

Committing a Fashion Faux Pas?

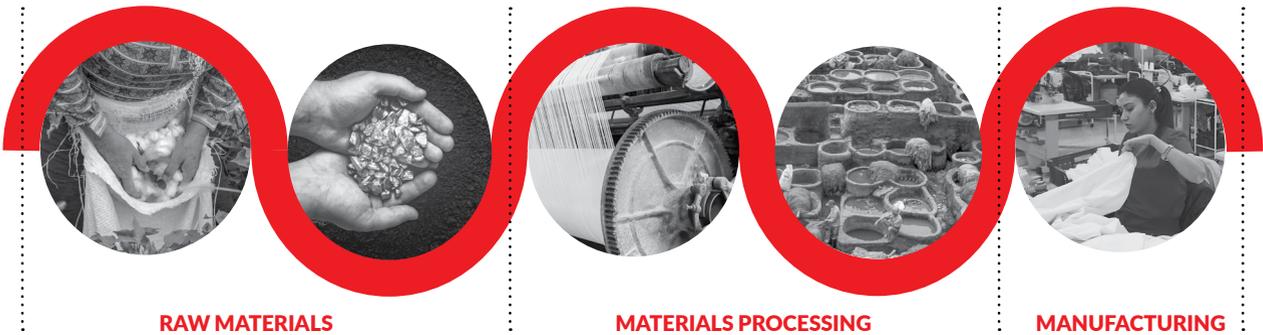
Identifying Forced Labor Risk on Route to the Catwalk



For glitz and glamour, no industry outshines Fashion.
But while paparazzi snap photos of couture collections
and famous fashionistas, the industry is being tarnished
by human rights abuses along the global supply chain.



Forced Labor Risk in the Fashion Supply Chain



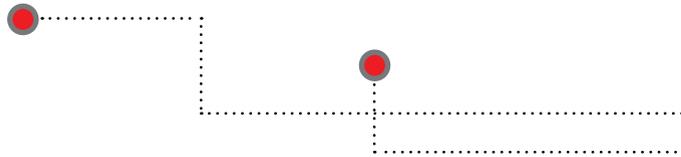


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TRAPPED IN **FORCED LABOR**

Unstitching Forced Labor from Fashion

An estimated 24.9 million people are trapped in forced labor, with millions more at risk from sub-standard workplace health and safety standards.¹ These problems are most often associated with countries struggling with armed conflict, low economic wealth and weak rule of law, but the responsibility for ending forced labor does not rest with those countries alone.



Governments, consumers and companies play important roles in bringing human rights abuses to an end. According to the 2018 Global Slavery Index, for example, fashion products rank 2nd among the Top Five G20 imports at risk of forced labor.²

The 2018 KnowTheChain Apparel & Footwear Benchmark Finding Report analyzed 43 of the largest Apparel and Footwear companies around the world.³ The study evaluated public disclosures of corporate policies for keeping forced labor out of the supply chain and the companies' performance against seven measurement themes.

Adidas, which achieved an impressive 92 out of 100, was one of a few standouts among the companies evaluated. The bottom-scoring companies included several U.S. footwear companies and European luxury brands, as well as three Asian retailers that failed to earn even one point. The overall average score across all seven criteria was **only 37 out of a possible 100.**⁴

No matter how you look at it, that's an epic fail for Fashion.

KnowTheChain Fashion Industry Performance Benchmarks

Commitment & Governance

- Designate an individual or team for accountability and oversight of policy compliance and provide training for staff (Procurement and Risk Management) and suppliers
- Pursue stakeholder engagement across the supply chain (Local Government Agencies and NGOs)

Traceability & Risk Assessment

- Publish the names and addresses of first-tier suppliers, countries of below-first-tier suppliers, and sourcing countries of raw materials
- Provide details on how risk or impact assessments are conducted and what risks have been identified in different tiers of the supply chain

Procurement Practices

- Implement procurement best practices across Tier 1 suppliers, including risk-aligned due diligence **before** entering contracts
- Build responsible sourcing of raw materials and fair labor standards into contracts, including incentives for compliance, and require suppliers to adopt similar standards with their own suppliers

Recruitment & Employment

- Require employment and recruitment agencies in the supply chain to uphold fair labor practices and fundamental human rights and monitor for compliance
- Provide proof of working with suppliers to protect workers' rights and ensure workers understand the terms of their employment and their rights

Giving Voice to Workers

- Make policies available to workers across the supply chain, in their native languages
- Work with relevant stakeholders to engage with and educate workers on labor rights

Monitoring for Compliance

- Establish a supplier audit process, including non-scheduled visits, worker interviews, supplier audits below Tier 1 and more
- Publicly disclose the number of audits conducted and audit findings

Remediation for Non-Compliance

- Identify potential responses to non-compliance, including verification requirements and consequences for compliance failings
- Establish a process to support victims of human trafficking and forced labor in the supply chain



Spotlight on Cotton

4 Steps in Cotton Production

Cultivation



Harvesting



Ginning



Spinning



Cotton is the most used textile fiber in the world, providing the raw material for 40–50 percent of all textiles. It is also one of the most common commodities produced with child labor and forced labor. “In some places,” reports UNICEF, “it is harvested by children as young as 5 working 16-hour days.”⁵

More than 70 countries produce cotton; however, the U.S. Department of Labor has identified 15 countries at high-risk for child labor and eight at high-risk for forced labor.

These include eight of the Top Ten cotton-producing countries in the world—China, India, Pakistan, Brazil, Uzbekistan, Turkey, Argentina and Turkmenistan.⁶ In India, for example, **nearly 500,000 children work on cottonseed farms**, representing almost 25 percent of the total workforce on the country’s cottonseed farms.⁷

Once the raw materials are turned into textiles, the risk of forced labor remains. Writing for *Fashionista*, Whitney Bauck notes, “In an increasingly globalized industry, where fabric may be woven, cut and sewn in different nations before being shipped to yet another to be sold, slavery in any country is a problem for every country.”⁸

From Runway to Rack

The biggest culprit? Fast fashion—the race to convert bespoke Fashion Week favorites into the trendy, inexpensive clothes filling the racks at popular retailers.

The pressure to be first to market demands accelerated production targets, leading to forced overtime without compensation. In addition, much of the work is outsourced to Tier 1 suppliers that then subcontract production further, reducing visibility into potential labor abuses.

In addition, the working conditions within these factories are often dangerous. The Rana Plaza building collapse in Bangladesh killed more than 1,100 garment workers and injured 2,000 more in 2013.

Five years later, the Center for Global Workers' Rights at Penn State University published research showing that building safety has improved significantly for more than 2.5 million garment workers in the country. However, the Center's Director Mark Anner also noted, "This report finds that gains have been severely limited in regard to wages, overtime hours, and work intensity in part due to the sourcing practices of the brands and retailers that sit at the top of global supply chains."⁹



How can organizations across the
Fashion Industry do better on forced labor
and worker health and safety?

Fashioning a Supply Chain Free of Forced Labor

Designers turn inspiration into wearable art. A host of patternmakers, stylists, marketers and merchandisers feverishly working behind the scenes. Models confidently walk the runway while influencers take notes.

But when it comes to keeping forced labor out of the supply chain—whether haute couture or fast fashion—it's the procurement and risk management professionals that take center stage.

These best practices enable businesses across the fashion industry to address third-party risk more effectively.

Best Practices for Addressing Third-Party Risk

1. Develop comprehensive policies to address forced labor regulations around the world.
2. Map your organization's structure, businesses and extended supply chains to establish the scope of your risk mitigation process.
3. Conduct a risk assessment to identify business operations and supply chains that pose the greatest risk.
4. Perform enhanced due diligence of all operations or third parties classified as high risk.
5. Establish on-going risk monitoring to pinpoint emerging risks across Political, Economic, Socio-Cultural, Technological, Legal and Environmental categories.
6. Institute contract terms and a supplier code of conduct.
7. Implement processes and set performance indicators (KPIs) to validate the effectiveness of these policies.
8. Execute remedial steps when forced labor is uncovered.
9. Organize training for staff and critical suppliers to ensure everyone understands the risks you face and the value of socially-responsible practices.
10. Develop collaborative relationships within the industry, as well as with outside NGOs and government agencies, to address forced labor along the entire supply chain.



BOYCOTT

In order to end forced labor, we must eliminate the financial incentive that encourages it.

Governments are adopting regulations requiring supply chain transparency and restricting imports of goods made with forced labor. Consumers are boycotting or buycotting companies based on whether they meet ethical expectations. And companies are tailoring their risk processes to better identify and eradicate forced labor.



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Because good profit comes from making the right strategic decisions.

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