# Tool 2

# *Policy and Procedures on Supply Chain Transparency, Disclosure and Due Diligence*

*Content developed by the Fair Labor Association (FLA) as part of the project “Remedies Towards a Better Workplace” with input from all project partners: Hivos, Arisa, Unicef, AGT/SER, SAVE, READ, CCR CSR, WE Fashion, O’Neill, Prénatal, Hunkemöller, FNG, Cool Investments.*

**For whom:** for brands and companies (AGT member companies).

**Background:** This tool is part of the information package on supply chain mapping. It is important to first read the guidance documents on supply chain mapping.

**Objective:** It can be helpful to develop a policy and procedures for collecting information about sub-suppliers and subcontractors. This document provides information and examples of what this can entail. It can of course be adapted to a company’s own needs and expectations.

# Example Policy

## Objective

Knowing where our production takes place is key for quality as well as sustainability reasons. This policy sets out how we, *<Company’s Name>,* aim to (1) keep an accurate overview of all of our production locations and (2) increase insight into production locations deeper down the supply chain.

This document covers *<Company’s Name>* policy for supply chain transparency.

This policy applies to all the business entities that conduct direct and indirect business with *<Company>* and have direct or indirect business relations with Tier 2 subcontractors and Tier 2 material suppliers.

## Definitions

Key definitions[[1]](#footnote-1):

* Production location: the factory where CMT (cut-make-trim) takes place, whether this is a direct supplier, a sub-supplier or a subcontractor.[[2]](#footnote-2)

Production locations deeper down the supply chain: material or component suppliers, and production locations carrying out certain processes on behalf of production locations.[[3]](#footnote-3)

## Policy

**Overview of production locations**

*<Company’s Name>* wants tohave an accurate overview of all production locations involved in its production at the moment of order placement. *<Relevant business function finalizing the order>* are responsible that the order confirmation includes the correct name and address of the production location responsible for CMT, including subcontractors.

Subcontracting is only allowed after approval by <relevant business function>. Suppliers shall always inform *<Company’s Name>* of the intention of subcontracting prior to taking the decision. Subcontractors are expected to comply with the same requirements as direct suppliers, as laid down in *<supplier manual / supplier terms and conditions / code of conduct>,* and needto be approved by *<Company’s Name>.*

We aim to obtain ever increasing insight into the supply chain, also beyond the production locations responsible for CMT. Production locations deeper down the supply chain include for example: fabric mills, spinning mills, dyehouses, laundries, raw material manufacturers, etc.

*<Company>* aims for Tier 2 suppliers (suppliers of our production locations) to be disclosed to us. The following section lays out the roles and responsibilities of the internal sourcing and compliance team members of *<Company>* and of the business entities that conduct direct and indirect business with *<Company>.*

## Responsibilities and requirements

**3.1 Responsibilities of the <Sourcing> and <Sustainability> Team of *<Company>***

The <*sourcing*> and <*sustainability*> team jointly set priorities for supply chain insight beyond production locations and subcontractors involved in CMT. The selection is made on the basis of key product categories and high-risk processes/production regions.

3.1.1 Obtain information from your supplier on (1) production locations including subcontractors for CMT, (2) steps further up the supply chain (material, component and accessory suppliers), and (3) processing locations (e.g. dyeing, printing, washing, finishing) ideally two times during the processing of each order, first at the time of the order placement and again once production commences. The data is to be included and managed in the *<internal database>.*

3.1.2 Ensure that any requirements such as signing of certain documentation, pre-sourcing visit, due diligence visits, onboarding and capacity building meetings and subsequent remediation-related activities are identified and conducted in a timely manner and documented in the *<internal database>*. These include all interactions with the Tier 2 suppliers either conducted by *<Company>* personal or through external parties and consultants hired by *<Company>*.

The following data needs to be maintained in the database:

* Information from suppliers deeper down the supply chain (subcontractors and material suppliers) that produce a high volume of goods (usually 20 per cent of suppliers are responsible for 80 per cent of the work) for *<Company>*
* Information from suppliers deeper down the supply chain (subcontractors and material suppliers) that produce in high-risk countries [*to be identified by the company*].
* Information from suppliers deeper down the supply chain (including subcontractors) that undertake high-risk processes [*to be identified by the company*].
* Information from suppliers deeper down the supply chain (material supplier) that produce key and high-risk components [*to be identified by the company*].
  1. **Requirements and responsibilities to be agreed upon with direct suppliers**

*Recommendation: include these responsibilities in the contract with suppliers and discuss regularly.*

**3.2.1 Disclosure:** Ensure that all subcontractors and (material) suppliers are disclosed to *<Company>*, if they are either:

* Owned by the direct supplier and engaged in the production of *<Company>* products;
* Not owned by the direct supplier but involved in the production of products for *<Company>* or supplying materials and components used in the products for *<Company>*

**3.2.2 Written contract and Code of Conduct/supplier manual:** Agree with suppliers on cascading procedures and processes with regards to sustainability. For example, ensure that your direct supplier provides a written contract to their suppliers and subcontractors that includes sustainability requirements similar to yours. If the supplier is not planning to develop a process which applies to all suppliers, request that suppliers engaged in your production are aware of your expectations in line with <Company> policies or Code of Conduct and/or supplier manual to the written contract of the Tier 2 supplier.

**3.2.3 Site Visit:** Ensure that your direct supplier clearly communicates and onboards his suppliers and subcontractors about responsible sourcing and production practices before placing orders. Regular site visits to the facilities are desirable and include a walk-through of the facilities with members of management, as well as interviews of workers and review of documents.

**3.2.4 Review of Capacity:** Ensure that your direct supplier collects information about the capacity of their suppliers (Production Capacity, volume as well as types of processes, from Subcontractors and Material Supply Capacity from Material Suppliers).

**3.2.5 Visits and Access:** Ensure that your direct suppliers conduct any required visits, such as pre-sourcing visits, due diligence visits, onboarding and capacity building meetings, and that subsequent remediation-related activities are identified, done in a timely manner and documented. When requested, the direct supplier should facilitate a visit of *<Company>* personnel or a designated representative to production locations deeper down the supply chain.

**3.2.6 Documentation:** Ensure that information about suppliers deeper down the supply chain (at a minimum as indicated in the provided tool) is maintained in a proper fashion and furnished to *<Company>* upon request.

**3.2.7 Optional: Worker Profile:** If you want to know more about the workforce in the supply chain, you can ask your direct supplier to collect information about the worker profile at subcontractors and material suppliers *[see sample tool].*

1. *You can also refer to FLA’s Supply Chain Glossary or other set of definitions.* [↑](#footnote-ref-1)
2. *Referred to as Tier 1 by the FLA* [↑](#footnote-ref-2)
3. *Referred to as Tier 2 by the FLA* [↑](#footnote-ref-3)