

SUPPLY-CHAIN MAPPING, TRANSPARENCY, TRACEABILITY—1.0

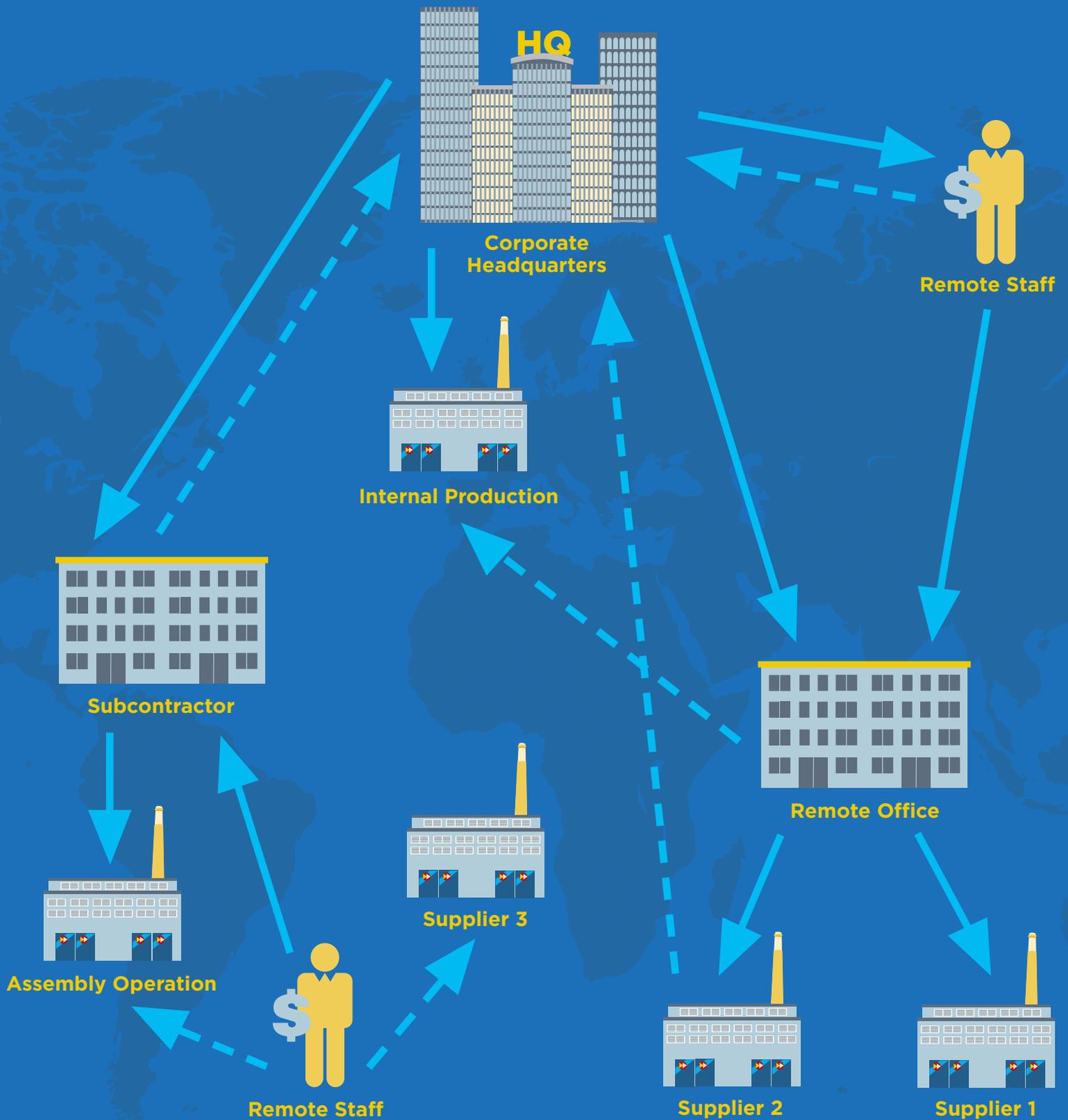


A PRACTICAL GUIDE FOR COMPANIES AND SUPPLIERS



FAIR LABOR
ASSOCIATION®

SUPPLY-CHAIN MAPPING



Supply-chain mapping can be a very complex process, involving company staff, suppliers, subcontractors, and many others in different countries all around the globe. This guide is intended to help companies begin the process of extending their supply chain oversight beyond their first-tier manufacturing facilities to enact their commitment to protect workers and support their rights at all levels of production.

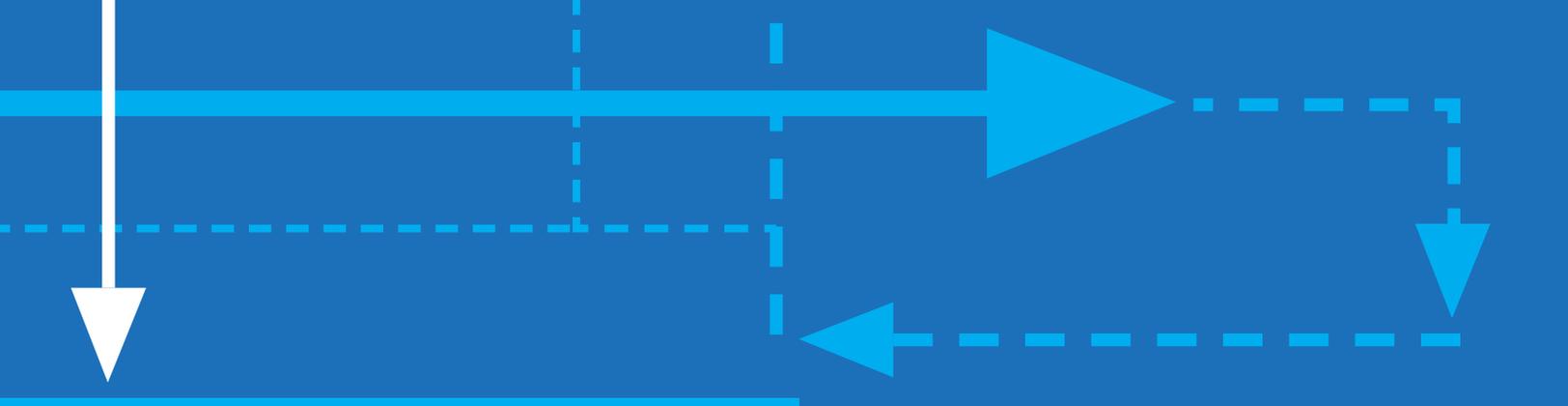


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ACKNOWLEDGEMENTS



This guide is based on Fair Labor Association’s deep expertise on upstream supply chains. Since 2006, FLA has researched working conditions in upstream supply chains for commodities such as cotton, leather, synthetics, and other agricultural products. As a result, the FLA has developed reproducible methodologies, strategies, and tools that delve into the supply-chain tiers, from manufacturing units to farms.

FLA appreciates the valuable feedback from the organizations that reviewed this document, helping to make it more user-friendly: Hivos, Improving Work Life, India Committee of the Netherlands (ICN), and Sociaal-Economische Raad (SER), as well as the clothing companies Fruit of the Loom, Outerknown, Phillips Van Heusen (PVH), Varova Fashion, and WE.



DISCLAIMER

This document supports a range of organizations at varying levels of efforts to develop sustainability and due diligence. It may therefore include information that essential to some, but not others. FLA has included as much feedback as possible in the guide, while keeping it as universal as possible.



EXECUTIVE SUMMARY

The publication and adoption of the United Nations Guiding Principles on Business and Human Rights (UNGPs) have raised the expectation that businesses will increasingly ensure responsible conduct throughout their supply chains.

While risk-management activities have historically focused on aspects of the supply chain under companies' most direct control, or where the most leverage existed, the UNGPs recommend that companies prioritize areas with the greatest potential for harm. For many companies, following these guidelines requires increased attention to possible human rights violations in upstream tiers of their supply chains, beyond their final manufacturing facilities.

Companies and suppliers that go through a supply-chain mapping exercise:

- ▶ improve understanding of their business operations, as well as of suppliers and their networks;
- ▶ boost transparency of their supply chain and business relationships;
- ▶ develop relationships and collaborations with suppliers at different tiers;
- ▶ better comprehend individual and collective social behavior patterns;
- ▶ expand their knowledge of and create ties with other supply-chain actors, including agents and intermediaries;
- ▶ learn more about working conditions in the supply chain, environmental impacts, and animal welfare aspects;
- ▶ discover how their business operations may be tied to sustainability risks, such as violations of human and labor rights;
- ▶ identify the greatest risks for noncompliances, in addition to magnitude;
- ▶ progress in assessing their suppliers' capacity to prevent and mitigate noncompliances of human and labor rights, and reassess remediation strategies;
- ▶ identify ways to have a positive impact on people, the core assets in any supply chain;
- ▶ and forge relationships with stakeholders, including government, trade unions, and nongovernmental organizations, to better conditions for workers and their families.

Different approaches can be taken to supply-chain mapping. The FLA approach in this guide structures the exercise into 12 steps.



1: Set goals: At the start of the exercise, the company clearly identifies objectives and parameters, such as designating the different tiers and geographic areas to be mapped.



2: Create a team: The company determines who, from both headquarters and the field, will take part in the process.



3: Identify actors: The company identifies internal and external stakeholders to participate.



4: Identify Tier 1 suppliers or other entry points: This step involves naming which suppliers will be involved as well as how many.



5: Start a dialogue: In many cases, the company needs to establish an ongoing channel of communication with suppliers.



6: Secure commitments from immediate suppliers: Tier 1 suppliers, essential in approaching those of Tiers 2 and 3, will need to provide a firm commitment.



7: Introduce tools: Specific methods will aid in collecting and analyzing information during the exercise. While FLA has designed various tools for assistance, each company will need to define its own data points.



8: Collect information from Tier 1 suppliers: The company will record information on the ownership structure, type of production, location and size of Tier 1 suppliers.



9: Gather information from Tier 2 and Tier 3 suppliers: Tier 1 suppliers will need to approach supply-chain partners in other tiers for pertinent data.



10: Assess information and data: After all the information is collected, the company will use it to determine next steps.



11: Collaborate on risk-mitigation strategies: Based on mapping results and identified supply-chain linkages, the different partners involved might define cooperation follow-up actions.



12: Discuss and design scaling-up strategies: At this stage, companies will discuss how to map a company's upstream supply chain in all its regions of operation.

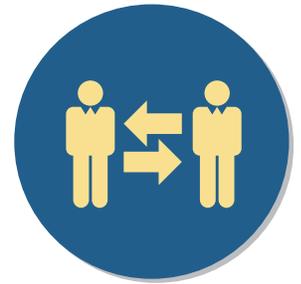
Supply-chain mapping is not merely about compliance; it should also incorporate the following principles:



Trust



Collaboration



Co-creation



Transparency



Timeliness



Cooperation

The FLA has developed a set of tools to support supply-chain-mapping efforts. Companies should use them as well as customize them for their specific needs and requirements. The tools include:

-  **1:** Action Planning Template
-  **2:** Stakeholder Matrix
-  **3:** Company Profile
-  **4:** Supplier Profile
-  **5:** Supplier Visit Form
-  **6:** Workers Profiling Form
(for Subcontractors and Tier 2 suppliers)

OBJECTIVES OF THIS GUIDE

How far do I need to go to ensure responsible sourcing?

What does it mean to map a supply chain?

How can my organization trace the elements that feed into the production process?



How and where do I begin the mapping process given that we have many suppliers located all over the world?

Can we do it on our own or should we partner with others?

The Fair Labor Association's goal is for this 1.0 guide to provide enough motivation and information, along with some practical first steps, for companies and suppliers to start mapping their supply chains effectively and efficiently. It should prove useful to any company, manufacturer, or supplier that is part of a supply chain.

All businesses, ranging from those dealing with raw materials to manufactured goods, face myriad questions in connection with supply-chain mapping. This guide will aid in answering some of those questions. To learn more about the terms used in this guidance document, please refer to Annex 1: Glossary.

FLA'S DEFINITION OF A SUPPLY CHAIN

The FLA defines a supply chain as a multilayered system that aims to transform natural resources, raw materials, and other components into a finished good or service that is delivered to a customer.

In other words, a supply chain comprises a network of people interacting to achieve a goal, in this case the exchange of goods or services for money, through the movement of a product or specific services from supplier to customer.

Most illustrations of supply chains focus on the product, rather than the people involved with the process. In FLA's understanding, people are at the core of a supply chain; the product is the result of their cooperation.

A finished garment is the result of people cooperating across a supply chain.



WHAT IS SUPPLY-CHAIN MAPPING?

Supply-chain mapping is an exercise by which a company:

- ▶ collects information on its suppliers and sub-suppliers;
- ▶ discovers the relationships and interdependencies among the supply-chain tiers;
- ▶ understands the people involved in the process and their behavior patterns;
- ▶ increases the traceability and transparency of the entire supply chain.

The result of mapping is a visual representation of a supplier network within a specific geographical area. The social network constituting any given supply chain is typically complex, involving people with diverse interests.

Mapping helps companies understand the people involved in their supply chains.



However, this same group of individuals may be somewhat predictable in their collective behavior patterns. Knowledge of these patterns can successfully inform and support supply-chain sustainability.

Supply-chain mapping is not a one-time activity because of the dynamic nature of supply chains. Changes in the supply chain are generally driven by factors such as cost, capability, and risk. As such, supply chains function best when information from all stakeholders at all levels of the production process is current.

Various companies and suppliers are at different stages in mapping their supply chains. Some are familiar with their raw materials providers, while others are learning more about their final product assembly units. Some only have limited interaction with their suppliers because they work through traders and agents (intermediaries). Mapping allows for greater transparency and traceability. It also is crucial for a company's risk management, part of corporate responsible business conduct. When a company is committed to external transparency, it offers stakeholders, consumers, and other "end-users" information and confidence about the identity, sourcing, work conditions, and labor standards in the supply chain.

On a related note, mapping is key for any company performing "due diligence" as well as in the development of a company's responsible and sustainable sourcing program. Sustainability risks depend largely on three factors:

- 1.** where production takes place (country/supply-chain actors),
- 2.** what is produced (materials and processes needed to create the goods);
- 3.** and how business is conducted (buying and sourcing practices).



WHY IS SUPPLY-CHAIN MAPPING IMPORTANT?

To promote decent working conditions within their supply chains, many companies and suppliers maintain human-rights and labor-standards monitoring programs. Occasionally, such programs only cover their immediate suppliers (Tier 1), which does not guarantee labor standards compliance or a “clean” product. In many cases, internationally accepted human rights standards and labor conditions are not found in Tiers 2, 3 and so on. Mapping helps companies assess the risks in the upstream tiers of their supply chains in an age of increasing transparency.

Ignorance of production and working conditions, in combination with the absence of regular and structured monitoring at upstream supply-chain levels, increases sustainability risks, specifically human-rights and labor-standards violations. In such instances, violations have been “woven” into a product by the time it arrives for final processing by the Tier 1 supplier. For companies to guarantee that product manufacturing occurs in an environment that respects human and labor rights – and has no negative impact on surrounding communities – their leaders must examine the upstream supply chain. They should begin with a review of the primary raw materials used in the product, gradually expanding to other raw materials and components used.

Mapping needs to be a continuous feature embedded in the business, production and corporate social responsibility operations of companies and suppliers. A well-integrated process would allow for the immediate mapping of the supply chain at the time of design or order placement, as opposed to “retrospective tracing.”

Companies and suppliers that go through a supply-chain mapping exercise:

- ▶ improve understanding of their business operations, as well as of suppliers and their networks;
- ▶ boost transparency of their supply chain and business relationships;
- ▶ develop relationships and collaborations with suppliers at different tiers;
- ▶ better comprehend individual and collective social behavior patterns;
- ▶ expand their knowledge of and create ties with other supply-chain actors, including agents and intermediaries;
- ▶ learn more about working conditions in the supply chain, environmental impacts, and animal welfare aspects;



Increasingly governments, consumers, and civil society expect greater transparency.

- ▶ discover how their business operations may be tied to sustainability risks, such as violations of human and labor rights;
- ▶ identify the greatest risks for noncompliances, in addition to magnitude;
- ▶ progress in assessing their suppliers' capacity to prevent and mitigate noncompliances of human and labor rights, and reassess remediation strategies;
- ▶ identify ways to have a positive impact on people, the core assets in any supply chain;
- ▶ and forge relationships with stakeholders, including government, trade unions, and nongovernmental organizations, to better conditions for workers and their families.

Increasingly, governments, civil society actors, and consumers are demanding a full accounting of products and their components. The FLA's paper on legislative and regulatory initiatives¹ provides a list of the relevant efforts, either passed or currently under consideration, that advance traceability and public transparency and that call upon companies to develop action plans on the issues identified in their supply chains.

¹ <http://www.fairlabor.org/blog/entry/supply-chain-traceability-and-transparency>

THE MAPPING PROCESS

Companies can customize their supply-chain mapping approach based on their existing sourcing model, resources, and commitments. In this guide, the FLA breaks down the process into 12 steps. Some companies and suppliers might merge or further break down these steps. Some may even consider proceeding with them in a different chronological order.

The 12 steps to take into consideration:



1: Set goals



2: Create a team.



3: Identify actors



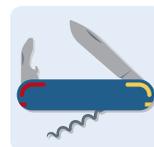
4: Identify Tier 1 suppliers or other entry points



5: Start a dialogue



6: Secure commitments from immediate suppliers



7: Introduce tools



8: Collect information from Tier 1 suppliers.



9: Gather information from Tier 2 and Tier 3 suppliers.



10: Assess information and data



11: Collaborate on risk-mitigation strategies



12: Discuss and design scaling-up strategies



STEP 1: Set Goals

Executing a supply-chain mapping exercise requires interaction among staff members from various departments within an organization, as well as communication with business partners and an analysis of those partners' own practices in relation to product development, buying, and sourcing. The process takes time and resources, yet company leadership must understand their motivation and define objectives before undertaking a supply-chain mapping process.

► HOW DOES ONE SET COMPANY GOALS?

A clearer objective will result from considering:

- Why does the company want to map its supply chain?
- How will it help the company's overall mission and goals?
- Is supply-chain mapping a strategic priority? If so, why? If not, why should it be?
- What will the company do with the information?
- Is this a one-time undertaking or does the organization intend to make mapping a standard operating procedure? If it is ongoing, how can it be integrated in business systems and procedures?
- What are up to five core measurable objectives and commitments during the next three to five years?
- Is the company's leadership committed at the highest levels? If not, how will it be secured?

► WHAT ARE SOME EXAMPLES OF THE SCOPE OF A MAPPING EXERCISE?

A mapping scenario for one company may not be feasible for another. That said, and keeping sustainability and due diligence in mind, the recommendation is to focus mapping efforts on certain key products or supply chains that potentially pose higher risks.

Some scenarios that could help in setting targets:

- Map the upstream supply chain of one product type, such as garments, footwear, electronics, or accessories.
- Map the upstream supply chain of selected product component(s) sourced for all products, such as all the cotton or leather or cocoa used in all the products produced by a company.
- Map the upstream supply chain of a component(s) used in a single product, either by one supplier or multiple suppliers.

Deeper tiers in the supply chain may require more resources to map.



- Map the upstream supply chain of selected product component(s) sourced by all suppliers in a specific country.
- Map the upstream supply chain of selected product component(s) sourced by a single supplier or self-owned facility.
- Map the kind/characteristic of product component(s) through the entire supply chain.
- Map the supply-chain actors involved in certain high-risk processes.
- Conduct horizontal mapping for all suppliers in one tier.

► HOW FAR ALONG THE SUPPLY CHAIN SHOULD COMPANIES MAP?

Mapping individual Tier 1 and Tier 2 suppliers requires comparatively fewer resources than doing so for those further upstream, such as Tiers 3 and 4. Smaller companies with limited interaction in the upstream chain will likely seek to map Tier 1 and 2 suppliers. Companies with longstanding partnerships and some visibility along their upstream supply chains may focus on suppliers for Tiers 2, 3, and 4.

► SHOULD COMPANIES LIMIT THE MAPPING TO A SPECIFIC GEOGRAPHICAL AREA?

In the beginning, companies may limit the mapping exercise to both a specific geographical area and timeframe. However, this depends on the type of company and production. For example, a company may choose to start the process in an essential sourcing facility where certain concerns exist.

A stable political situation in the targeted area is best, but not crucial, in performing the exercise. In addition, local resources are an asset. The availability of local representatives or partners in the field will help to build on-the-ground trust and understanding with suppliers. Companies and suppliers may wish to use a SWOT analysis (strengths, weaknesses, opportunities, and threats) to identify which geographical area to target.

► SHOULD COMPANIES SELECT A PRODUCT/COMMODITY TO MAP OR SHOULD THEY MAP ALL THEIR PRODUCTION?

Companies undergoing this process for the first time should start small and remain sharply focused. Leaders may consider choosing their business's most important commodity, such as cotton for garments or cocoa for chocolate. An alternative is to map all Tier 1 suppliers and then move up the supply chain.

As companies become experienced with the feasibility of supply-chain mapping and with tracing certain material, valuable information may emerge on realistic methods to mitigate certain sustainability risks. For example, if no long-term relationships exist among upstream supply-chain actors whose processes are potentially risky, companies may want to reconsider suppliers.

► WHEN IS THE BEST TIME TO CARRY OUT A MAPPING EXERCISE?

It is easiest to collect information at the time of order placement, before production starts, or even during production. Retrieving the information retroactively is more difficult. Some suppliers may not want to engage post-production; also it leaves limited time for companies and suppliers to install management systems or ensure better working conditions, as experienced by FLA in 2008² while conducting cotton supply-chain mapping in China and India.

An ideal time to start mapping is when the order is first undergoing development or sampling, because supply-chain partners may be more willing to share information before the order placement and distribution. Yet supply-chain mapping is a continuous process; companies may want to consider reviewing — on an ongoing basis — how to embed supply-chain transparency in systems and procedures. Consider specifying production locations (Tier 1 suppliers) or material suppliers (Tier 2 or 3 suppliers) at order confirmations and developing procedures that subcontracting (of production processes) is only allowed upon prior notification and after a monitoring visit.

► WHAT INFORMATION SHOULD COMPANIES COLLECT IN A MAPPING EXERCISE?

Companies conducting a mapping exercise should seek to collect data on:

- various tiers of the supply chain;
- various tasks/processes carried out at each level of the chain;
- sustainability risks, including human-rights and labor-standards risks, environmental risks, and animal-welfare risks, at each level of the supply chain;
- the understanding of labor rights, as well as the willingness of suppliers along the chain to engage in raising awareness and capacity-building;
- and the origin of raw materials.

2 http://www.fairlabor.org/sites/default/files/imce/images/cottonproject_report2008-2010.pdf

► WHAT IF A COMPANY IS A SMALL- OR MEDIUM-SIZED ENTERPRISE WITH ONLY ONE PERSON WORKING IN THE SUSTAINABILITY DEPARTMENT?

Companies of all sizes can start and conduct supply-chain mapping. The first step is to engage with direct suppliers. Companies that undertake mapping have often found that suppliers do not hesitate to share information. Also, mapping exercises can involve staff across many parts of a company, not just those directly involved with corporate social responsibility or sustainability.

In starting with direct suppliers, companies may want to consolidate those on any supply chain. This will help in boosting overall control of the chain. Also, private-label production along “unknown” supply chains can increase the chance of risks.

Another option is to collaborate on the exercise with larger brands and retailers, or to engage in multi-stakeholder initiatives.

► WHAT SHOULD BE A COMPANY’S STARTING POINT?

Typically, sustainability and/or human-rights and labor-compliance departments within companies launch supply-chain mapping exercises, and often already have some knowledge of the chain. Also note that procurement/sourcing departments as well as country offices also have information about material suppliers and disclosed subcontractors. In all cases, companies should first determine any information gaps and short, medium, and long-term objectives.

REMEMBER:

Companies starting a supply-chain mapping exercise have several points of entry. The company business model and the available internal resources help to determine possibilities. The questions in this section will help in defining the scope, area, and starting point for mapping.



STEP 2: Create a Team

A company should designate staff from the headquarters and the field to conduct a mapping exercise and assign specific responsibilities. Ideally, these staff members have direct contact with suppliers, intermediaries, and other stakeholders.

Companies may want to create a working group for a mapping exercise. Such groups gather useful information and leverage technical support and other resources by engaging suppliers and other experts and stakeholders.

► **WHAT HAPPENS IF THE COMPANY DOES NOT HAVE ANY STAFF OVERSEEING THIS ISSUE?**

In thinking about designating personnel for this exercise, companies should consider those involved in the sustainability, human rights or compliance departments, as well as others who work in such areas as procurement, merchandising, sourcing, and quality assurance. Departments from across the company, especially those with involvement and direct contact with suppliers, will help the process.

Second, intermediaries and/or companies' Tier 1 suppliers should be involved.

When companies do not have staff in the field, challenges can occur, particularly if resources do not allow for field visits. In such cases, collect as much information as possible online while identifying a local partner, such as a consultant or social organization, that can help in the future.

► DOES THE STAFF NEED TO HAVE A SPECIFIC SKILL SET OR TRAINING?

Designated staff members should understand the definitions, concepts, principles, and challenges of supply-chain mapping. Good social skills, listening skills, interviewing skills, and empathy also are of value.

Personnel who will have direct contact with suppliers in other nations should have the language skills to have conversations with stakeholders. It may prove useful for companies to have this guide translated into the language used by their local staff.

In addition, companies can arrange for their staffs to take part in information sessions or training with groups such as the FLA, which has a specialty in supply-chain mapping.

Companies should be prepared to overcome language barriers in the mapping process.





STEP 3: Identify Actors

Collaboration from organizations that are internal and external to a supply chain will help to inform the mapping process. Initial key steps may include the creation of a stakeholder matrix that includes a list of such organizations and the identification and contact information of involved personnel.

► CAN YOU GIVE SOME EXAMPLES OF COLLABORATION?

Working with other buyers, local partners, trade unions, social organizations, and nonprofits will result in a richer supply-chain map. Local civil-society organizations that interact with various tiers in the supply chain may help in creating a list of contacts. For example, during a stakeholder-mapping process in 2016 for the cotton supply chain in Turkey, 86 organizations — both internal and external to the cotton supply chain — were mapped. They had relevant information of use to companies defining courses of action in that geographical location³.

► WHAT IF A COMPANY DOES NOT HAVE ANY CONTACTS?

The creation of a stakeholder matrix is an ongoing process. Once field investigations are underway, no matter how preliminary, people emerge who can recommend other sources of information. In addition, there is a good deal of information on country risk, local stakeholders, and supply-chain tiers readily available, given the interest in academia and elsewhere in creating traceability and transparency in supply chains. Several organizations are now forming country-level databases and risk indices.

³ http://www.fairlabor.org/sites/default/files/documents/reports/child_labor_in_cotton_supply_chains_june_2017.pdf

► DOES A COMPANY NEED TO WORK WITH A PARTNER?

This is dependent upon a company's staffing resources as well as the time available for a mapping exercise. Partnering with an organization is not necessary, though it can expedite the mapping process and provide access to richer information.

Collaborating with local partners and civil society will result in a richer supply chain map.





STEP 4: Identify Tier 1 Suppliers or Other Entry Points

A company should identify suppliers they want to involve in the mapping process.

► HOW MANY SUPPLIERS SHOULD A COMPANY INVOLVE?

This question raises another: How many suppliers does the company have? A consolidated supply chain is easiest to control. Yet regardless of the number of suppliers, a company may want to start small and scale-up at a later phase.

Consider starting with an overview of all Tier 1 suppliers to help prioritize the supply chains of strategic suppliers, supply chains in high-risk regions, and/or specific production segments. The overview of Tier 1 suppliers, combined with an understanding of those suppliers' importance, will help to guide decisions on this question.

Companies that already have full visibility of Tier 1 suppliers, can embark on this process with those in Tier 2.

► WHICH SUPPLIERS SHOULD A COMPANY CHOOSE?

Businesses may want to start work with suppliers that:

- have a long-term and/or strategic relationship with the company;
- show enthusiasm for and commitment to the mapping process;
- share a vision with the company with regard to sustainability, especially in the areas of human and labor rights;
- have a mutual relationship of trust with the company; and
- that do a significant volume of business with the company.

The Pareto Principle (also known as the 80/20 rule) provides some guidance: In business, roughly 80 percent of the effects comes from 20 percent of the causes. Therefore, if 80 percent of a company's products or components come from 20 percent of its suppliers, start with that 20 percent, which in turn can result in 80 percent mapping of a supply chain or targeted tiers.

► **WHAT IS THE ROLE OF TIER 1 SUPPLIERS IN THE PROCESS?**

Tier 1 suppliers are partners in the process and crucial to a successful mapping. They provide information about their work and entry to upstream Tiers 2 to 4.

► **SHOULD COMPANIES ENGAGE TIERS 2 OR 3 FROM THE OUTSET?**

Some of the Tier 2 or Tier 3 suppliers (in this case the processors of the raw materials) are large players, while others may be small and informal. If mapping is presented as an option to help the overall industry – in other words, shown as a proactive approach to human rights and labor standards – suppliers may be more inclined to cooperate. Others may happily cooperate from the start and be familiar with the mapping process, as large retailers and brands have already published their suppliers.

Another option is to work with associations, such as fabric manufacturers associations, tanners association or farmers associations. Once these actors are mapped during the “Identifying Actors” step, phase, company or group of companies can determine appropriate entry points.

► **WHAT IF A COMPANY DOES NOT KNOW ITS SUPPLIERS BECAUSE IT WORKS THROUGH INTERMEDIARIES?**

This certainly presents a challenge. The involvement of agents, traders, or other intermediaries on board as partners would be the only way in this case to map the supply chain. Intermediaries require the same mobilization as direct suppliers in collecting and sharing information. An open dialogue on the reasoning behind supply-chain mapping may prove helpful. Another approach is for supply-chain disclosure requirements (or a timeframe for the disclosure) to appear in the contract a company makes with an intermediary.



STEP 5: Start A Dialogue

Companies should contact partners to encourage them to participate in the mapping exercise. This may translate into face-to-face meetings at various stages to ensure the success of the process.

► WHAT IF A COMPANY HAS NEVER TALKED TO ANY OF ITS SUPPLIERS?

An introductory email, combined with a follow-up phone call, may be the most convenient way to initiate contact, but in-person interactions foster trust.

► HOW CAN COMPANIES CONVINCe SUPPLIERS THEM TO PARTICIPATE?

Companies should clearly explain why a supply-chain mapping process is underway. It may make sense to present mapping as an incentive for Tier 1 suppliers; in other words, it could be explained as a competitive advantage. Also, mapping is part of any discussion on responsible sourcing and production.

All parties should fully understand the purpose of these dialogues. For instance, if a company intends to publish a supplier list, those Tier 1 suppliers need advance notification and ideally, should give prior permission.



STEP 6: Secure Commitments From Immediate Suppliers

Once Tier 1 (or other upstream) suppliers have received the initial communication and dialogue is underway, a company needs to secure commitments.

At this point, companies should have clearly explained the mapping process and all related expectations of the supplier. For instance, suppliers could document and disclose to the company all the raw materials sourced. The company, together with the suppliers, could determine the extent of information maintained and shared in the future.

A supplier could offer the names and locations of sub-suppliers of the main material used, which could then lead to the documentation of where raw materials are produced, the names of other upstream suppliers, and worker demographics, among other data.

Suppliers should feel at ease about their participation; the scope and scale of the exercise depends on suppliers' active involvement and support.



STEP 7: Introduce Tools

Companies and suppliers can use specific tools and procedures to collect information about the supply chain and, if possible, to assess sustainability, risks, and emerging good practices such as human and labor rights along the supply chain.

► HOW CAN COMPANIES AVOID COMPARISONS OF MAPPING TO AN AUDIT?

The mapping process is not an audit, and should never be considered as such. However, the process provides an opportunity to understand the network of people in the supply chain and the conditions under which they operate. Identifying conditions at each level of the supply chain enables companies to understand the impact their businesses have on the lives of workers, including human and labor rights risks and root causes of poverty, and to ascertain positive effects the process can have on workers along the supply chain.

► WHAT TOOLS SHOULD COMPANIES USE?

Some tools, attached to this guide and designed for online and/or face-to-face meetings, will help in executing the above steps. Any tool can be customized, as well as translated into other languages, as needed. Companies should be prepared to answer suppliers' questions to help carry out the steps outlined above.

Online-mapping tools are useful for building a database, for instance, but they do not create trust and partnership. That requires in-person meetings.

Also remember that companies, suppliers, and intermediaries use different names for the same documents or pieces of information.



STEP 8: Collect Information From Tier 1 Suppliers

A company should collect and record information about the ownership structure, location, size, and nature of production of Tier 1 suppliers and intermediaries operating at Tier 1. If multiple buyers are working together, it is likely that they will first want to identify common Tier 1 suppliers, because that will create cooperation, as allowable under the law.

► WHO SHOULD COLLECT THIS INFORMATION?

The specific title or role of the staff member (or members) collecting information may differ from company to company. Regardless of the personnel involved, it is crucial that suppliers view the company's staff as aligned and speaking with one voice.

► WHAT INFORMATION SHOULD BE COLLECTED?

The objective is the creation of a profile for each supplier that includes details of its operation and the specific product. These tools also provide a chance to gather data on the working and living conditions of people along the supply chain.

► HOW SHOULD INFORMATION BE COLLECTED?

The FLA provides a set of tools along with this guide that offer support. If needed, companies can customize these tools to better meet their needs. In any case, local stakeholders will need to understand the tools as well, which may require the translation of materials into another language or an adaption of terminology.

► WILL SUPPLIERS BE RELUCTANT TO SPEAK?

When company-supplier relationships focus on trust-building, rather than policing, mapping exercises are easier. Businesses should have open, constructive communications with suppliers, who will then be more willing to share policy documents, internal procedures, and other relevant information.

On occasion, suppliers may prove unwilling to share information that they consider trade secrets, such as pricing or production techniques, or about stakeholders in the supply chain who might take business to competitors or downstream suppliers. In such situations, suppliers will need reassurance about the purpose and impact of mapping.

► HOW CAN COMPANIES AVOID COMPARISONS OF MAPPING TO AN AUDIT?

Much depends on the company's attitude. For example, be aware of tone and plan meetings well ahead of time, to avoid unannounced visits. Treat suppliers as equals during meetings.

Mapping is an exercise to collect information to build a better understanding of the whole supply chain so that risks at varied levels can be identified and remedied, if needed.



STEP 9: Gather Information from Tier 2 and Tier 3 Suppliers

Tier 1 suppliers should ideally approach supply-chain partners in Tiers 2 and 3 about the mapping exercise.

► SHOULD TIER 2 BE INVOLVED IMMEDIATELY?

Access to upstream suppliers is easier if introductions come from corresponding buyers in the supply chain. When both Tier 1 and Tier 2 suppliers attend the same introductory meeting, better cooperation results because of the suppliers' increased and shared understanding of the exercise's objectives.

► HOW SHOULD COMPANIES APPROACH TIER 2 AND TIER 3 SUPPLIERS FOR INFORMATION?

As with Tier 1, information can be collected in various ways. Companies and suppliers can use email, calls, and field visits. The quantity and quality of information will depend on the willingness of suppliers to be open and transparent about their business practices.

► WHAT KIND OF INFORMATION SHOULD COMPANIES COLLECT FROM TIER 2 AND TIER 3 SUPPLIERS?

The extent of information collected depends upon the communication between companies and Tier 1 suppliers and between Tier 1 and their suppliers. Companies and any related tiers should collect the same types of information. The information could start with the names and locations of the upstream suppliers for the main input material as well as the processes they have in-house.

► SHOULD THE MAPPING EXERCISE CEASE IF PERSONNEL IS IN DANGER?

On occasion, suppliers work in regions affected by conflict. Under no circumstances should people be placed in danger.

Tier 1 suppliers can help companies approach supply chain partners at deeper tiers.





STEP 10: Assess Information and Data

The tools accompanying this guide help companies and suppliers in gathering data and assessing myriad aspects of the production process, including:

- undisclosed sub-contracting (if any)
- commitment to workplace standards and awareness-building
- inclusion of codes of conduct in business contracts
- pre-sourcing evaluations
- internal monitoring
- worker profiling
- and hiring process.

REMEMBER:

It is important that companies modify tools based on their needs. Along those lines, company's analysis of data depends on its objectives. Increasingly, companies must disclose supply-chain information, or publish information or produce documentation that showing that products have not been made with child labor and/or forced labor, before those products can be imported by certain countries, such as the United States. Regardless of a company's motivation to start a mapping exercise, these indicators should be part of the data-collection phase and the analysis.



STEP 11: Collaborate on Risk-Mitigation Strategies

Based on mapping results and identified supply-chain linkages, different partners taking part in a mapping exercise may collaboratively create follow-up actions. This process is more efficient and effective when various stakeholders work together in the assessment and remediation of any human, labor, or social impacts that exist in a shared supply chain.

At this point where it would be important to define the approach that the company or supplier might want to take regarding implementation of their Code of Conduct and local law and the expectations it has with its suppliers. While mapping is the first step, data collection and improvement of labor and social conditions is the second phase. This is a vast subject and falls outside the purview of this guide.



STEP 12: Discuss and Design Scaling-Up Strategies

Before embarking any next steps, companies should start small. Then, they can pursue mapping upstream supply chains in all regions of operation, with the objective of identifying the geographic origin of all materials or components sourced from high-risk areas.

After accomplishing an initial map, companies should discuss strategies for scaling up.





KEY PRINCIPLES

Supply chain mapping operates under the following principles:



TRUST: For a company to be able to map out its business operations at different levels, it must base relationships and communications on trust. This implies a change in mindset from a “compliance” approach to one of trust-building. In other words, the approach should evolve from demanding information from a supplier to seeking cooperation based on willingness. All departments within a company should take part in the process and receive training. Responsible sourcing results from trust-building.



CO-CREATION: It is important that all partners and shareholders are engaged throughout the exercise, even its initial design. This ensures a better understanding of the scope and objectives of the initiative and promotes participation. Feedback from partners is essential.



TIMELINESS: Setting clear timeframes and ensuring timely communications are essential.



COLLABORATION: To map a supply chain, collaboration is essential. Who are the different actors? Buyers, suppliers, subcontractors, intermediaries—the chain stretches all the way back to farms. In addition, other stakeholders can provide useful information, including employer associations, workers unions, civil society organizations, and public authorities. Every actor plays a role and has strengths that can be leveraged.



TRANSPARENCY: Open and transparent communication is key to engaging actors and obtaining valuable information beneficial to all parties.



COOPERATION: Brands/ companies may share suppliers. Cooperating with brands will enable greater leverage at the supplier level and encourage commitment and participation. A multi-stakeholder initiative that maintains confidentiality might be the best approach.

FAIR LABOR ASSOCIATION TOOLS

Fair Labor Association has developed a set of tools to support supply-chain-mapping efforts. They are flexible and open tools that hopefully will inspire companies to customize their own. Some companies might find them too exhaustive for their needs, while others might need to expand them. The tools may need to be adapted to address:

REMEMBER:

Adapt all the tools as needed before initiating supply-chain mapping efforts.

- ▶ **Sector**
- ▶ **Product**
- ▶ **Country**
- ▶ **Focus/target areas**
- ▶ **Terminology**
- ▶ **Language**

The tools exist in an Excel format, with different tabs containing each of the tools. As such, companies can easily convert spreadsheets into word-processing documents or other formats.

TOOL 1: Action-Planning Template



This tool, provided in an Excel format, lists all the steps included in this guide. Some example of activities within each step are also listed. This template can be used to list the activities linked to each step, specify those units and people responsible for each activity, and identify those who will participate in the process. Some companies would rather use RACI (Responsible, Accountable, Consulted, Informed) grids to assign responsibilities, which is acceptable. The FLA spreadsheet also provides space to track completion dates, additional resources or tools needed, and follow-up measures. Using color-coding to track the completion of levels may prove useful. In addition, consider additional columns to track other relevant information.

TOOL 2: Stakeholder Matrix



This tool also uses an Excel format to record all relevant information for different stakeholders needed to support supply-chain-mapping efforts. Such information as type of organization, contact details, company relationship, and summary of results are among the types of data to include. Again, this is a flexible tool for you to adapt, as you consider useful and relevant. If an existing system captures this information, it is recommended to use and enhance that tool.

TOOL 3: Company Profile



This tool should be completed by a company representative who will perform the supply-chain mapping activity. It collects data about the already-existing company information about suppliers at different levels. This profile tool is also in an Excel format, with cells that include multiple-choice options in a drop-down list.

TOOL 4: Supplier Profile



Through this template, the company collects data about its suppliers, who should complete it. It can be used for each supplier targeted in the supply-chain mapping exercise. In addition, it can be converted into an online instrument. The template collects data on suppliers, sub-suppliers, and their relationships, and contains a section on workplace-management systems. Here, the supplier provides specific information about how respecting and promoting human and labor rights in the workplace, existing challenges, and support provided to their own suppliers in respecting these rights.

If there is a sense that it may be premature to collect this information from the suppliers, feel free to adapt the questions or redact them completely.

TOOL 5: Supplier Visit Form



This Excel sheet allows for the recording of information directly after talking to or meeting a supplier in person. Ideally, the supplier will already have filled in the Tool 4 Supplier Profile, so this meeting will help you identify and correct any misunderstandings or inconsistencies with the information provided in the profile.

Regarding the Workplace Standards Management Systems, this tool identifies possible cases of child labor and therefore includes questions related to recruitment, selection, and other hiring practices. Companies may adapt this part of the tool to meet specific purposes, to address different human or labor rights issues, to identify various challenges the suppliers face. If adapting this tool, please remember that it is not an audit self-assessment tool, but an aid in understanding the effect a company has on the lives of workers (and possible remedies, if needed).

Sometimes, it is useful to ask questions regarding current good or best practices already initiated or in the planning states. It also may prove helpful to ask suppliers to describe their policies and procedures on certain areas such as production planning, raw materials sourcing, upstream supplier engagement, and possible challenges that they have faced upon implementation. Also, companies may have an interest in supplier-grievance mechanisms or how to better support suppliers in ensuring the well-being of workers.

TOOL 6: Worker Profiling Form (for subcontractors and Tier 2 suppliers)



This Excel sheet is specifically developed for suppliers who use subcontractors for production activities. While subcontracting is not inherently bad, undisclosed and unmonitored subcontracting poses risks to the suppliers and eventually, to the buyers. This tool helps suppliers in collecting basic demographic data on the workers employed in the subcontracted units. Suppliers can also use this tool to learn of worker demographics in Tier 2 materials and component suppliers. Suppliers can kick start the process based on the cooperation with the subcontractors and filling the information on an annual basis.

ANNEX 1

Glossary

| WORD/TERM | DEFINITION |
|--------------------------------|--|
| Company | Any business that contracts with another for the manufacturing of products. |
| Direct Sourcing | A company entering a contractual relationship with its supplier. |
| Indirect Sourcing | A company sourcing products (such as raw materials, components and finished goods) from an intermediary. An example of indirect sourcing: when agents place orders with garment and footwear manufacturers on behalf of a retailer or brand. |
| Upstream Supply Chain | The term “upstream” refers to the relationships between manufacturers and their raw materials and packaging suppliers. “Upstream” is thought of as being closer to the origin of a supply-chain process. |
| Downstream Supply Chain | The term “downstream” refers to the relationships between suppliers and their buyers/ customers. “Downstream” is thought of as being closer to the final assembly unit, retailer, and consumer. |
| | |
| Factor Inputs | The individual resources that contribute to the production of goods and services. Land, labor, and capital are considered major factor inputs. |
| Intermediary | A link in the supply chain that facilitates trading among actors in the supply chain but does not add direct value to the products themselves. “Intermediaries” are also known as agents, traders, distributors, vendors, and middlemen. When using intermediaries, the company does not have a direct contractual relationship with the supplier producing its goods, but rather with the intermediary. When the company is using intermediaries, it is said to be sourcing indirectly. |
| Mapping | Graphical representation of a procedure, process, structure, or system that depicts the relationships among its different components. |
| Stakeholder Mapping | Such mapping identifies the external and internal actors of a supply chain to understand a network of people and their behavior patterns. |
| Supply-Chain Mapping | An exercise by which a company collects information on its suppliers and their sub-suppliers to understand relationships and increase the visibility of the wider supply chain. The information collected can vary depending upon the purpose of mapping and the resources available for the process. It could start from knowing only the name and location of the supplier to volume supplied, processes undertaken, internal management systems, number of workers, and other labor and human-rights information. |

| WORD/TERM | DEFINITION |
|---|--|
| Task Mapping | The process of mapping different activities within each level of the supply chain. |
| Risk Mapping | The process of identifying, evaluating, and prioritizing different risks along the supply chain, including those related to human rights and labor standards. |
| Multi-tier supply chains | <p>It is common in supply-chain management to refer to tiers (or layers) to indicate when various materials and components of a product come into play during production process. Tiers can apply to any industry and are defined in terms of value-added rather than through business relationships. Cotton farms, ginning mills, material producers, and garment manufacturers can serve on different tiers, as they add value to the final product; agents, traders and electricity suppliers are not, as they only facilitate the production process.</p> <ul style="list-style-type: none"> ■ Tier 1 are direct suppliers; ■ Tier 2 are suppliers to Tier 1; ■ Tier 3 are suppliers to Tier 2; ■ Tier 4 provides basic raw materials to higher-tier suppliers. <p>Theoretically, further tiers could exist. In the garment and textile sector, for example, a retailer's supply-chain structure would appear as:</p> <ul style="list-style-type: none"> ■ Tier 1: all garment manufacturers and components manufacturers ■ Tier 2: textile producers, spinning mills, and washing and dyeing facilities ■ Tier 3: fiber processing units and ginning mills ■ Tier 4: cotton farms <p><i>Please note that some suppliers have vertically integrated units, whereby several functions are performed on the same premises.</i></p> |
| Product | Any tangible output or service resulting from following process and intended for delivery to a customer or other "end user." |
| Component | Materials used to "build" a product; for a garment, components are buttons, zippers, trims, and other accessories. |
| Raw Materials | Unprocessed, natural, or artificial materials, such as cotton, cocoa, rubber, synthetic resins, crude oil, lumber, or cobalt, used in the production of final goods. They are also commonly referred to as "commodities." |
| Sub-Contracting / Sub contractor | The outsourcing of part or all of production orders to a third party (often called "subcontractors") by the direct supplier. |
| Supplier | All business relationships that contribute components or services during the process of bringing a product to market. Suppliers can be manufacturers, processors, direct logistical providers, producers, and farmers. |
| Subsupplier | A generic term describing a supplier who provides goods or services to another downstream supplier. Subsuppliers could be material suppliers or subcontractors. |
| Traceability | The ability to follow a product and its components through stages of production, processing, manufacturing, and distribution. |
| Transparent Supply Chain | A supply chain that provides useful information about a company, and its suppliers and subsuppliers, and sourcing locations to stakeholders and to consumers or other "end users." |

About Fair Labor Association and Working in Upstream Cotton Supply Chains

The Fair Labor Association is a nonprofit organization that combines the efforts of business, civil society organizations, and colleges and universities to promote and protect workers' rights and to improve working conditions globally through adherence to international standards. Since 1999, FLA has helped to improve the lives of millions of workers around the world. The FLA creates lasting solutions to abusive labor practices by offering tools and resources to companies, delivering training to supply chain partners, conducting due diligence through independent assessments, and advocating for greater accountability and transparency from companies, manufacturers, factories, suppliers, growers, and others involved in global supply chains.

Brands and suppliers that join Fair Labor Association as an affiliate agree to uphold the FLA Workplace Code of Conduct in their supply chains and commit to 10 Principles of Fair Labor and Responsible Sourcing (and/or Responsible Production). In the textile and apparel sector, both natural (cotton, jute, wool and raw silk) and synthetic fibers are used. Cotton remains the most widely used raw material in the textile and apparel sector. For this reason, FLA has undertaken projects to map cotton supply chains (in India, Turkey, and the Ivory Coast), train cotton growers (in India, Pakistan, and Turkey), and conduct labor-standards monitoring in cotton farms (China, India, the Ivory Coast, and Turkey). FLA has carried out projects to determine possible strategies for supply chain-mapping, to identify tools for mapping, and to share what methodology yields best results.

ANNEX 3

Cotton Production and Supply Chain Map in Turkey

As part of a supply chain traceability project with the FLA in 2016, the Development Workshop, a non-governmental organization (NGO) in Turkey developed the following graphic, illustrating the complexity of the cotton supply chain from field to garment in Turkey.

Find a larger version of this map on the FLA website at:

www.fairlabor.org/sites/default/files/turkey_cotton_supply_chain_map.pdf.

