

# Rise of the Enabling Environment for Responsible Supply Chains

recent trends and practices round the globe

*20 November 2018*

*Responsible Supply Chains in Asia Project Launch and Stakeholders' Engagement  
at Hotel Sofitel, Manila, Philippines*

Hideki Kagohashi

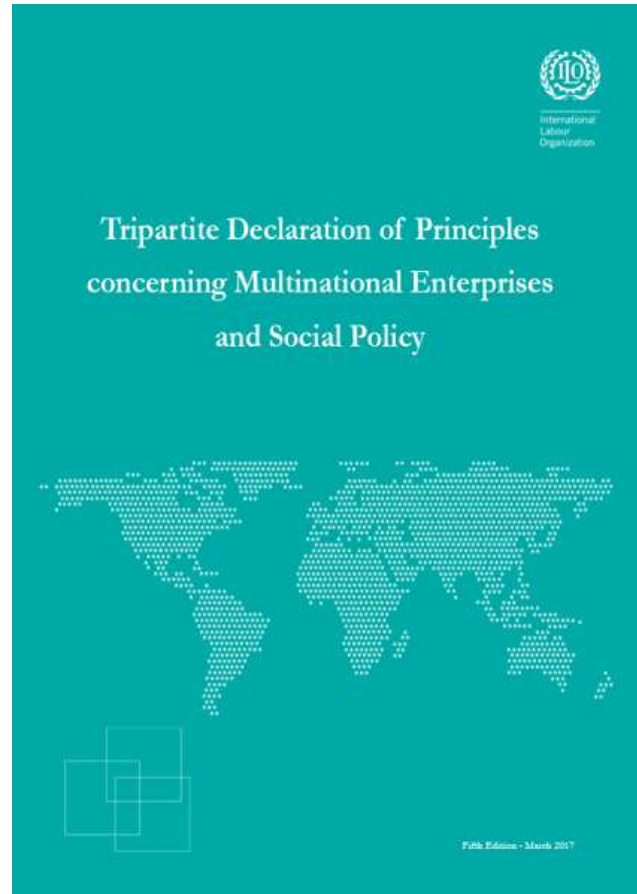
Enterprise Development Specialist

International Labour Organization



*The global supply chain debate  
often talks of  
the “lack of international standards”  
that can govern the acts of multinationals  
across the border*

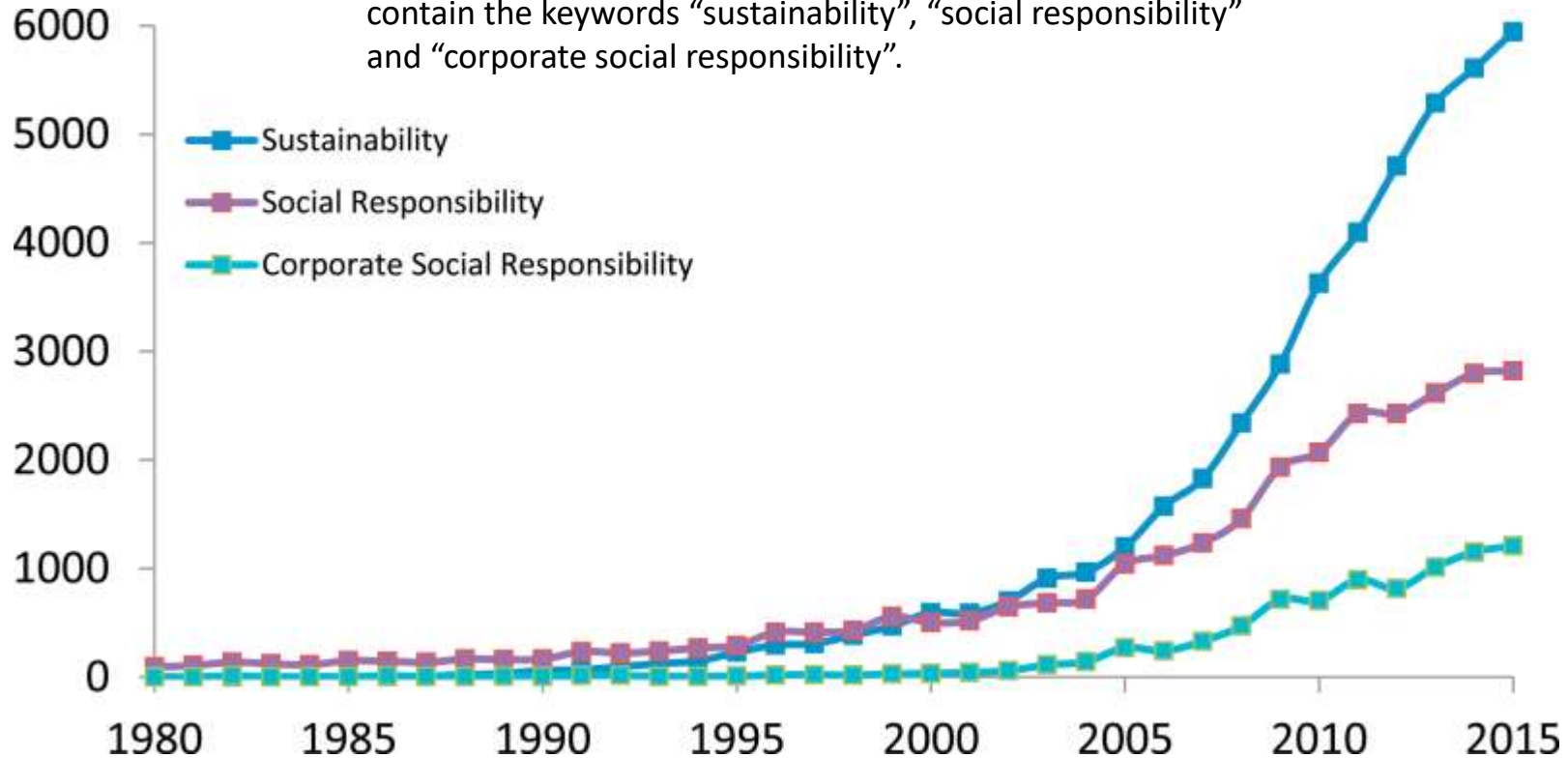
# Two voluntary standards do exist



# Growing interests in “sustainability” & social responsibility



Number of academic publications from 1980 to 2015 that contain the keywords “sustainability”, “social responsibility” and “corporate social responsibility”.



# Responsible Supply Chain Conferences global



**GLOBAL FORUM** ON RESPONSIBLE BUSINESS CONDUCT

**2018 OECD Global Forum on Responsible Business Conduct  
SUMMARY REPORT**

20-21 June 2018 – Paris, France



**Responsible Supply Chain Summit Europe  
(10-12 Oct 2018)**



**Responsible Supply Chains: the future of trade  
(31 Oct-1 Nov 2018)**



**2018 United Nations Forum on  
Business and Human Rights**  
Geneva, 26-28 November

# Responsible Supply Chain Conferences in Asia



*Promoting Responsible Business Practices in Asian Supply Chains in Colombo, Sri Lanka (3 - 4 October 2017)*



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## Lessons for Brands Looking to Eliminate Forced Labor from Their Supply Chains

AI Sustainability Conference 2018 - Session 1: Critical human rights issues in global supply chains: modern slavery, human trafficking, gender inequality



Asia Technology Summit Examines Ocean Cargo Supply Chain Transparency

# Responsible Supply Chain conferences



***“Measure and minimise the environmental and social footprint of your value chain”***

***“Move beyond audits – practical ways to build trust and long-term relationships with your suppliers”***

***“Human Rights in action – a practical guide to identifying and addressing labour issues in your supply chain”***

***“Enhance brand reputation through strong sustainability and CSR values”***

***“Champion sustainability for employee retention and talent acquisition”***

# G20 discusses GSC, many issues overlap w/ MNE Declaration



## Fostering Opportunities for an Inclusive, Fair and Sustainable Future of Work

September 7, 2018, Mendoza, Argentina

**Annex 1: Policy principles for promoting labour formalization and decent work in the Future of Work and in the platform economy**

**Annex 3: Guidelines and Principles for developing comprehensive social protection strategies**

**Annex 4: G20 principles for the labour market integration of persons with disabilities**

**Annex 2: G20 Strategy to eradicate child labour, forced labour, human trafficking and modern slavery in the world of work**

Accelerating action to eliminate child labour, forced labour and modern slavery, with a particular focus on **global supply chains**

Follow-up of the IV Conference on the Sustainable Eradication of Child Labour, 14-16 November 2017, Buenos Aires (Argentina),



*Why the responsible supply chain discussion is  
ever more popular today?*

# Increasing scrutiny on global supply chains



*“Pressure is growing for businesses to engage in sustainable practices. Consumer attitude, NGO oversight, government regulation, and shareholder expectation of the social and environmental impact of company supply chains are shifting at varying speeds around the world. The viability of entire industries depends heavily on maintaining social and environmental resources.”*



# Increasing scrutiny on global supply chains



ethical trading initiative

United in eradicating Conflict Diamonds



Rana Plaza collapse, 2013

Amount of cobalt in different devices



SMARTPHONE

5 to 10 grams

(as heavy as 2 to 4 pennies)



LAPTOP

1 ounce

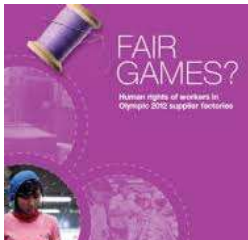
(a slice of bread)



TYPICAL ELECTRIC CAR

10 to 20 pounds

(2 to 3 gallons of milk)



Most auditors in Asia find child labour in supply chains, survey finds [Reuters, June 22, 2016]



...niting governments, civil society and the wider stry, the Kimberley Process (KP) defines conflict onds as: 'rough diamonds used to finance wars against governments' - around the world.

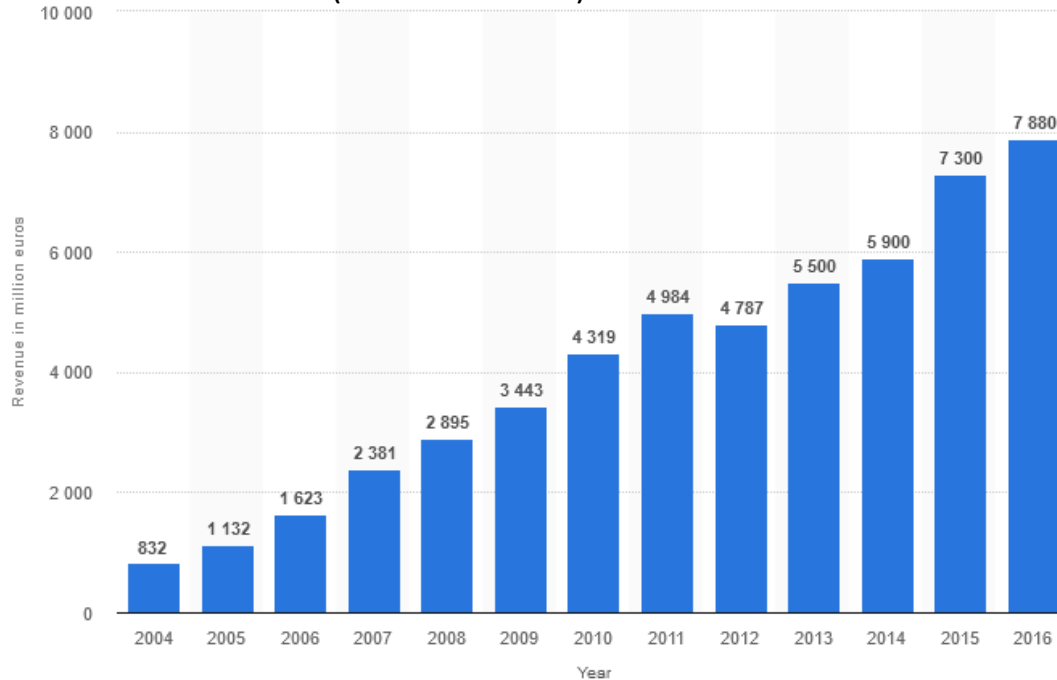


Progressing on responsible sourcing in the coconut oil supply chain

# Expanding fair trade market



Revenue of Fairtrade International products worldwide from 2004 to 2016 (in million euros)\*



# Increasing scrutiny on global supply chains



**“With the rise of social media, a spotlight can easily be shone on companies – and their suppliers – that fail to operate in a sustainable way.”**

Miguel Cossio, Principal Research Analyst, Gartner  
Why Sustainability Matters to Supply Chain Sourcing

# More measurements/assessments available



**CAPS**  
Corporate Social Performance Assessment

**DOING GOOD INDEX 2018**  
Maximizing Asia's Potential

**CHRBC**  
Corporate Human Rights Benchmark

## Corporate Human Rights Benchmark

Preventing adverse impacts on workers, communities and consumers is one of the most pressing challenges almost every company faces in today's globalised marketplace. The CHRBC seeks to tap into the competitive nature of the market as a powerful driver for change in confronting this challenge.

### 2018 Results

The 2018 Corporate Human Rights Benchmark assesses 101 of the largest publicly traded companies in the world on a set of human rights indicators.

### 2018 Results - Across Industries

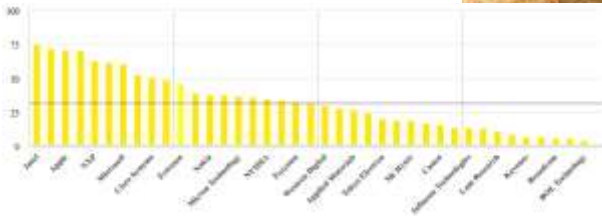


Figure 5: Average Score by Measurement. Theme color color bars indicate progressive achievement.

**KNOW THE CHAIN**

## KnowTheChain Benchmarks

Benchmarks help identify and share leading practices, enabling companies to improve their standards and procedures. The KnowTheChain benchmarks aim to help companies protect the wellbeing of workers by incentivizing companies and identifying gaps in each sector evaluated. KnowTheChain published its first set of benchmarks in 2016, and the second set, covering more than 120 companies, in 2018.



**GMAPP**  
Global Map of Environmental & Social Risks in Agro-Commodity Production

**IFC** International Finance Corporation  
World Bank Group

**WWF**



# ILO explore methodologies for collecting data on MNE contributions to DW in host countries



## **Measurement of the employment and labour-related impacts of Multinational Enterprises (MNEs)**

This report is produced for the International Labour Organisation (ILO) Multinational Enterprises and Enterprise Engagement Unit by Richard Sidebottom . It provides an analysis of how to measure the impact of MNEs, with a particular focus on developing countries in Sub-Saharan Africa (SSA).

13 March 2018

## **Employment in multinational enterprises in Mexico: Analysis of economic census**

The objective of these studies is to stimulate a dialogue among national bodies —principally national statistics offices but also central banks, investment promotion agencies and other entities involved in collecting such data—to identify good practices and how ILO could better support these important efforts.

13 March 2018

# Multi-stakeholder initiatives on RSC



## A radical new approach to protecting workers' rights

In 1998, a group of UK companies, NGOs and trade union organisations, with the backing of the then Secretary of State for International Development Clare Short, launched a radical approach to protecting workers' rights in global supply chains. Their aim was to build an alliance of organisations that would work together to define how major companies should implement their codes of labour practice in a credible way - and most importantly, in a way that has maximum impact on workers.

The companies that joined ETI in 1998 were ASDA, Premier Brands, The Body Shop, Littlewoods and Sainsbury's. From that handful of pioneers, our [membership](#) now comprises over 90 companies, collectively reaching nearly ten million workers across the globe. Their board is composed of corporate, NGOs and trade union representatives.

## A Multi-Stakeholder Approach

The food supply chain is a dynamic system of multiple entities that should be equally represented to share their needs for improving the system. All voices should be included — growers, farmworkers, retailers and consumers — to ensure that an equitable and sustainable food system brings value to all. Equitable Food Initiative was created and is overseen by leaders from across the food supply chain. The following organizations serve on EFI's Executive Board or the EFI Standards Committee, which develops and oversees the [EFI Standards](#):

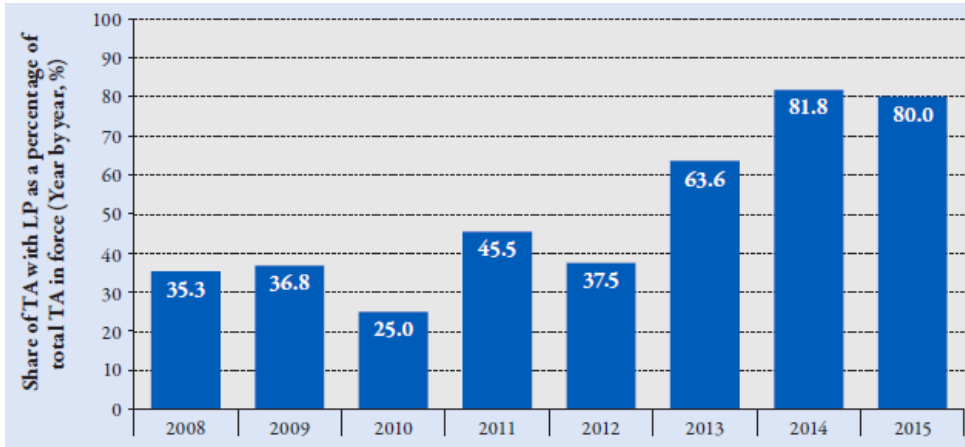




# Labour provisions in FTAs/PTAs

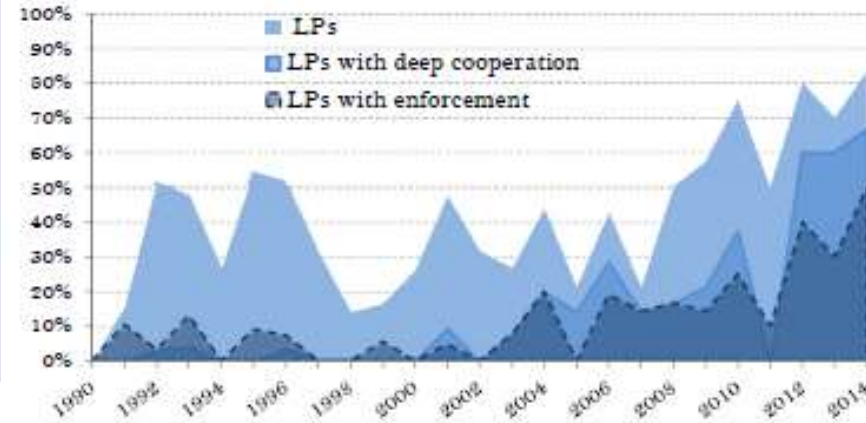


Trade agreements with labour provisions (percentage of total number of agreements entered into force, 2008–15)



Source) WTO RTA-IS database, referred in ILO (2016) Assessment of Labour Provisions in Trade and Investment Agreements

Share of labour provisions in total preferential trade agreements per year, 1990–2014



Source) Labour clauses in trade agreements: worker protection or protectionism? Presentation slides by Damian Raess at “Can trade and investment agreements promote decent work?, ETUI-sponsored event, European Economic and Social Committee, Brussels, 12 Sept. 2017

# Trade competitiveness with EU GSP+

## Tariff rates on PH exports to EU: pre- and post-EU GSP+



PH Export Product	Regular GSP	GSP Plus
Tunas	20%	0%
Pineapple	15%	0%
Bicycles	10.50%	0%
Textiles and garments	9.60%	0%
Footwear, headwear, umbrellas	9.60%	0%

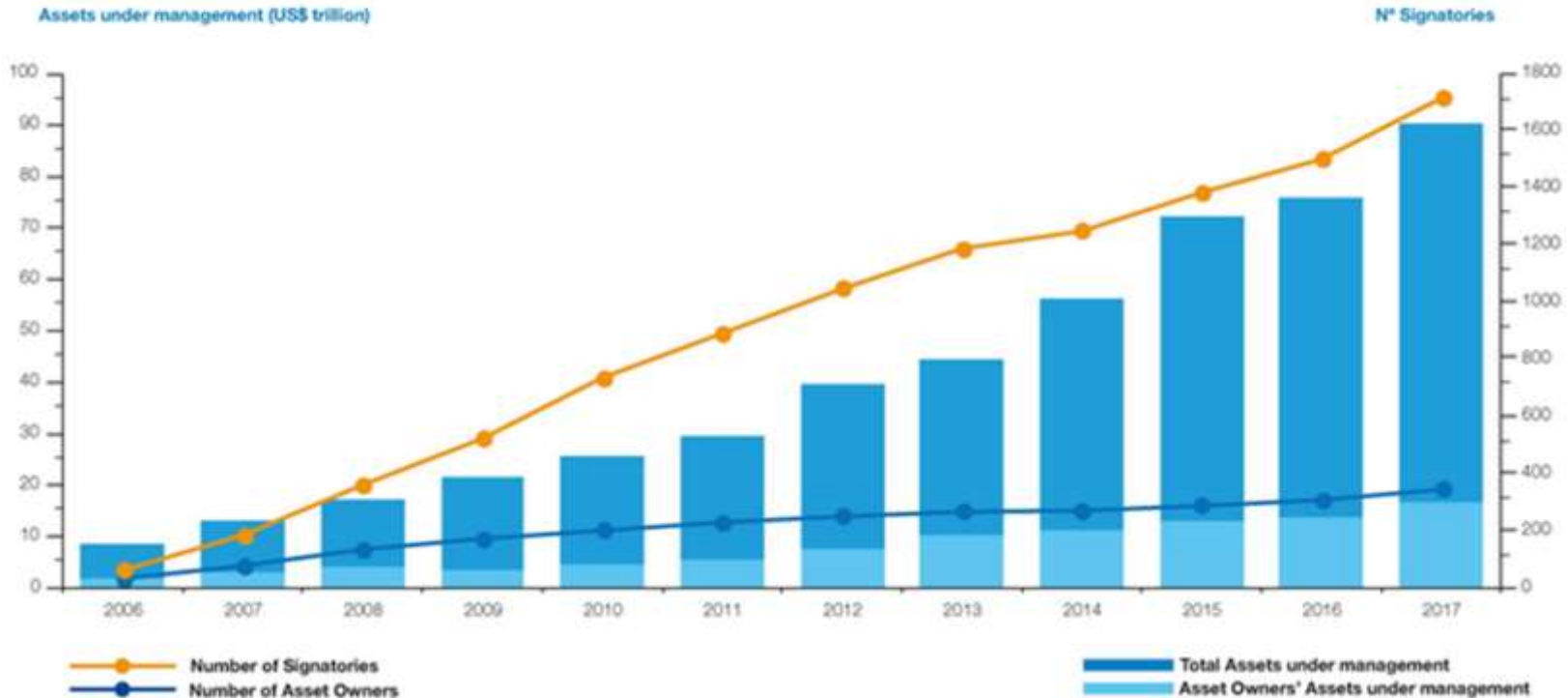
**Notes:** Thailand, China, Ecuador and Maldives lost their EU GSP privileges in 2015 due to changes in trade policies.

**Sources:** DTI (<http://www.dti.gov.ph/2016-03-29-02-27-23/eu-gsp>); ASEAN ([http://www.asean.org/wp-content/uploads/images/2013/economic/Annex%20%20\(Tariff%20Schedule\)%20-%20Philippines%20\(AHTN%202012\).pdf](http://www.asean.org/wp-content/uploads/images/2013/economic/Annex%20%20(Tariff%20Schedule)%20-%20Philippines%20(AHTN%202012).pdf))

# Responsible investment/finance



The PRI has grown consistently since it began in 2006:



# Responsible investment/finance



## Performance Standard 2 Labor and Working Conditions

January 1, 2012



### Supply Chain

27. Where there is a high risk of child labor or forced labor<sup>15</sup> in the primary supply chain, the client will identify those risks consistent with paragraphs 21 and 22 above. If child labor or forced labor cases are identified, the client will take appropriate steps to remedy them. The client will monitor its primary supply chain on an ongoing basis in order to identify any significant changes in its supply chain and if new risks or incidents of child and/or forced labor are identified, the client will take appropriate steps to remedy them.

28. Additionally, where there is a high risk of significant safety issues related to supply chain workers, the client will introduce procedures and mitigation measures to ensure that primary suppliers within the supply chain are taking steps to prevent or to correct life-threatening situations.

29. The ability of the client to fully address these risks will depend upon the client's level of management control or influence over its primary suppliers. Where remedy is not possible, the client will shift the project's primary supply chain over time to suppliers that can demonstrate that they are complying with this Performance Standard.

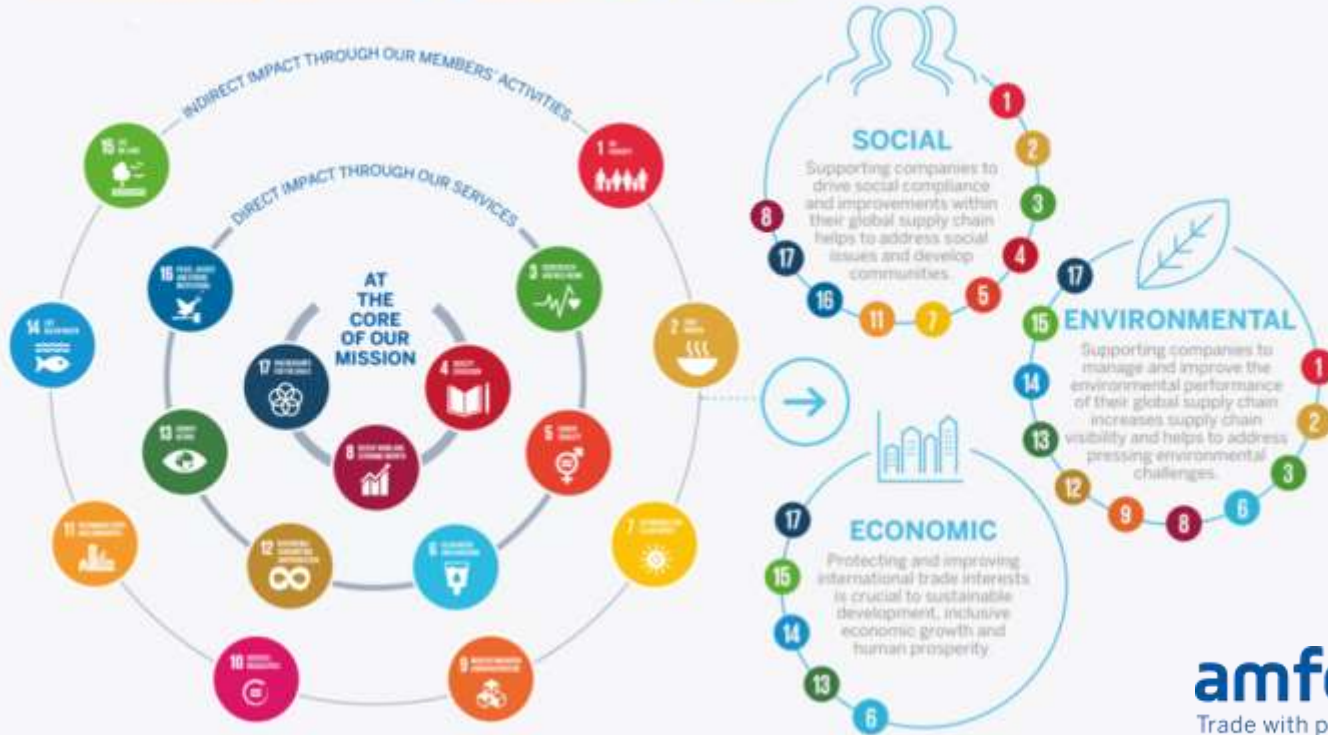


“More than 90 banks and financial institutions have voluntarily adopted the [Equator Principles](#), which are based on IFC's Performance Standards.”

# SDGs and GSCs



## Relevance and influence of the SDGs on our work



**SUSTAINABLE DEVELOPMENT GOALS**

## Responsible practice as competitiveness in the age of disruption



*“Global value chains are continuing to shift, especially from East Asia, but also increasing reshoring... New technologies are disrupting and fostering a technology-based model of production, challenging especially the region’s SMEs.”*

[WEF (Sep. 2018) Shaping ASEAN’s Future Readiness]

*“Trade war and costs speeding shifts of production to ASEAN and USA”*

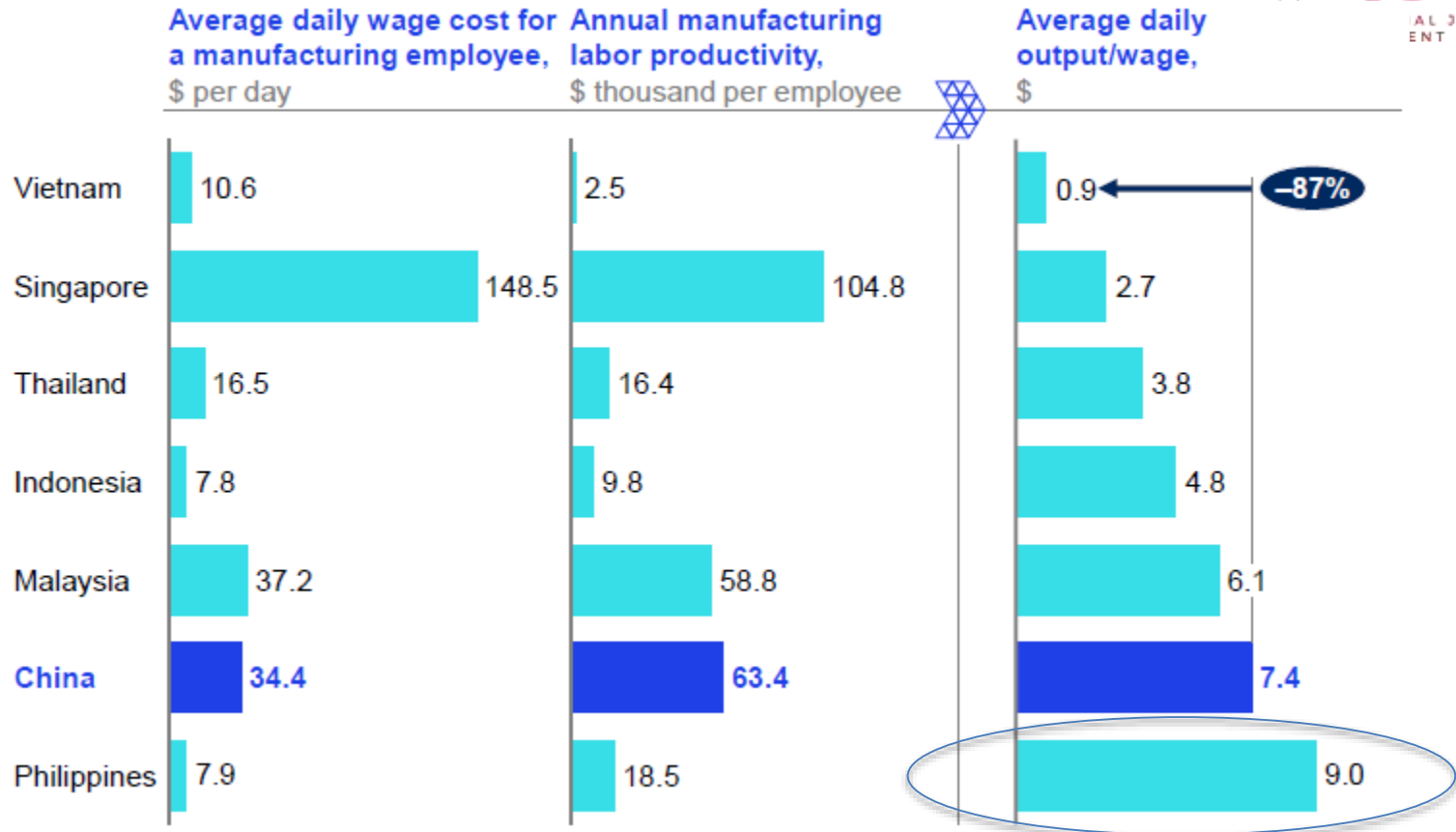
[Next Big Future, Sep. 21, 2018]

*“Can ASEAN Turn Geostrategic and Technological Disruption into Opportunity?”*

[Project Syndicate, Sep. 4, 2018]



# Philippine manufacturing labour competitive



# Blockchain for supply chain traceability

The future of our trust in food: Tracking meat on the blockchain



Only last week The Guardian exposed the vast scale of [food hygiene and traceability fraud](#) committed by one of the largest chicken suppliers. The conditions behind the chicken on sale at many of the UK's retailers were revealed to have altered slaughter sell-by dates, repackaged unsold meat and mixed older meat with new, all under poor hygiene standards.

Recognising the significant rise in meat consumption, paired with recent food fraud scandals (2013 [horse meat scandal](#), 2017 chicken hygiene and traceability scandal), a 2017 study looks into how blockchain technology can be adopted for greater sustainability in the meat industry, by increasing transparency and traceability.

BLOCKCHAIN NEWS OCTOBER 13, 2018 20:41 CET

## French Grocery Chain Integrates IBM's Food Trust Blockchain





# Blockchain traceability in your smartphone

A grassroots approach to proving fair pay with Fairfood



*Arjo Wiyadi is one of 55 farmers who took part in a joint effort by Fairfood and Provenance to prove fair pay with blockchain technology.*

In the regular sales processes, it's almost impossible to find out what a farmer receives for the goods they produce. Our work with Dutch NGO Fairfood brings greater transparency to the coconut industry, using blockchain to prove fair pay.

Together with Fairfood, we used blockchain technology in creating a grassroots approach for proving fair payment in coconut trade. How did we do this? First, we enabled 55 farmers from Yogyakarta, a town on the Indonesian island of Java, to connect with Provenance software via SMS. We then integrated with Fairfood's platform, designing a proof of payment mechanism to verify and display a visual representation of farmers receiving the Living Income Premium (LIP) for their harvest. The premium is derived from the United Nations formula for living wage, which considers location, family size, and modes of transport, to determine a satisfactory living wage per unit, shown in Euros.



*PoP (Proof of Payment) webpage displaying the Living Income Premium verified by Fairfood, and powered by Provenance blockchain technology.*

# Blockchain for worker rights initiatives



Food Supply Chain

## Brewing blockchain: Tracing ethically sourced coffee

### Coca-Cola, U.S. State Dept to use blockchain to combat forced labor

Genevieve Chavon-Dreyfus

NEW YORK (Reuters) – Coca-Cola Co (KO.N) and the U.S. State Department along with two other companies said on Friday they are launching a project using blockchain's digital ledger technology to create a secure registry for workers that will help fight the use of forced labor worldwide.

### Introduction: Blockchains for supply chain transparency

The global system of trade and commerce that sits behind our purchases is rarely something we think about, yet it spans the earth and impacts the wellbeing of people and environments. Provenance was established to enable trusted transparency of key social and environmental indicators along even the most complex chains of custody, to incentivize ethical labour practice and environmental preservation, set standards compliance and eradicate fraudulent reporting.

We use **blockchain technology**, along with mobile and smart tags, to track physical products and verified attributes from origin to point of sale (POS). The first system to use blockchain was a peer-to-peer (p2p) payment system that became infamous under the name of Bitcoin. On 22nd May 2010, Laslo Hanyecz paid a fellow Bitcoin user 10,000 BTC for two Papa John's pizzas – money transfer that took place on the internet without the need for an institution (e.g. Visa, PayPal) to process the transaction. Six years later on 22nd May 2016, Provenance used the same p2p technology to track a tuna fish caught in Maluku, Indonesia from landing to factory and beyond – demonstrating how blockchain technology can enable supply chain transparency and **traceability**.

Cobalt: blockchain tested in  
the DRC in an effort to  
combat child labor



# ILO promoting MNE Declaration



Engaging multinational enterprises on more and better jobs



International Labour Organization

Application of responsible and sustainable workplace practices including principles applicable to all enterprises: *social dialogue and good industrial relations; human resources development; conditions of work; productivity; CSR; corporate governance and business practices* [Conclusions concerning promotion of sustainable enterprises, ILC, June 2007]

Decent Work in Global Supply Chains discussion at ILC 2016

## SDGNOTE

ENGAGING THE PRIVATE SECTOR ON DECENT WORK - BUSINESS OPERATIONS AND INVESTMENTS

The ILO DW for SDGs Notes Series  
At a special ILO summit in September 2015 world leaders adopted a new vision for global development "Transforming our world: The 2030 Agenda for Sustainable Development".



The 2030 Agenda embraces the three dimensions of



**ILO Policy Note:  
Inclusive business practices  
in Africa's extractive industries**

Multinational enterprises and inclusive development:  
Harnessing national social dialogue institutions to address the governance gap

The ILO MNE Declaration:

What's in it for Workers?



(I) support the implementation of decent work in global supply chains, including with multinational enterprises [Resolution concerning effective ILO development cooperation in support of SDGs, 8 June 2018]

MULTINATIONAL ENTERPRISES, DEVELOPMENT AND DECENT WORK

Report on the promotion and operation of the Equator Principles and the application of the Equator Principles concerning Multinational Enterprises and Social Policy in the Americas

Panama, 2-5 Oct. 2018  
23rd American Regional Meeting

# ILO promoting MNE Declaration in A&P

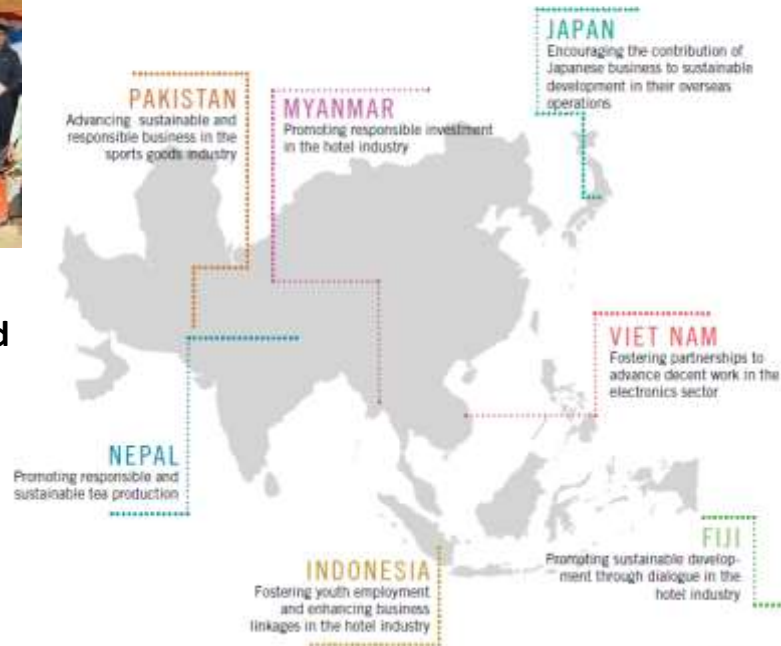


## More and Better Jobs through Socially Responsible Labour Practices in the Asia-Pacific Region

Applying the principles of the ILO MNE Declaration



Sialkot sports goods sector promotes a level playing field



Tokyo 2020 and the ILO agree unique partnership to promote Decent Work



Advancing decent work in Vietnam: strengthening dialogue along the global electronics value chain

# Relevant ILO case studies



**Senegal appoints four national focal points and lays the foundations of a national promotion strategy**

**Engaging multinational enterprises on job creation for young women and men in Cote d'Ivoire**

**Argentina takes the lead in partnering with multinational enterprises to create more and better jobs**

**Forging a partnership for sustainable and responsible business practices in the Sialkot sporting goods industry: a winning strategy**

**Advancing decent work in Vietnam: strengthening dialogue along the global electronics value chain**

**Inclusive business practices in Africa's extractive industries**

**ILO supports a partnership approach in the Zambian mining sector to create jobs and stimulate inclusive growth**



Q) Are we ready for the responsible supply chain  
in the Philippines?