could be carried out to assess results of their due diligence practices (see Annex A.3). This approach can also be used to explore how enterprises reacted when they discovered adverse outcomes. Specifically, it can identify how and if they were able to cease, prevent or mitigate the outcome. It can also explore how enterprises prioritise different risks based on their available resources.

82. Alternatively, the second variation of this approach (V2) can start by focusing on a particular outcome related to a sector risk. For example, a selected case could be an industrial cluster connected global garment production that is known to generate high levels of pollution. The case study could involve exploring how different enterprises are connected to the outcome and how they are working to cease, prevent or mitigate its occurrence. Processes used for remediation could also be explored.



**Overview:**

<b>Key Question</b>	<ul style="list-style-type: none"> <li>How do due diligence practices affect outcomes?</li> </ul>
<b>Coverage</b>	<ul style="list-style-type: none"> <li>Selected enterprises</li> <li>Selected actors related to outcomes</li> <li>Selected outcome(s)</li> </ul>
<b>Data</b>	<ul style="list-style-type: none"> <li>Interviews; focus groups; document review; staff surveys</li> </ul>
<b>Frequency of Monitoring</b>	<ul style="list-style-type: none"> <li>Once</li> </ul>
<b>Resources</b>	<ul style="list-style-type: none"> <li>Number of People: High</li> <li>Special Skills: Qualitative methods</li> </ul>
<b>Implementation</b>	<ul style="list-style-type: none"> <li>Can be conducted at country-level or centrally by the OECD</li> </ul>
<b>Examples of Similar Approach</b>	<ul style="list-style-type: none"> <li>V1: Barrientos et al. (2007) conducted interviews, focus groups with workers and key informant interviews across 5 countries to explore the impacts of buyer adopting the ETI Base Code (a labour code developed by a multi-stakeholder initiative)</li> <li>V2: Phillips et al. (2011) explore child labour in the global production networks for garment production by starting with a focus on a city-based case and identifying global connections.</li> </ul>

**Key Stages:**

<b>Stage</b>	<b>Key Roles</b>	<b>Activities</b>	<b>Outputs</b>
<b>Study Design &amp; Preparation</b>	<ul style="list-style-type: none"> <li>Research team (central or nationally based)</li> </ul>	<ul style="list-style-type: none"> <li>Review existing evidence on outcomes of interest (see Annex A.2)</li> <li>V1: Select enterprises: <ul style="list-style-type: none"> <li>Different study designs could require different characteristics</li> <li>Two options are: maximum variation or selecting enterprises perceived to be typical</li> </ul> </li> <li>V2: Select outcome of interest: <ul style="list-style-type: none"> <li>Select a critical case or a typical case where the outcome occurs</li> <li>Identify enterprises that are connected to the outcome</li> </ul> </li> <li>Design data collection tools</li> <li>(Translate data collection tools)</li> </ul>	<ul style="list-style-type: none"> <li>Data collection tools</li> <li>(Translated versions of data collection tools)</li> </ul>
<b>Data Collection</b>	<ul style="list-style-type: none"> <li>Research team (central or nationally based)</li> </ul>	<ul style="list-style-type: none"> <li>V1: Multiple data collection processes carried out related to each enterprise in the sample (can collect data about subsidiaries), actors related to outcomes of interest and relevant stakeholders</li> <li>V2: Multiple data collection processes carries out related to each outcome of interest,</li> </ul>	<ul style="list-style-type: none"> <li>Raw data on selected enterprises, outcomes and stakeholders</li> </ul>

		connected enterprises, and relevant stakeholders	
<b>Data Analysis</b>	<ul style="list-style-type: none"> <li>Research team (central or nationally based)</li> </ul>	<ul style="list-style-type: none"> <li>Explore patterns and process tracing               <ul style="list-style-type: none"> <li>Within enterprise analysis</li> <li>Cross enterprise comparison</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>Lessons about how outcomes occur</li> </ul>

### ***General Assessment:***

<b>Benefits</b>	<ul style="list-style-type: none"> <li>Can explore intended as well as unintended consequences</li> <li>Shows how due diligence measures influence outcomes</li> <li>Can explore best practice as well as problematic ones</li> <li>Can explore enterprises' integrated sets of due diligence practices</li> </ul>
<b>Challenges</b>	<ul style="list-style-type: none"> <li>Requires enterprises and other relevant actors to actively participate (e.g. affected staff or suppliers)</li> <li>May require research partners where outcomes occur</li> <li>Difficult to compare across enterprises &amp; countries</li> </ul>
<b>Suitability across the Supply Chain</b>	<ul style="list-style-type: none"> <li>Enterprises could be selected at any point in the supply chain and their due diligences practices may related to any point in the supply chain</li> </ul>
<b>Sampling and Reliability Challenges</b>	<ul style="list-style-type: none"> <li>This approach does not cover a representative sample</li> <li>Processes and mechanisms leading to outcomes would be identified</li> <li>To check the prevalence of these factors, additional research would be needed</li> <li>This approach allows for multiple sources of data to be brought together which could allow for triangulation to ensure accuracy</li> </ul>
<b>Coverage vs Depth</b>	<ul style="list-style-type: none"> <li>In depth information is collected on a small group of actors</li> </ul>
<b>Data Uses &amp; Opportunities</b>	<ul style="list-style-type: none"> <li>This study would provide information about the effectiveness of diverse due diligence practices</li> <li>The results would be helpful for organisations seeking to promote increased due diligence, such as policy makers</li> <li>The results would be helpful for organizations seeking to provide training to enterprises to improve enterprises' due diligence practices</li> <li>The results would be helpful for enterprises seeking to learn more about the types of due diligence practices that might have the most impact</li> </ul>

### ***Suitability for Overcoming Key Issues for Evaluating Outcomes:***

<b>Attributing Causal Connections</b>	<ul style="list-style-type: none"> <li>Process tracing can be used to untangle the causal chain from enterprises' practices to the outcomes of interest (see Annex A.3)</li> </ul>
<b>Intentional vs Unintentional Impacts</b>	<ul style="list-style-type: none"> <li>Best suited to cover both intentional and unintentional impacts</li> </ul>
<b>Suitability of Data Collection Methods for Outcomes</b>	<ul style="list-style-type: none"> <li>Multiple data collection methods can used to explore diverse due diligence practices (see Annex A.4)</li> <li>Data collection method can be customised to the outcomes of interest (see Annex A.4)</li> </ul>

<b>Interaction Practices</b>	<b>between</b>	<ul style="list-style-type: none"><li>• This approach is well suited to exploring enterprises' holistic due diligence strategy rather than assessing the effectiveness of particular combinations</li></ul>
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DRAFT

## 5. Conclusion

83. This report has identified and analysed a variety of methodological approaches for measuring the incentives, uptake and outcomes of due diligence by enterprises operating within the garment and footwear sector. The report has also examined a series of key issues to consider when designing evaluation processes. This concluding section considers factors which may be important in choosing from among the proposed methodological approaches. Each of the methodological approaches presented in this report serves different purposes. The choice of an approach should be based on the objectives for carrying out the study, while synergies and complementarities of different approaches should also be taken into account.

84. In terms of efficient use of resources, mining of existing data (through 'Linking Incentives and Uptake', 'Uptake-Focused Mining of Existing Data', or 'Linking Uptake and Outcomes through Mining of Existing Data') is a preferred option as it leverages existing data and serves multiple purposes. However, this type of approach is contingent upon obtaining access to relevant datasets and limited in terms of the countries, enterprises, and topics covered by the datasets.

### 5.1. Comparing Methodological Approaches for Evaluating Incentives

85. Four methodological approaches have been identified for evaluating incentives for enterprises to adopt due diligence practices. Table 5.1 provides an overview of these approaches. Each approach asks a different type of question with varying coverage, data requirements, and resource implications. All four approaches can be carried out once to give a snapshot of incentive environments, while they can also be repeated in order to see if incentives have changed.

**Table 5.1. Key Characteristics of Approaches for Evaluating Incentives**

Approach	Key Question	Coverage	Data	Monitoring Frequency	Resources (people, skill)	Implementation	Benefits	Challenges
National Incentive Benchmark	What are key sources of pressures for due diligence in a country?	Selected Countries	Desk-based research Interviews with key national stakeholders	Once (can be repeated)	Medium, Benchmark design requires an expert	Best suited to country-level execution coordinated by OECD	Provides overview of enterprises' macro incentive environment Easy to compare across countries	Execution in multiple countries requires language skills & knowledge of multiple national contexts
Linking Incentives & Uptake through Mining Existing Data	Which incentive measures are linked to greater uptake of due diligence at an enterprise-level?	Countries & enterprises covered in selected databases	Existing datasets on: countries' incentives enterprise characteristics & due diligence uptake	Once (can be repeated)	Low, Quantitative Method Skills	Best suited to central study (by OECD)	Can identify key incentives Takes advantage of existing data Panel data can be used to identify causal connections	Available data limit coverage of measures, countries & enterprises Execution requires expertise in advanced statistical analysis
Incentive Enterprise Survey	What motivates enterprises to engage in due diligence?	A large sample of enterprises in selected countries	Large-scale survey	Once (can be repeated)	High, Quantitative Method Skills	Best suited to country-level execution coordinated by OECD	Can ask tailored questions on specific points of interest Can target representative sample	Response rate & representativeness of sample Units w/in enterprises can respond to different incentives
Exploratory Incentive Case Study	How do enterprises react to pressures created by incentives?	Selected enterprises	Interviews; focus groups Document review Staff surveys	Once (can be repeated)	High, Qualitative Method Skills	Can be conducted at country-level or centrally by OECD	Can uncover processes & mechanisms of how incentives affect enterprise behaviour Can explore intended	Reluctance of enterprises to participate Does not provide general picture Difficult to compare across enterprises & countries

							as well as unintended consequences Can identify within- enterprise variation (e.g. departments)	
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86. Each of the proposed incentive approaches is suited to different purposes. Table 5.2 provides an overview of key reasons to choose each approach. ‘National Incentive Benchmark’ covering national attributes is best suited to comparing incentive environments across countries. ‘Linking Incentives & Uptake through Mining Existing Data’ is best positioned to compare the effectiveness of different incentives. ‘Incentive Enterprise Survey’ and ‘Exploratory Incentive Case Study’ are useful for understanding drivers of uptake at the enterprise-level. The former approach can help to understand how incentives are felt by different types of enterprises, while the latter approach can provide an in-depth understanding of how incentives affect enterprise behaviour. All four approaches can support policy development, albeit in a different manner.

**Table 5.2. Purposes for Methodological Approaches for Evaluating Incentives**

Approach	Compare Effectiveness of Different Incentives	Compare across Countries	Understand Incentives at Enterprise-level
<b>National Incentive Benchmark</b>		VV	
<b>Linking Incentives &amp; Uptake through Mining Existing Data</b>	VV	V	V
<b>Incentive Enterprise Survey</b>	V	V	VV
<b>Exploratory Incentive Case Study</b>			VV

## **5.2. Comparing Methodological Approaches for Measuring and Monitoring Uptake**

87. Four methodological approaches have also been identified for measuring and monitoring uptake of due diligence practices. Table 5.3 provides an overview of these four approaches. Three of the four approaches ('Light Benchmark', 'Uptake-Focused Mining of Existing Data', and 'Uptake Enterprise Survey') ask the same question 'To what extent do enterprises implement key due diligence measures?'. However, these approaches cover different sets of enterprises and due diligence indicators, using different data sources with varying resource implications. These three approaches can also involve annual data collection to facilitate regular monitoring. The fourth approach 'Exploratory Uptake Case Study' serves a different purpose as explained below.

**Table 5.3. Key Characteristics of Approaches for Assessing Uptake**

Approach	Key Question	Coverage	Data	Monitoring Frequency	Resources (people, skill)	Implementation	Benefits	Challenges
Light Benchmark	To what extent do enterprises implement key due diligence measures?	Sample of enterprises in selected countries Due diligence practices: determined by design of indicators	Publicly available information supplemented by direct contact w/ enterprises	Annual	High, Benchmark design requires an expert	Can be conducted at country-level or centrally by OECD	Provides picture of industry practices among top enterprises Takes advantage of existing available data Easy to compare across time & countries Publishing set of expected indicators may help drive wide-spread reporting on these indicators	Can be reliant on self-reported information Coverage may be patchy if enterprises not willing to provide data beyond publicly available information
Uptake-Focused Mining of Existing Data	To what extent do enterprises implement key due diligence measures?	Enterprises & due diligence practices covered by the dataset(s)	Existing datasets	Annual	Low, Quantitative Method Skills	Best suited to central study as data may cover enterprises in multiple countries	Takes advantage of existing data Data are likely to be internally consistent If time series data is available trends can be explored	Existing data (potentially covering partner organization's members) can have selection bias Data availability
Uptake Enterprise Survey	To what extent do enterprises implement key due diligence measures?	Sample of enterprises in selected countries Due diligence	Survey	Annual	High, Quantitative Method Skills	Best suited to country-level & coordinated centrally by OECD	Can tailor questions to specific points of interest Can target a representative	Relying on self-reported information Response rate & representativeness of sample



		practices: can cover all					sample	
Exploratory Uptake Case Study	How do enterprises implement due diligence measures?	Selected enterprises Due diligence practices: can cover all	Interviews Focus groups Document review Staff surveys	Once	High, Qualitative Method Skills	Can be conducted at country-level or centrally by OECD	Can identify how due diligence is implemented w/in an enterprise Can explore intended & unintended aspects Can identify w/in-enterprise variation	Reluctance of enterprises to participate Does not provide general picture

88. Each of the proposed methodological approaches for evaluating uptake is suited to different purposes. Table 5.4 provides an overview of key reasons to choose each approach. While ‘Light Benchmark’ focusing on larger enterprises gives a quick overview of uptake that is comparable across countries and time, it does not provide a representative picture of the sector. As for ‘Uptake-Focused Mining of Existing Data’, the sample is limited by the enterprises covered by the dataset, although a smaller more representative sample may be constructed. The strength of this approach lies in leveraging existing data and efficient use of resources. ‘Uptake Enterprise Survey’ is suited to measuring uptake among a representative sample of enterprises in a given country. Nevertheless, comparison across countries and time is not straightforward given the resource intensity and difficulty of constructing comparable samples. ‘Exploratory Uptake Case Study’ is a different approach that helps to understand the realities of uptake and identify best practices. All four approaches can support policy development, albeit in a different manner.

**Table 5.4. Purposes for Methodological Approaches for Monitoring and Measuring Uptake**

Approach	Measure Uptake among a Representative Sample of Enterprises	Compare across Countries	Monitor over Time	Identify Best Practices
Light Benchmark	v	vv	vv	
Uptake-Focused Mining of Existing Data	v	v	vv	
Uptake Enterprise Survey	vv	v	v	v
Exploratory Uptake Case Study				vv

### 5.3. Comparing Methodological Approaches for Evaluating Outcomes

89. Three methodological approaches have been identified for evaluating outcomes of due diligence practices. Table 5.5 provides an overview of these three approaches. Each outcome approach asks a different type of question with varying coverage, data requirements, and resource implications. In terms of monitoring frequency, 'Linking Uptake & Outcomes through Mining Existing Data' can involve analysing regularly published data on an annual basis. 'Quantitative Impact Assessment', and 'Exploratory Impact Case Study' can be done once to explore impact of particular practices at a particular time, which can also be revisited to see if dynamics have changed.

**Table 5.5. Key Characteristics of Approaches for Assessing Outcomes**

Approach	Key Question	Coverage	Data	Monitoring Frequency	Resources (people, skill)	Implementation	Benefits	Challenges
Linking Uptake & Outcomes through Mining of Existing Data	What are the relationships between uptake & outcome measures of due diligence?	Outcomes covered by the chosen dataset(s)	Existing dataset(s) on enterprise characteristics & due diligence uptake; existing data	Annual	Low, Quantitative Method Skills	Best suited to central study (by OECD)	Takes advantage of existing data Can cover many variables Panel data may enable attribution of causality	Availability of data Coverage determined by existing data Audit data likely to under-report certain issues and outcomes (e.g. discrimination)
Quantitative Impact Assessment	What is the impact of selected due diligence practice(s)?	V1: Sample of actors or entities targeted by intervention (& "control group") V2: Sample of actors or entities that may be covered by	Quantitative data such as surveys (managers or workers) & administrative records (e.g. worker turnover rates)	Once	High, Quantitative Method Skills	Best suited to central study (by OECD) w/ implementing partners where outcomes occur	Tests the impact of selected intervention(s)	Scope limited to selected intervention(s) May require research partners where outcomes occur

		selected intervention(s) Selected outcomes addressed by due diligence intervention(s)						
Exploratory Impact Case Study	How do due diligence practices affect outcomes?	Selected enterprises Selected actors related to outcomes Selected outcomes	Qualitative data such as interviews Existing documents & records (administrative data)	Once	High, Qualitative Method Skills	Can be conducted at country-level or centrally by the OECD	Can explore unintended & intended consequences Shows how due diligence measures influence outcomes Can explore best practice as well as problematic ones Can explore enterprises' integrated sets of due diligence practices	Requires enterprises & other relevant actors to actively participate May require research partners where outcomes occur Difficult to compare across enterprises & countries

90. Each of the proposed methodological approaches for evaluating outcomes is suited to different purposes. Table 5.6 provides an overview of key reasons to choose each approach. 'Linking Uptake & Outcomes through Mining Existing Data' is suited to identifying an association (but not necessarily a causal link, unless panel data can be constructed) between the overall level of uptake and outcome. It can also assess which types of due diligence practices are significantly associated with certain outcomes. 'Quantitative Impact Assessment' is best suited to rigorously assess the impact of a selected intervention. 'Exploratory Impact Case Study' is useful for identifying best practices, assessing sensitive outcomes, understanding the process of how an intervention led to the outcome including unintended consequences and exploring impacts related to enterprises' entire package of due diligence practices. All three approaches can support policy development, albeit in a different manner.

**Table 5.6. Purposes for Methodological Approaches for Evaluating Outcomes**

Approach	Identify Links Between Overall Uptake & Outcomes	Compare Impacts of Different Due Diligence Practices	Assess Impact of a Selected Intervention	Identify Best Practices
Linking Uptake and Outcomes through Mining of Existing Data	vv	vv	v	v
Linking Uptake and Outcomes through Mining of Existing Data	v	v	vv	v
Exploratory Impact Case Study	v	v	vv	vv

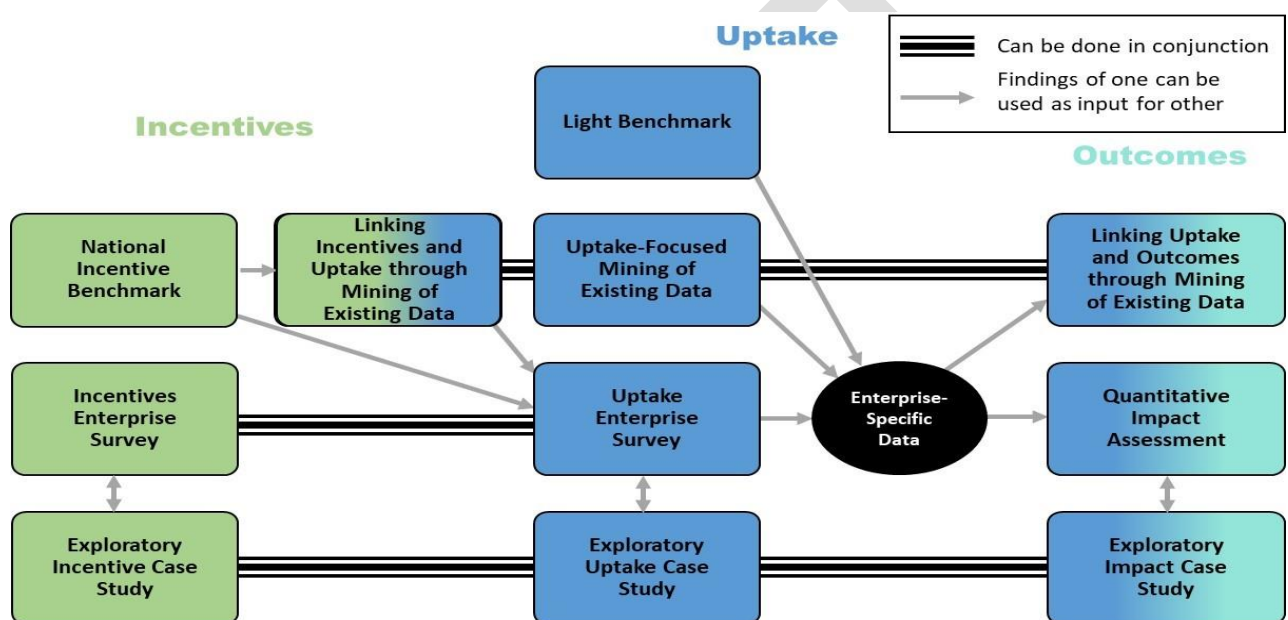
#### **5.4. Choosing Sets of Methodological Approaches**

91. Multiple approaches can be combined to take advantage of synergies and to complement each other to achieve a set objective. Figure 5.1 outlines connections between the proposed methodological approaches. One key consideration is efficient use of resources. For instance, the approaches based on mining of existing data can be done in conjunction as they use a similar set of data. Similarly, given the resource intensity of conducting enterprise surveys, the same survey can cover both incentive and uptake questions. As for the case study approaches, their feasibility hinges upon enterprises' willingness to participate and make their staff and materials available. Given the difficulty of obtaining access, it would make

sense to cover incentive, uptake, and impact studies for the same enterprises, whenever possible. Hence, those approaches that can or should be done in conjunction are highlighted in Figure 5.1.

92. Another key consideration is complementarity. While quantitative studies (e.g. mining of existing data) can establish statistical relationships between variables, they are not suited to all types of outcomes and they do not provide information on causal mechanisms. Here, qualitative, in-depth process tracing can be complementary. Also, qualitative case studies can illustrate different practices (e.g. profiling a best, medium and worst performer). Case studies can look at outcomes with varying impacts including unintended consequences, which may be more informative for providing guidance to enterprises. Thus, a good practice is to combine quantitative and qualitative approaches where possible.

**Figure 5.1. Connections between Evaluation Approaches**



93. The following considers different potential objectives and identifies sets of approaches that may be useful for each objective.

#### **5.4.1. Objective: To Design an Incentive to Adopt Due Diligence**

- A country's existing incentive environment can be understood through using 'National Incentive Benchmark'.
- Existing levels of uptake of due diligence practices could be explored through 'Uptake-Focused Mining of Organisational Data', 'Uptake Enterprise Survey', or 'Light Benchmark'.
- The design of the intervention could be shaped through the findings of an 'Incentive Enterprise Survey' and/or 'Exploratory Incentive Case Study'.
- To identify which incentives are connected to higher or lower levels of uptake, 'Linking Incentives and Uptake through Mining of Existing Data' could be carried out.

#### **5.4.2. Objective: To Identify Best Practices for Enterprises**

- Due diligence practices linked to best outcomes could be identified through 'Linking Uptake and Outcomes through Mining of Existing Data'.
- To understand how enterprises implement due diligence practices and how these practices impact themselves or supply chain partners, 'Exploratory Uptake Case Study' and 'Exploratory Impact Case Study' could be used.
- The impact of practices being considered could be explored through a 'Quantitative Impact Assessment'.

#### **5.4.3. Objective: To Identify Ways to Alleviate an Adverse Impact**

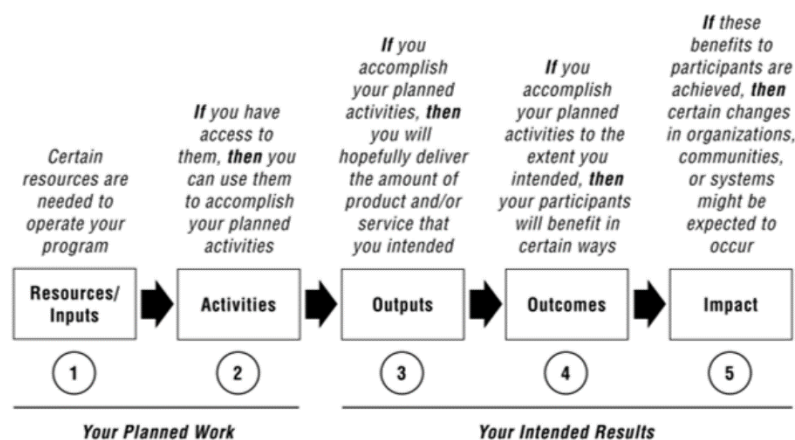
- Due diligence practices that are associated with lower occurrences of the outcome of concern could be identified through 'Linking Uptake and Outcomes through Mining of Existing Data'.
- Experiences related to the outcome of concern could be explored using an 'Exploratory Impact Case Study'.

# Annex A. Carrying Out Evaluations

## A.1 Theories of Change

1. Developing a theory of change can be key to carrying out evaluation processes. This involves identifying a proposed causal chain of events. One way to do this is through developing a logic model (see Figure A.1 for an example). This model outlines the needed and expected inputs, activities, outputs, outcomes and impact.

Figure A A.1. Logical Model



Source: W. K. Kellogg Foundation 2004, p. 3

## A.2 Reviewing Existing Evidence

2. Before conducting an evaluation, it is important to systematically review relevant past research. Reviewing existing evidence can establish what is already known about the phenomenon being assessed and what are key questions to ask when conducting an assessment. Four potential methods for reviewing evidence are outlined below (HM Treasury, 2011).

### Systematic Review

3. In order to get over the challenges of the too much information being published and variable quality of available information, a systematic review can be conducted. This involves:

- Clearly stated objectives with pre-defined eligibility criteria for studies
- An explained and reproducible methodology

- Systemic search to identify studies that meet eligibility criteria (may specify which reference databases are used, search terms and filtering criteria)
- A formal assessment of the validity of the findings of the included studies
- Systematic presentation of the findings which synthesis the studies included

### ***Rapid Evidence Assessment***

4. A simpler method compared to a systematic review is a rapid evidence assessment (REA). This relies on the same principles as a systemic review but involves a less comprehensive search of possible available evidence.

### ***Meta-Evaluation***

5. A more thorough evaluation of existing evidence can be carried out by a meta-evaluation. This can refer to an evaluation of evaluations or a synthesis of evaluations. The process will generally involve trying to bring together the results of multiple studies to identify overall findings, such as average effect size across multiple studies. Studies included might be selected because they are particularly interesting or relevant as opposed to using a systematic search. Commonalities between studies may be that they deal with a similar theme, were funded under the same programme or were implemented in the same geographical area.

### ***Meta-Analysis***

6. Meta-analysis is a more formal approach than meta-evaluation. It involves analysing a large set of results from individual studies in order to integrate the findings.

## **A.3 Monitoring and Evaluation Approaches**

7. Various techniques and strategies are available for monitoring and evaluating related to due diligence incentives, uptake and outcomes.

### ***A.3.1 Institutional Mapping***

8. Institutional mapping is a way to explore a context in which enterprises are operating. This approach can be used to identify incentives that enterprises face related to acting responsibly. Institutional mapping involves identifying key institutions affecting the environment being studied and recording roles and pressures created by them. Relevant questions to ask in the process of institutional mapping include (da Silva et al., 2008; McFadden et al., 2010, FAO, 2020):

- Who are the main players? (consider different scales of governance)
- What are the 'rules of the game'? (legislative and regulatory environment; regulations, guidance, guidelines, codes, administrative procedures, financial arrangements and administrative procedures)
- What are the informal 'rules of the game'? (underlying social norms and conditions relevant to understanding the formal regulatory environment)
- Are enterprises compliant with formal rules?
- Why types of incentives are provided to encourage the targeted behaviour?



- Which practices do these incentives support?
- Who is reached by these incentives?
- Are there perverse incentives in conflict with the targeted behaviour?

### **A.3.2 Monitoring Enterprises' Behaviour**

9. Monitoring can be used to keep track of enterprises' behaviour. This behaviour can be monitored by active observation, asking enterprises to self-report or by exploring administrative data that provides information about past and ongoing behaviours. Data collection options are listed in Annex A.4.

### **A.3.3 Evaluating Outcomes**

10. Many factors can be considered when conducting evaluations and numerous approaches are available. The rest of this section discusses general approaches to evaluation. A key consideration when choosing an approach is the main question(s) being asked. For example, is the evaluation focused on identifying the size of an effect, the causes of an effect or the current state of particular situation. The general approaches discussed below are not all distinct as some overlap with each other and different approaches can be used in conjunction with each other. An overview of a wide variety of approaches for carrying out impact evaluations is provided in Table A.1 and a few key approaches are described in more detail below.

**Table A A.1. Additional Evaluation Options**

<b><i>Appreciative Inquiry</i></b> A strengths-based approach designed to support ongoing learning and adaptation by identifying and investigating outlier examples of good practice and ways of increasing their frequency.	<b><i>Most Significant Change</i></b> Primarily intended to clarify differences in values among stakeholders by collecting and collectively analysing personal accounts of change.
<b><i>Beneficiary Assessment</i></b> An approach that focuses on assessing the value of an intervention as perceived by the (intended) beneficiaries, thereby aiming to give voice to their priorities and concerns.	<b><i>Outcome Harvesting</i></b> Suitable for retrospectively identifying emergent impacts by collecting evidence of what has changed and, then, working backwards, determining whether and how an intervention has contributed to these changes.
<b><i>Case study</i></b> Focuses on understanding a unit (person, site or project) in its context. Can use combination of qualitative and quantitative data.	<b><i>Outcome Mapping</i></b> Unpacks an initiative's theory of change, provides a framework to collect data on immediate, basic changes that lead to longer, more transformative change, and allows for the plausible assessment of the initiative's contribution to results via 'boundary partners'.
<b><i>Causal Link Monitoring</i></b> Support ongoing learning and adaptation.	<b><i>Participatory Evaluation</i></b> Range of approaches that engage

Identifies the processes required to achieve desired results, and then observes whether those processes take place, and how.	stakeholders (especially intended beneficiaries) in conducting evaluation and/or making decisions about the evaluation.
<b>Collaborative Outcomes Reporting</b> Based on contribution analysis, with the addition of processes for expert review and community review of evidence and conclusions.	<b>Participatory Rural Appraisal (PRA) / Participatory Learning for Action (PLA)</b> A participatory approach which enables farmers to analyse their own situation and develop a common perspective on natural resource management and agriculture at village level.
<b>Contribution Analysis</b> Iteratively maps available evidence against a theory of change, then identifies and addresses challenges to causal inference.	<b>Positive Deviance</b> A strengths-based approach to learning and improvement that involves intended evaluation users in identifying 'outliers' – those with exceptionally good outcomes – and understanding how they have achieved these.
<b>Critical System Heuristics</b> An approach used to surface, elaborate, and critically consider the options and implications of boundary judgments, that is, the ways in which people/groups decide what is relevant to what is being evaluated.	<b>Qualitative Impact Assessment Protocol (QUIP)</b> Without a control group, this approach uses narrative causal statements elicited from intended project beneficiaries.
<b>Democratic Evaluation</b> Various ways of doing evaluation in ways that support democratic decision making, accountability and/or capacity.	<b>Realist Evaluation</b> An approach which examines what works for whom in what circumstances through what causal mechanisms, including changes in the reasoning and resources of participants.
<b>Developmental Evaluation</b> Designed to support ongoing learning and adaptation, through iterative, embedded evaluation.	<b>Social Return on Investment (SROI)</b> A participatory approach to value-for-money evaluation that identifies a broad range of social outcomes, not only the direct outcomes for the intended beneficiaries of an intervention.
<b>Empowerment Evaluation</b> A participatory approach designed to provide groups with the tools and knowledge so they can monitor and evaluate their own performance.	<b>Success Case Method</b> An impact evaluation approach based on identifying and investigating the most successful cases and seeing if their results can justify the cost of the intervention (such as a training course).
<b>Horizontal Evaluation</b> An approach to learning and improvement that combines self-assessment by local	<b>Utilisation-Focused Evaluation</b> Uses the intended uses of the evaluation by its primary intended users to guide decisions about how an evaluation should

participants and external review by peers.	be conducted.
<b><i>Innovation History</i></b> A particular type of case study used to jointly develop an agreed narrative of how an innovation was developed, including key contributors and processes, to inform future innovation efforts.	
<b><i>Institutional Histories</i></b> A type of case study used to create a narrative of how institutional arrangements have evolved over time and have created and contributed to more effective ways to achieve goals.	

Source: <https://www.betterevaluation.org/en/approaches>

## ***Randomized Control Trials and Quasi-Experimental Designs***

11. In an ideal evaluation situation, an evaluator can directly compare a group affected by the intervention of interest compared to an identical group that was not affected. Two key approaches can be used to develop such an assessment. One is a randomized control trial (RCT), which involves randomly assigning individuals into a treatment or control group. The second is a quasi-experimental design (QED). Two ways that QEDs can be carried out are i) finding two existing groups that can be considered to be randomly divided according to relevant characteristics, or ii) acknowledging that the comparison group is non-equivalent and considering differences in the analysis process.

## ***Natural Experiments***

12. In some cases, circumstances arise in which it is possible to carry out a study that can mimic an experimental model. Random or one-off events can create “natural experiments”. One way to do this is to consider if an “instrumental variable” can be identified, which is an external factor that influences the likelihood of being exposed to the intervention but does not affect the outcomes.

## ***Interrupted Time Series***

13. Another way to conduct an impact evaluation when there is not a control group is to conduct an interrupted time series study. This involves estimating a counterfactual from a forecast of projection of where the outcome measures would have been if trends from before the intervention had continued. This approach can be done when external factors for creating change can be ruled out and the change that has taken place is larger than the error band in a forecast.

## ***Before and After Study***

14. In some cases, there is information covering the outcome(s) of interest before and after an intervention but there is no control group and the events have taken place within a complex social system. In such a situation, a “before and after” study *cannot* be considered as an impact evaluation. Unless there are strong reasons for excluding the possibility of any other contributing factors. In such cases, using process tracing may be helpful.

## ***Process Tracing***

15. Process tracing or process evaluation can be used to understand how policy or project has been implemented and delivered. For example, this approach can be used to look at actions that enterprises have taken to incorporate due diligence into their enterprises. The method identifies factors that have helped or hindered in the actions’ effectiveness. For example, has an enterprise created a written policy but not provided training to all staff on how to incorporate its elements into their daily practices. Process tracing can identify all parts of an enterprise’s action, who is involved, what forms they take, how they are delivered, how they are experienced by staff members involved in implementation. It can also explore decisions that have been made, considering how and why they were made and what shaped them.

16. Process tracing can be useful in many situations. Questions asked could include:

- How was the intervention implemented?
- What factors are facilitating or hindering the implementation?
- What parts of the intervention seem to have led to the observed outcome?
- What intended and unintended outcomes occurred?

- How did different groups perceive the implementation and impacts?
- Who was excluded?
- How could the intervention lead to better outcomes?

17. A challenge with implementing this type of approach is that it requires high levels of access to enterprises' staff. However, this approach has multiple benefits (HM Treasury, 2011). One benefit is that it can be good for evaluating new or innovative approaches in order to see their viability for use by others and how future uses can be improved. When carried out across multiple sites, it can identify variation in application of similar measures and whether these differences have positive or negative implications. It can also illuminate unintended and unforeseen consequences of a policy.

18. Process tracing can also be used to explore impacts when other types of impact evaluations are not possible. Examples of such situations are:

- where samples are too small for quantitative approaches
- when implementation is widespread and there is no comparison unaffected group
- where the impact of interest cannot be measured quantitatively (at least in the short-term), which could involve comparing situation against set targets or qualitative assessment of efficacy

19. Process tracing (and other qualitative techniques to evaluate implementation and delivery see Table A.1) can also be used to complement other forms of impact evaluation. The rich data they provide can help to explain the observed levels of impact. These approaches can explain why, how and for what reasons outcomes occur, whereas impact evaluations tend to identify what, where and when questions about outcomes. Examples of the value that these types of approaches can add are:

- identifying if a policy has not been targeted correctly (i.e. are the benefits reaching the target group?)
- explaining why the targeted beneficiaries have not engaged with a programme
- explaining why differences are found in observed impact, such as more or less impact on different groups

20. Process tracing is particularly useful when quantitative data is weak or not available. This type of approach can capture the direction of change. When using this type of approach, it is important to consider talking to multiple stakeholders to get diverse perspectives on a situation.

### ***Theory-Based Evaluation***

21. Theory-based evaluation can be carried out based on the structure of a logic model (HM Treasury, 2011). This approach provides a way to understand, systematically test and refine the connections identified in a theory of change from an intervention to targeted results.

22. Theory-based evaluations can be used to not only evaluate if an intervention has had the targeted impact but can also identify why, as well as the conditions surrounding the outcome. This type of evaluation identifies the elements of a logic model and examines the connections between the elements. The approach can:

- identify key inputs, expected activities, outputs, outcomes and impacts
- articulate the processes that link each element, can be called 'impact pathways'
- identify assumptions and factors that need to be in place to facilitate success

- create an assessment framework for an evaluation, which can inform the scope of an evaluation and the data requirements
- inform the evaluation objectives and key research questions

23. Theory-based evaluations can be used to complement process tracing and other forms of impact evaluation.

24. A common approach used by international organisations to identify connections in a process of change is a logical framework (logframe). These frameworks can be used when designing projects and when evaluating the progress of and results of a project. Logframes typically involve identifying elements of a project moving from long term objectives towards identifying short-term actions that need to be carried out to reach those objectives. Figure A.2 shows an example of a blank framework. This type of framework can include a goal (overarching issue, e.g. harms are reduced in enterprises global business activities and relationships), outcomes (the project's targeted result, e.g. reduced workplace accidents), project outputs (observable measurable change, e.g. workers and managers are trained in health and safety best practices) and finally, activities (the task that need to be completed to achieve the targeted output(s), e.g. enterprises provide training to reduce the risk of an identified harmful outcome). Each of these components is considered across a number of categories, which can include a narrative summary (describing the event), indicators (which can be measured to identify if the event has been achieved), means of verification (the location of data to verify the indicators), risks and assumptions (external factors that may influence event). Additional categories can include baseline data, milestones and targets.

**Figure A A.2. Template for a Logframe**

	PROJECT SUMMARY	INDICATORS	MEANS OF VERIFICATION	RISKS / ASSUMPTIONS
Goal				
Outcomes				
Outputs				
Activities				

Source: Source: <http://www.tools4dev.org/resources/how-to-write-a-logical-framework-logframe/>

25. Interventions can have unintended consequences. These could include knock-on or multiplier effects in the economy or other adverse impacts. One way to potentially identify such effects is through a logic model. At each stage in the anticipated processes of impact, potential additional forms of impact can be considered. An assessment of these potential impacts can be included in an evaluation. Examples of unintended effects are shown in Table A.2.

**Table A A.2. Examples of Potential Unintended Effects**

Effect	Definition	Example
Displacement	Positive outcomes promoted by government policy are offset by a negative outcome of the same policy elsewhere.	The displacement of crime from one area, where a crime reduction policy is being implemented, to a bordering area.
Substitution	The effects of an intervention on a particular individual, group or area are only realised at the expense of other individuals, groups or areas.	An employer appointing a jobless person from a government scheme, rather than a standard applicant, in order to secure a recruitment subsidy.
Leakage	The policy benefits others outside the target area or group.	Jobs generated in a target area are taken by those who live outside it.
Deadweight	The policy supports outcomes which would have occurred anyway.	An employer receives a subsidy to take on workers who were going to be appointed anyway.

Source: HM Treasury 2011, p. 59

26. Overall, as discussed above, ‘process tracing’ can be used to create impact evaluations when a comparison group is not available and when quantitative data is weak or not available. Additionally, process tracing can be conducted as a complement to quantitative approaches as it helps to understand why the impacts occurred.

### **A.3.4 Data Collection**

27. Across any of the monitoring and evaluation approaches presented above, a key issue is accessing data. Multiple types of data can be used to evaluate incentives, uptake and outcomes. Examples include:

- existing administrative data, not specifically collected for the evaluation
- long term, large scale data managed by governments agencies or research organisations
- monitoring data or performance management data already being collected to support administration processes
- other existing data sources that may house relevant information, such as enterprises’ publications, government registries of applications, newspaper data bases or stock market records
- new data collected for the evaluation process

28. Collecting new data can be done by adding questions to existing surveys or carrying out new primary research. If conducting a quantitative impact evaluation, data collected will need to be standardized for both the treatment and control groups.

29. Multiple tools can be used for collecting new data, such as surveys (see Table A.3), interviews, focus groups, observation and experiments. While surveys and interviews can be a way to collect targeted data, information obtained from surveys may not be accurate. Respondents may give what they perceive as socially desirable answers or may not know the true answers. Observation can be a beneficial data collection tool.

**Table A A.3. Information from Surveys**

<b>Types of Questions</b>	<b>Type of Information Collected</b>
Factual	can be only source of information on individuals can include respondents' assessments of their health status, life satisfaction, etc.
Knowledge	about a particular topic awareness of the intervention being evaluated
Attitudinal	can measure respondents' opinions, beliefs, values and feelings
Behavioural	can measure what people do or intend to do and how that has changed as a consequence of the intervention
Preference	can identify preferences for different possible options and outcomes, including trade-offs between competing objectives can be used to elicit monetary values for different outcomes, including those not readily possessing market prices (e.g. changes in air quality, health status) for use in cost-benefit analyses

Source: HM Treasury 2011

30. Data collection, whether quantitative or qualitative, will benefit from using cognitive testing or pilots. It can be beneficial to use standard formats for survey questions and interview schedules to allow for comparability. In some cases, the same survey can be repeated over a time interval to monitor change. Ethical considerations will have to be taken into account when collecting new data.

31. When collecting new data, key considerations include:

- What data is needed to provide a reliable and consistent assessment
- What data collection tools are needed? Who will be responsible for designing them?
- Who will be responsible for gathering data?
- When will the data be gathered?
- How will the data be recorded? Are there any format requirements for analysis processes?
- How will the data be verified for accuracy?

32. When carrying out an evaluation approach, multiple sources of data are possible. The options available for data sources are based on the type of information that is desired. Key sources of data are outlined in Table A.4.



**Table A A.4. Data Sources on Incentives**

Source	Description
Text in Enterprise Publications	Much information can be provided through enterprises' own publications. These can include annual reports, CSR reports, websites, financial statements and codes of conduct. A benefit of such sources is that they can be relatively easy to access. However, there can be challenges with the content of such material (see Annex C.2.1). A further challenge for data collection is that some documents may not be publicly available. A further challenge for data collection is that some documents may not be publicly available. A further challenge for data collection is that some documents may not be publicly available.
Text in Documents Created by Organisations Involved in Shaping Incentives	Many of the organisations that create incentives have documents which can express the type of pressures that they create. Examples include government policies or codes of conduct created by industry associations.
Interviews and Focus Groups	In order to understand the practices of enterprises and outcomes related to these practices, first-hand accounts of staff and people who are aware of an enterprise's practices (e.g. customers, suppliers or partners) can provide valuable information. For some issues this source of data can be very valuable but for others, relying on recall can be problematic. People that can be interviewed include: representatives from enterprises; representatives of auditing firms; consultants; representatives of professional associations; representatives of the diverse organisations that are involved in creating incentives, such as those from governments or the OECD's NCPs; and, implementors and participants of programmes related to enterprises' due diligence practices.
Surveys/Written Questionnaires	Getting structured data through surveys or written questionnaires can also be a valuable data source. With this method it is generally possible to get data from more people than using interviews or focus groups. Groups to include may involve enterprises (e.g. those who may be carrying out due diligence practices or those who may be affected by supply chain partners' due diligence practices; staff members within one enterprise (e.g. those working for an enterprise implementing due diligence practices or those working for an enterprise that is affected by supply chain partners' due diligence practices; or, people who may be exposed to the impacts of an enterprise's behaviour (e.g. residents around an area where production has been causing local pollution).
Existing Databases	Many public and proprietary databases are available that provide a variety of information about incentive environments, enterprises characteristics and practices and outcomes related to the garment and footwear sector (see Annex E).
Third Party Reports	Information can also be found in third part reports, such as media coverage and reports by international organisations and NGOs.
Industry Conferences and Enterprise Presentations	Another source of information can be collected through attending industry conferences and presentations given by enterprises.
Administrative Data and Internal Reports	Data that has been collected for different purposes can also be used to understand enterprises behaviour, such as internal monitoring data and sales records, buyers' sourcing databases or pay slips and enterprises' internal assessments of outcomes of their own due diligence practices. It may be possible to make an agreement to obtain access to such internal documents held by enterprises, enterprise associations, support service providers or other organisations.
Observation	Uptake and outcomes can also be explored through observation. For example, relationships between buyers and sellers can be observed or, if the outcome of interest is related to a programme run by an enterprise or group of enterprises, it can be possible to observe the implementation of the programme.

# Annex B. Elements of Incentives

1. This annex outlines key factors that could be considered in an evaluation of incentives. To collect information on each of these factors, data can be found through available secondary data or may require primary data collection. Annex A.4 outlines some key potential sources of data. The factors listed below can be used to develop quantitative indicators related to incentives and can also be used as topics to consider in qualitative assessments.

## B.1 Norms

2. Norms and institutions can exist at multiple levels. For example, different countries can have different expectations for how enterprises behave. Such factors can play a large role in shaping enterprises' behaviours. For example, levels of globalization of economies (Gjølberg, 2009), economic systems (Jackson and Apostolakou, 2010; Gjølberg, 2009) and cultural factors (Scholtens and Dam, 2007) have been shown to influence enterprises' levels of voluntary responsible business practices.

3. Institutions can also play a large role in shaping and promoting norms. Institutional isomorphism is the process by which enterprises will tend to have similar structures or practices when they face similar institutional pressures (DiMaggio and Powell, 1983; Meyer and Rowan, 1977; Sarkis et al., 2011). These can exist within sectors, nations or be part of larger, sometimes global level, systems. Ways to frame the scope of these pressures include focusing on industry or national level organisational fields (Barkemeyer et al., 2015). A body of research considers enterprises as being driven by the goal of seeking legitimacy from stakeholders who confer legitimacy (e.g. Sethi, 1979; DiMaggio and Powell, 1983; Suchman, 1995). This can be a driving factor for enterprises' voluntary participation in activities related to responsible business.

4. Two theories have been developed to understand how enterprises respond to their institutional frameworks. One, the 'mirror view' is that strong public policies help to promote higher levels of enterprise responsibility, an alternate theory, the 'substitute view' is that enterprises operating in environments with lower levels of formal regulation, will develop voluntary initiatives in order to make themselves more acceptable to civil society actors (Matten and Moon, 2008; Jackson and Apostolakou, 2010; Knudsen and Brown, 2015; Koos, 2012). Research exists which shows merits for both arguments in different contexts (Preuss et al., 2016). Sometimes issues can move from being voluntary expectations to becoming codified laws. For example, new general anti-avoidance rules for taxes are creating a legal expectation for enterprises to obey the spirit of tax laws (Koerver Schmidt and Buhmann, 2019).

### B.1.1 Soft Law

5. Normative pressure can come from governments use of soft law, which is created through government policies (see Annex B.2). Such normative pressure can come from international and national organisations. A key example of this type of incentive is the publication of the OECD MNE Guidelines. Variation within the role of soft law as an incentive for enterprises to carry out due diligence includes:

- Countries can endorse international conventions.
- The OECD's National Contact Points can play different roles across countries. Their operations can range in their visibility, accessibility, transparency and accountability (Davarnejad, 2016).

### ***B.1.2 Influence of Competitors***

6. Enterprises can be influenced by the behaviour of their competitors. This can create pressures to adopt due diligence practice or pressures not to engage in due diligence practices. One challenge is what has been described as a 'race to the bottom'. Global enterprises seeking a competitive advantage can seek to lower costs in how they organize global systems. This can include looking for regions with low costs, through factors, such as wage rates and limited regulation or enforcement of regulation. Promoting norms around what constitutes legitimate enterprise behaviour can be an important incentive when high levels of variation on global legal regulations would otherwise allow some enterprises to work in weakly regulated environments that may lead to numerous adverse impacts. Variation within the role of competitors as an incentive for enterprises to carry out due diligence includes:

- Enterprises can seek to become more similar to their competitors, which have higher or lower levels of due diligence practices.
- Enterprises can adopt more responsible practices if their competitors have not in order to gain a competitive advantage.
- Enterprises that do seek to implement more responsible practices can face higher costs than competitors who use strategies focused on short-term cost minimization.

### ***B.1.3 Existence of Certification Systems, Industry Association and MSIs***

7. Another type of normative pressure comes from the existence of certification systems, sustainability-focused industry associations or MSIs in a country. In some places it can be expected that enterprises join such organisations. Variation in the roles of certification systems, industry associations and MSIs as an incentive for enterprises to carry out due diligence includes:

- Membership rates (proportion of enterprises in a sector that join) can differ.
- Organisations can be more or less effective.
- Enterprises' engagement with such organisations can vary (e.g. founding members, new members, being donors or participating in projects).

### ***B.1.4 Topics Covered in Curriculums***

8. Education systems can cover topics related to responsible business which can shape how graduates approach their work. Variation within the role of curriculums as an incentive for enterprises to carry out due diligence includes:

- Undergraduate programmes, such as accounting, business studies, communications, engineering, environmental sciences, health sciences, law and social sciences can provide modules that cover topics related to responsible business (Vertigans, 2015).
- Postgraduate programmes can specialise in topics related to responsible business.
- Technical courses and certification programmes can also cover topics related to responsible business.

### **B.1.5 Vision Statements**

9. A different type of normative pressure can come through enterprises' creation of vision statements, goals or policies related to promoting responsible business. Such documents can create incentives for subsidiaries and staff to adopt more responsible practices. Variation within the role of vision statements as an incentive for enterprises to carry out due diligence includes:

- Documents can include varying references to specific goals (e.g. a statement can generally proclaim support for responsible business or could include a specific target, such as reducing carbon emission by a specified amount over a specified time).

## **B.2 Public Policies**

10. A major type of incentive that shapes enterprises' behaviour is public policies. Enterprises can be impacted by policies in their home countries, subsidiaries' host countries and any other countries where they do business, such as having retail outlets. Public policies can set minimum standards and promote enterprises to take actions beyond the bare requirements of the law (Steurer et al., 2012).

11. Multiple ways exist to categorise policy incentives. First, one consideration is the distinction between hard and soft law. Hard law is mandatory or enforced. Soft law relies on soft policy instruments, such as information-based instruments and voluntary agreements. Considering laws that are designed to target activities in supply chains, LeBaron & Rühmkorf (2017) propose a continuum of approaches starting from the 'softest' to 'hardest' as transparency legislation, 'comply or explain' style reporting, due diligence reporting and due diligence liabilities. These types of legislation are seen to differ based on the duties imposed and the sanctions for noncompliance.

12. Second, research by Martinuzzi et al. (2011) classifies countries' CSR policy approaches based on their maturity. The most advanced are seen as having a 'CSR Strategy', which involves well-structured strategic documents with a hierarchy of goals and objectives and well-described implementation mechanisms. The next most advanced approach is having a 'CSR Action Plan', which involves lists of planned actions without a well-elaborated governance structure. Countries with less advanced approaches may use single CSR policy instruments or develop CSR supporting frameworks to shape what is understood as CSR. Martinuzzi and co-authors consider three key elements of countries' CSR approaches as objectives, policy instruments (command-and-control, economic/market-based, voluntary instruments, information-based instruments, feedback mechanisms, hybrid and network) and governance structures (horizontal integration, vertical integration, participation in strategy development, stakeholder management in implementation, [quantitative] indicators and monitoring mechanisms and [qualitative] evaluation review).

13. Third, in developing an alternate framework for classifying CSR public policies, Knudsen et al. (2015) draw on Fox et al. (2002)'s identification of mandate (legislative), facilitate (guidelines on content), partner (engagement with multi-stakeholder processes) and endorse (publicity). Knudsen and co-authors add the dimensions of regulatory strength, breadth of issue application and level of institutionalization.

14. A fourth framework is provided by Steurer et al. (2012) who identify five types of policy instruments (legal, economic, informational, partnering, and hybrid tools) that can be used across four fields of action or themes (awareness for CSR, transparency, socially responsible investment, and leading by example. Díaz Díaz and García Ramos (2015) add developing corporate governance codes and creating initiatives regarding employment as two more fields of action.

15. Another consideration is the organisation of the regulation of business activities within a government. Fransen (2013) highlights the importance of looking at roles played by distinct government

ministries and demonstrates how clear differences can be seen in how internationally focused ministries approach the issue of labour challenges in supply chains. The definition of specific roles can also be important. For example, the United Kingdom was the first country to appoint a Minister for Corporate Social Responsibility in 2000 (Idowu and Schmidpeter, 2015).

16. Governments can also develop policies to increase their own social responsibility in order to lead by example. Examples include creating internal departments, coordinating government bodies, capacity building, public expenditure, public campaigns, participating in international events, transferring international debate to the local context, developing international instruments and agreements, and foreign trade policy and international development (Albareda et al., 2007).

17. Governments' policies related to responsible business can function through direct and indirect means. Knudsen and Moon (2017) identified three key developments related to such policies. First, there is a high level of growth of policies related to CSR *directly* in own countries. Second, there is growth of CSR policies with either international consequences or designs intended to address international issues. Third, policies which directly support CSR interact with policies that *indirectly* support CSR by shaping the regulatory environment.

18. A final key issue is that there can be regulatory gaps and a lack of regulatory alignment across countries. Working across multiple jurisdictions MNEs can be seen to exist in a legal vacuum or with an accountability gap (Davarnejad, 2016). Considering global supply chains, four elements of a regulatory gap can be considered (Fransen and Burgoon, 2012; Fransen and Burgoon, 2017; LeBaron & Rühmkorf 2017). First, there is no binding international framework covering related behaviours. Second, labour regulations vary across countries. Structures of supply chains, involving combinations of subsidiaries and independent suppliers, can make legal responsibility difficult to implement. Fourth, tensions can exist in whether home or host states should be responsible for regulations. Another issue that enterprises can face if they are seeking to implement due diligence practices is that lack of regulatory alignment across countries in which they operate can make it difficult to take certain actions (Rauer and Kaufmann, 2015).

19. Different types of policies can be incentives for due diligence. Key areas are described below.

### **B.2.1 Reporting**

20. One strategy to promote responsible business has been to create policies with reporting requirements. Multiple jurisdictions have created diverse reporting requirements which can promote enterprises to carry out due diligence practices. These can occur at multiple scales. (sub-national [i.e. California], national or regional [i.e. EU]). Variations within reporting legislation includes:

- Coverage of requirements (e.g. by industry or enterprise size).
- Stringency of requirements.
- Theory of change (e.g. the reporting requirement in the UK and Australia's Modern Slavery Acts is designed to make enterprises act based on reputational pressure).
- Requirements for particular practices (e.g. are official templates provided?).

### **B.2.2 Trade Agreements and International Investment Agreements**

21. Elements of trade agreements and international investment agreements can regulate business practices related to responsible business conduct. Additionally, international investment agreements are starting to include related regulations (Davarnejad, 2016). Variations within the role of trade agreements and investment agreements as an incentive for enterprises to carry out due diligence includes:

- Different types of behaviour may be promoted (e.g. labour standards).
- Different incentives or deterrences may be used.

### ***B.2.3 Tax***

22. Another type of regulation is related to enforcing the payment of taxes. Many countries have introduced or enhanced general anti-avoidance rules in their tax treaties and domestic legislation. Variations within tax laws includes:

- Different elements are included within tax treaties.
- Different elements are included within domestic tax legislation.

### ***B.2.4 Bribery and Corruption***

23. Governments implement a variety of anti-corruption laws, which take varying forms (U4, 2020). Governments also have various laws which regulate paying and receiving bribes. Variations within bribery and corruption laws includes:

- Different offenses can be covered (e.g. whether witness and whistle blower protections are included).
- Different mechanisms can be used to promote enforcement.

### ***B.2.5 Socially Responsible Investment***

24. Another type of law that can be relevant covers socially responsible investment. These laws seek to regulate social, environmental and governance factors related to investments. Variations within socially responsible investment laws includes:

- Different types of regulations can be developed (e.g. pension fund regulations, stewardship codes, corporate disclosure [PRI 2016]).
- Different mechanisms can be used to promote enforcement.

### ***B.2.6 Environment***

25. Environmental laws and regulations can also be incentives for enterprises to implement practices related due diligence. Environmental laws cover a wide range of areas and can take diverse forms. Variation within environmental laws includes:

- Practices can be banned or regulated.
- Regulations can set caps on various emissions.
- Different actors can be seen as responsible for creating environmental impact (e.g. product manufacturer or product retailer).

### ***B.2.7 Labour***

26. Labour laws are particularly relevant for enterprises working in the garment and footwear sectors which often face risk related to labour standards. Labour laws can cover a range of issues, such as wages and health and safety. Variation within labour laws includes:

- Different topics can be covered.
- Different enforcement mechanisms can be employed.

### ***B.2.8 Human Rights***

27. Human rights laws are another set of regulations that can shape enterprises' practices. Variation within human rights laws includes:

- Different topics can be covered.
- Different enforcement mechanisms can be employed.

### ***B.2.9 Other Government Interventions Related to Responsible Business***

28. Governments can use multiple mechanisms to promote changes to enterprises' behaviours, such as subsidies or tax breaks. Key issues with assessing various forms of legislation include:

- Identifying the types of behaviour being promoted
- Identifying the types of incentives or deterrence being used

## **B.3 Civil Society Pressure**

29. In addition to pressures created by government policies, enterprises are also subject to pressures created by civil society. These pressures have been shown to lead to concrete changes in the garment and footwear sector (Short et al., 2020; Distelhorst and Locke, 2018). This section outlines different types of civil society pressures.



### ***B.3.1 Public Benchmarks***

30. A number of organisations rank enterprises based on issue specific criteria with the aim to encourage enterprises to change their behaviour in order to improve their scores. Variation in the role of public benchmarks as an incentive for enterprises to carry out due diligence includes:

- Benchmark cover only a selection of enterprises.
- Benchmarks can give conflicting messages (e.g. enterprise is #1 in one & #10 in another).
- Enterprises attention to their results can vary.

### ***B.3.2 Name and Shame Campaigns***

31. Some organisations run 'name and shame' campaigns. These campaigns can be powerful drivers for pushing enterprises to make changes. However, another issue is that enterprises may see stepping forward as a potential leader in responsible practices as risky because if they are put in the spotlight, they may be targeted by external stakeholders seeking to point out flaws in their approach. Key issues with assessing the role of name and shame campaigns as an incentive for enterprises to carry out due diligence include:

- More relevant for larger and public facing enterprises
- The reach and effectiveness of campaigns can differ
- Enterprises with more public attention may get targeted, this can be a disincentive for being a front-runner in responsible business practices

### ***B.3.3 Media Coverage***

32. National media may present stories on enterprise responsibility in general or include coverage of specific enterprises which create pressure on these enterprises. Variations in the role of media coverage as an incentive for enterprises to carry out due diligence includes:

- Negative stories can trigger organized response from civil society organisations.
- Negative stories give bad publicity that may affect individual enterprises' sales and can also affect whole sectors (Bartley, 2007; Jackson and Apostolakou, 2010).
- Media coverage related to due diligence may be less relevant for B2Bs.
- Media coverage can lead enterprises to disengage from categories of suppliers instead of possibly maintaining relationships while seeking to mitigate the problem. (e.g. if a country is covered in the media as having bad practices, buyers can immediately pull out and cause high levels of unemployment).

### ***B.3.4 Consumer Preferences***

33. Another issue is whether consumers consider whether brands and retailers are carrying out responsible practices in their purchasing decisions. Variations with the role of consumer preferences as an incentive for enterprises to carry out due diligence includes:

- Countries vary in the use of consumer facing labels related to responsibility (3<sup>rd</sup> party standards, self-creating information).
- Consumers may express responsible business as an issue of concern in consumer surveys.
- Levels of perceived customer demand (from market research) can vary.
- Actual performance of "sustainable products" currently in the market can also vary.



### ***B.3.5 Trade Unions***

34. Trade unions can also play a role in shaping enterprises' behaviours. In recent years, global union federations have played an increasing role in engaging with brands and retailers in the garment and footwear sector (Ashwin et al., 2020). Additionally, trade unions in countries housing ethical trade focused membership organisations are playing roles in shaping agendas (Ashwin et al., forthcoming). Variations with the role of unions as an incentive for enterprises to carry out due diligence include:

- The existence of enterprise-union agreements and the coverage of these agreements (e.g. direct workers, subsidiaries or supply chains) can vary.
- The existence of organisation focused on issues related to responsible business that involve trade union representatives can vary.

### ***B.3.6 Advocacy NGOs Driving Changes***

35. NGOs can raise awareness of challenges related to enterprises' potential for facilitating or creating adverse impacts. The NGOs can work to promote changing norms. Variation with the role of NGOs as an incentive for enterprises to carry out due diligence includes:

- The existence and importance of NGOs focused on responsible business can vary.
- The types of relationships NGOs have with enterprises (e.g. cooperative or antagonistic) can vary.
- The role that NGOs play in the public discussion (e.g. providing feedback in enterprise and government consultations) can vary.

### ***B.3.7 Responsible Business-Focused Consultancy Services***

36. NGOs and private enterprises can offer enterprises consultancy services which are designed to improve aspects of their adherence to the principles of due diligence. Variation in the role of consultancy services as an incentive for enterprises to carry out due diligence includes:

- The number of consultancy firms within a region promoting services related to responsible business can vary.
- The size of relevant consultancy firms can vary.
- The level of specialisation of the consultancy firms (e.g. range of services offered) can vary.

## B.4 Investor Pressure

37. Another source of pressure can come from investors that are seeking to promote responsible practices.

### ***B.4.1 Targeted Pressure***

38. Investors focused on ethical investing can seek to influence the responsible behaviour of enterprises through one-to-one meetings as well as in collaboration with other investors (e.g. Platform Living Wage Financials). Variation in the role of targeted pressure by investors as an incentive for enterprises to carry out due diligence includes:

- Pressure can be created by individual large investors or groups of investors.

### ***B.4.2 Public Investor Focused Benchmarks***

39. Global groups, such as Dow Jones and FTSE publish public facing indicators that rate enterprises on elements of behaviour related to due diligence. These public rankings create pressure on enterprises to change their behaviour. Variation within the role of investor focused benchmarks as an incentive for enterprises to carry out due diligence include:

- Coverage of enterprises can be limited.
- Systems can involve voluntary participation of enterprises and these enterprises may not be interested.

## B.5 Relationships to Suppliers and Customers

40. Relationships between customers and enterprises differ greatly across the set of enterprises that are involved in the garment and footwear sector. Some enterprises sell their products to individual consumers but many of the enterprises are solely involved in business to business relationships. Enterprises in the garment and footwear sector have been developing approaches to create pressures on their suppliers since consumer campaigns started in the 1990s. While the initial responses involved setting supplier codes of conduct to for their first-tier suppliers, large global enterprises are increasingly seeking to address risks of adverse impacts in the lower tiers of their supply chains (Schrempf-Stirling and Palazzo, 2016).

### ***B.5.1 Formal Pressures***

41. Buying enterprises can use multiple approaches to create formal pressures on their suppliers, such as setting standards or providing training or capacity building (see Annex C.4). The activities can create pressure for suppliers to make changes to their policies and behaviours. Variation within the role of formal pressures as an incentive for enterprises to carry out due diligence includes:

- The impacts of different mechanisms can vary, for example in level of effectiveness or in whether they create intended or unintended results (see Section 4).
- Formal pressures can operate through direct or indirect channels by either targeting suppliers directly or seeking to create changes to the environments where suppliers operate (Oka et al., forthcoming b).
- Leverage of buyers can vary across tiers of a supply chain, which can also be shaped by the involvement of intermediaries (Alexander, 2019).

### ***B.5.2 Informal Pressures***

42. Outside of formal pressures, informal pressures from buyers and suppliers can shape how an enterprise operates. These can be created through practices which are not in themselves designed to put pressure on business partners. For example, pressures created due to logistics requirements.

### ***B.5.3 Supply Chain Structures***

43. The structure of supply chains can make implementing due diligence practices difficult (Rauer and Kaufmann, 2015; Alexander, 2019). These structures can involve high levels of fragmentation between production processes ranging from farming to textile dyeing. This fragmentation can also involve intermediaries and subcontractors being involved in processes across all stages of production. Furthermore, in these chains, elements of production can be split across multiple countries.

44. A key challenge is often a lack of transparency. Also, some due diligence activities require cooperation from suppliers or other business partners. If these organisations are not cooperative it can create difficulty for an enterprise seeking to implement due diligence practices. Variation within the role of supply chain structures as a barrier for enterprises to carry out due diligence includes:

- Enterprises at different points in the supply chain may have more or less awareness of different links in the chain (i.e. transparency).
- Enterprises have varying levels of control over their suppliers.

## **B.6 Resource Pressure**

45. Limited resources can also create incentives for enterprises to adopt more responsible practices.

### ***B.6.1 Resource Limitations Shaping Enterprises' Options***

46. In some cases, environmental and social limits can push enterprises to make changes related to responsible business practices. For example, soil degradation can trigger improved farm-based practices. Variation within the role of environmental and social limitations as an incentive for enterprises to carry out due diligence includes:

- The timelines for enterprises to make necessary changes can vary.
- Pressure can function directly to influence an enterprise or it can trigger other actors to put pressure on enterprises.
- Enterprises can modify local practices or move activities to a region which does not suffer from the problematic limitation.

# Annex C. Elements of Uptake

1. This annex outlines key factors that could be considered in a measurement of uptake. Elements of due diligence are described in the OECD Garment and Footwear Guidance and have been broken down into discrete criteria through the OECD Alignment Assessment process (OECD, 2020). The discussion of the elements of due diligence below is drawn from interviews with key stakeholders, past studies that have explored elements of due diligence uptake and the criteria outlined in the Alignment Assessment. Factors are presented which can be used to develop quantitative indicators to assess due diligence and also be used as topics to consider in qualitative assessments.

2. To collect information on each of these factors, data can be found through available secondary data or may require primary data collection. Existing data sources have selective coverage of enterprises' use of due diligence related policies and communication material but little systematic large-scale data is available on enterprises' practices. Available benchmarks tend to focus on larger enterprises. Many case studies exist which explore aspects of due diligence within a specific set of enterprises or region. However, systematic coverage of global enterprises' adoption of the due diligence approach does not exist. Annex A.4 outlines some key potential sources of data.

## C.1 Overarching Characteristics of Due Diligence

3. Due diligence is considered to have a set of overarching characteristics.

### **C.1.1 Preventative**

4. The utmost purpose of due diligence is “to avoid causing or contributing to adverse impacts on people, the environment, and society” (OECD, 2018b: 16). Adverse impacts can be prevented through selection (e.g. sourcing country, supplier, inputs) as well as via engagement (e.g. capacity building) mechanisms (see Annex C.4.2). Prevention through selection is more readily measurable than engagement.

### **C.1.2 Integral Part of Decision Making**

5. Due diligence should be an integral part of decision making through “clarifying the enterprise's strategy, building staff capacity, ensuring the availability of resources and communicating a clear tone from the top” (OECD, 2018b: 16).

### **C.1.3 Risk-Based**

6. Another fundamental characteristic of due diligence is that it is a risk-based approach, meaning that it is commensurate to the severity and the likelihood of the adverse impact and it involves prioritisation. Here, it is important to note that the “risk” can be interpreted in multiple ways. A few stakeholders interviewed pointed out that reputation risk to own enterprise can be prioritised instead of the risks to people, the environment, or society. It is likely to be resource-intensive to find out whether the enterprise's due diligence is truly risk-based. Key aspects to consider in assessing if an enterprise's practices are risk based include:

- The enterprise's due diligence is commensurate with risk (AA).<sup>11</sup>
- The enterprise's due diligence involves prioritization. (AA).

#### ***C.1.4 Dynamic***

7. The due diligence process is not static and it includes feedback loops to enable learning from what worked and what did not work (OECD, 2018b). Ascertaining whether the enterprise possesses a feedback loop is likely to be a resource-intensive process, not least due to the difficulty of defining what a proper feedback loop may be.

#### ***C.1.5 Stakeholder Engagement***

8. The due diligence approach also emphasises the importance of stakeholder engagement. Stakeholders should be given truthful and complete information and given opportunity to provide inputs to major decisions affecting them such as on-site supplier assessments, developing corrective action plans and designing grievance mechanisms. Stakeholders likely include the enterprise's own employees, workers in the enterprise's supply chain, trade unions and representative organisations, the enterprise's suppliers, affected community members, and governments of the jurisdictions (OECD 2018a).

#### ***C.1.6 Ongoing Communication***

9. Communicating due diligence processes, findings and plans and making the information accessible to intended audiences (e.g. stakeholders, investors, consumers) is also part of the due diligence process.

#### ***C.1.7 Actions Appropriate to Enterprise's Circumstances***

10. Another aspect of the due diligence approach is that it is supposed to be appropriate to an enterprise's circumstances. Diverse enterprises are involved in garment and footwear sector supply chains, and the appropriate actions for each will vary. Factors that may be important to consider in an evaluation processes include:

- Enterprises specific factors (size, context of operations, business model, position in supply chain, nature of products or services)
- Under what circumstances should disengagement be chosen versus continuing a relationship and seeking to address the adverse impact of concern
- Classifying levels of risk and levels of adverse impact
- Levels of responsibility expected of enterprises

#### ***C.1.8 Collaboration***

11. In addition to the above characteristics, collaboration is emphasised and encouraged by the OECD Garment and Footwear Guidance. Certain aspects can be measured at the global-level. For instance, the number of global framework agreement (GFA) concluded in the sector can be considered as a sign of meaningful engagement with trade unions. This also applies to protocol agreements (e.g. Freedom of Association Protocol in Indonesia) and sector agreements between enterprises and trade unions at a global level (e.g. The Bangladesh Accord, ACT). As a general rule, signing a legally binding

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<sup>11</sup> "AA" indicates that this is a criterion adapted from the OECD's Alignment Assessment Tool (OECD 2020).

agreement with trade unions is more constraining than joining multi-stakeholder initiatives (MSIs), indicating an enhanced level of collaboration (Ashwin et al., 2020). Measurement processes could include:

- Mapping enterprises' collaborative endeavours
- Identifying how enterprises engage with each collaborative endeavour

## C.2 Embed Responsible Business Conduct into Policies and Management Systems

12. One key aspect of due diligence is whether enterprises have policies and management systems that articulate commitments and expectations around responsible practices. A major limitation of measuring policies and official management systems lies in the gap between formal expectations and the day to day realities on the ground.

### C.2.1 Enterprise Policies

13. Codes of conduct (CoC) have been a popular approach adopted by enterprises world-wide with over 90 percent of enterprises in major developed markets adopting them (Preuss et al., 2016). These codes have been defined as “an independent, enterprise-specific document which delineates enterprise responsibilities towards stakeholders and/or employee responsibilities” (Kaptein, 2004: 16). Policies can be internally focused or can also be intended to cover external partners or suppliers' behaviours. Variations within enterprises' use of policies include:

- Some countries have requirements related to enterprises' responsibilities and actions related to these activities might not be explicit in enterprises policies; whereas in other countries, enterprises may make policies about the same issues (Matten and Moon, 2008).
- Enterprises may specify goals or objectives among their policy documents. Setting enterprise-wide goals related to responsible business behaviour has been found to influence the success of departments being able to achieve these goals (Alblas et al., 2014).
- Distribution of responsibilities for enacting policies can differ.
- Policy design may or may not have involved stakeholder consultation.
- Enterprises can create their own policies or adopt those created by external entities, such as industry associations or multi-stakeholder initiatives.
- Policies have different contents. These can have varying levels of alignment with the OECD MNE Guidelines. They can also offer varying levels of detail and guidance.
- Policies and behaviour not always aligned.
  - Staff may not be aware of all policies.
  - Enterprises may provide training related to their policies and if they do the quality and effectiveness of the training can vary.
  - Staff may not feel that it is their responsibility to report potential breaches or observations of situations that may cause or be connected to adverse impacts. For example, EY (2018) found that less than one in four respondents in a survey of 2,550 executives from 55 countries and territories considered it an individual responsibility to ensure that employees behave with integrity. Additionally, staff may not feel safe to make such reports.
  - Policies may or may not be connected to management systems.

- Enterprises can establish a policy or policies that includes responsible business conduct commitments regarding its own activities and operations (AA).
- Enterprises can establish a policy or policies that articulates its expectation of suppliers on responsible business conduct matters across the length of its supply chain (AA).
- Enterprises' policies can include a commitment to observe the OECD MNE Guidelines and issues covered by the Guidelines (AA).
- Enterprises' policies can also commit to upholding international standards on sector risks and sub-sector risks, relevant to the enterprise and make explicitly reference to relevant international standards (AA).
- Enterprises' policies can include commitments regarding known sector risks and any other risks that have been identified to be "significant risk" in the enterprises own operations (AA).
- Enterprises' policies can include expectations of suppliers regarding known sector risks and any other risks that have been identified to be "significant risk" in the enterprises supply chain (AA).
- Enterprises' policies can include a commitment to responsible sourcing practices; i.e. a commitment that the enterprise will seek to prevent its purchasing practices contributing to harmful impacts (AA).
- Enterprises' policies can stipulate the enterprise's expectations regarding the use of subcontractors, when relevant, including a definition and distinctions in subcontracted work if they exist (AA).
- Enterprises' policies can include a commitment to meaningful stakeholder engagement in the course of due diligence (AA).
- Enterprises' policies can include the enterprise's expectations regarding the outsourcing to homeworkers and the use of handwork, where relevant to the enterprise's business model (AA).
- Enterprises' policies can include a commitment to hear and address all complainants against the enterprise regarding its own operations (AA).
- Enterprises' policies can be developed with and informed by relevant internal and external expertise.
- Enterprises' policies can be approved at the most senior level of the enterprise (AA).
- Enterprises' policies can be updated through an iterative process that builds on increasing knowledge about harms in the enterprise's supply chain (AA).
- Enterprises' policies can be made publicly available (AA).
- Enterprises' policies can be communicated to all relevant employees (AA).
- Enterprises' policies can be communicated to all direct suppliers (AA).

14. One type of policy that has been widely used in the garment and footwear sector is to set standards for suppliers. Setting standards lays out clear expectations for business partners. These can be found in enterprises' policies and can also be included within specific contracts made with partners and suppliers. Supplier CoCs are one of the most widely studied and measured aspects of due diligence (e.g. Locke, 2013). Nonetheless, it is worth pointing out that the due diligence approach marks a clear departure from the traditional CoC approach, because of the overarching characteristics discussed above, namely, *preventative, integral, risk-based, dynamic, involving stakeholder engagement, ongoing communication, collaboration, and appropriate to the circumstances*. It is more meaningful to evaluate precisely those aspects often neglected by the traditional CoC approach, such as a commitment to responsible sourcing practices and a commitment to hear and address all complainants against the enterprise regarding its own operations. Variations within enterprises' use of supplier standards include:



- Enterprises can use standards for different types of activities. The appropriateness of using standards systems related to different potential risks varies.
- Supplier policies can be supported through different types of assessments (see C.3.3) or expected to be followed based on trust.
- Standard setting for suppliers has been found to be most effective for labour standards when the monitoring regime involves a cooperative approach or when auditors are highly trained, with the best results when both are true (Short et al., 2020).
- Enterprises can have differing responses to violations of standards and within enterprises these can differ for different issues. For example, if labour standards are set for suppliers, future sourcing practices may or may not be connected to the results of compliance audits (Amengual et al., 2019). Options that an enterprise has include interrupting a business relationship, continuing the relationship under certain conditions until measurable mitigation measures are met or providing support to help the partner reach the standard.

### **C.2.2 Management Systems**

15. For enterprises to embed due diligence into their practices, appropriate management systems need to be in place to support implementation. Here, management systems encompass corporate governance (i.e. assigning responsibility to the board and senior management), information management (i.e. storage capacity and duration), resourcing (i.e. adequate competence, support and resources), and intra-organisational alignment (i.e. across teams and business units). Variation within enterprises' management systems includes:

- Management systems may not be consistent across different groups and departments.
- Different departments and the ways they use management systems vary in relevance to sourcing decisions.
- Organisational structure can shape how due diligence practices are implemented. For example, staff with responsibility related to ethical sourcing can sit with top management, within a sourcing department, within their own department or within a communications department. Another factor is whether an enterprise has a board of directors (Mackenzie 2007).
- Enterprises can house different sets of internal skills and capabilities, such as: sustainable design expertise (Alblas et al., 2014), having information filters that are able to effectively receive information about sustainability and responsible business (Alblas et al., 2014), capabilities to identify and address internal<sup>12</sup> and external constraints on their contributions to grand challenges (Sinkovics and Archie-Acheampong, 2019), absorptive capacity<sup>13</sup> (Pinkse et al., 2010; Riikkinen et al., 2017), innovation skills (Koster et al., 2017), collaborative skills (Koster et al., 2017), technological skills, understanding of social and environmental challenges, and local knowledge surrounding existing or potential adverse impacts. Having particular skills internally or access to external sources of skills can shape enterprises' ability to carry out due diligence practices. This is an area in which enterprise size can play large role.

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<sup>12</sup> Also, certain combinations of skills can be necessary to address specific challenges, such as implementing a global environmental strategy which often "has at least two separate but interlinked dimensions: a technological dimension and an environmental dimension. It not only requires knowledge of environmental issues that emerge and new technologies to approach these issues, but also understanding local concerns about the environment and the perceived appropriateness of the technological solutions offered in the locally relevant context. (Pinkse et al., 2010: 162)".

<sup>13</sup> Defined as "the ability to recognize the value of new external knowledge, assimilate it, and apply it for commercial ends" (Cohen and Levinthal, 1990: 128).



- Different structures of information management systems can affect ability to coordinate due diligence processes across an enterprise.
- Enterprises can focus on compliance with rules or encouraging staff to act with integrity (Verhezen, 2010), which can help prevent adverse outcomes that may not be clearly identified in written policies.
- Enterprises can consider the unique position of women systematically at all stages of the due diligence process (AA).
- Senior staff with competence, knowledge and experience can oversee the implementation of the responsible business conduct policy(s) (AA).
- Adequate support and resources can be allocated to due diligence on human rights, labour, environment and integrity risks (AA).
- Due diligence can be incorporated into decision-making processes at an organisational level (AA).
- Alignment can be established across teams and business units to support the implementation of the responsible business conduct policy (AA).
- Information management systems can be accurate and current and capable of storing the full extent of information necessary to conduct due diligence (AA).
- The length of time due diligence information is stored can vary (AA).
- Enterprise can build into supplier contracts an obligation to support supply chain due diligence of risks linked to upstream production (AA).

### **C.3 Identify Actual and Potential Harms in the Enterprise's Own Operations and in its Supply Chain**

16. Another key aspect in enterprises' due diligence behaviour is how they assess their current situation and the potential risks. A number of actions can be taken to achieve this objective. Key actions are outlined below.

#### **C.3.1 Scoping Supply Chain Risks**

17. Enterprises need to conduct a scoping exercise to identify the most significant risks of harm in their own operations and in their supply chains. One way to do this is to create a supply chain map. Variation within enterprises' use of supply chain mapping includes:

- Quality of mapping can vary. For example, suppliers' offices can be listed as production sites.
- The completeness of the mapping processes can vary. Some enterprises list that their mapping covers a proportion of their suppliers, the suppliers left off may be the riskiest (e.g. short-term relationships or only contracted through third party). Also, some enterprises focus on first-tier and others go further.

18. Another practice involved in scoping supply chain risks is conducting a scoping exercise (risk assessment). Variation within enterprises' use of risk assessments includes:

- Quality of risk assessments can vary.
- Risk assessments can vary in their formality and thoroughness.
- The criteria considered in the risk assessment can vary. For example, it can include factors such as considering the severity of a risk or the likelihood of impact.

- Different individuals or groups within the enterprise can manage the assessment process. It can also be conducted by external parties.
- Different individuals and groups within and outside of the enterprise can contribute to the assessment, such as consultants, suppliers, workers or potentially affected community members.
- Risk assessments can be carried out in relation to different practices within the enterprise and application may not be consistent. For example, when choosing suppliers or when designing new products.
- The skills of the team conducting the assessment can vary. Skills needed can include technical expertise and knowledge of the local environment.
- Quality of data used to facilitate risk assessment can vary. Data can be obtained from multiple sources, such as consulting firms, global databases managed by international organisations, media coverage and interviews.
- Frequency of risk assessment processes can also vary.
- Enterprises may connect risk assessment related to potential adverse impacts to other risk assessments, such as related financial challenges in different ways.
- The audience of the results of the risk assessment may vary. Across enterprises, the findings may be shared with different individuals or departments.
- How risk assessments are assessed can vary. Enterprises can have different levels of tolerance for risk. Enterprises can also incorporate the results of the risk assessment into decision making processes in different ways.
- Enterprises can conduct a scoping exercise to identify the most significant risks of harm in its own operations and in its supply chain (AA).
- Enterprises' scoping can build on known sector and subsector risks (AA).
- Enterprises' scoping can take into account risks that may be specific to the products that the enterprise makes or sells (AA).
- Enterprises' scoping can take into account factors within the countries where the enterprise operates or sources that may make sector risks more likely (AA).
- Enterprises' scoping can take into account risk factors that may be specific to the enterprise's sourcing model (AA).
- Enterprises' scoping can take into account components of the enterprise's business model that may increase the likelihood or scope of risks in its supply chain (AA).
- Enterprises can determine which risks of harm are most significant in their own operations and in their supply chain and prioritises those for action first (AA).
- Enterprises' scoping can be documented (AA).
- Where gaps in information exist, enterprises can consult with stakeholders and experts (AA).
- Enterprises can review the findings of scoping assessments on a semi-regular basis (AA).
- Enterprises can continually update their information feeding into their understanding of the risks of harm and accounting for changing circumstances (AA).

### ***C.3.2 Conducting a Self-Assessment***

19. Enterprises are also expected to conduct self-assessments. These assessments can be done by contracted third parties or an internal group. Variation within enterprises' use of self-assessments includes:

- Enterprise can carry out a self-assessment of their own operations to determine the extent of risks and actual impacts (AA).
- Enterprises can follow existing credible guidance for employers when assessing for risks of harm in their own operations (AA).
- Enterprise can engage with potentially affected stakeholders (workers, trade unions and representative organisations) to identify potential and actual harm in their own operations (AA).
- Enterprise can review their policies and systems to assess the extent to which risks are being prevented or mitigated (AA).
- Enterprise can seek external support to conduct self-assessments. Key reason may be that the impact may cause severe harm if not prevented and the prevention measures require technical expertise not available in-house (AA).

### **C.3.3 Assessing Suppliers**

20. Assessing suppliers is another important practice for identifying and assessing adverse impacts in operations, supply chains and business relationships. Supplier monitoring can be done informally through visits by head office staff to other sites and can also involve formal inspection or auditing processes conducted by internal staff or third-party auditors. Variation within enterprises' use of monitoring includes:

- Monitoring frequency can vary.
- Monitoring strategies can also vary. Processes can include having auditors inspect a facility, getting reports written regularly by partners or using online tracking systems.
- Managers of a monitoring programme can vary. This process can be managed internally, be conducted by an external party or be based on supplier self-reporting.
- Monitoring can cover varying aspects of operations.
- Procedures used for in person auditing can vary greatly, such as whether and which workers are spoken to, whether the audits are announced in advance or whether the auditor is familiar the local context.
- Enterprises can assess suppliers who are associated with higher risks of those harms prioritised during the scoping exercise (AA).
- Where severe risks are linked to upstream processes (e.g. cotton growing), enterprises can seek assurances that the prioritised suppliers upstream are being assessed (AA).
- Supplier assessments can be conducted when there are gaps in information or where the context has likely changed (AA).
- Enterprises can assess the measures that a supplier has implemented to prevent harm.
- Enterprises can assess the actual harm on the ground and risks of harm (AA).
- Enterprise can assess the extent to which workers are aware of their rights in relation to human rights and labour rights (AA).
- Enterprise can assess whether suppliers have established an operational-level grievance mechanism and whether it is effective (AA).
- The nature of an assessment can corresponds to the potential risk (AA).
- Assessments can be adapted to the local context (AA).
- For labour and human rights issues, workers can be involved in the design of assessments (AA).
- For risks of harm which are subjective (such as human rights) multiple data points can be used to assess the situation (AA).

- The assessment methodology can be adjusted if actual findings do not correspond to expected findings (AA).
- The assessment teams can have different levels of knowledge on the relevant risks that the enterprise is assessing. This can shape whether they employ the best methodology to identify actual and potential harms related to risk within the local context (AA).
- The assessment team can have different levels of knowledge of national and international standards related to the adverse impact. This can shape the team's capability to conduct the assessment within the local context (AA).
- Enterprise can make good faith efforts to understand whether they have caused, contributed to or are linked to the impacts that have been identified (AA).

### ***C.3.4 Other Channels to Receive Information***

21. Another important element of good due diligence practice is for enterprises to have ways to receive feedback about what is happening across their global operations and supply chains, such as hotlines, complaint mechanisms and mobile based apps. These mechanisms allow direct communication from impacted individuals to enterprises. Additionally, it is possible to have automated forms of feedback, such as from water and electricity meters. Variation within enterprises' use of feedback mechanisms includes:

- The use of different technologies can make it easier or harder for potentially impacted individuals to access a mechanism.
- Enterprises may have different procedures for how to respond to feedback received.
- Different groups of potentially impacted individuals may have access to feedback mechanisms. For example, workers in a factory may have access to a complaint box but homeworkers fulfilling subcontracts would not have access to this mechanism.

## **C.4 Cease, Prevent or Mitigate Adverse Impacts**

22. The third element of the due diligence framework involves taking action to cease, prevent or mitigate adverse impacts. Enterprises are increasingly developing new approaches to address ongoing challenges faced in their global operations. Enterprises practices can be divided into the categories of internal, which they carry out themselves, and external, which involve suppliers or customers (Massaroni et al. 2016). Some of the major approaches are outlined below.

### ***C.4.1 Cease, Prevent or Mitigate Harm in the Enterprise's Own Operations***

23. One way to cease, prevent or mitigate harm in an enterprise's own operations is the develop a corrective action plan (CAP). Variation within enterprises' use of CAPs includes:

- Enterprise can take immediate actions to stop existing impacts (AA).
- Enterprises can establish and implement a plan to prevent and/or mitigate future harm in their own operations (AA).
- In the short-term enterprises can take immediate actions to prevent any immediate and critical danger (AA).
- In the longer-term, enterprises can seek to develop outcome-oriented solutions that lead to prevention of harm (AA).

- Enterprises' can plan to prevent and mitigate harm, which include clear timelines for follow up (AA).
- The measures pursued to prevent and mitigate harm are proportionate to the severity of harm (AA).
- Based on the level of risk, enterprises can consider whether to seek expert advice (AA).
- Workers, trade unions and representatives of the workers own choosing can be engaged during the developments of enterprises' measures to prevent and mitigate labour-related issues (in the enterprises' own supply chains) (AA).
- Enterprises can develop and implement their own plans to seek to prevent or mitigate future harm in their supply chain (AA).
- If a risk of contributing to harm in the supply chain is identified, enterprises can develop and implement plans to prevent their contribution to harm (AA).
- For brands and retailers: Enterprise can implement control measures to prevent contributing to harm through their purchasing practices even if they have not identified specific instances of this (AA).
- For brands and retailers: There can be a system of procedures to follow in instances where purchasing practices could contribute to harm (AA).
- Enterprise can develop pricing models that account for the cost of wages, benefits and investments in decent work (AA).
- Enterprises may implement internal measures to manage risks in their supply chains. These include measures that the enterprise itself can control (AA). This can involve product design processes, contractual obligations, pre-qualification processes, increasing control measures on agents and measures to reduce an enterprise's exposure to risk (e.g. such as number of business relationships; length of supplier relationships).
- Enterprise can seek to prevent/mitigate risks through their product development.

#### ***C.4.2 Seek to Prevent or Mitigate Harm in the Enterprise's Supply Chain***

24. In the process of seeking to prevent or mitigate harm in the enterprise's supply chain, it is important to consider an enterprise's relationship to suppliers. It is also important to seek to ensure the rights of workers, engage governments and engage other stakeholders.

25. One way to influence and support suppliers is to provide training. Variation within enterprises' use of training or capacity building includes:

- Forms of capacity building can vary, such as providing training or providing loans or subsidies for new equipment.
- Quality and impact can vary.
- Enterprises can consider different metrics for success. If number of training sessions carried out is rewarded, an incentive is created to expand poor quality training.

26. Another way to address the risk of adverse impacts is to build relationships with suppliers. Through these relationships, enterprises can influence and support their suppliers. This process can be facilitated by pooling leverage as needed. Variation within enterprises' relationship building includes:

- Enterprises can have direct relationships or there can be intermediaries in between. The use of intermediaries has been associated with lower compliance performance (Oka, 2010).
- The length of relationships between enterprises can also vary greatly. Some transactions are purely market-based and involve limited connections, while others involved long-term relationships that build trust.

- Enterprises use a variety of purchasing practices in their supply chains. Aspects of purchasing practices have been found to be linked to suppliers' working conditions (Vaughan-Whitehead and Pinedo Caro, 2017).
- Collaboration capabilities between buyers and suppliers in emerging countries have been found to lead to better outcomes (Huq et al. 2016)
- Some behaviours have been found to increase the likelihood that suppliers will hide information from their buyers, which include auditing, publicizing negative audit reports, and providing loans to suppliers (Plambeck and Taylor, 2015).
- Enterprises can have varying levels of local knowledge of their suppliers (AA).
- Enterprises can establish incentives for suppliers to comply with their responsible business conduct policy (AA).
- Enterprise may use their leverage to influence their suppliers to prevent or mitigate impacts (AA).
- If an enterprise does not hold leverage it can pool leverage with other buyers (AA).
- Enterprise may support suppliers in preventing or mitigating impacts (AA).
- If disengaging from a supplier, enterprises can give the supplier sufficient notice of the end of the relationship (AA).
- For as long as an enterprise has an ongoing relationship with a supplier, it can demonstrate its own efforts to mitigate the identified adverse impact(s) (AA).

27. Another way that enterprises can influence suppliers is through the locations they choose to work. Such decisions may be determined through the results of risk assessments. Considering enterprises' processes for selecting locations may be relevant for indicating their use of due diligence practices. Location decisions may also be based on operating costs, productivity gains and benefits, or additional revenues related to local human capital (Maggioni et al., 2019). In high risk locations, enterprises can address risks by interacting with public or non-state actors (Sinkovics and Archie-Acheampong, 2019). One option available to enterprise is to disengage with a supplier. If this action is taken, it should be conducted responsibly. Variation within disengagement practices includes:

- Enterprises can disengage from suppliers, when appropriate, to prevent adverse impacts in their supply chains (AA).
- If an enterprise determines the need to disengage from the supplier, it complies with national laws, international labour standards, and terms of collective bargaining agreements (AA).
- If disengaging from a supplier, enterprises can provide information supporting the business decision to management and the trade union (if one exists) (AA).

28. Engaging with governments through partnerships or political advocacy is a strategy that enterprises can use that can impact entire regions and industries. For example, a multinational enterprise that is a large investor in a particular country can petition the government to reduce barriers to freedom of association. Variation within enterprises' use of political advocacy includes:

- Enterprises can engage in advocacy processes on their own or join with groups to pool leverage.
- Tactics to influence governments can vary. Examples, include writing letters, face to face meetings or boycotting events.
- Motivations for engaging in advocacy can differ (Oka, 2018).



## C.5 Track Implementation and Results

29. The expectation for enterprises to track their progress is another part of the due diligence model. This activity can involve ongoing engagement with the implementation of due diligence practices and changing conditions related to outcomes and future risks.

### ***C.5.1 Verifying, Monitoring, and Validating Progress***

30. Enterprises are expected to verify, monitor and validate progress on due diligence and its effectiveness in their own operations and in their supply chains.

31. For enterprises to track their due diligence practices, they need to carry out record keeping, which can involve various forms. Examples include writing reports or developing data bases to track particular indicators. Variation within enterprises' record keeping includes:

- Quality of records can vary.
- Coverage of topics and practices can also vary.

32. Another way that enterprises can track their due diligence activities is by actively following up on their interventions related to promoting responsible business. Variations within enterprises' follow up assessments include:

- Enterprises make choices about what follow up assessments to carry out.
- Quality of assessments can vary.
- Records kept can differ in their thoroughness, format and public availability.

33. Additional factors that are important in effective verification, monitoring and validation are:

- Enterprises can implement assurance mechanisms to assess whether their due diligence requirements are being met in their own operations (AA).
- Enterprises can monitor due diligence and risk management on an ongoing basis using appropriate performance indicators (AA).
- Enterprises can draw on all known information including data from on-going monitoring, internal periodic assessments, issues raised through grievance mechanisms, etc. to validate that the steps taken are preventing and mitigating impacts (AA).
- In instances in which harmful impacts have not been effectively prevented or mitigated, enterprises can seek to understand why this is the case and responds appropriately (AA).
- Enterprises can engage with external experts to verify the effectiveness of due diligence and risk management measures where impacts may cause severe harm if not adequately prevented, or where prevention measures require technical expertise (AA).
- Enterprises can implement assurance mechanisms to assess whether their due diligence requirements are being met in their supply chains (AA).
- Whenever possible, enterprises should monitor indicators – either direct or indirect – over time to validate that impacts have been or are being prevented (AA).
- Enterprises can draw on all known information including data from on-going monitoring, internal periodic assessments, issues raised through grievance mechanisms, etc. to validate that the steps taken by the enterprise are preventing and mitigating impacts (AA).
- In instances in which harmful impacts have not been effectively prevented or mitigated, enterprises can seek to understand why this is the case and respond appropriately (AA).
- Where impacts in the supply chain may cause severe harm if not adequately prevented, or where prevention measures require technical expertise, the effectiveness of due diligence and

risk management measures undertaken in the supply chain can be assessed by external experts (AA).

## **C.6 Communicate How Impacts are Addressed**

34. Communication is another key aspect of the due diligence approach.

### ***C.6.1 Communicating Relevant Content***

35. Applying the due diligence approach involves an expectation that enterprises are transparent and share relevant information. Variation within communication processes includes:

- Enterprise can communicate publicly on their supply chain due diligence (AA).
- Enterprises can communicate publicly on their due diligence management systems (AA).
- Enterprises can communicate publicly on the most significant risks in their own operations and within their supply chains (AA).
- Enterprise can communicate publicly on processes for assessing risks (AA).
- Enterprises can communicate publicly on their plans to prevent and mitigate harm in their own operations and progress on these measures (AA).
- Enterprise can communicate publicly on their plans to prevent and mitigate harm in their supply chains, and progress on those measures (AA).
- If relevant, enterprise can communicate publicly on their objectives for government policy engagement and on the outcomes of engagement efforts (AA).
- Enterprises can communicate publicly on how they have meaningfully engaged with their stakeholders.
- Enterprises can communicate publicly on the processes that provide access to remediation in their own operations (AA).
- Enterprises can communicate publicly on processes that provide access to remediation in their supply chains (AA).
- Enterprises can communicate publicly on the collaborative processes with which they engage that facilitate due diligence (AA).
- Enterprises can communicate publicly at varying intervals (AA).
- Information shared by enterprises can be communicated in a way that is relevant, accurate, clear, user friendly with plain language, and is presented in a way that the intended users are able to access information (AA).
- Enterprises can be prepared to communicate how they address their human rights impacts (AA).
- If enterprises' operations or operating contexts pose risk of severe human rights impacts, the enterprises can report formally on how they are addressed (AA).

### ***C.6.2 Communicating with Affected Stakeholders***

36. A variety of stakeholder communication strategies can be practiced by enterprises. Variations within enterprises' communication processes include:

- Enterprises can use different formats in their communications. For example, organizing workshops and publishing materials targeted at stakeholder groups (e.g. supplier management or workers at supplier factories). Enterprises can adopt standardized reporting formats. A



challenge with this model is that content of reports can be very similar when enterprises are actually using quite different practices (Barkemeyer et al., 2015).

- Communications materials are targeted to different stakeholders. Different strategies can prioritize different groups of stakeholders. A key factor can be the languages which are used by the enterprise (Selmier II et al., 2015).
- Accuracy, comprehensiveness and clarity can vary.
- Choices are made about what data to publish. Enterprises can publish easier to gather, less important information and exclude difficult to gather but important data.
- Enterprises have had different levels of responsiveness to answering questions from stakeholders.
- Communications can have varying accessibility to impacted stakeholders (AA).

## **C.7 Provide for or Cooperate in Remediation When Appropriate**

37. Providing for or cooperating in remediation when appropriate is the final aspect of due diligence considered here.

### **C.7.1 Establishing Process to Enable Remediation**

38. Part of the due diligence process is for enterprises to establish processes to enable remediation. Variation within enterprises establishing a process to enable remediation includes:

- Enterprise can establish a process to enable remediation in relation to human rights impacts (AA).
- Enterprise can establish processes to enable remediation for adverse impacts other than human rights impacts (e.g. labour or environmental impacts) (AA).
- Enterprise can publish complaints (AA).

### **C.7.2 Committing to Hearing and Addressing Complaints**

39. Due diligence also involves enterprises committing to hearing and addressing complaints. These can come through internal communication channels or be raised by external organisations such as the OECD complaints mechanism or NGOs. Variations within enterprises' implementation of compensation mechanisms include:

- Enterprises may have varying capacities related to being able to identify and respond to all complaints raised across global operations.
- Enterprises' responses to complaints can be assessed differently by different groups, such as governments, NGOs, and complainants.
- Where a grievance mechanism is established, it can be based on the core criteria of legitimacy (AA).
- Where a grievance mechanism is established, it can be based on the core criteria of accessibility (AA).
- Where a grievance mechanism is established, it can be based on the core criteria of predictability (AA).

- Where a grievance mechanism is established, it can be based on the core criteria of equitability (AA).
- Where a grievance mechanism is established, it can be based on the core criteria of transparency (AA).
- Where a grievance mechanism is established, it can be based on the core criteria of being dialogue-based (AA).
- Enterprises can engage in legitimate processes that enable them to hear material and substantiated complaints that they have caused or contributed to harm in their supply chains (AA).
- Enterprises can consult existing guidance on establishing operational-level grievance mechanisms (AA).
- Where a grievance mechanism is established, a challenge is that it can preclude access to judicial recourse (e.g. through legal waivers) for victims of gross human rights violations and the enterprise can interfere with civil or criminal investigations or human rights examinations (AA).

### ***C.7.3 Determining Appropriate Form of Remedy***

40. One way for enterprises to provide access to remedy is through developing compensation mechanisms. Variations within enterprises' implementation of compensation mechanisms include:

- Compensation mechanisms can be part of enterprise policies or can be developed on an ad hoc basis.
- Planning processes for compensation may not result in mechanisms being aligned with the desires of affected individuals or communities.
- Delivery of compensation mechanism can be distorted by challenges in local power dynamics.
- Remedy can seek to restore the affected person(s) to the situation they would be in had the harm not occurred (AA).
- Remedy can meet national laws and international guidelines, and where standards are not available, the remedy can be consistent with previous cases (AA).
- Enterprise can engage with affected stakeholders in the determination of the remedy.
- Enterprises can assess the level of satisfaction with the process and the outcome of those who raised the complaints (AA).

## Annex D. Overview of Methods Used in Reviewed Studies

1. The studies included in the tables below have been selected based on their diversity of research questions and methods. They cover a variety of topics and have been included if they examine processes related to incentives, uptake or outcomes.

**Table A D.1. Studies Exploring Incentives**

Related Approaches <sup>14</sup>	Focus of Research Questions	Data	Types of Analysis
<b>Identifying Drivers</b>			
National Incentive Benchmark	Variations in countries' public CSR policy design (Albareda et al., 2007)	CSR public policies, programs, and instruments that governments have explicitly adopted to promote CSR (built a database on the policies and instruments applied by each government; data was compiled via sources published by the governments or from official documents, reports, & governmental web pages)	Classification of CSR public policies taking into consideration the actor to which the governments' policies were addressed
	Variations in countries' public CSR policy design (Knudsen et al., 2015)	Data regarding CSR policies and responsible ministries were collected from an extensive web-search and several published sources	Classifying types of CSR polices used by each country and identifying issues covered by policies
	Variations in countries' public CSR policy design (Steurer et al., 2008)	For 212 CSR policy initiatives (85 CSR awareness raising activities in the EU-27, 103 Sustainable Public Procurement initiatives in the EU-27, 14 Socially Responsible Investment	Systematic literature review. Based on review, conducted a telephone survey among public administrators from EU Member States. Experts gave

<sup>14</sup> The related approaches are described in Section 2.2.

		<p>initiatives in the EU-27)</p> <p>Systematic review of the existing literature</p> <p>Based on this review, a telephone survey among public administrators from the EU Member States, some of the surveyed experts also provided additional written information via email</p> <p>3 interesting or good practices were chosen and analysed in more depth in a second step: relevant policy documents were analysed and further telephone interviews with the responsible administrators and with key stakeholders of the initiative were conducted</p>	<p>additional information via email.</p> <p>3 interesting or good practices on Awareness Raising &amp; Sustainable Public Procurement from different Member States were chosen &amp; analysed in depth. Relevant policy documents were analysed &amp; further telephone interviews w/ administrators &amp; stakeholders</p> <p>Survey &amp; case studies results synthesized</p>
	Variations in countries' public CSR policy design (Steurer et al., 2012)	<p>3 qualitative telephone surveys w/ public administrators from the 27 EU Member States working on the respective CSR themes, &amp; on subsequent case studies on select-ed CSR policies, more than 200 public administrators were contacted &amp; 65 qualitative tele-phone interviews were carried out</p> <p>The survey &amp; case study findings were presented to &amp; discussed w/ EU High Level Group on CSR at four occasions</p>	Comparing and analysing the policy instruments used, and the levels of activity in different European regions
	Variations in countries' public CSR policy design (Martinuzzi et al., 2011)	Information published by official governmental authorities, either stated on their official websites or linked to other institutions authorized by the government as contact point for CSR	Comparing Objectives, policy instruments, and governance structures

Incentives Survey	Enterprise	Motivations for CSR (Keinert-Kisin, 2015)	Survey with 600 Austrian enterprises	Identifying patterns and connection, particularly between group selected as typical vs group selected as CSR leaders
Exploratory Case Study	Incentive	Motivations for enterprises to cooperate with each other & with trade unions (Ashwin et al., 2020)	Interviews with enterprises and stakeholders	Process tracing
		Enterprises' perspectives on due diligence practice drivers & barriers (Giunipero et al., 2012)	Extensive review of the sustainability literature, a panel of twenty-one purchasing and supply management (P/SM) executives, interviews with nineteen additional P/SM executives.	Multi-stage Delphi analysis
		Enterprises perspectives on due diligence practice drivers & barriers (Alblas et al., 2014)	Collected data through collaborative workshops, consortium meetings, document studies and interviews with selected manufacturing enterprises aiming to improve the sustainability of their products in new product development, split into two groups (1)enterprises where current improvement concerns were the first step in managing new product development sustainability (2) enterprises where current improvement concerns were further steps in developing and expanding existing sustainability practices	Data reduction (interview data was structured and condensed into tables and data displays); within-in case analysis; cross-case analysis; identifying relationships between identified challenges and possible root causes through exploring academic literature
Connections between Drivers and Uptake				
Linking Incentives and Uptake through Mining Existing Data		Country characteristics → differences in due diligence practices (Gjølberg, 2009)	For 298 enterprises from 20 countries looking at membership lists & data from global CSR initiatives & ratings (Dow Jones Sustain-ability	Identifying high performing countries based on constructed index and looking for clusters with similar

	Index, FTSE4Good, Global 100, UN Global Compact, World Business Council for Sustainable Development, The Global Reporting Initiative, KMPG International Survey of CSR Reporting, SustainAbility's list of the 100 best sustainability reports, ISO 14001)	attributes
Country characteristics → differences in due diligence practices (Jackson & Apostolakou, 2010)	For 274 enterprises reviewing SAM database (scores derived from various input sources, including online questionnaire, submitted documentation, policies and reports, publicly available information & SAM research analyst's direct contact w/ enterprises), selection of other existing data sources (e.g. sector allocation of the FTSE4Good indices, OECD index of employment protection)	Statistical analysis to examine the influence of country and industry-level characteristics on the enterprises' overall CSR rating, as well as each of these three dimensions separately
Country characteristics → differences in due diligence practices (Scholtens & Dam, 2007)	For 2,700 enterprises in 24 countries checking Ethical Investment Research Service; data for cultural values from Hofstede (1991) studies (survey data about values of people working in local subsidiaries of IBM in more than 50 countries)	Statistical analysis of enterprise's human rights policy, its governance of bribery & corruption, & comprehensiveness, implementation & communication of its codes of ethics using Hofstede's' cultural dimensions database
Country characteristics → differences in due diligence practices (Preuss et al., 2016)	Study 1: For 568 developing country enterprises, checking websites to determine if enterprises had codes; content in codes of conduct (179 codes from 18 countries) Study 2: Data from study 1;	Study 1: Content analysis (looking at if key words were mentioned) of codes of conduct followed by quantitative analysis of differences Study 2: Quantitative analysis looking for

		Global Competitiveness Report (WEF) to classify political, financial and labour systems; Bureau van Dijk Orbis database to identify level of foreign sales	patterns in code content, incentive environments and level of foreign sales
	Country characteristics → differences in due diligence practices (Demirbag et al., 2017)	Global databases (Global Competitiveness Report, World Giving Survey, World Bank's Worldwide Governance Index) and legal system origin for 98 countries	Linear regression analysis
	Country characteristics → differences in due diligence practices (Midtunn et al., 2006)	<p>For 17 countries:            SRI analyses (include scores on Dow Jones Sustainability Index (DJSI), the FTSE4Good Index and list of the "Global 100 most sustainable enterprises" announced annually at the World Economic Forum)</p> <p>Industrial membership in CR communities that include member enterprises in UN Global Compact &amp; World Business Council for Sustainable Development</p> <p>CR reporting (industrial reporting according to the Global Reporting Initiative &amp; KPMGs CR reporting overview)</p> <p>CR Standards, that</p>	<p>Examining how 17 West European nations &amp; the USA are ranked on "old" embeddedness dimensions and comparing this ranking with "new" CSR rankings of nationally aggregated industrial performance.</p> <p>Creating national scores</p>

			include only the environmental management standard ISO 14001	
		Multiple incentives environments across subsidiaries → Level of CSR adoption (Rathert, 2016)	540 MNEs from 16 countries with 48,644 subsidiaries in external host countries: Databases: AMADEUS, ASSET4 ESG Financial data from ThomsonReuters Datastream CIRI Human Rights Data Set The sum of adoptions of ILO conventions 87 and 98 for a given host country	Identifying the influence of independent variables on the adoption of CSR policies
		Multiple incentives environments across subsidiaries → Level of CSR adoption (Marano & Kostova, 2016)	For 710 publicly listed US MNEs between 2007 and 2011, compiled data from multiple existing databases (Russell 3000 index with matching data from the Kinder, Lydenberg and Domani (KLD), Port Import Export Report Service (PIERS), Corporate Affiliations, and Compustat databases, Responsible Competitiveness Index)	OLS regression related to CSR adoption
		Legislation inhibiting enterprises' behaviour → working in regions excluded by legislation (Maggioni et al., 2019)	Data from Turkish Statistical Office (TurkStat) on 30,000+ enterprises in 26 sub-regions in one country over 6 years	Comparing patterns in location choices to location specific factors (e.g. health and safety standards or unionization rates)
Incentive Survey	Enterprise	Country characteristics → differences in due diligence practices (Zhu et al., 2013)	Survey of 396 enterprises	Path analysis to explore elements of an organizational system
		Connection between incentives and uptake behaviour: anti-corruption measures (EY, 2018),	Interviews with 2550 executives in 55 countries	Compiling answers and comparing categories of interviewees (e.g. enterprise type, country)



Exploratory Case Study	Incentive	Incentive mechanisms' processes for creating enterprise behaviour change (Hemphill & Kelley, 2016)	Documentary evidence on two incentive instruments	Comparative case study
		Incentive mechanisms' processes for creating enterprise behaviour change (LeBaron & Rühmkorf, 2017)	Stage 1: To explore the impact of two laws, reviewed codes of conduct, annual CSR reports, supplier terms and conditions for 25 FTSE 100 enterprises own code of conduct supplier code of conduct terms and conditions of purchase for suppliers CSR/sustainability reports for 2015 and 2016 any other information on the website or further policies Stage 2: To investigate one enterprise in more depth, reviewed supplementary documentation, including recent interviews about CSR policy w/ enterprise executives & lawyers	Documentary analysis: Considering how legislation shaped enterprises' behaviour centred on the legislation's institutional design, stringency, and legal implications for enterprises
Effect of Specific Drivers				
Exploratory Case Study	Incentive	Reactions of enterprises to scandals (Florio & Sproviero, 2017)	Reviewed corporate websites, newspapers and news releases, annual and CSR reports for 4 apparel MNEs that faced scandals and developed CSR initiatives	Comparing attributes of each case

Table A D.2. Studies Exploring Uptake

Related Approach <sup>15</sup>	Focus of Research Questions	Data	Types of Analysis
<b>Identifying Levels of Adoption and Types of Practices</b>			
Light Benchmark	Published due diligence information (Fashion Revolution, 2020)	Reviewing documents produced by 250 enterprises Contacting enterprises to confirm assessments	Scoring against defined criteria
	Assessing enterprises' CSR performance (Kooskora, 2015)	Responsible Business Index reports (enterprise surveys from repeated from 2009-2012), the organisations' home-pages, annual reports and interviews and personal conversations with organisations' representatives for 63 enterprises	Scoring against defined criteria
Uptake-Focused Mining of Existing Data	Nature & scope of MNEs' CSR programmes (Bason & Anagnostopoulos, 2015)	100 enterprises' annual reports, annual reviews and CSR reports	Content analysis used to determine the presence of certain words or concepts within a passage of text in enterprises' documents over 10 years
Uptake Enterprise Survey	Levels of CSR commitment of developed country enterprises' subsidiaries in developing countries (Reimann et al., 2015)	Surveys (213 subsidiaries of German MNEs) Country-level data from the World Bank Governance Indicators <sup>16</sup>	Structural equation modelling
	Fraud prevention efforts by management (EY, 2018)	Phone surveys with 2550 Executives in 55 countries	Compiling answers & comparing categories of interviewees (e.g. enterprise type, country)
	Extent that enterprises are meeting human rights due diligence obligations (Federal Foreign Office Germany, 2020)	Surveys with large sample German enterprises	Assesses whether enterprises are adequately meeting defined criteria

<sup>15</sup> The related approaches are described in Section 3.2.

<sup>16</sup> This study considers incentive environments as well as subsidiary size and length of time in host country.

<b>Exploratory Case Study</b>	Green supply chain management (Scur & Barbosa, 2017)	Interviews with 5 enterprises and 2 professional associations	Qualitative comparative case study
	CSR in developing countries: types (Park et al., 2015)	Existing documents (annual CSR reports [2005 to 2013], interview reports, enterprise newsletters, news clips, corporate reports, government reports, & academic theses) Interviews w/ managers at head offices & subsidiaries	Compiling profiles and categorizing key CSR initiatives run by each MNE
	Abilities of enterprises to implement global environmental strategies (Pinkse et al., 2010)	Covering one enterprise: interviews, attending enterprise presentation, archival data (financial & environmental reports, websites, & re-viewed newspapers & press releases referring to the enterprise), plant tours Validation: publicly available texts & independent experts were consulted & interviewees were contacted by phone & asked for clarification	Analytical induction of an embedded case study covering subsidiaries of one enterprise
	Environmental sustainability internal and external practices (Massaroni et al., 2016)	GRI Reports for 9 enterprises	Content analysis
	Situations where enterprises breach or neglect CSR standards (Tan, 2009)	Corporate documents, media reports, interviews, investigative reports issued by international agencies and NGOs, academic literature covering 19 cases where CSR standards were breached or neglected	Qualitative comparative case study
	Risk management (Oetzel & Miklian, 2017)	Documents and interviews covering 7 enterprises	Developing case studies of how enterprises acted in different risky contexts
	Risk management (Dang et al., 2020)	Interviews with key informants (representatives of MNEs, consulting firms, government and industry associations) Existing documents	Data coded with Nvivo, conceptual framework

		Enterprises' ethical trade commitment and actions (Hughes, 2005)	Interviews with staff, auditing firms and consultants covering 14 enterprises	Categorising enterprises' approaches
		OECD due diligence (Blome et al., 2016)	Interviews with 29 enterprises	Compiling aggregate characteristic of respondents by sub-groups (e.g. industry or size)
		CSR management and stakeholder involvement (Hujens et al., 2015)	Survey with 19 CSR managers In depth interviews with 1 small and 1 large enterprise Interviews and group discussions with 5 public organisations	Qualitative analysis
		Ethics of a multinational in its relationships with suppliers (Bendixen & Abratt, 2007)	Phase 1: Interviews	Critical incident technique Kelly repertory grid technique
			Survey of staff and suppliers (Likert Scale questions)	Multivariate statistical analysis
<b>Differences between Groups</b>				
Uptake Survey	Enterprise	Multinational and domestic enterprises' CSR practices (Mijatovic & Stokic, 2010)	Survey of 122 domestic and multinational enterprises	Statistical analysis (multiple tests)
Exploratory Case Study	Uptake	Differences across multiple locations of one enterprise (Munro, 2017)	Employee surveys with 598 employees of one MNE across 2 countries	Structural equation modelling
OTHER – Comparing two groups over time		Enterprises with a certification vs without (Aluchna, 2015)	Enterprises' websites, annual reports and CSR reports published by sample enterprises covering 44 enterprises over 5 years	Tracing changes in the CSR policies over time
<b>Connection between Specific Factors and Enterprise Behaviour</b>				
Uptake-Focused Mining of Existing Data		Effect of creating a GRI report on enterprises' behaviours & stakeholder engagement (Barkemeyer et al., 2015)	933 GRI reports from enterprises in 30 countries, GDP per capita for the country of origin in the year of report publication, UN Global Compact membership	Content analysis of reports and OLS regression
Uptake Survey	Enterprise	Absorptive capacities (learning & capabilities) → sustainability performance (Riikkinen et al., 2017)	Survey of 305 enterprises across 4 countries (Likert scales)	Structural equation modelling
Exploratory	Uptake	Headquarters'	Online survey among one	Simultaneous

Case Study	demands & local environment → subsidiary behaviour (Durand & Jacqueminet, 2015)	MNE's subsidiaries, prevalidated through interviews with 10 experts from the Group's CSR department & pretested w/ two subsidiaries.	equation models (3SLS) & mediation analysis
	Capabilities → tackling barriers to green supply chain management (Rauer & Kaufmann, 2015)	For 5 manufacturers and 5 suppliers: 27 in-depth interviews; Secondary information on each enterprise (e.g., green-tech product portfolio & exposure to the rare earth metals supply chain, respective market share along the green-tech product applications, general focus on environmental sustainability initiatives measured by metrics of published & accredited sustainability reports) & the respondents (e.g., tenure & experience in purchasing/sustainability, tenure & experience w/ environmental sustainability issues related to GSCM in general & the rare earth metals supply chain in particular) Collected feedback on a summary report of findings from all interviewees	Developing a theoretical model through coding qualitative data
<b>Developments over Time</b>			
Exploratory Case Study	Uptake of Emergence of sustainable supply management practices within an organization (Koster et al., 2017)	Covering 2 enterprises: (i) interviews, (ii) existing documents (annual reports, sustainability reports, enterprise publications, and newspaper articles) (iii) attending international supply chain conference in Europe (2010) at which both case enterprises presented the outlines of their sustainable supply management approaches	Analysis had 3 steps: textual data was systematically coded; diagrams were developed to show processes; displays were used to capture cross-case similarities & contrasting patterns

Explaining a Selected Behaviour				
Uptake-Mining of Existing Data	Focused	Why non-emitting industries oppose climate change policy (Cory et al., 2020)	Characteristics & membership lists of 83 coalitions engaged in lobbying, industry affiliations of members, a database on lobbying, a random stratified sample of enterprises not engaged lobbying, enterprise data from Orbis.	Statistical analysis (multiple tests)

Table A D.3. Studies Exploring Outcomes

Related Approaches <sup>17</sup>	Types of Research Questions	Data	Types of Analysis
<b>Intervention and Effect – Single Intervention</b>			
Linking Uptake and Outcomes through Mining of Existing Data	Purchasing practices → labour standards (Amengual et al., 2019)	Factory audit data from enterprise self-testing; factory audit data third part source; purchase order microdata covering one enterprise's sourcing	Comparing a change before & after an intervention, panel fixed effects model
	Monitoring → suppliers' working conditions (Locke et al., 2007)	Factory audits and one enterprise's sourcing database covering 800 suppliers across 51 countries from 1998 to 2005	Statistical analysis (multiple tests)
	Monitoring → chemical health and safety performance (Lindholm et al., 2016)	Audit reports for 229 factories	Audit reports coded; binary logistic model containing independent variables for factory characteristics, buyer–supplier relationship, auditing intensity, and country characteristics was constructed
	Exporting → labour standards (Distelhorst & Locke, 2018)	Export transactions and audit reports provided by a global sourcing agent and World	Difference-in-differences estimates

<sup>17</sup> The related approaches are described in Section 4.2.

		Justice Project's Freedom of Association and Fundamental Labour Rights country ratings covering over 2,000 manufacturers in 36 countries	
		CSR claims → subsidiary wages & knowledge transfer to subsidiaries (Görg et al., 2018)	UNIDO Africa Investor Survey covering 1000+ enterprises
		Low environmental standards → located in countries that are poor, corrupt or have weak environmental regulations (Dam & Scholtens, 2008)	Covering 540 MNEs with 44,149 subsidiaries located in 188 different countries EIRIS on CSR AMADEUS World Business Environment Survey (WBES) World Development Indicators (WDI) Transparency International Corruption Perceptions Index
Quantitative Assessment	Impact	Purchasing practices → labour standards (Vaughan-Whitehead and Pinedo Caro, 2017)	Survey with 1454 suppliers from 87 countries
		Effectiveness of fraud prevention measures (EY, 2018)	Interviews with 2550 Executives in 55 countries
		Buyer type → levels of adoption of CSR practices (Tong et al., 2018)	Survey of 199 Chinese manufacturers selling to MNEs
		Buyer type → supplier environmental upgrading & environmental outcomes (Krishnan, 2017)	Survey with 579 farmers Interviews and focus groups
		Buyer code of conduct → suppliers' behaviour (Bartley & Egels-Zandén,	Survey with trade union representatives from 192 unionised
			Statistical analysis (multiple tests)
			Statistical analysis (multiple tests)
			Binary location choice model
			Statistical analysis considering links between buyers' behaviour and working conditions
			Statistical analysis considering links enterprise's reported policies and practices
			Cluster analysis
			Multi-method: Sequential decision model Simultaneous regression Qualitative analysis
			Statistical analysis (multiple tests)

	2015)	factories	
	Benefits of green training (Teixera et al., 2016)	Survey of 95 manufacturers	Structural equation modelling
	Buyer type → environmental strategies (Wu & Ma, 2016)	Survey of 1,268 manufacturers in 12 Chinese cities	Stepwise hierarchical regression to assess the explanatory power of each set of variables
	Suppliers' programme participation → working conditions and supplier performance (Brown et al., 2016)	Key informant interviews Surveys and interviews with workers, supervisors and enterprise managers Annual compliance reports	Multi-method Qualitative analysis Randomised control trial Quasi-Experimental
	Suppliers' programme participation → supplier performance (Brown et al., 2018)	400 observations from 2001 to 2017 across 140 factories in 3 countries from surveys with managers and workers	Statistical analysis (multiple tests)
	Suppliers' programme participation → gender-related outcomes (Djaya et al., 2019)	Worker surveys providing 14,007 observations for workers from factories across Vietnam, Indonesia, Jordan, Nicaragua and Haiti	Tracking change over time, comparing results for different groups, difference-in-differences methodology
Exploratory Impact Case Study	Language policies → CSR outcomes (Selmier II et al., 2015)	Interviews with 15 enterprises	Grounded theory
	Buyer code of conduct → suppliers' behaviour (Kolk & Van Tulder, 2002)	Text of labour codes of 6 garment brands, focus group of opinion leaders in enterprises and stakeholders	Selecting enterprises that have the most developed codes and doing a deep analysis
	Buyer code of conduct → suppliers' behaviour (Egels-Zandén, 2007)	Critical case involving 9 Chinese suppliers who are top compliance performers for the most proactive Swedish toy retailers (in terms of labour standards)  Interviews with 108 employees were interviewed (10-15	Qualitative analysis of a critical case



	<p>interviews per supplier)</p> <p>15 semi-structured interviews were conducted with purchasing and CSR managers of Swedish toy and garment retailers</p> <p>10 semi structured interviews were conducted with managers of Chinese toy suppliers in the Guangdong province</p>	
Achievements and challenges of compensation schemes (Prentice, 2018)	Interviews and existing reports on 3 compensation schemes in Bangladesh	Qualitative comparative case study analysis
Effectiveness of multinational buyers' extending their environmental standards to first and second tier suppliers (Rock et al., 2006)	Interviews with representatives from a subsidiary of an MNE and its suppliers Website review	Applying insights from transaction cost economics and new institutional economics can be used to understand how a subsidiary can use its relationship to parent and local supplier to implement environmental standards
Buyer code of conduct → suppliers' behaviour (Barrientos & Smith, 2007)	<p>Survey of 29 enterprises</p> <p>Surveys and focus groups with workers and key informant interviews covering 23 supplier sites (for 11 buyers) across 5 countries &amp; 418 workers (all categories of worker, including permanent, temporary, seasonal &amp; contract; male &amp; female; migrant &amp; nonmigrant. Small sub-sample of workers inter-viewed at house--hold level)</p> <p>Feedback workshops</p>	Qualitative comparative case study analysis

		with participants in 4 countries	
	Benefits of green training (Tramarico et al., 2017)	Assessment sessions with 4 expert enterprises staff regarding a training programme implementation at 1 manufacturer (part of a large MNE)	Analytical hierarchy process
<b>Intervention and Effect – Multiple Interventions</b>			
Linking Uptake and Outcomes through Mining of Existing Data	Rank on sustainability benchmark & foreign ownership → tax payment levels of subsidiaries (Muller & Kolk, 2015)	Financial records (profit and loss statements and balance sheet) for 82 different enterprises, in nearly all cases for two years (book years, 2000, 2001 and/or 2002), leading to a pooled sample of 154 observations.  Data on ownership (To assess ownership: Dun and Bradstreet's Who Owns Whom database, annual reports, and enterprise websites of the 82 enterprises in the sample)  To assess reputation for high CSR performance: inclusion in the Dow Jones Sustainability Index	OLS and nearest neighbour matching techniques
	Codes of conduct & monitoring → labour standards (Short et al., 2020)	Covering 4,940 suppliers: Audits over multiple points in a 6-year period Press Freedom Index from Reporters without Borders Database of media articles & reports on supply chain labour abuses compiled by the Business & Human Rights	Statistical analysis (multiple tests)

		Resource Centre NGO data from Union of International Associations & US Census Bureau's International Data Base	
		Buyer characteristics, supplier dependency, relationship discontinuation, supplier characteristics and institutional factors → labour standards (Stroehle, 2017)	1005 factory audit reports for 31 buyers
			Standard regressions with one logarithmic transformation & one quadratic term
Quantitative Assessment	Impact	Integration w/ suppliers & supply disruption risk → environmental practices (Kim & Chai, 2017)	Survey with 272 supply and purchase managers
		Relationships between supply chain quality integration (SCQI), green supply chain management (GSCM) & environmental practices (Yu et al., 2019)	Survey with 308 manufacturers
		Relationship quality & green drivers → green upstream supply chain integration through supplier development (Lo et al., 2018)	Survey with 285 manufacturers
			Structural equation modelling
			Structural equation modelling
Exploratory Impact Case Study		Roles of green supplier selection (in selecting new supplier, in auditing existing suppliers & through joint initiatives) & suppliers' self- determination mechanisms (autonomy, competence & relatedness) → green supply chain management (Roehrich et al., 2017)	Semi-structured interviews and secondary data (such as enterprise material, industry reports and press clippings), follow up discussion after the production of a preliminary report for 1 first-tier supplier and 6 sub-tier suppliers
			Interview data was coded using axial coding (codes emerged from both the literature review and the structured interview process, and were revised during the coding process) Interview descriptions were produced & initial findings presented in a case report which formed basis for subsequent discussions with key informants
<b>How and Why an Outcome Occurred</b>			
Quantitative Assessment	Impact	How buyers influence their suppliers' working	ILO monitoring data and a survey covering 51
			OLS

Exploratory Impact Case Study	conditions (Oka, 2010)	suppliers	
	Why a gap exists between policies & practices of private regulation & the intended outcome of global supply chain's sustainable improvements (Kuruville et al., 2020)	Audits by buyers, interviews with staff for 1 large supplier producing for 72 brands Auditors provided detail on audit protocol and measuring supplier compliance; audit data; pay slips from suppliers for 1 retailer	Qualitative analysis Multi-level modelling
	Roles of monitoring & trust in promoting supplier chemical risk management (Boström, 2015)	Interviews with representatives of 23 public and private procurement organisations to explore monitoring Documents, participant observation (round-table discussions, internal courses, field visits) semi-structured interviews with 2 public and 1 private organisation to explore trust	Comparative case study
	How enterprises use employees to address social problems through influencing local communities (Newenham-Kahindi, 2015)	Semi-structured interviews, observation and the use of relevant archival document covering 2 foreign owned enterprises working in 18 communities across Tanzania	Theory building Within case analysis Between case analysis and search for cross-case patterns Preliminary framework created Transcripts coded based on preliminary framework Coding reviewed to created final framework
	System supporting child labour in global production networks (Phillips et al. 2011)	Survey of 220 households 30 firm-level case studies	Identifying patterns and connections across a city-based case and identifying links

			to a global production network
	<p>The role of a pivotal actor in shaping an industry's sustainability outcomes (Silvestre, 2015)</p>	<p>For a product supply chain within Brazil</p> <p>52 interviews w/ entrepreneurs, directors, managers &amp; key employees in enterprises operating in different parts of Brazilian oil &amp; gas supply chain</p> <p>Publicly available documents (enterprises' websites, industry reports, academic publications, newspapers, specialized technical journals)</p> <p>Unstructured conversations, meetings &amp; negotiations w/ entrepreneurs, employees, policymakers, academics</p> <p>Observation during 10 years working in energy industry</p>	<p>Process tracing, considering changing technological, commercial, organizational and societal uncertainties over time</p>

## Annex E. Key Data Sources

DRAFT

Table A E.1. Enterprise Focused Data

Source	Data	Coverage (##, <sup>18</sup> Countries)	Accessibility
<b>Data on Multiple Enterprises</b>			
Bloomberg ESG Disclosure Score	Evaluates enterprises' ESG performance	~11,000, multiple countries	Paid access
Bureau van Dijk's Orbis Database	Enterprise data	365,000,000, multiple countries	Paid access
Business and Human Rights Resource Center Data Base	Tracking global business and human rights challenges	~9,000, multiple countries	Public
Carbon Disclosure Project (CDP)	Evaluates enterprises' climate change, forests and water security performance	~8,400, multiple countries	Public
Compustat, S&P Global Market Intelligence	Database of financial, statistical and market information on active and inactive global enterprises throughout the world	--, multiple countries	Paid access
First Source Database, Centre for Monitoring Indian Economy	Enterprise data	--, India	Paid access
FTSE Russell's ESG Ratings	ESG Ratings and data model assesses operational ESG risks and performance across 300+ indicators in 14 themes	--, 47 countries	Paid access
Global 100 Index	An index of the most sustainable corporations in the world	100, multiple countries	Public
ISS Ratings	ESG Corporate Ratings are based on 100 criteria	--, multiple countries	Paid access
KMPG International Survey of CSR Reporting	Monitors developments in the field of CR and sustainability reporting	~4,900, 49 countries	Public
MSCI ESG Ratings	Rates enterprises on ESG factors	~7,500, multiple countries	Paid access
National Action Plan for Business and Human Rights (NAP), Germany	Three survey phases: exploratory survey (2018), first representative survey (2019), second representative survey (2020)	--, Germany	Reports published
Respect Index	Social responsibility index	31, Central and Eastern Europe	Public
Responsible, Business Tracker, Business in the Community	Self-assessments of enterprise performance related to the Sustainable Development Goals (SDGs)	--, UK	Not public
RobecoSAM Corporate Sustainability Assessment, S&P Global	Evaluates enterprises' sustainability practices	~1,200, multiple countries	Paid access
Sustainalytics Global Standards	Provides enterprise specific information on the OECD's	--, multiple countries	Paid access

Screening (GSS)	Guidelines for Multinational Enterprise based on daily screening of 700,000+ news items from 60,000 NGO and media sources. Assesses enterprises' impact on stakeholders and the extent to which an enterprise causes, contributes or is linked to violations of international norms and standards.		
ThomsonReuters ESG Data	Data on over 400 ESG data points	~6,000, multiple countries	Paid access
Vigeo Eiris	A framework of 38 precise sustainability criteria based on international standards are grouped into 6 domains of analysis (environment, community involvement, enterprise behaviour, human rights, governance, human resources)	--, multiple countries	Paid access
Wharton Research Data Services (WRDS)	600+ datasets from more than 50 vendors	--, multiple countries	Paid access
<b>Non-Financial Reporting Data</b>			
Global Reporting Initiative (GRI)	Database with sustainability reports created by enterprises	~15,000, multiple countries	Public
Modern Slavery Registry	Database of modern slavery statements	~18,000, multiple countries	Public
<b>Garment and Footwear Brand and Retailer-Focused</b>			
AGT – Dutch Agreement on Sustainable Garments and Textiles	Data on risks in supply chains and signatories' responses (brands and retailers)	~90, Dutch enterprises	Signatories required to publish information 3 years after joining
Better Buying	Scores of purchasing practices of brands and retailers in the apparel, footwear, and household textile sector based on reviews of their suppliers.	71, multiple countries	Not public
Corporate Human Rights Benchmark	Assesses publicly traded enterprises on a set of human rights indicators (brands and retailers)	53 (apparel sector), multiple countries	Public
Ethical Trading Initiative	Member brands and retailers' reports	~110 enterprises, multiple countries (Europe-focused)	Not public
Fair Wear Foundation	Brand performance check	~150 enterprises, multiple countries (Europe-focused)	Public
Fashion Transparency Index	Scores related to public disclosure of social and environmental policies, practices and impacts of brands and retailers	250, multiple countries	Public
German Partnership	Members' action plans and progress	~80, German enterprises	Public

<sup>18</sup> '—' is used to indicate missing information.



for Sustainable Textiles	reports (brands and retailers)		
Know the Chain	Benchmark on forced labor in global supply chains	43 (apparel and footwear), multiple countries	Public
Sustainable Apparel Coalition	Higg Facility Environmental Module (Higg FEM) Higg Brand and Retail Module	--, multiple countries	Individual brands and retailers can choose to publish results
<b>Production-Focused (covering garments and footwear)</b>			
Accord on Fire and Building Safety	Fire and electrical safety inspection data and corrective action plans.	Multiple audits for ~1600 garment factories, Bangladesh	Public
Amfori BSCI Platform	Database with monitoring activities' results	--, multiple countries	Not public
Better Cotton Initiative	Provides training and licenses to cotton farmers.	~2,000,000 licensed farmers, 21 countries	Not public
Better Compliance Assessment Tool (CAT)	Assesses compliance with core international labour standards and national labour law.	Some details provided on ~750 garment factories, Haiti, Indonesia, Jordan and Vietnam	Partially public
Elevate	Audits cover manufacturing facilities and farms in over 110 countries.	--, multiple countries	Not public
Fair Factories Clearinghouse	Information relating to workplace conditions at factories.	~35,000 suppliers, ~160 countries	Not public
Fair Labour Association	Audit reports	~1,500 assessments conducted since 2002, multiple countries	Public
Fair Wear Foundation	Factory audits and follow ups. Local audit teams make their assessment through offsite and onsite interviews with workers, document inspections and health and safety inspections.	--, multiple countries	Not public
Intertek	Network of more than 1,000 laboratories and offices providing assurance, testing, inspection and certification solutions for customers' operations and supply chains.	--, ~100 countries	Not public
RSJ Inspection	Technical, social and fire safety audits for consumer goods producers.	--, India, China, Bangladesh, Pakistan and Sri Lanka	Not public
SAC - Higg Environmental Performance Module	Environmental audit data of suppliers for apparel, footwear and textiles.	~780, multiple countries (2016)	Not public
SAC - Higg Facility Social & Labor Module	Apparel, footwear and textile manufacturing facilities measure their social impacts across the value chain. Also assesses the efficacy of social management programs. Appropriate for any tier of manufacturing.	~430, multiple countries (2016)	Not public
SEDEX	Database with supplier audit reports.	-- over 15 years, multiple countries	Not public
SGS	Conducts various types of audits	350,000 audits, multiple	Not public

		countries	
The Alliance for Bangladesh Worker Safety	Structural, fire, and electrical inspection reports and corrective action plans.	Multiple audits for ~720 garment factories until 2018, Bangladesh	Public
The Social & Labour Convergence Program (SLCP)	SLCP is a multi-stakeholder programme aiming to improve working conditions within the global apparel and footwear sectors. SLCP has over 200 signatories, including manufacturers, brands, civil society, standard holders, (inter) governmental organisations and service providers. SLCP signatories jointly develop and maintain the Converged Assessment Framework (supplier self-assessment).	~800, multiple countries	Not public
WRAP	Factory certification programme mainly focused on the apparel, footwear, and sewn products sectors.	~2,000 factories, multiple countries	Partially public

Table A E.2. Responsible Business Focused Membership Organisations

Organization	Description
Amfori BSCI	~2,400 members (retailers, importers, brands and associations from more than 40 countries) with mission to enable members to enhance human prosperity, use natural resources responsibly and drive open trade globally.
Better Cotton Initiative	168 brands and retailers as members, ~1,600 suppliers and manufactures related to cotton
CSR Europe	European business network for Corporate Sustainability and Responsibility with 41 national partner organisations reaching out to more than 10,000 enterprises in Europe.
Ethical Trade Initiative	Members are global enterprises (~100), international trade union bodies, specialised labour rights organisations and development charities that work together to tackle the many complex questions about what steps enterprises should take to trade ethically, and how to make a positive difference to workers' lives.
Fair Labor Association	~60 members join the FLA on a voluntary basis, but they must meet strict labour standards for as long as they are affiliated. FLA holds participating enterprises accountable for monitoring 100% of their supply chains for compliance with FLA standards, and FLA conducts independent assessments of a random sample of each enterprise's supplier factories.
Fairwear Foundation	A non-profit organization focused on working conditions in sewing, cutting and trimming processes for clothing with ~150 brand members.
SAC	~100 brands and retailers and ~70 manufactures collaborate to create meaningful, sustainable change within the apparel, footwear, and textile industry.
SEDEX	Members are brands, manufacturers and agents in 150 countries with ~17% involved in producing clothing, footwear and textiles.
UN Global Compact	With over 14,000 members across multiple sectors, they support enterprises to:  Do business responsibly by aligning their strategies and operations with Ten Principles on human rights, labour, environment and anti-corruption; and Take strategic actions to advance broader societal goals, such as the UN Sustainable Development Goals, with an emphasis on collaboration and innovation.
World Business Council for Sustainable Development (WBCSD)	Global, CEO-led organization of over 200 leading enterprises working together to accelerate the transition to a sustainable world

Table A E.3. Grievance Mechanism Data

Source	Description	Coverage	Accessibility
Alliance	Worker helpline.	~1,000 factories, Bangladesh	Public
Amfori External Grievance Mechanism	Online platform for individuals or organisations to submit grievances, about perceived or real instances of wrong or unfair treatment.	Global	Not public
Fair Wear Foundation	Complaints helpline.	Global	Public

Table A E.4. Trade Data

	Description
OECD's Trade in Value Added Database (TiVA)	<p>Data presented in the TiVA database provide insights into:</p> <ul style="list-style-type: none"> <li>Domestic and foreign value-added content of gross exports by exporting industry</li> <li>Services content of gross exports by exporting industry, by type of service and value-added origin</li> <li>Participation in global value chains (GVCs) via intermediate imports embodied in exports (backward linkages) and domestic value added in partners' exports and final demand (forward linkages)</li> <li>'Global orientation' of industrial activity, i.e. share of industry valued added that meets foreign final demand</li> <li>Country and industry origins of value added in final demand, including the origin of value added in final consumption (by households and government) and in GFCF (investment by businesses)</li> <li>Bilateral trade relationships based on flows of value added embodied in domestic final demand</li> <li>Inter-regional and intra-regional relationships</li> </ul> <p>Domestic value-added content of imports</p>
Port Import-Export Report Service (PIERS)	Provides origin to destination information for foreign and domestic waterborne cargo movements of commercial ports by region and state, as well as waterborne tonnage for principal ports, states, and territories.
UNSD Commodity Trade (UN Comtrade)	Merchandise trade exports and imports by detailed commodity and partner country data.
World Bank's World Integrated Trade Solution (WITS)	The World Bank — in collaboration with the United Nations Conference on Trade and Development (UNCTAD) and in consultation with organizations such as International Trade Center, United Nations Statistical Division (UNSD) and the World Trade Organization (WTO) — developed the World Integrated Trade Solution (WITS). This software allows users to access and retrieve information on trade and tariffs.

Table A E.5. Incentive Environment Focused Data

Source	Description
Global Competitiveness Index, World Economic Forum	Competitiveness rankings with 150+ components covering 140 countries on 12 pillars (Growth and Development: GDP per capita, employment, labour productivity, healthy life expectancy; Inclusion: median household income, poverty rate, income Gini, wealth Gini; Intergenerational Equity and Sustainability: adjusted net savings, public debt as share of GDP, dependency ration, carbon intensity of GDP).
Global Rights Index, ITUC	Ranks 145 countries on the degree of respect for workers' rights.
ILOSTAT, ILO Department of Statistics	14 SDG indicators, grouped under 5 of the 17 Goals. Has more than 10,000 household survey datasets across 151 countries. Also sends ILOSTAT questionnaire to national statistical offices and labour ministries world-wide.
ISS ESG Country Ratings	Provides detailed analyses of countries' sustainability performance based on ~100 social and environmental criteria.
Maplecroft	Covers over 150 political, human rights and environmental risks across 198 countries.
OECD Data	Data collected directly or indirectly from countries' official statistics producers via questionnaires, Web Queries, online platforms and/or via SDMX. These activities are also often conducted in association with other International Organisations.

	Topics include: agriculture, development, economy, education, energy, environment, finance, government, health, innovation and technology, jobs and society.
Press Freedom Index, Reporters Without Borders	Ranks 180 countries and regions according to the level of freedom available to journalists.
Rule of Law Index, World Justice Project	Measures rule of law adherence in 113 countries and jurisdictions worldwide based on more than 110,000 household and 3,000 expert surveys. Measures eight factors: Constraints on Government Powers, Absence of Corruption, Open Government, Fundamental Rights, Order and Security, Regulatory Enforcement, Civil Justice, and Criminal Justice.
Transparency International Corruption Perceptions Index	The CPI scores and ranks countries/territories based on how corrupt a country's public sector is perceived to be by experts and enterprise executives. It is a composite index, a combination of 13 surveys and assessments of corruption, collected by a variety of reputable institutions. It covers 183 countries.
Vigeo Eiris Sovereign ESG Research	Scores and benchmarks of 180 sovereign states, based on the analysis of 172 risk and sustainability performance indicators.
World Development Indicators (WDI)	World Bank collection of development indicators, compiled from officially-recognized international sources, covering: agriculture and food security, climate change, economic growth, education, energy and extractives, environment and natural resources, financial sector development, gender, health, nutrition and population, macroeconomic vulnerability and debt, poverty, private sector development, public sector management, social development, social protection and labour, trade, and urban development. It covers 2017 economies annually.
Worldwide Governance Indicators, World Bank	The Worldwide Governance Indicators (WGI) report on six broad dimensions of governance for over 215 countries and territories: (I) Voice and Accountability; (II) Political Stability and Absence of Violence; (III) Government Effectiveness; (IV) Regulatory Quality; (V) Rule of Law; and (VI) Control of Corruption. The WGI are composite governance indicators based on over 30 underlying data sources

Table A E.6. Data on Outcomes Related to Key Sector Risks

Risk	Potential Data Sources
1. Child Labour	UNICEF Data Quadrennial Report Series on Global Estimates of Child Labour (ILO)
2. Sexual Harassment and Sexual and Gender Based Violence	Gender Statistics Database (European Institute for Gender Equality)
3. Forced Labour	Statistics on forced labour, modern slavery and human trafficking (ILO)
4. Working Time	ILOSTAT
5. Occupational Health and Safety	ILOSTAT
6. Trade Unions and Collective Bargaining	OECD.Stat ILOSTAT
7. Wages	ILOSTAT
8. Hazardous Chemicals	Environmental Policies (Sustainable Governance Indicators)
9. Water	National Water Stress Rankings (World Resources Institute) Environmental Policies (Sustainable Governance Indicators) IMD World Competitiveness Rankings
10. Greenhouse Gas Emissions	Emissions Database for Global Atmospheric Research (EDGAR)
11. Bribery and Corruption	Corruption Perceptions Index (Transparency International) Country Policy and Institutional Assessment 2018 (African Development Bank) Intelligence Unit Country Risk Service (The Economist) Nations in Transit (Freedom House) Freedom in the World (Freedom House) Country Risk Ratings (IHS Markit) IMD World Competitiveness Rankings Report on Corruption in Asia (Political and Economic Risk Consultancy) International Country Risk Guide (PRS Group) Country Policy and Institutional Assessment (World Bank) Executive Opinion Survey (World Economic Forum) World Justice Project Rule of Law Index
12. Responsible Sourcing from Homeworkers	Regulations related to protecting homeworkers, NATLEX (ILO) ILOSTAT

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