

Transparency of Second Tier Suppliers in Textile Industry

S Group

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<p>This is a research-based thesis. The aim of the thesis is to investigate human rights issues with a focus on second tier suppliers to possibly achieve improved transparency and traceability in the context of textile industry supply chains. The focus is on giving recommendations to the commissioning company about how to collect reliable information on human rights issues from second tier suppliers, what kind of guidelines and regulations there are to support the process and what are the main human rights issues related to the supply chains in question.</p> <p>The theoretical framework consists of concepts and theories related to supply chain management with a focus on human rights issues. Primary resources are studies from organizations and literature investigating human rights issues and transparency in the textile industry. Official sites of different regulations and guidelines are used for answering investigative questions. The research consists of qualitative phases by desktop studies, analysing data collected by commissioning company and close discussions with the professionals of S-Group.</p> <p>Human rights problems that occur in the textile production chains are unfortunately common. The main issue arising from data collection in textile industry supply chains, is the difficulty to gather and to verify information from tier 2 suppliers and beyond. Information collected about tier 2 suppliers is often gathered by direct suppliers (tier 1). In an ideal world a company creates long-term relationships with the suppliers and creates a culture of open information sharing throughout the supply chain. Better communication could lead to the identification of human rights issues and help to address them. Companies are responsible to assess what kind of human rights risk their own operations cause directly or indirectly. For gathering information and identifying the risks, various organizations are offering auditing and other resources, such as training. Having connections with the local organizations in countries of production, can increase transparency. At minimum companies must follow UN Guiding Principles and OECD Guidelines.</p>	

Keywords: Second tier suppliers, supply chain, transparency, human rights, textile industry, regulations and guidelines, information, working conditions, traceability

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1 Introduction

Transparency in business operations is more and more important to consumers and companies. Collecting information about products and supply chains creates value to a company, economically and reputationally. The supply chains in textile industry are likely to consist even of a hundred of operations and factories located in various countries. 2016 nearly 80 million people were employed in the textile industry worldwide. Most of these people were and are still in developing countries and most workers are female. (Richero & Ferrigno 2016, 8.) First tier suppliers are usually direct suppliers to the retailer which makes it easier to collect reliable information about the first tier of a supply chain. In the other hand the origins of raw materials are what interests the consumers and is often published, second tier suppliers and beyond might be left without interest of both consumers and companies. Information collected about second tier suppliers and beyond can come through intermediaries and are not directly surveyed by the retailer. With multiple suppliers and complex supply chains, it is difficult for a company to keep the chain transparent and information flow effective to tackle the possible issues related to human rights. When information available is limited, companies must assess the human rights impacts of their own operations, and aim to improve transparency and working conditions through surveys, audits, and services provided by organizations.

1.1 Case introduction

S Group collected data to identify what their own textile brands second-tier suppliers are manufacturing, where they are located and what is done to ensure that also second tier suppliers follow S Groups expectations for sustainability that are set in the sourcing agreement and Code of Conduct. A survey was sent to direct suppliers to find out how they are monitoring their own suppliers and what kind of systems and mechanisms were implemented. The questionnaire is fully related to human rights and its purpose is to identify the human rights risks among second tier suppliers, as well as increase traceability and visibility to the supply chain beyond tier 1. The survey revealed a huge network of different operators beyond tier 1. Survey was sent to 50 tier 1 suppliers from which 33 answered. Respondents informed to have estimated 400 direct suppliers in total and named 145 of them. Tier 1 respondents represented 57% of total direct suppliers of S Groups own textile and footwear brands. Achieving information throughout the supply chain would require all tiers to implement surveys about the next tier suppliers and pass on the information back to the previous tier. Contracts with the suppliers identify the expectations and responsibility practices to which the suppliers must adhere, nevertheless the contracts are formed between two entities and therefor are not effective throughout the supply chain. Clear

majority of the respondents have set sustainability requirements to their own suppliers and are as well monitoring the performance.

As the survey revealed, reliable and fully transparent information about tier 2 suppliers is still out of reach and information from tiers beyond tier 2 are almost impossible to gather. The lack of communication and reliable data leaves a company with very few tools and ways to affect human rights issues beyond tier 1 suppliers. To be able to improve transparency, a company must find ways to improve communication between suppliers and gather reliable, unpolished data.

1.2 Research aims and research question

The aim of the thesis is to investigate human rights issues among second tier suppliers to possibly achieve improved transparency in the context of textile industry.

This study identifies the human rights issues related to second tier suppliers and countries of origin identified by the survey. Through investigation of the given supplier data, related literature and guidelines, recommendations for further investigation are given. The research aims to find tools and solutions how to get information about human rights violations and how to collect reliable information from second tier suppliers and beyond. In this case transparency means knowing the supply chain, rather than what kind of data the company is publishing for all the stakeholders.

At the request of the case company, a comparison between official regulations and unofficial guidelines of transparency and human rights issues in supply chains of textile industry are presented. This includes OECD guidelines for multinational companies, UN Guiding Principles on Business and Human Rights, and briefly other relevant guidelines. The aim is to understand the differences between official and unofficial guidelines in textile industry and find examples of organisations which can be useful for mitigating human rights risk and achieve improved transparency. Some guidelines are gathered in separate informative leaflets as an attachment.

To find approaches and tools to improve transparency and gather reliable information of suppliers in tier 2 and beyond, it is important to understand the challenges a company can face. Challenges affecting the data collection and intervention in human rights violations possibly occurring in supply chain, are discussed.

Research Question

RQ: How to improve the transparency of second tier suppliers in textile industry supply chain?

Investigative Questions

IQ1: What kind of human rights issues are there among second tier suppliers in selected countries in textile industry?

IQ2: Which guidelines should be used to improve transparency among second tier suppliers and beyond in textile industry?

IQ3: What challenges there are concerning transparency among second tier suppliers of the commissioning company?

IQ4: What relevant information is available about organizations and guidelines suitable to achieve transparency in textile industry?

1.3 Demarcation

The project will focus specifically on the own clothing and footwear brands and second tier suppliers of the case company. The study focuses only on human rights issues, therefore emissions and environmental impacts will be left out from the research. The supplier data used is only the data collected from S Group suppliers. Majority of the suppliers are in China, Bangladesh, Pakistan, Turkey, and India, which is why the main human rights issues related to some of these countries are presented.

Variety of different kind of manufacturers in second tier of S Group textile supply chain is wide. Second tier suppliers of S-Group are mostly doing the sewing and cutting of the fabric. In addition to that the second-tier suppliers are commonly shoe manufacturers and raw material producers. Some ready products are supplied (hats, scarves, gloves, accessories). Suppliers also offer services like knitting, dying, and packing. Detailed study about specific phases and forms of manufacturing in textile industry is not done.

Guidelines and regulations focused on due diligence processes to identify, mitigate, and remediate adverse human rights impacts are presented. Unofficial guidelines available for companies are countless, therefore some relevant guidelines are presented briefly, acknowledging if the guidelines are based on official regulations or only expectations of an organization.

Transparency as how much and what kind of information a company should publish is a secondary approach, as the focus of the study is to view transparency as knowing the supply chain and gathering information.

1.4 International Aspect

Textile industry is a global industry with complex supply chains. Tier 2 suppliers of the case company are in various countries and continents. Global supply chains of the case company guarantee the international aspect of the thesis. The recommendations of the theses can be used as guidelines outside Finland and for the benefit of any company that struggles with transparency or has suppliers in the presented countries. Guidelines and regulations presented are official international guidelines and of organizations operating all over the world.

1.5 Anticipated benefits to stakeholders

The case company will benefit by possibly taking a step closer to transparency of the whole supply chain of textiles to the retail store. The project can improve the communication flow from tier to tier/ B2B stakeholders. Transparency itself improves the company image. The research can provide data for long term use to the case company and can also be used to benefit other companies in textile industry. Improving transparency and acknowledging possible human rights issues related to the textile industry supply chain can show the case company as an example of a socially responsible firm and possibly encourage other companies to follow. The project provides tools and information for consumers, that make it easier to make suitable choices and ethical decisions of consuming. Investors find value and are more interested of sustainable companies. Possible actions taken by the case company in risk countries can possibly affect positively the employees worldwide related to case company's operations.

1.6 Challenges

Reliability of supplier data cannot be fully confirmed. Answering the survey is voluntary so the information given can lack some essential details. To confirm information and representing additional and supplementary questions is difficult due the interviews with the suppliers are difficult to establish. Data collected is fully and only collected from manufacturers and do not include employee interviews which could reveal possible human rights problems. Complexity of global supply chain creates a risk that a big amount of information does not reach the retailer and possibly not even first tier suppliers. The manufacturers of the case company operate in many different fields from raw material to packaging. Different manufacturers have different kind of individual issues related to their operations. Unofficial guidelines and regulations developed by different organizations are endless, it is a challenge how to choose the most suitable ones to follow and what regulations can be expected to be followed by suppliers. Helping suppliers to prevent and fix possible

human rights issues occurring among tier 2 and further suppliers, is challenging or even impossible, if the information does not reach the case company.

1.7 Key Concepts

Human rights are rights inherent to all human beings, regardless of race, sex, nationality, ethnicity, language, religion, or any other status. Human rights include the right to life and liberty, freedom from slavery and torture, freedom of opinion and expression, the right to work and education, and many more. Everyone is entitled to these rights, without discrimination. (United Nations 2021.)

Textile Industry refers to all the industries involved in the development, manufacturing, design, and distribution of textiles, fabrics, and clothing. (Heddels 2021.)

Second tier Supplier a company that sells and delivers materials or goods to a first-tier supplier. (Longman Business Dictionary 2021.)

Business transparency is the process of being open, honest, and straightforward about various company operations. (Forbes 2019.)

Social responsibility Connected to the performances that measure the social impact of the business, in terms of social equity and cohesion, economic prosperity and the protection and promotion of fundamental rights. (V. Belvedere 2017, 22)

Corporate social responsibility (CSR) is a self-regulating business model that helps a company be socially accountable—to itself, its stakeholders, and the public. By practicing corporate social responsibility, also called corporate citizenship, companies can be conscious of the kind of impact they are having on all aspects of society, including economic, social, and environmental. (J. Chen 2020.)

Supply chain management (SCM) is the management of the flow of goods and services and includes all processes that transform raw materials into final products. It involves the active streamlining of a business's supply-side activities to maximize customer value and gain a competitive advantage in the marketplace. (Hayes 2020.)

Supplier segmentation Supplier segmentation is the process of dividing suppliers into distinct groups. The concept describes how this can be done and explores how organisations can benefit from segmenting their supply base. (Rogers 2009.)

Sustainability focuses on meeting the needs of the present without compromising the ability of future generations to meet their needs. The concept of sustainability is composed of three pillars: economic, environmental, and social—also known informally as profits, planet, and people. (Grant 2020.)

Grievance mechanism is a formal, legal, or non-legal (or ‘judicial/non-judicial’) complaint process that can be used by individuals, workers, communities and/or civil society organisations that are being negatively affected by certain business activities and operations. (SOMO 2021.)

Traceability is the ability to identify and trace the history, distribution, location and application of products, parts, and materials, to ensure the reliability of sustainability claims, in the areas of human rights, labour (including health and safety), the environment and anti-corruption. (UN Global Compact 2014.)

2 Context of the Study

2.1 Textile industry

The global apparel market had a value of nearly 527.1 billion USD in 2020. Recently seen decline at a compound annual growth rate happened mainly due the lockdown and effects of the pandemic, covid19. The global apparel and leather products market had a value of nearly 818.2 billion USD in 2020. The apparel segment counts as 64,4% of the total apparel and leather product markets in 2020. (Businesswire 2021.)

Textile industry is a huge global market and therefor affects directly or indirectly every part of the world. More than 70% of EU imports of textile and clothing come from Asia. Sweat-shop conditions in the textile factories affect countless of people in Asia, but the issues are often noticed globally only when a major incident occurs. Trade unions might not be able to protect workers, employees lack of proper contracts, do excessive working hours, gain low wages and work in hazardous conditions. (Richero & Ferrigno 2016, 10) In 2019, the EU exported 61 billion euros worth of textile and clothing and imported 109 billion euros worth. The EU imported over 80 billion euros worth of clothes, mainly from China, Bangladesh, and Turkey. (European Commission 2021.)

Most textiles in Finnish markets comes from Asia. Currently the biggest manufacturer of textiles is China, but a big part of industry is in Bangladesh, India, and Cambodia. The employees do not necessarily gain minimum wages and the working hours extend the legal amounts. Labour unions might exist but do not necessarily have any authority or it is made difficult for employees to organize. Employees in many cases are not aware of their rights and some work is done in homebased establishments out of the reach of unions and law. (Finnwatch 2011.)

In Finland, most of the 20th century were still a good and productive time for the domestic textile industry. After trade with the Soviet Union decreased/stopped and competition with cheap imports intensified. Global textile industry was shifting to the countries with lower costs and more labour power. (Tekstiiliteollisuuseum 2006.) Lower cost of production and labour are the main reasons for the growth of textile production in Asia, but not the only reasons. Asian markets have a low value currency but also a manpower crucial for the manufacturing volumes a textile industry requires. The largest cotton producers of the world are in Asia. Asia is also rich in natural resources used for making textiles. Machinery for manufacturing textiles is produced cheaply in China. The production costs in Finland

are not comparable to Asian markets. Finnish production lines do not have the flexibility and speed to answer to demand and quick changes of the modern fashion industry.

2.2 Introduction of the case company

The S Group is a Finnish cooperative, a customer-owned group of companies. S Group consist of 19 regional cooperatives as well as SOK-corporation. S Group offers services such as supermarkets, department stores, tourism services, restaurant services, fuel, bank services and multiple other services. S Group has international operations in Estonia and Russia. Total retail sales of S Group excluding taxes was 11, 713 million at year 2019, from which 139 million euros came from operations in Russia and 190 million euros from Estonia. S Group total personnel is 40,081 people.

S Group have developed the sustainability of its own textile brands for years. Factories located in risk countries are audited since year 2005. The audit checks examine matters like safety at workplace, wages and working hours. In countries that risk neglecting social responsibility, S Group is using independent auditing for employee safety, right to organize and other human rights related issues. In addition of that, 2018 S Group developed a research concept to supplement traditional audits and to be able to examine the root causes of human rights issues in supply chains. The purpose of the project is to fight the current issues of risk countries and industries and find better solutions to affect the specific issues by coworking with the suppliers and achieve a better traceability and transparency for the products.

The procurement agreement requires that the suppliers and producers of raw materials, are following the local law, collective bargaining, and standards of human rights. Direct purchases of S Group own brands and own imports from risk countries, is done only from the suppliers, that are auditioned by independent third party. (BSCI auditioning or equivalent) The country of manufacturing will always be available for the consumer. S Group has also joined Bangladesh Accord Initiative (Accord on Fire and Building Safety in Bangladesh) in the year 2020. All the factories in Bangladesh producing textiles for S-Group are part of the Bangladesh Accord. The factories are inspected regularly for building and fire safety. As a result, the possible risks are identified and safety in the factories is improved.

S Group is the first Finnish retailer committed to purchase only responsibly produced cotton for its own imports and brands by year 2025. Organic cotton products have either GOTS or OCS certificate. Recycled cotton has either GRS (Global Recycle Standard) or RCS (Recycled Content Standard). Apart of what mentioned above S-Group favours Fairtrade and is part of Better Cotton Initiative (BCI). (S Group 2021.)

2.3 Guidelines and regulations

There are many existing standards developed to help companies achieve their targets of transparency. Supply chain management is increasingly integrated to corporate social responsibility. Suppliers committed to sustainable development are valued by stakeholders, customers, and socially responsible procurement. Following official guidelines and principles increases the value of the company and preserves company reputation. The sustainability principles must be adopted throughout the whole supply chain. To achieve this the transparency and open communication through the supply chain is necessary. Some of these official guidelines are presented and put in a chart for easier comparison in attachments.

It is essential that official and unofficial regulations are separated from each other. Corporate social responsibility has only two official regulations, which are UNGP and OECD guidelines to which the governments are committed to and are implemented through laws and soft law mechanisms.

2.3.1 The United Nations Guiding Principles on Business and Human Rights (UNGPs)

In 2008, the United Nations endorsed the 'Protect, Respect and Remedy Framework' for business and human rights. The United Nations Guiding Principles on Business and Human Rights (UNGPs) is an instrument consisting of 31 principles. Most importantly: The States must have effective laws and regulations to prevent and address business related human rights issues and to provide access to effective remedy channels, businesses must respect human rights no matter where they are operating or whatever the size of the industry is. Companies must know their human rights impacts, also potential ones and aim to prevent and mitigate abuses. Corporate responsibility to respect human rights is independent from States actions to protect human rights. Individuals and communities have fundamental right to access remedy when their rights have been adversely impacted by business operations. (OHCHR 2021, 2.)

The UNGPs has three main pillars to guide how businesses and states must implement the framework: The state duty to protect human rights, The corporate responsibility to respect human rights, Access to remedy for victims of business-related abuses. (OCHR 2021, 3.) The Guiding Principles have been endorsed by United Nations Member States. Principles are based on fundamental United Nations human rights and labour standards. It is not a voluntary standard for members.

Guiding Principles 1–10 describe the state duty to protect human rights. Guiding Principles 11–24 address the corporate responsibility to respect human rights, outlining specific considerations as to how businesses could meet that responsibility in practice. Access to Remedy pillar with Guiding Principles 25–31 relates to both state and corporate actions to help victims obtain access to remedy for business-related human rights abuses. (Jastram & Schneider 2018, 13.) First step for companies is to issue a high-level public commitment to respect human rights. Companies must specify the most critical human rights issues related to their operations and how they are reflected in a company policies and processes. This includes what is expected from other stakeholders. A company must have a due diligence process to identify where the human rights risk is the highest. (Jastram & Schneider 2018, 14.) UNGP acknowledges three levels of involvement in human rights issues for businesses. A business can cause adverse human rights impacts through its own operations, or contribute to human rights impact through its own activities, and lastly be directly linked to an adverse impact through business operations. If a business is being a direct cause or contributing to human rights violations, immediate actions must be taken. Company must monitor and track the result and communicate openly the analysis and response to adverse human rights impacts. They should also establish or participate in operational-level grievance mechanisms for those who may be negatively impacted. (Jastram & Schneider 2018, 15.)

However, UNGP does not answer what the scope of effective human rights due diligence and risk assessment should be. The principles do not either specify the meaning of serious human rights abuse or significant human rights risk, nor how the concept of leverage should be applied. (Jastram & Schneider 2018, 16)

2.3.2 The Organisation for Economic Co-operation and Development (OECD)

The Organisation for Economic Co-operation and Development sets international standards in collaboration with Member countries. OECD has a peer-review approach but is based on UN Guiding Principles. OECD countries assess the policy performance of other countries and share advice for improvement. The Organization provides governments country specific reviews by request. The OECD sets international standards and codes in collaboration with Member countries. The standards range from legally binding instruments to recommendations designed to guide policy makers. OECD provides non-binding principles and standards for responsible business conduct in a global context consistent with applicable laws and internationally recognised standards. (OECD 2021.)

OECD guidelines for multinational companies concerning human rights are:

- Respect human rights, which means they should avoid infringing on the human rights of others and should address adverse human rights impacts with which they are involved.
- Within the context of their own activities, avoid causing or contributing to adverse human rights impacts and address such impacts when they occur.
- Seek ways to prevent or mitigate adverse human rights impacts that are directly linked to their business operations, products, or services by a business relationship, even if they do not contribute to those impacts.
- Have a policy commitment to respect human rights.
- Carry out human rights due diligence as appropriate to their size, the nature and context of operations and the severity of the risks of adverse human rights impacts.
- Provide for or co-operate through legitimate processes in the remediation of adverse human rights impacts where they identify that they have caused or contributed to these impacts. (OECD 2018, 31.)

OECD Due Diligence Guidance for Responsible Supply Chains in the Garment and Footwear Sector is created to guide enterprises in textile industry. It identifies child labour, discrimination, forced labour, occupational health and safety violations, the right of workers to establish or join a trade union and too small wages, as main issues in textile industry. (OECD 2018, 48.) According to OECD appropriate supplier assessment is one of the key functions to have sufficient information about suppliers and mitigate harm in the long term. The company must understand:

- Which population groups are most affected by the harm, local risk factors that could worsen harms, the underlying causes of harm and the actors that are involved in the harm?
- The different roles assigned by society to women and men can lead to exclusion from decision-making opportunities and place women and girls in particular at a disadvantage in the family and community
- Age (in certain societies, young and older people can be considered as having little to contribute and can be overlooked)
- Ethnicity (in relation to more dominant groups or in relation to host communities) social classification in relation to other workers or supervisors
- Religion (especially when a minority)
- Health status (pregnant women, chronic illness, etc.)
- Percentage of the workforce that are migrant workers; –

- Extent of home-based work employed
- Educational level (literacy, skills, including language skills, non-school attendance)
- Identify the availability of judicial and non-judicial grievance mechanisms, to the extent possible. (OECD 2018, 62)

OECD Due Diligence Guidance for Responsible Supply Chains in the Garment and Footwear Sector offers key concepts and guidance for implementing a due diligence process in textile industry. It gives recommendations for meaningful stakeholder engagement and collaboration. The guidelines point out the importance of gender consideration when applying due diligence. The company must identify, cease, prevent and mitigate harm in the enterprise's own operations and its supply chain. Important part of this is tracking and communicating throughout the supply chain.

2.3.3 Fashion transparency index

Fashion transparency index rates companies according to their transparency. Fashion transparency index is not based on official guidelines like UNGP or OECD but is done based on what companies are publishing and what information is available for everyone. The rank is based on public information about the companies supply chain issues and questionnaires. It is established because many fashion brands are not aware of the different stages of their supply chain and do not know where the products are manufactured. Currently it is rare that a fashion company has its own manufacturing facility, which makes it difficult to monitor the issues appearing throughout the supply chain. The aim is to inspire companies to publish more information about their supply chains and therefore create more information available for consumers. In the end transparency will lead to improvement of working conditions in risk countries. Fashion transparency index identifies as a tool for research and communication but is not doing auditing. Fashion transparency Index is a useful tool for understanding what kind of policies companies have and how much information of the supply chains and products are shared publicly. Transparency includes companies to know the whole journey of the product from raw materials to different stages manufacturers and how companies communicate throughout the supply chain and to the public. However, a high score in Fashion Transparency Index does not mean full transparency of supply chains. (Fashion Revolution 2021.)

Methodology of Fashion Transparency index rates five key areas of sustainability and transparency and weighting the value of those areas due to their importance. The highest

possible points are 250 points, and the result is shown as percentage of the total points. (Fashion Revolution 2021.)

Key findings

- Best scores had H&M (73%) and C&A (70%). Also Mark & Spencer (60%) that is widely available in S-Group store was in top ten of the fashion brands.
- Average score of each section showed that policy&commitment of the companies scored the best (52%) but the rank of traceability was second worse in average (16%).
- 40% of brands publish lists of first tier manufacturers. 24% list of processing facilities and only 7% suppliers of raw materials. Also in this field H&M scored the best.
- Average score is 58/250, meaning the score of 23%

Measurements and weighting

- Policy&Commitment 18,8%. How the policies concerning own and supply chain workers are implemented and issues are prioritised. What goals there are and how the progress is reported.
- Governance 4,8%. Who is responsible of the performance, overall governance and implementation of governance in social and environmental issues.
- Traceability 31,6%. How much of the supply chain is published from the raw materials to the stores. Lists and details that show such as address information, gender breakdown and union representation.
- Know, Show & Fix 25,2%. Due diligence processes. How suppliers are assessed and are the reports published. Actions when problems are found.
- Spotlight issues 19,6%. What companies are doing to address key human rights and environmental issues.

Reccomended actions for transparency

- Map and publicly disclose your full supply chain.
- Publish more information about your environmental and social impact.
- Support your supply chain workers and suppliers during the pandemic.
- Invest and enforce laws and policies that protect the workers rights and environment.
- Ratify ILO Convention 190: Eliminating violence and harassment in the world of work.

Figure 1: Fashion revolution. Fashion Transparency Index 2020. Key findings.

2.3.4 Fair Labour Association

FLA is a collaborative effort of universities, civil society organizations and companies. It offers sustainable strategies and resources to help member companies to improve compliance systems and mechanism to address the most serious labour rights violations through third party complaint process. FLA offers transparent assessments and publishes the results online for improved transparency. (Fair Labor association 2021.)

Companies joining Fair Labour Association must commit to upholding the FLA Workplace Code of Conduct, as well as to establish internal monitoring system to maintain the standards throughout their supply chain. Code of conduct is based on International Labour Organization (ILO) standards. The FLA conducts independent and unannounced audits of factories used by FLA affiliates. (Fair Labor association 2021.)

Table 2: What FLA offers to member brands in a nutshell.

Develops a corrective action plan to address any violations of the code
Conducts follow-up visits to ensure the plan is implemented.
Promotes transparency.
The results of factory audits and action plans are post on FLA website
Promotes a complaint channel for third parties when other grievance mechanisms have failed workers.
Any person, organization, or company may file a complaint with the FLA, as all stakeholders have a role in improving corporate accountability for labour rights.
When merited, the FLA oversees investigations and corrective action for any violations found.

2.3.5 Fair Wear Foundation

Fair Wear believes that creating better working conditions calls for collective action. That means bringing together brands, consumers, business associations, trade unions, governments, and NGOs. Fair Wear is focused on garment production, specifically sewing, cutting, and trimming processes. The Fair Wear has eight labour standards that are based on the conventions of the International Labour Organization (ILO) and the Universal Declaration on Human Rights. The Fair Wear Code of Labour Practices have a strong provision on freedom of association, hours of work, and a living wage. The main interests of Fair

Fair Wear does not differentiate of official guidelines and expectations of UNGP and OECD. Fair Wear stamp of approval does not guarantee any existing quality of labour standards, instead only demonstrating a stated interest in working toward improvement and therefore does not differentiate from other similar organizations. (Fair Wear Foundation 2021.)

Table 1: Fair Wear Code of labour practices main points

Employment is freely chosen
There is no discrimination in employment
No exploitation of child labour
Freedom of association and the right to collective bargaining
Payment of a living wage
No excessive working hours
Safe and healthy working conditions
Legally binding employment relationship

Fair Wear is active in 11 production countries: Bangladesh, Bulgaria, China, India, Indonesia, Myanmar, Macedonia, Romania, Tunisia, Turkey, and Vietnam. In all countries, Fair Wear has local audit teams and trainers who are in close contact with the Fair Wear headquarters. During a Fair Wear audit, a worker interviewer, a documents inspector and a health and safety specialist work toward discovering underlying problems. Member brand and factory management discuss action plan together. In Fair Wear the audits are the starting point of the process.

Fair Wear also constantly liaises with many different and in-country organisations, such as trade unions, other NGOs, and governments. Fair Wear offers helplines if an employee has a complaint. Fair Wear launches an investigation and requires the brand to work with the supplier to remediate the problem. Overall Fair Wear brings together all the players in the supply chain. It does not provide certificate, but you can become a member brand. (Fair Wear foundation 2021.)

2.3.6 Worldwide Enhancement of Social Quality

Worldwide Enhancement of Social Quality is a comprehensive supplier training programme which aims at improving working conditions and compliance with the Tchibo Social and Environmental Code of Conduct. Business aspects such as quality, productivity, and efficiency are addressed to the extent that they correlate with human rights. The key part of the methodology is dialogue. Workers and managers are participating in a dialogue and buyers as well if it is possible. The main goal is to create solutions for human rights challenges. Conflicts mediation is facilitated by local professionals trained for the task specifically.

The program pilot ran in 40 factories located in Bangladesh, China, and Thailand. The results of the pilot showed better impact on human rights issues than classic auditing and management training. The results can be seen in WE impact assessment. Currently the programme is running in eleven countries: Bangladesh, Cambodia, China, Ethiopia, India, Laos, Myanmar, Pakistan, Thailand, Turkey, and Vietnam. To enable the parties to engage in dialogue they receive training in communication skills and solution-oriented action planning techniques. (Worldwide Enhancement of Social Quality 2021.)

In WE, suppliers receive the freedom to work on their issues. WE do not set the goals to factories, but instead communicate the expectation that there must be clear and tangible progress within the course of the programme, including topics like wages, freedom of association or discrimination. Suppliers receive time to get on track. If they show massive resistance to change over the course of the programme, however, the sourcing department will review whether such an organisation fits the principles and values of Tchibo and in severe cases will cut business ties. (Worldwide Enhancement of Social Quality 2021.)

3 Supply chain management and human rights

3.1 Transparency and supply chain management

3.1.1 Supply chain management

Supply chain is a network of facilities and distribution. Supply Chain Management can be defined as a strategic coordination of business functions from all the steps of manufacturing to the consumer. Coordinating supply chain can provide competitive advantages by decreasing production and transportation costs and delivery times, which also leads to improved customer satisfaction. SCM controls the flow of goods from raw materials to end user. Through SCM processes products are developed and manufactured and delivered to answer customer demand. SCM performs functions like procurement, manufacturing, transportation, and distribution of finished goods. It is important to understand that the complexity of supply chain depends on a product and market. (Sople, Vinod & Pearson 2011, 1.) Activities like information flow through supply chain, integration of suppliers and customers to business processes, sharing supply chain risks amongst the chain and monitoring these processes are considered part of SCM, as well as building and maintaining relationships with channel members. If the supply chain is further extended to investigate suppliers' supplier, meaning tier 2 and beyond, it is called extended supply chain. Textile industry supply chains are almost without exception consisting of several tiers of suppliers. (Sople & Al 2011, 1.) Global supply chain means cross-border transaction and movement of goods. In global supply chains a company must keep in mind various regulations, rules, infrastructures, and policies. (Sople & Al 2011, 17)

3.1.2 Second Tier suppliers in textile industry

Tiers of a supply chain must be identified from a viewpoint of a company in question. Second Tier Supplier is a company or a manufacturer who supplies material or a product to the first-tier supplier. First tier supplier supplies directly to the manufacturer or retailer in question. Simplified: Tier 1 suppliers get their materials from tier 2 suppliers and so on.



Figure 2: Example of a material flow in textile industry

Suppliers are commonly referred to as Tier 1, 2 and 3, depending on what is their distance on supply chain from a manufacturer under review. Breaking suppliers down by tiers helps a company to gather information and gain transparency and reliability throughout the supply chain. Identifying the tiers helps to clarify what kind of human rights risks are related to the end-product. In textile industry supply chain can be built by many raw material producers and manufacturers. The distance in supply chain does not identify, which kind of business is in question. Tier 2 suppliers can produce readymade garments as well as raw material producers can be in tier 2 in supply chain.

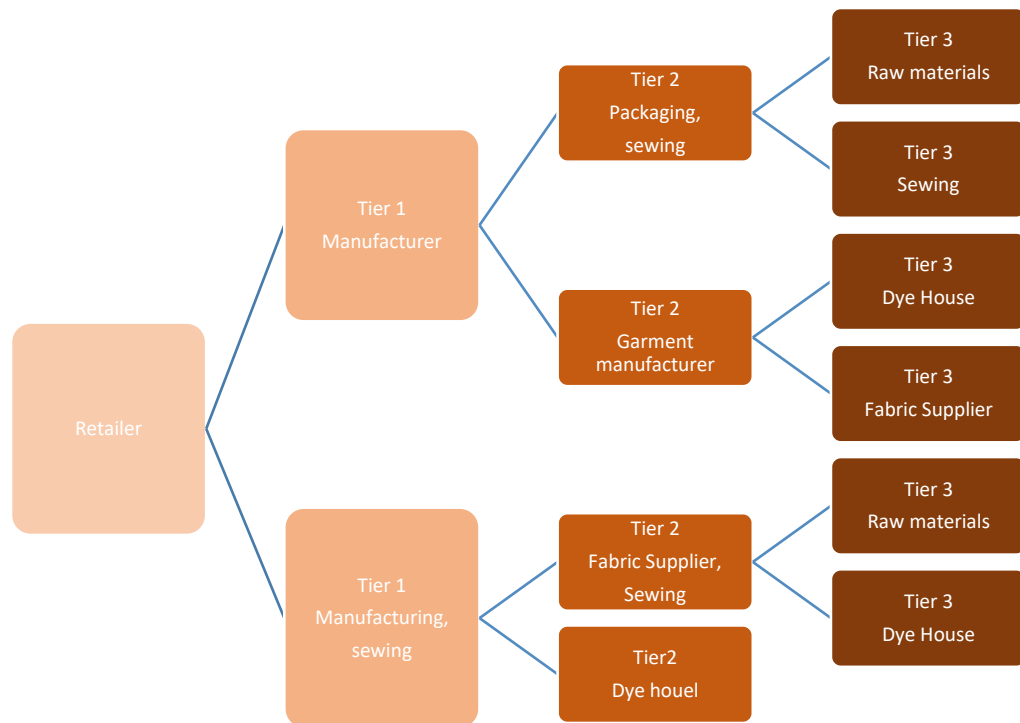


Figure 3: Example of a possible supply chain in textile industry

In most companies in textile industry, contracts and possible agreements about sustainability requirements are made between the direct supplier and the brand. Tier 1 supplier makes a contract with its own supplier (tier 2) and so on. This creates a situation where the brand has only little, or not power at all to influence what happens in tiers beyond their direct suppliers, and the last tiers have only minimal possibility to negotiate contracts and prices.

3.1.3 Transparency in supply chains

Concern of environmental crisis and human rights issues has created a pressure for transparency and CSR strategies. Sustainability of a firm creates value for stakeholders,

consumers and investors as well as improves the corporate image. Companies are not legally obligated to publish social responsibility reports, but transparency is asset for company image. Concept of Corporate Social Responsibility strategy has made us respond to acknowledged problems including climate change, the consequences of globalization, international human rights issues, fight corruption and poor governance. Global development of these issues requires CSR related actions. Corporate actions can have direct and indirect affects to millions of people. Looking at supply chains from retailers to third tier factories and raw material producers, the impact of actions can reach numerous amounts of factories and employees. Understanding the issues has led to CSR strategies that break the issues in manageable pieces. CSR can be applied to any sector of society, for example to education, industries, organizations, and governments. (Idowu, Kasum & Mermod 2014, 1.) The organization practices are not necessary aligned with public claims and CSR strategy plans. Ensuring the sustainable practices of different tier suppliers throughout the supply chain is a real challenge that companies face.

Textile industry supply chains are complex and commonly fragmented over several countries. There is common lack of transparency among textile value chains. International frameworks like ILO Core Conventions, UN Guiding Principles on Business and Human Rights, and the OECD Guidelines aim to improve transparency and business practices. Effective mechanisms that could enforce sustainable business practices in international level, are often inefficient. Governments have taken action to improve transparency of value chains. UK adopted the Modern Slavery Act in 2015, which requires big companies to report the efforts they are doing to prevent human rights violations in their supply chains. In 2017 France adopted a law that requires big French companies to assess and address the negative impacts of business activities. Companies are required to publish annual reports and public vigilance plans. (Jastram & Schneider 2018, 4.)

Various laws and initiatives create a discussion about the impact and effectiveness of different approaches. Are the same models effective to the whole industry when textile industry appears in many different structures and business models and most of all is commonly build with international supply chains and fragmented all over the world. Therefore strategies and approaches to improve social conditions along the supply chain must be designed according to business model and structure. (Jastram & Schneider 2018, 5.) Bad working conditions, suppression of trade unions and lack of safety at fashion production sites is reported in media widely. However, the consumers are commonly unaware about the causes and solutions of the problems and information is not available to consumers, there is a lack of transparency. (Jastram & Schneider 2018, 3.)

The UN Guiding Principles strongly emphasise the importance of transparency and expects companies to communicate openly about the management of their human rights risks. Among Finnish companies a relatively little information on their human rights responsibilities and related performances are published. There is a need for clear recommendations about the structure and content of reporting but also companies might find it difficult to report on human rights issues. Some companies claim that there is not enough demand for public information about human rights impacts. One issue revealed was the lack of commitment by senior management, which makes transparent reporting more difficult. (Ministry of Economic Affairs and Employment 2021.) Interviews revealed that the reason why Finnish companies do not publish information on the realisation of their human rights responsibility included the experience that publicly disclosing information is not meaningful or does not really interest anyone. Companies also experienced that there is no pressure from stakeholders for disclosure of human rights issues and that there is not a sufficient model available for reporting on human rights responsibilities.

Ensuring sufficient resources and competence were mentioned as internal factors affecting the issue. Lack of resources affect the possibility to collect information as well as ensuring the reliability of the data collected. (Ministry of Economic Affairs and Employment 2021,17) When information is related to global supply chains, the reliability of the information is even harder to verify and therefor companies prefer to not publish at all. Communicating about human rights issues is also generally considered difficult, which is caused by the lack of knowledge about terminology, clear indicators, and the fact that companies do not know what level of transparency is required from them. Concrete guidelines and reporting models and defining which information must be disclosed would support companies in communicating information on human rights responsibility, as well as legislation. It must be noted that SIHTI project reviewed only relatively small number of Finnish companies and therefor does not necessarily represent most Finnish companies. (Ministry of Economic Affairs and Employment 2021, 87)

In the book *Sustainable Fashion Governance and New Management Approaches* (Jastram & Schneider 2018, 45.) the transparency issue in Bangladesh garment industry is researched. The book notes that no stakeholder group alone can effectively address the full scale of Bangladesh's garment business. Achieving safe and sustainable working conditions requires comprehensive problem assessment. Companies must identify, map, register and asses all facilities involved in the production of garments in Bangladesh. It is not useful to differentiate in assessment process direct suppliers and facilities that subcontract from direct suppliers. All garment facilities related to supply chain need to be able to meet minimum standards. The goal is to achieve visibility over the entire scope of the industry,

including human rights challenges. Transparency is not the same thing as responsibility. (Jastram & Schneider 2018, 45.)

Brands might fear that transparency throughout the supply chain makes them responsible of fixing the revealed issues. Focusing on first tier suppliers gives companies better leverage to impact the working conditions, even if the most urgent human rights risks might be found in deeper layers of the supply chain. Decoupling visibility and responsibility can provide a safer space for collecting information and mapping of human rights risks in supply chain. (Jastram & Schneider 2018, 45.) Transparency gives all stakeholders from companies to governments the information needed to identify risks and craft collective solutions. To understand the funding needs and developing funding strategies for fixing the issues, all garment facilities must be mapped and assessed. Dialogue between all stakeholders must be opened for understanding who eventually will be responsible for the costs and fixing the issues.

The Respect-Code Solution for Textiles offers a traceability solution for clothes. On the platform, every detail about the spinning, knitting, dyeing, printing, and confection of the products is available clearly and easily to a consumer through a QR code sewed to the product. The code shows the path that the product has followed from raw material to the retailer. Different production steps are very detailed: mentioning the different factories, including addresses, pictures, and contact details. Audits and certificates obtained by the factories can also be included. To achieve transparency, these kinds of tools can be beneficial for companies, not only as a platform to publish information but a place to see what other companies publish. Companies often consider full transparency of their supply chains as a risk of revealing data for competitors or as a risk of exposing possible problems to consumers. (Jastram & Schneider 2018, 131.) All stakeholders must be willing to provide necessary information. Company must set up an on-going process that manages all kinds of information provided by the stakeholders. All information must be verified by third parties such as certification bodies and independent initiatives, before they are published. For this collaboration with various organizations is helpful. Published information must be updated regularly. (Jastram & Schneider 2018, 135.)

3.2 Human rights in supply chains

In UNGP guiding principles it is stated how a company should fulfil their responsibilities and issue high level public commitment to respect human rights. Companies must have a specific human rights policy and be committed to relevant codes of conduct. The most critical human rights issue a business is facing must be specified as well as how these are

reflected in corporate policies and processes. This includes what an enterprise is expecting from all the other entities linked to its operations. Business enterprises should carry out human rights due diligence process which identifies every actual and potential human rights impact they are involved with directly or indirectly. UNGP acknowledges that a supply chain might contain so many different entities, that it is reasonable to prioritize actions towards operations which create the highest risk of negative human rights impact. (Jastram & Schneider 2018, 15.) Making reporting a legal requirement can make businesses to review and invest in their due diligence processes but is on its own is unlikely to be sufficient. Effective enforcement and participatory implementation processes are needed to yield demonstrable results and track the impact. (Jastram & Schneider 2018, 20.) Due diligence processes implementation tends to focus on those human rights that can be more easily addressed.

Finnish government committed to mandatory human rights due diligence at the national and EU levels in its official programme, released in June 2019. In June 2020 the government released analysis about which kind due diligence obligations could be required from Finnish companies, and which kind of supervision and sanction could be applied. 78 Companies were assessed, and the assessment was based on what information was published. Even if Finnish companies in general respect human rights, only a quarter of companies publish assessments of the impact of business operations to human rights. Finnish companies often do not publish information on the actions they take to fulfil their human rights responsibilities. The research was done during 2020 and was done comparing the corporate human rights responsibilities in relation to expectations set out in the UN Guiding Principles on Business and Human Rights. (Valtioneuvosto 2021.) According to the analysis, business operations in Finland must already commit to various due diligence obligations and are required to assess and prevent risks related to their operations. With the framework of national legal system, a duty of due diligence regarding the environment and human rights, could already be possible. Even if Finnish companies are widely committed to respect human rights, the human rights impact assessments are usually not public. Majority of the Finnish companies did not have due diligence process fully started or it was in very early state. Most of the companies had grievance mechanism and channels to report human rights violations through but did not necessarily have channels available for more vulnerable stakeholders. Many companies had production or suppliers in risk countries, but it was unclear what their role should and could be in those areas. Also, unfortunately it was stated in a report of SIHTI project that: "Only a small part of Finnish companies is publicly committed to remedy in situations where they find that they have caused or contributed to adverse human rights impacts. This can be seen as reflecting the fact that companies are still at an early stage in concretising their human rights responsibilities and in

understanding what the commitment means in practice.” (Ministry of Economic Affairs and Employment. SIHTI project 2021, 11.)

Part of SIHTI project was an assessment of the Finnish apparel sector supply chains with a focus on production and manufacturing. Two of the assessed companies are members of UN Global Compact. Sustainable Apparel Coalition, Ethical Trade Initiative and the Better Cotton Initiative were committed to by one company each. Four companies of six are members of Amfori BSCI. Four of the companies are members of the Finnish corporate responsibility network FIBS. (SIHTI Project 2021, 53) The apparel companies had made policy commitments to respecting human rights and human rights of workers. However, even if companies are committed to respect human rights, regular board level discussion focusing on particular human rights risks and impacts is still uncommon. The human rights commitments are communicated throughout the company from personnel to sub-contractors. The companies monitored well the implementation of human rights commitment in supply chains, but not as well when considering their own operations. Three of the respondents were identifying human rights risks of their own operations. Two of the companies had also assessed the identified risks and took action to change their practices to minimise the risks. Only half of the companies have a grievance mechanism for reporting abuses and human rights impacts in their own supply chains and activities. External stakeholders like local communities have almost no channels for communicating human rights risks and abuses.

None of the companies in the study reported what is their approach to remedy. All the companies failed to meet the indicators for prohibiting forced labour and most of the companies neglected to ensure regular weekly working hours. Implementing human rights due diligence, Finnish companies are behind the global level. Companies were particularly poor at informing about their processes and approach to remedy. (SIHTI Project 2021, 56-58) In global supply chains taking local legislation into account are creating challenges. Freedom of association and the right to collective bargaining can be limited by the local law in countries where Finnish companies operate, which leads to that many companies do not know what their active role could and should be in respecting human rights in line with the UN Guiding Principles. UN Guiding Principles require companies to go beyond the requirements of local legislations in cases where the local legislation does not comply with human rights standards. (SIHTI Project 2021, 81.)

Already, companies have adopted social auditing of factories as part of the fight against human rights issues within their supply chains. However, auditing/external monitoring has a major flaw, which is that human behaviour cannot be audited. Auditing normally lasts to

maximum two days which is enough to locate a missing fire alarm but is not likely to reveal discrimination or sexual harassment. Strengthening worker participation and the voice of unions in the factories is the best way to address problems left uncovered. (Bergstein 2018.)

3.3 Motives for transparency

Several studies have shown that firms that perform socially responsible activities enjoy benefits such as customer satisfaction and favourable customer and positive community evaluations. Consumer awareness and external research projects, such as research done by different organizations and SIHTI project, have created a pressure to improve the transparency related to human rights responsibility. Besides external pressure, companies are required to follow regulations and be ready for possible future legislations.

In developing producer countries, the employees benefit by achieving safer working conditions and channels for remedies. The growing demand for sustainable goods creates consumers who benefit for more sustainable options. Global value chains can turn into powerful vectors for better employment, more efficient use of resources and skills enhancement producer countries. (Jastram & Schneider 2018, 26.) Traceability is not only marketing for better brand, but it also sets standards of best practice. When information is published, it reinforces the brand's reputation, shows its responsibility, and therefor increases its credibility towards consumers. Better-informed customers make better purchase decisions. Collecting information throughout the supply chain leads to having an efficient tool for information management, analysis processes and optimization potential. Traceability leading to transparency brings the production of goods to higher CSR standards, better control and increased efficiency in the production lines and the potential new customers. (Jastram & Schneider 2018, 131.)

3.4 Country risk in textile industry supply chains

3.4.1 Finnwatch studies of textile industry

Finnwatch is a Finnish organization focused on global corporate responsibility. Behind Finnwatch there are various development-, consumer- and environmental organizations and trade unions. Finnwatch monitors how the business actions of Finnish companies affect in developing countries and is strongly cooperating with Swedish, Danish, and Norwegian similar organizations. Their aim is to promote ecologically and socially responsible business by influencing business practices and public debate and economic regulation. Finnwatch has published research and started debates concerning business related human rights issues as well as environmental and corruption issues. (Finnwatch 2020.).

For guaranteeing the relevance of the studies only research from within the last ten years will be presented and the studies focused on textile industry. Older studies must be reviewed with a necessary caution. 2012 Finnwatch published research about human rights violations in textile industry in Bangladesh and 2019 a report from India revealing the human rights issues related to Finnish textile companies Vallila and Balmuir. Majority of suppliers of S Group textiles were located to Bangladesh and India after China. Finnwatch has also developed guidelines for ethical procurement for organizations. These guidelines include procurement guidelines for textiles.

January 2011 Finnwatch published research about ethics of public procurement and manufacturing of workwear. The workwear sold in Finland was more likely manufactured in countries with cheaper manufacturing costs, like Estonia and China. As was visible also in supplier data of case company, the materials might be manufactured in a different country or location than where the final product is manufactured. The working conditions in developing countries can be very bad but also the information about working conditions in textile industry is widely available and consumer awareness is increasing. Clothing suppliers and their subcontractors are often required to follow ILO, International Labor Organization regulations. However, Finnwatch was able to find that many of the public purchasers did not consider the working conditions when procuring workwear or did not answer the questions regarding the production conditions or requirements of the working conditions. It was also said that the information about these topics is a business secret. Some of the respondents did not give any information about workwear purchases, the suppliers, and the countries of origin. Some departments of the public sector did not comment if there are even any requirements for sustainable procurement. However, the study showed that all the companies that procured workwear from Asia, had developed ethical guidelines for subcontractors and were established monitoring system to monitor the performance of the suppliers. (Finnwatch 2011, 4.) For all the respondents the main procurement criteria was the cost, quality and security of delivery speed and certainty. The cost and quality were the most important features when choosing the suppliers. None of the respondents included ethical criteria in the main requirements. Ethical requirements were presented in contracts and offer requests as necessary requirements. Only one company told they are auditing the fulfilment of the ethical requirements independently or together with the suppliers and are also collecting relevant certificates and yearly reports from the suppliers. The results of the audits were not public. Few other respondents told they are going to implement standards and requirements in future but for some companies also the possible implementation of an official standard was a business secret. (Finnwatch 2011, 9.) As a result of the research, Finnwatch reported that public sector was more conscious about

the ethical aspect in procurement than at year 2006 when none of the respondents required social or ethical responsibility from the suppliers. The biggest challenge for the companies was how to monitor the supplier performance. Finnwatch recommended establishing a cooperation between different companies for monitoring and visiting factories in risk countries and creating a self-assessment form to manufacturers. (Finnwatch 2011, 28.) After year 2011 the procurement principles of companies in textile industry continued to have major changes and therefore the results of this study do not show the current situation of workwear procurement in Finland.

3.4.2 Finnwatch in Bangladesh

May 2012 Anna Kakuli, Viveka Risberg and Sonja Vartiala wrote a Finnwatch report about human rights violations in Bangladesh, about women working in textile industry. Women of Bangladesh form the world's most working and under waged proletariat group which has played a major part for success of textile industry. Many transnational corporations have established corporate social responsibility guidelines for the area. The increasing demand for clothing has created the fast growth of Bangladesh textile industry. In the year 2012 approximately 80 % of employees in textile industry were women. Corporate responsibility guidelines and strategies are often focused on workers' rights instead of human rights in common. Understanding the specific issues and needs of female workers is not gaining any necessary special attention. The research uncovered many serious human rights issues including inequality, poverty, and health issues. Understanding the needs of female workers opens possibilities for companies to influence the situation. (Finnwatch 2012, 4.)

In Bangladesh many manufacturers kept two separate accountings for private use and another for officials and for auditioning. 2012 this practice was found in every company included to the research. The purpose of the separate accounting was to give false information about working hours, wages, and inadequate contracts. The average working hours in Bangladesh were 76 hours per week, which was the highest number of working hours in comparison to other problematic countries. Overtime compensations in Bangladesh, China, India, and Pakistan were too low and against local law. In Bangladesh the legal working hours in a week are 48 hours and 60 hours maximum. Law also obliges companies to pay double salary for overtime. It must be noted that the companies must monitor how well the manufacturers follow contracts, laws, and guidelines. (Finnwatch 2012, 13). A company can endanger the realization of human rights when procurement practices aim to minimize the production costs or speed up the production. Companies

are responsible for their own operations as well as the whole supply chain and how the subcontractors perform. Companies are obligated to avoid and decrease the negative impact to human rights. In Bangladesh the focus must be on too small wages, working hours and needs of female workers. (Finnwatch 2012, 25)

3.4.3 Finnwatch in India

April 2019 Finnwatch published research about working conditions in India, focused on the making of Balmuir and Vallila textiles. In 2017, the value of trade between Finland and India was 872 million euros. In 2019 there were approximately 100 Finnish companies operating in India and another 100 Finnish companies trading with India. (Finnwatch 2019, 4.) The research studies the human rights problems in India focusing on working conditions in textile industry. Having a legal contract for working does not necessarily and not even likely mean better conditions and rights for the employees. Finnwatch is mentioning the concept of precarious work that practically means the opposite of decent work that leads to blurring the employer responsibility. The effects can mean uncertainty of the duration of employment, lack of social benefits and healthcare, low payments, difficulties to join trade unions, contingent or fixed-term contracts meaning large number of permanent employees working with temporary contracts or as trainees or seasonal workers. (Finnwatch 2019, 6)

Human rights risks in textile industry in India are widely noticed and include serious human rights violations such as child labour, different forms of forced labour, safety, and health issues. Very rarely there is effective grievance mechanism or possibility to join trade union. Workers face harassment and discrimination by their ethnicity, religion, or gender. Even if India has adopted the minimum wage policy, the system is complex and does not apply to all employee groups and is not necessary legally binding. Indian labour law is also taking steps backwards for boosting growth of the manufacturing sector, by planning to remove previous laws that require bigger manufacturers to provide more information about the working conditions and wages. The current plan includes increase to thresholds on mass layoffs without government permission, increasing the hours of quarterly overtime and removing the restriction of women working in night shifts. Companies have also the freedom to decide the working hours and amounts of apprentices in use. (Finnwatch 2019, 10.)

Most labour unions in India are formed by males but in common workers are discouraged by employers to join or form unions. The law does not require employers to recognize the

position of labour unions as a representative of the employees, which also leaves the unions with the lack of necessary power to affect the problems. The research also states that it is beneficial for manufacturers to hire female workers since they are unlikely to fight for their rights or organize. Women's income is considered to be a secondary income of the household and not worth fighting for. Even though discrimination is against the law in India, women are paid less for equal work. 70 % of the workers in textile industry in India are female and therefore many issues of textile industry are specifically the violations against females, such as verbal and physical abuse and sexual harassment. In India sexual harassment at workplace is common and the employers are bound by law to set up an internal committee to prevent and investigate the cases of sexual harassment. However, 70% of the women did not report sexual harassment in fear of possible consequences and 65% of the women said the requirements of the law were not followed. Half of the companies in a survey also admitted that the workers were not aware of their rights concerning sexual harassment. (Finnwatch 2019, 15.).

Official statistics show that using child labour has decreased in India, but several organizations suggest, that child labour has moved from factories to informal sector and to work based at home, which makes it more invisible for companies. Children below 14 are still allowed by law to work at home or at farms, which means they are not protected by laws or other regulations. Using child labour is especially common in leather production, cotton production in informal production units or at home. Children worked in production of shoe parts and garments. Most of the children do not study or never even went to school. (Finnwatch 2019, 16.) Forced labour is against the law in India but is not an issue to be forgotten when observing the textile industry. Several cases of human trafficking for the purpose of forced labour were reported. Young girls forced to work at spinning mills, mostly in Tamil Nadu where most of the industry is located, is a common issue. The guardian reported in 2018 about girls held captive in the supply chain of Hugo Boss, in spinning mills. (Finnwatch 2019, 17.)

3.5 Human rights issues in textile industry

3.5.1 Bangladesh

Swedwatch, which is a Swedish equivalent for Finnwatch made a report about women in garment sector of Bangladesh in 2018, which gives more relevant information about the real time situation than the Finnwatch study from year 2013. In November 2017, Swedwatch visited Bangladesh to interview workers and managers at factories which are

exporting to European market. The workers interviewed did not include workers' representatives in participation committees (PCs) and members of any trade union. A second focus group discussion included participants from the factory's PC, representing both workers and management, as well as local trade union leaders.

Bangladesh is the second-largest garment and apparel exporting country in the world. Bangladesh is also listed in top-ten list of the world's worst countries to work in. Transparency International ranks Bangladesh as one of the most corrupt countries in the world. Employees have very limited possibilities to negotiate terms of employment, forming or joining a union creates face a severe risk of harassment, abuse and even killing. Union representatives interviewed said that the initiatives do not reach places and people which they should. Basically, collective bargaining agreements do not exist and there is no negotiation power. The low level of unionisation is causing poor finance among the trade unions. Buyers often rely on worker participation committees of factories which are usually controlled by factory management. (Swedwatch 2018, 4.)

Standard routines for registering trade unions in Bangladesh were adopted in 2017 but freedom of association still stayed limited. For example, 30% of the employees need to agree for forming a union and registration is made difficult and registration applications are often rejected. Trade union leaders are harassed continuously and workers who try to form association are being threatened and abused by factory owners. Workers who join trade unions can face bullying by middle management and be forced to do extra work. Some factory owners have used their political, financial, and social networks to intimidate workers and union leaders. (Swedwatch 2018, 11.) Interviews revealed that workers witnessed physical and verbal abuses at the factories repeatedly and the wages are not enough for covering decent living. They were too afraid for losing their jobs to address the problem or form a union. When an employee is fired, a manager often forces them to sign a resignation to avoid possible notice period payments. (Swedwatch 2018, 14.) Employees said that they can report about factory related issues like electricity problem, but verbal abuses or too heavy workload cannot be reported. Worker's representatives do not have the authority to address those problems and are often manipulated by the management. If problems are raised to discussion in PC meetings, only the ones easiest to solve are picked for further investigation. Factory management generally dominate the PC meetings and write meeting minutes, which are then presented to foreign buyers. (Swedwatch 2018, 16.)

The workers wish a system outside the factory where they can choose their own representatives. If the union is formed with the influence of the management due to the buyers'

pressure, it is not considered helpful. The union federation should play a stronger role and educate and train employees on how to negotiate, how to communicate with management and teach the responsibilities of union leaders, as well as management. Training workers and management improves trust between those two parties. (Swedwatch 2018, 18.) Furthermore a buyer can affect working conditions. Changed, cancelled or late orders, short lead times, and late or delayed payments have been demonstrated to contribute to harmful impacts such as excessive and forced overtime and low wages. However, workers who do not speak out of fear of losing their jobs, remains one of the biggest challenges to establishing a functioning social dialogue. As the effectiveness of audits in solving structural problems such as anti-union discrimination has been questioned, it is not surprising that companies might experience those violations of these rights are not found in audit reports. not to lose focus on potential anti-union practices at their suppliers and the workers' right to proper collective bargaining. (Swedwatch 2018, 35.)

Swedwatch wrote recommendations for companies sourcing from Bangladesh, to decrease negative impacts on human rights. Companies should assess suppliers' compliance with freedom of association. OECD guidelines and UN Guiding Principles help to understand and identify anti-union policies in supplier factories and find solutions to enabling freedom of association where it is not yet possible. Swedwatch proposes using collective bargaining agreements for creating incentives for suppliers, by for example, continuing sourcing and giving preference to unionized factories. Companies should support enabling legal reforms that remove barriers restraining unionisation, engage with union federations in sectoral and global level. Also, collaborations with other buyers increases the leverage with the suppliers. The results of due diligence processes related to freedom of association and the number of workers covered by collective bargaining agreements, should be communicated publicly. Companies must make sure that trade unions have access to factories and have opportunities to meet workers and workers are allowed to participate in union activities. Workers who run in elections for participation committees must be able to do so without being influenced by the management of the factory. Review content of meeting minutes in committees and follow what corrective actions are done. In addition, also Swedwatch recommends publishing as much information as possible regularly. This includes list of manufacturers and audit results of each site, full names and addresses of production units, type of products manufactured and number of workers. (Swedwatch 2018, 5.)

3.5.2 China

China has suffered various scandals about human rights violations in textile industry from forced labour to child workers and human trafficking. Latest is the scandal of cotton production in Xinjiang, where severe human rights violations and massive use of forced labour were proven to take place. Millions of Uyghurs and other ethnic minorities were detained in re-educational camps and forced to work in factories. The massive labour transfer scheme is claimed to be government-led. (Business & Human rights Resource Center 2020.) In 2016 a news video about Chinese child laborers went viral. The video showed children and teenagers working in textile factories, also children under 16, which is a legal minimum age of employment in China. (Zhang Yiqian 2016.) In global textile market, China is a major player.

3.5.3 Turkey

In Turkey there are reports of about Syrian refugees and child labour working without permits gaining too low wages and facing sexual abuse. The abuses could occur in the Turkish clothing and garment factories. (Business & Human Rights Resource Centre 2016.) Approximately 650,000 people are working in Turkey's textile industry, the majority are undocumented workers and more likely working in the lower tiers of the supply chain. Employees working in lower tiers are more likely to be abused and exploited. It is still a challenge for companies to tackle human rights issues beyond first tier suppliers. One of the biggest challenges is providing living wage. Providing living wage should be integrated to purchasing practices of the company. Asking lower costs, doing short contracts, and asking unrealistic lead times, creates a pressure of unrealistic cost cutting to suppliers, which is then passed down to the next tier. Further tiers are more likely to employ the most vulnerable workers, like women, immigrants, and refugees. Due the unrealistic cost, lead time expectations and uncertainty, the manufactures are unable to plan and therefor are likely to resort to subcontracting. These Turkish casual workers fall outside trader unions and are less likely to unionize to demand better contracts and working conditions. (Business & Human Rights Center 2019, 4) In their research Business and Human rights center recommends companies to commit to ringfencing labour costs, for guaranteeing living wages in price negotiations. This includes creating a coherence between buying department and CSR. It is important to aim to create long-term relationships with the suppliers. Brands buyers must understand the capacity of the factories to understand what kind of terms can be negotiated. All brands sourcing from Turkey should support the Action, Collaboration, and Transformation (ACT) on Living Wages initiative operating in Turkey. (Business & Human Rights Center 2019, 12)

3.5.4 Pakistan

Pakistan, where some of the tier 2 suppliers are located, is the fourth largest cotton producer in the world. It is estimated that the garment industry in Pakistan employs approximately 2.2 million people. Most of the workers are employed in informal sector and therefore only 2.2% of the workforce is unionised. Pakistan differs from other countries researched in this thesis, by having a significantly higher percentage of male workers than women workers in textile industry. However, in Pakistan, similar human rights issues are faced as in other countries in the study. Children are still employed in forced labour conditions. Poor households might sell their children to work. Sexual assaults and physical abuse are common in textile industry in Pakistan. Discrimination based on ethnicity or religion is also common. (Fair Wear 2021.)

4 Research methods and data analysis

Theoretical framework consists of concepts and theories related to supply chain management with a focus on human rights issues. Primary resources are studies from organizations and literature investigating human rights issues and transparency in textile industry supply chains. Official sites of different regulations and guidelines are used for answering the investigative questions. The research consists of qualitative phases by desktop studies, analysing data collected by commissioning company and close discussions with the professionals of S Group. Case company provided information and supplier data. The supplier data provided consist of survey answers collected from first tier suppliers. Therefor information about second tier suppliers is provided by first tier respondents. Another data provided by commissioning company is formed by lists of suppliers, the countries and addresses of the suppliers and which parts of textiles they are producing. Analysis of the data is done by the author. Data is collected in the end of the year 2020.

This thesis is mainly conducted as literature review. Official sites of different organizations and associations served as important research sources to create information leaflets by request of the commissioning company. Relevant theory studies are applied through a desktop study. Literature review is done focused on studies specifically related to human rights issues in textile industry supply chains. Reports related to human rights issues in textile industry and risk countries conducted by Finnwatch, and other organizations, are under special focus for a request of the commissioning company. The research was done working closely with the team of S Group. Several meetings with the team of professionals in S Group were organized to support the framework of the thesis and for creating dialogue about the main issues in hand.

4.1 Reliability and validity

The risk of data collection is the reliability of the information provided by suppliers, incapability to contact all the needed information providers/suppliers. The data collected will be treated with the needed caution. A lot of the information is provided by a case company and is already reliable. The conclusions and results will be confirmed with the case company. Qualitative research is the main method because a lot of the quantitative data is already collected and analysed. Key concepts will be researched and desktop study about the relevant theories will be added to the thesis. Previous learning is also treated as a reliable source.

4.2 Supplier data analysis

Data analysis was made by using the data collected by S Group about their own brand clothing and footwear supply chains. The main data came from a questionnaire sent to S Group tier 1 suppliers. Amount of people employed in factories in tier 1 was approximately 16 000 and in tier 2 around 47 000. The data collection was implemented at the end of the year 2020.

4.2.1 Scope of the data

S Group has 17 000 suppliers and service providers in total, including non-textile suppliers. Survey about tier 2 suppliers was sent to 50 tier 1 suppliers of S Groups own brand clothing and footwear, and 33 responds were collected. The tier 1 factories in the survey covered 57% of the factories where S Groups own brand clothing and footwear products were purchased from in 2020. 79% of tier 1 suppliers have set sustainability requirements to their own suppliers and 91% are also monitoring the implementation of the requirements. 145 tier 2 suppliers were named out of informed 400 suppliers connected to the respondents. (S Group 2021.)

The project is focused on tier 2 suppliers of textile industry to commissioning companies retail stores. The respondents (tier 1 suppliers) of the supplier survey were accessory, clothing, and shoe producers. Most of the products supplied to respondents from tier 2 suppliers are fabrics. Also, some ready products are supplied (hats, scarves, gloves, accessories). Raw materials are commonly supplied. Suppliers also offer services like knitting, dying, and packing. Readymade garments are coming from China, Bangladesh, and India as well as the raw materials for garments. Most of the respondents do the sewing and cutting of the fabric and export final product. Some shoe manufacturers.

4.2.2 Key findings

- Most of the tier 1 factories had 6-10 direct suppliers.
- Clear majority of the respondents knew all the manufacturing sites (name and address of factory) of their direct suppliers.
- Majority of the suppliers said they don't have a traceability system in place to verify the origin of the raw materials and components used in the products. Remain 39% said they are using systems like ISO 14001 or have their own team for the issue or do routine visits to manufacturers or have their own communication channels with suppliers. Also, GOTS and GRS standards were mentioned.
- The Amfori BSCI Code of Conduct signed by almost all respondents.

- Decent working conditions and main human rights issues of the suppliers are monitored, and the factories follow social responsibility requirements. Following is done through BSCI auditioning and own questionnaires.
- Almost all the respondents say they haven't faced critical violation of working conditions among the suppliers.
- Approximately half of the suppliers say they also have a procedure in case of the violations. It is mentioned in many of the open answers that in case of violation, the business with the supplier will end.
- Most of the manufacturers feel that they have impact on working conditions of their direct suppliers.
- 42 % of respondents were not willing to give permission to publish any of the collected information. The scale of the information the rest of the respondents are willing to publish, varies.

Table 3: Countries of tier 1 & 2 suppliers

Country of the supplier	Supplier	Sub-Supplier
China	83	83
Bangladesh	31	13
Turkey	10	8
Pakistan	10	2
India	4	4

First row presents how many respondents are in each country. Second row represents where the respondents informed their suppliers are located to. The clear majority of suppliers and sub-suppliers are located in China. A notable number of suppliers are in Bangladesh. China and Bangladesh are both risk countries and must be taken in extra consideration when evaluating the human rights impacts of S Group. Turkey and Pakistan are representing almost equal part of suppliers. Only four respondents are from India, however India is a high human rights risk country and must be given attention. Other suppliers, representing only few individual manufacturers are located in Taiwan, Germany, Lithuania, Estonia and Sweden. UN Guiding Principles considers the fact that textile industry supply chains are global, and companies must prioritize where their operations have the highest risk of negative human rights impacts.

4.2.3 Recommendations for data

Unfortunately, UN Guiding principles do not provide a tool to tackle the key issues in the highest risk countries. The key issues in China, Bangladesh and Turkey are the difficulties to unionize, and the lack of channels for grievance. Supplier data analysis provided information that cannot be said to be reliable in the matter of human rights risks. Questionnaire should include lists of unions in each factory and information that can be used for communicating with unions and workers committees. Therefor organizations like Fair Wear Foundation and Fair Labour Association can provide channels to communicate directly with unions and reveal the uncovered issues like abuses and sexual harassment that are often left not reported. Focus should be in organizations which have experience specifically in risk countries related to case company.

It is important to start a dialogue with the suppliers about what information they are willing to publish, to start a journey towards transparency. Fashion Transparency Index and Respect Code solutions are great platforms to investigate for understanding which kind of information should be published and therefor required to be collected from suppliers and sub-suppliers. If the required information is not provided, a company can open a dialogue with the suppliers about the reasons behind and help the suppliers understand the benefits of transparency and traceability. WE Worldwide Enhancement of Social Quality can be used for opening the discussion between risk-country employees and factory management so the actual issues will be addressed. Auditing very rarely reveals the problems in full scale so on its own they are not enough for mitigating human rights risk. Externally, it is important for a company to assess if they can decrease the amount of different production facilities in risk countries, to be able to focus effort better.

5 Results

5.1 Research questions

5.1.1 Human rights issues among second tier suppliers in textile industry

Similar human rights issues were found in most of the countries discussed in this study. In Turkey there were reports of child labour, workers without permits, too low wages and employees facing sexual abuse. The working conditions of refugees are overall bad. Suppliers in further tiers of supply chain have very little or none bargaining power. In Pakistan only a minimal percentage of workers are unionized and are mostly employed in informal sector. Child labour, discrimination, sexual assaults, and physical abuses are common also in Pakistan. Overtime compensation in China is too low and people do not have real possibility to unionize. China have been suffering from scandals about forced labour and labour camps in textile industry.

In Bangladesh many issues are still occurring. In rare cases of workers unions existing within workplace, there is discouragement or interference in the election process of workers' representatives. Workers who participate in the workers' representative elections can be harassed. Sensitive issues like harassment and abuse, may not ever be revealed in social audits. It was also found that many manufacturers kept two separate accountings for private use and another for officials and for auditing. Workers were unlikely to be aware of policies for collective bargaining. In some cases, workers' representatives' access to workers in the workplace was denied. Worker's representatives do not have the authority to address problems and are often manipulated by the management. If problems are raised to discussion in PC meetings, only the ones easiest to solve are picked for further investigation. Factory management dominate the PC meetings and write meeting minutes, which are then presented to foreign buyers and therefor do not show the actual situation within the factory. People have difficulties of registering a union and worker participation in the activities of unions or other workers' organizations are prevented. Employees have very limited possibilities to negotiate terms of employment, forming or joining a union, without facing a severe risk of harassment, abuse and even killing. Trade union leaders are harassed continuously and workers who try to form association are being threatened and abused by factory owners. Discrimination against workers because of their trade union membership is common. Workers who choose not to speak out of fear of losing their jobs, remains one of the biggest challenges to establishing a functioning social dialogue.

In India, even if 2017, statutory maternity leave was extended from to 26 weeks, the law in India does not recognise paternity leave for private sector employees. Women are prohibited by law from working after 10pm until 5am because it is dangerous for women to walk late at night, however the government is planning to change that law. Women from certain professions deemed hazardous for them. These laws are meant protect women, although at face-value, they are discriminatory and put women in an unequal position in recruitment and in the workplace. (Finnwatch, 2019)

Sexual harassment at workplace. In the Finnwatch research 70% of women did not report sexual harassment because they feared repercussions. Also, 65% of women said that their employers did not follow the requirements of the law established to prevent and investigate sexual harassment at workplace. Most of the women were not aware of their rights. Recognition of labour unions is not required by law, so the manufacturers do not have to cooperate with unions. However, the companies purchasing from India can demand recognition of trade unions.

Most unions in India are male dominated. It might be beneficial to employers in garment and textile sector to hire women for women are less likely to demand rights and organize. Children's rights organisations are stating that child labour has not ended but become invisible. Children are more likely doing home based work or in informal sector. Child labour is common in the production of leather in India, especially in the informal sector making shoes in small production units, and in production of cotton and garments. According to the National Crime Records Bureau statistics, the authorities in India in 2016 rescued more than 23 000 people from trafficking situations of whom more than 14 000 were minors. Of the victims, nearly half reported having been trafficked for the purpose of forced labour. Several cases of human trafficking included young girls forced to work at spinning mills, mostly in Tamil Nadu where the majority of the industry is located, is a common issue.

5.1.2 Guidelines to improve transparency

To establish commitment to respect human rights a company must establish due diligence process and at minimum try to reach the requirements of UNGP. UNGP require businesses to consider (potentially) adverse impacts throughout their entire supply chains with each due diligence step. UNGP acknowledges that a supply chain may in fact contain so many different entities that a reasonable approach to human rights due diligence would warrant prioritization of those areas where the risk of adverse human rights impacts is highest.

Auditing is a main resource for companies to gather knowledge about human right impacts. As the effectiveness of audits in solving structural problems such as anti-union discrimination has been questioned, the companies might notice the violations of these rights are not found in audit reports. In addition to third party audits, a company must set up connections to risk countries through organisations directly. For example, Fair Wear foundation can provide access and communication channels to local labour unions and is operating in most of the risk countries. In fact, a company should aim to collaboration with organizations which are working closely with unions in risk countries. This creates new, reliable, in-site information channels to reveal and prevent human rights violation in further end of the supply chain. Organizations that open a dialogue directly with the employees and workers representatives reveal problems that auditing cannot reveal. Human behaviour cannot be monitored with two-day audits. Collaboration with workers unions can be considered one of the most effective ways to gather information from tier 2 and beyond. It must be however mentioned that audits are still performing a key role in due diligence and prevention of human rights neglections. Importance of audits must be kept in mind and other methods can be chosen to support the cause.

Several organizations offer possibility to measure transparency and get familiarized about what information is published among other companies within textile industry. Unlike other organizations, fashion transparency index gives companies a possibility to measure how transparent they are compared to other similar and same sector companies and shows clear results about what actions other companies are taking and what they are struggling with. Index is focused strongly on transparency instead of guiding principles and supplier segmentation. However, score 16% was the average of traceability in fashion transparency index. This result shows that even huge companies still have major problems with transparency. Understanding the amount of transparency and traceability that is possible to track and publish, creates a base for the company to create an action plan for transparency.

To have an onsite impact to working conditions in risk-countries a trust and dialogue between factory management and employees must be created. Training workers for their rights and management about benefits of unions and following regulations, has been proven to have a positive impact to working conditions. Worldwide Enhancement of Social Quality is a comprehensive supplier training programme which aims at improving working conditions. Training programs for workers' rights and healthcare are also available. Offering training onsite improves the company image and benefits all stakeholders. Organizations offering training programs on-site are various. Addition to that, most of the

organizations provide a network of companies and therefore a possibility to cooperate with other brands possibly procuring from the same area or a factory. These networks can offer a possibility to share expenses and information.

It must be noted that many widely and publicly accepted standards created by different associations and organization, are not created based on UN Guiding Principles. Brands must evaluate if these kinds of standards can be accepted as requirements for suppliers or should the requirements be always based on official regulations at minimum. See attachment 1.

5.1.3 Challenges and limitations to transparency

Possibility to gather reliable and comprehensive information throughout the supply chain requires collaboration and communication between all business entities attached to the supply chain. Therefore a brand alone cannot achieve transparency and information flow without a mutual effort of the suppliers. The reason for the lack of transparency during the whole supply chain, from cotton farming to fabric weaving and sewing clothing, is mainly due to the relations and communication between the brand and the suppliers. It is hard to receive up-to-date and reliable information from the suppliers about the provenance of the used materials, the working conditions of workers and factory conditions. In the case information is received, there is still a great possibility for it to be fake or extremely polished from the reality. Many brands make audits to their factories to become aware of the factory and worker conditions, but because these are mainly pre-agreed meetings, suppliers can polish the factory and directly affect the opinions of the workers.

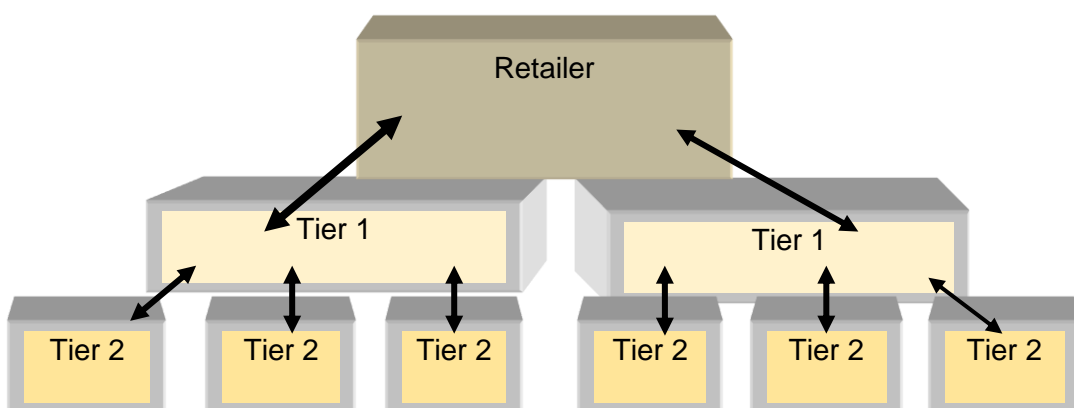


Figure 4: Information flow

Tier 1 suppliers cannot be forced to disclose information about their own supply chains and suppliers, which decreases the amount of information gathered from every tier. Each

supplier must be motivated to do their part. Direct suppliers can be trained for sustainability and asked to answer surveys regularly. Based on the answers a survey intended to second tier supplies can be created. Tier 1 suppliers can send out the survey and gather the data or give permission to use the data of their tier 2 suppliers if possible. However, supplier information is often considered confidential information and responding to surveys cannot be required.

International laws concerning corporate responsibility on human rights should be set on European level but is yet to be established to bind every firm equally. However, suppliers cannot be required to act against local legislations and laws, which will leave a room for workers' rights violations that cannot be affected other than through local organizations and unions. Companies of different sizes and assets cannot always choose only suppliers that are willing to publicly share their supplier data, audit results and action plans.

5.1.4 Information available about organizations and guidelines

Information leaflets gathering relevant information about commonly known organizations and guidelines are gathered as an attachment in the end of the thesis. The purpose of the leaflets is to create easily readable comparison of the services and effectiveness of different service and guideline providers. Content of leaflets are gathered according to the needs of commissioning company and following strictly their wishes. The information gathered consist of basic information, web sites, services, effectiveness and possible criticism.

Attachment 1: Fashion revolution

Attachment 2: Fair wear foundation

Attachment 3: Fair labor association

Attachment 4: Sustainable Apparel Coalition

Attachment 5: WE Worldwide Enhancement of Social Quality by TCHIBO

Attachment 6: Ethical Trading Initiative (ETI)

Attachment 7: Amfori BSCI

Attachment 8: The Respect-Code Solution, Product DNA

5.2 Key Findings

Due to the structure of the textile industry, the diversity of business models, and global environment, there is no solution suitable for all businesses in textile field. Unfortunately, there is still no solution to create transparency and reliable information flow throughout an

extended supply chain as in textile industry. Large retailers and brands have a different influence on producers than small and medium sized companies. In consequence, strategies, and approaches to improve social and environmental conditions along the supply chain must vary. Due diligence processes are extremely important for companies. Ignorance is not a reason to ignore the human rights issues related to supply chains. The companies must know the working environment of the country where the factory is located and understand the specific issues related to the country in case. The company must understand the direct human rights impact they have in that environment and the human rights impacts of subcontractors. Due diligence process is not only a plan and principles but must also include an analysis how the operations will impact human rights in the reality. Evaluation process must be done continuously and staying aware of the changing environment. The impacts of the company's own processes must be monitored and audited. The lack of information about tier two suppliers and tiers even more distant from the brand, does not prevent assessing possible risk factors in production countries and evaluating what can be done in those specific environments, even if the actual intervention to the issues in question is difficult or even impossible. Asking questions like what kind of assets, collaborations, or other channels we need, to impact or gather more information, will help to understand to which direction the company should be going.

Companies show respect to human rights by requiring suppliers to be committed to different kind of human rights regulations. This commitment is mostly ensured through auditing, which, however, are based on the assumption that human behaviour could be audited and thereby controlled within the short time span. Auditing's often do not reveal issues like verbal and physical abuses and different forms of harassment and discrimination. Laws and regulations are established to protect workers in India, Bangladesh, and China, but laws and regulations do not guarantee that they are followed. People work illegal overtime and are not paid for it. Problems concerning female employees haven't drastically changed within ten years and is still a major problem. Each specific country risk is most efficiently impact through organizations and unions working directly in these countries.

The problems in each country approached were somewhat similar and can therefore be approached with similar action plans which requires less resources for planning from the case company. Transparency requires communication with each stakeholder and publishing the data collected. To reach second tier suppliers and beyond, first tier suppliers and information they are providing is acting the key role. Continuous surveys and data collection can provide direct communication channels to second tier suppliers.

5.3 Recommendations

A company can reduce total number of suppliers if possible but more importantly work to have a closer relationship with already known and present suppliers. Reach out to known tier 2 suppliers if possible. Do self-assessment questionnaires for suppliers that are sent in regular bases, as well as questionnaires concerning their supplier relations. Sending a follow-up survey to investigate why certain questions were not answered is possible to establish or implement as part of the main survey. Requiring annual reporting from suppliers is also effective way to collect up-to-date data.

Evaluate the efficiency of third parties used in auditing and identify what risks might be unrecognized through auditing. Evaluate the blind spots of auditing currently in use and weaknesses of other accepted supplier sustainability requirements. Note that if supplier is a member of BSCI, it does not mean that all sub-suppliers have went through a BSCI auditing in risk countries. Even if the auditing is done, the supplier is not necessarily telling which grade the facilities got from BSCI.

Remember always gender view, which was continuously the weak spot in requirements of different organizations. Understanding the issues of women in textile industry and tackling the problems they specifically face is an important factor. An analysis of human rights risk especially from women workers point of view and what concrete actions can a company take. Auditing should include a gender view.

Cooperation with other companies and organizations and real cooperation with labour unions in risk countries. For example, in Bangladesh operates unions like BGMEA and BGKMEA. In Bangladesh the focus must be on too small wages, working hours and needs of female workers. An action plan how to impact the wage problem especially in Bangladesh should be created. Collaborative efforts among stakeholders help the various parties to share their knowledge and resources to find practical remedies and feasible solutions.

Plan how to support the employees right to organize or be a part of trade union. Identify and prevent anti-union policies and practices in supplier factories in accordance with the International Trade Union Confederation's guidance on the UN Guiding Principles and Freedom of Association and OECD Due Diligence guidelines for Garment and Footwear Supply Chain. This opens a dialogue about importance of trade unions and hopefully passes forward the trend to next tiers of supply chain. Factories should be required to have grievance mechanisms.

Company should request information from everyone involved in their supply chain and this can only work by passing on the culture of open communication and training the suppliers about the benefits of information sharing and training them to train their suppliers. Suppliers must be educated and helped to gather information of second tier suppliers, as the case company is gathering information from direct suppliers. Invitations to participate to data collection are sent down the whole supply chain, which is a process that can be started by inviting tier 1 suppliers to participate in the supply chain mapping. As confidentiality of supplier information usually plays a part on why the information is not shared, it is important to have open discussion and agreements about for who this information is available and how much of it can be published. Suppliers must be assured that all the information given will stay between actors of the supply chain, unless otherwise is agreed.

6 Conclusion

It is important to acknowledge that an individual enterprise is unlikely to master achieving transparency alone. Dialogue, exchange, and partnership processes are critical elements in implementing an efficient and continuous practices. Following relevant guidelines and working with organisations helps to collect the needed information. Continuous questionnaires to suppliers must be sent and the context of the questionnaires must be designed to serve a specific segment of the industry and specific country. Suppliers must agree that the data collected might be published after its reliability is confirmed. Company must have processes to ensure the reliability of the data, through interviews, external organizations, auditing, and interviews. List about unions operating in facilities related to supply chain, must be collected to evaluate the reliability of the unions, and creating a direct communication channel. A company must recognize the position of female employees and identify gender related human rights risks.

Decreasing the number of manufacturers, if possible, located in a risk-country releases resources to focus on issues in individual facilities. Resources can be gathered also by co-operating with other companies procuring from same factories or operating in the same region. Human rights due diligence process is a continuous constantly living process. As UN Guiding Principles are creating the right direction for respecting the human rights, the principals and expectations of organizations do not always reach the further tiers of supply chains.

Auditing cannot replace worker engagement and genuine social dialogue between workers and the management to address some of the more difficult labour rights issues. However, audits are still necessary and one of the most efficient options to affect working conditions and collect information. Supply chain governance is not anymore focusing on audits only, but is giving more and more value in collaboration between unions, organizations, and especially other companies. Audits are not enough anymore for monitoring and impacting human rights issues in supply chains. The complexity of textile industry supply chains forces companies to use various methods and tools chosen and designed to serve their individual supply chain. The change to better in garment and textile industry requires equal actions and efforts from businesses, as well, as actions and laws from NGOs and governments. Various methods, tools, guidelines, and new technologies are created but none of them can lead to transparency if all operators of the supply chain are not willing to share information and collaborate. Unfortunately, a perfect solution is still not existing but various ways to improve transparency among tier 2 and beyond are already available.

6.1 Reflection on Learning

The biggest challenge I faced was to form the scope of the study. The final scope was found relatively late in the writing process. In the starting point of the thesis process various options were discussed including transparency in the point of view of how much and what kind of information companies are publishing. We discussed possibilities to collect data about other companies' communication about transparency but decided it will be unnecessary for the research. Possible supplier interviews were discussed but were left out for various reasons, mostly for the difficulty of arranging them.

To understand transparency as how much companies know of their supply chains and how the information is gathered, rather than what is published, created a much-needed demarcation for the study. Commissioning company feedback was the most important support to keep the right focus, which sometimes I had difficulties of keeping.

I found pandemic causing several challenges too, working from home affected my concentration and energy levels a lot, as well maybe created a difficulty to communicate more efficiently and possibly more frequently with the commissioning company. However, I feel I got a lot of valuable knowledge and directing. Scheduling between work, other studies, personal life, and the writing process of the thesis was challenging as I was working most of the time and at the end also starting my work placement process.

It is frustrating to understand how much more a person could study more about each subject and end up just scratching the surface. If I would change something in the process, I would make the subject even more narrow.

6.2 Suggestions for Further Research

To achieve transparency, platforms that publish the whole supply chain can be beneficial for companies, not only as a platform to publish information but a place to see what other companies are publishing. I recommend case company to get familiar with these platforms and evaluate if sharing this scale of information is possible and if no, how much information could be published. This can provide an understanding what kind of further information could be asked from first tier suppliers about their suppliers. Keeping the focus on tier 2, it is beneficial to understand what information other companies are gathering and requiring from further tiers.

Accountability requires that each stakeholder must be committed to providing all necessary information concerning his/her area of activity. Case company could start a dialogue about how much information first and second tier suppliers are ready to publish and what is the scale of information they want or are able to provide.

The lack of grievance channels and possibilities for employees to unionise are problems that raise repeatedly in the study, a list of active unions from manufacturers should be asked to both have an idea if the manufacturers support unions, and to collect contacts for further research. It is important to start a dialogue about possible trade unions known to be active in tier 2. If the direct suppliers do not have any information, can they be educated about the subject and helped to gather information from tier 2 suppliers.

The possibility of reducing the number of suppliers in risk countries and focusing manufacturing on fewer factories is a big operational change but should be evaluated and considered if possible. In addition, a possibility to favour factories publicly disclosing more information could be considered.

In addition to various theory research and guidelines trying to find solutions to lack of information available from tier 2 and beyond operating suppliers, few research about block-chain and textile industry is done within last years. New technologies can provide easier communication, transparency, and reliability which traditional B2B communication cannot provide. Respect code solution can provide platform and knowledge to implement

blockchain technology in supply chain. Blockchain technology provides huge improvements and automation to supply chain mapping.

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7 Attachments

7.1 Information leaflets of guidelines and regulations

7.1.1 Fashion Revolution

Name	Fashion Revolution URL: https://issuu.com/fashionrevolution/docs/fr_2021_get-involved_brands
Based on	Not based on official guidelines
Effective-ness	<p>Slogan: "We are designers, academics, writers, business leaders, policy-makers, brands, retailers, marketers, producers, makers, workers and fashion lovers. We are the industry, and we are the public."</p> <ul style="list-style-type: none"> • World's largest fashion activism movement • Mobilising citizens, industry and policymakers through research, education and advocacy work. • Annual Fashion Transparency Index reviews and ranks the biggest global fashion and apparel brands and retailers
Services	<ul style="list-style-type: none"> • Provide a platform that enables more visibility and fewer barriers between consumers and producers • Educational resources • Free online courses • Guides • Fashion Transparency index provides information about what other companies are publishing and what kind of policies companies have.
About	<p>Fashion Revolution works to make fashion's flaws understood to people around the world and provides information what kind of information the biggest global textile companies are publishing about their supply chains. Fashion revolution provides free online courses and our research on fashion transparency. They organize live conversations, global summits, and virtual workshops to discuss fashion's issues and collaborative solutions to said issues.</p> <p>Annual Fashion Transparency Index reviews and ranks the biggest global fashion and apparel brands and retailers according to how much information they disclose about their suppliers, supply chain policies and practices, and social and environmental impact. All the results are published. Unlike many other organizations, fashion transparency index gives companies a possibility to measure how transparent they are compared to other similar and same sized companies and shows clear results about what actions other companies are taking and what they are struggling with.</p>

Criticism	<ul style="list-style-type: none"> • Is not based on any official guidelines • Does not provide certificates • Company cannot ask to be reviewed or provide external information, all the reviews in fashion transparency index are based on points a company gets by publishing information
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7.1.2 Fair wear foundation

Name	Fair wear foundation URL: https://www.fairwear.org/
Based on	ILO Conventions and the UN's Declaration on Human Rights
Effective-ness	<ul style="list-style-type: none"> • More than 140 member brands • Focuses on the most labour-intensive part of the supply chain: garment production like sewing, cutting, and trimming. • Engages directly with factories, trade unions, NGOs and governments. • 50% business associations and 50% trade unions and NGOs • Works with member brands and on the ground in production countries globally
Services	<ul style="list-style-type: none"> • Factory audits and training • Three levels of third-party checks: Brand level to ensure good business practices, factory level to support better labour conditions and employee level to hear directly from garment workers • Resources • Tools • Factory training sessions • Brand performance checks • Complaints helpline • Staff in India, Bangladesh, Vietnam, Myanmar, Indonesia, Bulgaria, Romania, North Macedonia, Tunisia and Turkey, as well as a diverse group of auditors and complaints handlers that work in the countries where Fair Wear is active. Fair Wear has local audit teams and trainers who are in close contact with the Fair Wear head-quarters.
About	<p>Fairwear headquarters is in the Netherlands, and representation in Germany, Fair Wear is represented in the main areas where its members are. The goal of Fairwear is to tackle complex problems by uncovering new solutions and driving step-by-step improvements in factories. The aim is to create actual improvements for the people who work in garment factories. Four key activities make up the Fair Wear approach: brand performance checks, factory audits, complaints helplines and factory training sessions. Fair wear Foundation tries to bring together different stakeholders of the supply chain: brands, consumers, business associations, trade unions, governments and NGOs.</p>

	Instead of guidelines Fair Wear Foundation offers actual in-country connections, trainers and audit teams and gives a unique opportunity to work with local unions and organizations.
Criticism	<ul style="list-style-type: none"> • Does not provide certificates • Cannot guarantee a fair textile, member commits to improving working conditions

7.1.3 Fair Labor Association

Name	Fair Labor Association URL: https://www.fairlabor.org/
Based on	International Labor Organization (ILO) standards and internationally accepted good labor practices.
Effectiveness	<ul style="list-style-type: none"> • Known through big brands like Adidas and Nike • Brings together three key constituencies - universities, civil society organizations (CSOs) and companies • Global brands and suppliers from 20 countries around the world • 2016, the FLA conducted assessments in 191 factories and farms that employed 180,000 workers
Services	<ul style="list-style-type: none"> • Training to factory workers and management • Tools and resources to companies • Conducts due diligence through independent assessment • Guidance and support • Factory audits • FLA promotes a complaint channel for third parties in cases where there is a persistent or serious labor violation in a production facility used by any FLA-affiliated company, and where other grievance mechanisms or lack of procedures have failed workers. • Develop a corrective action plan, conducts follow-up visits to ensure the plan is implemented. • Results of factory audits are posts on its website, as well as the actions plans • Any person, organization, or company may file a complaint with FLA
About	FLA aims to create lasting solutions to abusive labor practices by offering tools and resources to companies, delivering training to factory workers and management, conducting due diligence through

	independent assessments, and advocating for greater accountability and transparency from companies, manufacturers, factories and others involved in global supply chains.
Criticism	<ul style="list-style-type: none"> • FLA is criticised for failing to take in consideration woman's rights, living wage and full publicity concerning factory locations. FLA has also suffered many public scandals for failing to provide reliable information about actual factory conditions. • Standards are too weak to guarantee real improvements in workers' lives. It allows workers to be paid below poverty wages. It allows excessive hours of overtime.

7.1.4 Sustainable Apparel Coalition

Name	Sustainable Apparel Coalition URL: https://apparelcoalition.org/ URL: http://apparelcoalition.org/wp-content/uploads/2021/02/SAC-A-Decade-in-Review.pdf
Based on	Sustainable Apparel Coalition developed the Higg Index, a suite of tools that standardizes value chain sustainability measurements for all industry participants. It is developed over ten years using the latest scientific research, in partnership with SAC members, consultants, stakeholders, and industry experts.
Effectiveness	<ul style="list-style-type: none"> • Over 250 apparel, footwear and textile brands, retailers, suppliers, service providers, trade associations, non-profits, NGOs, and academic institutions
Services	<ul style="list-style-type: none"> • Higg Facility Environmental Module (FEM) • Higg Facility Social & Labor Module (FSLM) • Higg Brand & Retail Module (BRM) • Higg Materials Sustainability Index (MSI) • Higg Product Module (PM). • Transparency program • Collaboration
About	<p>The SAC is a global multi-stakeholder nonprofit alliance for the consumer goods industry.</p> <p>Higg Index is a suite of tools that standardizes value chain sustainability measurements for all industry participants. With this data, the industry can identify hotspots, continuously improve sustainability performance, and achieve the environmental and social transparency</p>

Criticism	<p>SAC has faces criticism in effectiveness and reliability URL: https://cleanclothes.org/blog/a-decade-in-denial</p> <p>Is not based on official guidelines and regulations.</p>
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7.1.5 WE Worldwide Enhancement of Social Quality by TCHIBO

Name	<p>WE Worldwide Enhancement of Social Quality by TCHIBO</p> <p>URL: https://www.we-socialquality.com/Introduction/Why-Tchibo-created-the-WE-Programme.aspx?l=2 URL: https://www.tchibo-nachhaltigkeit.de/en/verantwortung-uebernehmen/mensch/we-programm</p>
Based on	<ul style="list-style-type: none"> • Member of the UN Global Compact network for 12 years and actively support the 10 principles of the UN Global Compact. Annually provides information on their progress, goals and challenges along the 21 UN Global Compact Advanced Criteria. • ILO Conventions, the United Nations' Universal Declaration of Human Rights and the Tchibo Detox Commitment. • SA8000 standard • the Ethical Trading Initiative Base Code • German Partnership on Sustainable Textiles' targets.
Effective-ness	<ul style="list-style-type: none"> • Running in eleven countries: Bangladesh, Cambodia, China, Ethiopia, India, Laos, Myanmar, Pakistan, Thailand, Turkey and Vietnam.
Services	<ul style="list-style-type: none"> • WE Factory Visit on a regular basis • Works on the site with management, middle management as well as workers and their representatives. • Facilitators design a customized program for every visit that invites all participants to discuss human rights issues like: Wages & Working time, Freedom of Association and Worker Representation, Discrimination and Sexual Harassment, Occupational Health and Safety and Modern Slavery and Child Labour. • Run in the factories that join the program a minimum of two years. • Kick-off meeting, WE Workshops and Factory Visits • Workers and managers co-create solutions to improve working conditions
About	<p>Actively tries to push the creation of European level and binding legislation. WE have local facilitators in operation countries running the program. Facilitators are highly skilled professionals who speak local language and are familiar with local context. WE tries to find solutions to issues that are often out of the reach of typical factory audits, such as sexual harassment. Most human rights issues are relational and have to do with factory</p>

	culture. The WE program aims to transform relations and ways of working in such a way that the culture changes. WE Workshops gathers together managers, workers and worker representatives from multiple factories to discuss how to improve human rights on the workplace.
Criticism	To scale the program is quite limited to TCHIBO brand and its operations. There is no information available about other brands or their experiences about WE program, nevertheless they state their interest to connect with other brands and organisations. They feel that what they created on a micro-level with WE can be of value for the bigger picture of facilitating human rights globally.

7.1.6 Ethical Trading Initiative (ETI)

Name	Ethical Trading Initiative (ETI) URL: https://www.ethicaltrade.org/
Based on	<ul style="list-style-type: none"> • All corporate members of ETI agree to adopt the ETI Base Code of labour practice • Based on the standards of the International Labour Organisation (ILO)
Effective-ness	<ul style="list-style-type: none"> • Members are companies, trade unions, and NGOs • Big member brands like the Bodyshop, H&M, Asos and many more • Alliances in key sourcing countries and internationally, to address problems that occur in workplaces and entire countries and industries. • Members include supermarkets, fashion retailers, department stores and sourcing companies, suppliers of food and drink, flowers, clothing, shoes, homewear. • Companies are based in the UK, Australia, Germany, Spain, Sweden and USA. • Trade Union members which represent approximately 160 million workers around the world in every country where free trade unions can operate. • NGO members
Services	<ul style="list-style-type: none"> • Offers programs to specific needs of different industries and countries, for example: young women working in India's apparel and textile sector and garment sourcing from Bangladesh • States current issues and does real-time research. • Offers training and courses • Case studies • Events • Helps companies to implement the Base Code in their supply chains. • Develops and pilots new ideas in the sourcing countries

	<ul style="list-style-type: none"> • Develop training and resources to share the learning and experiences • Provides practical tools to help companies implement ethical trade policies
About	<p>ETI brings key stakeholders together to develop and share the best practices to build more resilient supply chains which place human rights and workers voices as a priority. The programmes focus on supply chains where there are good opportunities to improve working conditions through collaboration. The aim is to create work cultures where workers can confidently negotiate with management about the issues that concern them.</p> <p>ETI aims to raise awareness of how everyone can play a part in protecting workers' rights and work closely with governments and international labour agencies to influence policy and legislation.</p>
Criticism	<p>URL: https://www.drapersonline.com/news/ethical-trading-initiative-shuns-boohoo-inquiry</p>

7.1.7 amfori BSCI

Name	<p>amfori BSCI</p> <p>URL: https://www.amfori.org/content/amfori-bsci</p>
Based on	<p>The amfori BSCI Code of Conduct refers to international conventions such as the Universal Declaration of Human Rights, the Children's Rights and Business Principles, UN Guiding Principles for Business and Human Rights, OECD Guidelines, UN Global Compact and International Labour Organization (ILO) Conventions and Recommendations relevant to improve working conditions in the supply chain.</p>
Effectiveness	<ul style="list-style-type: none"> • Over 2,400 retailers, importers, brands and associations from more than 40 countries. • Membership contains organisations of all sizes and all sectors • 27,000 engaged producers • 1.6 trillion EUR combined annual turnover • Local networks all over the world • Numerous partnerships

Services	<ul style="list-style-type: none"> • “amfori BSCI platform provides a single point for all supply chain performance information. By sharing monitoring activities’ results, our members reduce effort, save money and increase consistency for buyers and suppliers.” • Offers a range of practical auditing tools for risk managing and monitoring supply chain. • Auditing Integrity Programme to maintain transparency and reliability in monitoring. The programme provides acceptance process for audit companies to engage with amfori BSCI activities and ensure excellence in audit quality at the audit company and auditor level. • Sustainability intelligence dashboard to clearly visualise complex supply chains as a tool for members. • Training, workshops and e-learning opportunities for members, suppliers and producers • Resources and specific publications • Support businesses no matter where they are located. • A platform for members to exchange experiences and best practices.
About	<p>Offers an environment for joining forces and sharing resources between members, which can save time and money and have greater impact.</p> <p>Amfori BSCI code of conduct has 11 principles. These range from fair remuneration to no child labour, along with a step-by-step approach that enables companies to monitor, engage, get empowered and receive support to put sustainable trade at the heart of their business. Amfori BSCI is helping members to work towards the fulfilment of the UN Sustainable Development Goals (SDGs).</p>
Criticism	<p>Has faced criticism for using multiple auditors, which leads to quality differences in audits. Audit teams typically do not have members with the necessary language skills to interview migrant workers and therefore rely on company interpreters. However, the same criticism can be applied to other organizations offering auditing, since auditing alone is not a sufficient way to reveal human rights issues in factories.</p>

7.1.8 The Respect-Code Solution, Product DNA

Name	<p>The Respect-Code Solution, Product DNA</p> <p>URL: https://www.respect-code.org/ URL: https://www.productdna.com/en/traceability-platform/</p>
Based on	<p>A company itself chooses a product that they want to trace. All data is gathered by the company.</p> <p>Platform to create a traceable supply chain and verify data. Verification based on blockchain technology and fact checks.</p>

Effectiveness	<ul style="list-style-type: none"> • SICPA and Product DNA sign a partnership agreement that combines both companies' expertise and experience in brand protection, authentication, identification, and product traceability • Product DNA uses KSI® Blockchain technology via SICPA's partnership with Guardtime®, the world's leading enterprise blockchain company • Product DNA complements its expertise by associating with independent consultants who are able to offer their experience and global vision of specific industries
Services	<ul style="list-style-type: none"> • Blockchain • Publishes company data in private mode for internal use within the brand. Company can decide to publish traceability data on the public platform respect-code.org, after a final evaluation. Final evaluation is done also regarding potential confidentiality aspects. • 5 phases approach: data collection, supply chain mapping, analysis, recommendations, publication (private or public) • Partnerships, collaboration • On boarding program to help you set up your profile and use the back-office
About	<p>This platform aims to make brands transparent and traceability accessible to all. Respect-code helps brands to integrate the principles of traceability and transparency into their supply chains and to share their products' unique origin, journey and impact to end-consumers.</p> <p>Respect-code offers brands to manage their supply chains and communicate on the origin and production stages in a simple and secure way. It gives the consumer the possibility to be fully informed before, during or after his purchase.</p>
Criticism	<p>Very little information in the web page about the data that must be collected, requires contacting them. All the information throughout the supply chain is not necessarily available to the company and is very likely to be limited, which raises questions of efficiency of a system which is fully based on information provided and collected by one or few stakeholders. Solutions for data collection were not presented on the page.</p>

7.2 List of figures and tables

Table 1: Fair Wear Code of labour practices main points:

Table 2: What FLA offers to member brands in a nutshell

Table 3: Countries of tier 1 & 2 suppliers

Figure 1: Fashion revolution. Fashion Transparency Index 2020. Key findings

Figure 2: Example of a material flow in textile industry

Figure 3: Example of a possible supply chain in textile industry

Figure 4: Information flow

7.3 Overlay matrix

Investigative question	Theoretical Framework*	Research Methods	Results (chapter)
IQ1. What kind of human rights issues are there among second tier suppliers in selected countries in textile industry?	Textile industry suppliers, second tier suppliers Raw material suppliers Ethical issues of textile industry	Desktop studies Sustainability reports Organisation publishes Quantitative data of the case company	
IQ2: Which guidelines should be used to improve transparency among second tier suppliers and beyond in textile industry?	Research transparency Segmentation tools and theories Supplier segmentation	Desktop studies Relevant books and research	
IQ3: What challenges there are concerning transparency among second tier suppliers of the commissioning company?	Communication tools and data analysis tools Corporate transparency	Desktop studies Quantitative data of the case company Qualitative interviews	
IQ4 What relevant information is available about	Certifications Communication tools	Desktop studies	

organizations and guidelines suitable to achieve transparency in textile industry?			
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