Rise of the Enabling Environment for Responsible Supply Chains
recent trends and practices round the globe

20 November 2018
Responsible Supply Chains in Asia Project Launch and Stakeholders’ Engagement
at Hotel Sofitel, Manila, Philippines
Hideki Kagohashi
Enterprise Development Specialist
International Labour Organization
The global supply chain debate often talks of the “lack of international standards” that can govern the acts of multinationals across the border.
Two voluntary standards do exist.
Growing interests in “sustainability” & social responsibility

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

Responsible Supply Chain Conferences global

2018 OECD Global Forum on Responsible Business Conduct
SUMMARY REPORT
20-21 June 2018 – Paris, France

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

Responsible Supply Chains: the future of trade
(31 Oct-1 Nov 2018)
Responsible Supply Chain Conferences in Asia


Asia Technology Summit Examines Ocean Cargo Supply Chain Transparency
Responsible Supply Chain conferences

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

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

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

“Enhance brand reputation through strong sustainability and CSR values”

“Champion sustainability for employee retention and talent acquisition”
G20 discusses GSC, many issues overlap with MNE Declaration.
Why the responsible supply chain discussion is ever more popular today?
Increasing scrutiny on global supply chains

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

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

Revenue of Fairtrade International products worldwide from 2004 to 2016 (in million euros)*
Increasing scrutiny on global supply chains

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

Miguel Cossio, Principal Research Analyst, Gartner
Why Sustainability Matters to Supply Chain Sourcing
More measurements/assessments available
ILO explore methodologies for collecting data on MNE contributions to DW in host countries

Measurement of the employment and labour-related impacts of Multinational Enterprises (MNEs)
This report is produced for the International Labour Organisation (ILO) Multinational Enterprises and Enterprise Engagement Unit by Richard Sidebottom. It provides an analysis of how to measure the impact of MNEs, with a particular focus on developing countries in Sub-Saharan Africa (SSA).
13 March 2018

Employment in multinational enterprises in Mexico: Analysis of economic census
The objective of these studies is to stimulate a dialogue among national bodies — principally national statistics offices but also central banks, investment promotion agencies and other entities involved in collecting such data—to identify good practices and how ILO could better support these important efforts.
13 March 2018
Multi-stakeholder initiatives on RSC

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

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

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

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


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

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

<table>
<thead>
<tr>
<th>PH Export Product</th>
<th>Regular GSP</th>
<th>GSP Plus</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tunas</td>
<td>20%</td>
<td>0%</td>
</tr>
<tr>
<td>Pineapple</td>
<td>15%</td>
<td>0%</td>
</tr>
<tr>
<td>Bicycles</td>
<td>10.50%</td>
<td>0%</td>
</tr>
<tr>
<td>Textiles and garments</td>
<td>9.60%</td>
<td>0%</td>
</tr>
<tr>
<td>Footwear, headwear, umbrellas</td>
<td>9.60%</td>
<td>0%</td>
</tr>
</tbody>
</table>

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

Responsible investment/finance

The PRI has grown consistently since it began in 2006:
Responsible investment/finance

“More than 90 banks and financial institutions have voluntarily adopted the Equator Principles, which are based on IFC's Performance Standards.”
SDGs and GSCs
Responsible practice as competitiveness in the age of disruption

“Global value chains are continuing to shift, especially from East Asia, but also increasing reshoring... New technologies are disrupting and fostering a technology-based model of production, challenging especially the region’s SMEs.”
[WEF (Sep. 2018) Shaping ASEAN’s Future Readiness]

“Trade war and costs speeding shifts of production to ASEAN and USA”
[Next Big Future, Sep. 21, 2018]

“Can ASEAN Turn Geostrategic and Technological Disruption into Opportunity?”
[Project Syndicate, Sep. 4, 2018]
Philippine manufacturing labour competitive

Blockchain for supply chain traceability

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

Only last week, The Guardian exposed the vast scale of food hygiene and traceability fraud committed by one of the largest chicken suppliers. The conditions behind the chicken on sale at many of the UK’s retailers were revealed to have altered slaughter set-by dates, re-packaged unsold meat and traded older meat with new, all under poor hygiene standards.

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

A grassroots approach to proving fair pay with Fairfood

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

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

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

PoP (Proof of Payment) webpage displaying the Living Income Premium verified by Fairfood, and powered by Provenance blockchain technology.
Blockchain for worker rights initiatives

Cobalt: blockchain tested in the DRC in an effort to combat child labor
ILO promoting MNE Declaration

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

Decent Work in Global Supply Chains discussion at ILC 2016

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

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

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

Sialkot sports goods sector promotes a level playing field
Relevant ILO case studies

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

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

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

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

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

Inclusive business practices in Africa's extractive industries

ILO supports a partnership approach in the Zambian mining sector to create jobs and stimulate inclusive growth
Q) Are we ready for the responsible supply chain in the Philippines?