

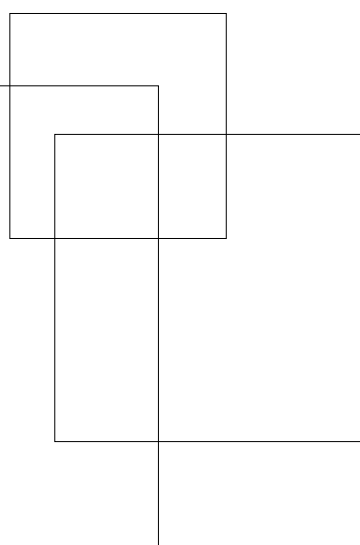


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# Mapping and measuring the effectiveness of labour-related disclosure requirements for global supply chains

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## **Abstract**

This study analyses the global rise of disclosure legislations as an approach to governing labour standards in global supply chains. It is one of the first studies to systematically map and analyse the institutional design and effectiveness of disclosure legislations, and to evaluate its capacity to steer corporate behaviour in the area of labour standards. It proposes a typology to analyse the various forms of disclosure legislations that States are passing, and provides a framework that scholars, policymakers, and other stakeholders can use to evaluate new legislation as it is passed, including its stringency, design, and institutional effectiveness.

## Table of contents

<b>Acknowledgements</b> .....	v
<b>Abstract</b> .....	vi
<b>Table of contents</b> .....	vii
<b>List of tables</b> .....	viii
<b>1. Introduction</b> .....	1
1.1 Purpose and scope of the study .....	1
<b>2. Methodology and terms of reference</b> .....	3
2.1 Additional legislation .....	3
<b>3. Typology of disclosure legislation</b> .....	4
3.1 Key findings .....	14
<b>4. The effectiveness of disclosure legislation</b> .....	17
4.1 Type I: California Transparency in Supply Chains (TISC) Act SB 657 .....	18
4.1.1 Institutional effectiveness.....	18
4.1.2 Effectiveness from implementation .....	19
4.2 Type II: India 2013 Companies Law.....	21
4.2.1 Institutional effectiveness.....	22
4.2.2 Effectiveness from implementation .....	22
4.3 Type II: European Union Directive (2014/95) .....	23
4.3.1 Institutional effectiveness.....	23
4.3.2 Effectiveness from implementation .....	24
4.4 Type III: Dodd Frank 1502.....	24
4.4.1 Institutional effectiveness.....	24
4.4.2 Effectiveness from implementation .....	26
<b>5. Conclusions and recommendations</b> .....	28
5.1 Indicators of effectiveness .....	29
5.2 The challenge of measuring effectiveness.....	30
5.3 Improving disclosure legislation .....	31
5.4 The role of the ILO, states and employers.....	31
<b>References</b> .....	35
<b>Appendix</b> .....	41

## List of tables

<b>Table 1:</b>	Type I – Disclosure legislation specific to labour standards.....	5
<b>Table 2:</b>	Type II – Disclosure legislation on Corporate Social Responsibility, incorporating labour standards .....	7
<b>Table 3:</b>	Type III – Disclosure legislation relating to specific sectors, incorporating labour standards .....	13
<b>Table 4:</b>	Recommendations for measuring effectiveness of disclosure legislation.....	33
	Summary table of key studies of disclosure legislation effectiveness .....	41



## 1. Introduction

### 1.1 Purpose and scope of the study

The governance of global supply chains is increasingly identified as one of the key challenges for global economic governance, especially in relation to social, labour and environmental standards. The dominant trend since the 1990s has been towards private governance<sup>1</sup>, predominantly of a voluntary nature, with an emphasis on corporate social responsibility (CSR) as the key umbrella governance mechanism by which improvements in standards in global supply chains might be achieved. However, over recent years we have seen an increasing number of legislative interventions on the part of national governments which aim to increase the obligations of firms in relation to supply chain governance, specifically through the mechanisms of ‘disclosure’.

Disclosure legislation obliges companies to provide publicly-available information on specified dimensions of their operations. In the context relevant to this report, these dimensions relate to the nature and implications of their activities throughout the global supply chain, specifically in relation to labour standards. The primary function of disclosure legislation is therefore declaratory, inasmuch as it requires of companies that they publicly disclose information on the issue in question, rather than constituting legislation which requires actions other than disclosure. The mechanism of change is in this sense envisaged as the pressures on companies to improve their operations, change behaviours and practices, demonstrate greater compliance with key regulation, and so on. These pressures may be felt within the company as a result of the disclosure obligation, or they may be brought to bear by outside agents, such as consumers, civil society organisations, or sometimes national governments, as a result of the information that is disclosed. Disclosure legislation is sometimes referred to as ‘transparency’ legislation (as invoked in one of the key pieces of legislation covered in this report, the California Transparency in Supply Chains Act) and ‘reporting’ legislation. It differs from auditing inasmuch as it is primarily concerned with the act of disclosing or reporting, particularly of policy positions or activities relating to a particular problem, rather than the process of evaluating the company’s activities and effectiveness through the use of auditing measures. That said, supply chain auditing is one tool that companies use to generate some types of information commonly included in disclosure statements.

Disclosure legislation has two main characteristics: (i) it relies on the economic leverage of the private sector, mostly in developed countries, to positively weigh on labour rights and working conditions throughout global supply chains in the Global South; and (ii) it relies on ‘the scrutiny of the public light’, that is, transparency drives consumers’ and investors’ purchasing decisions, enables accountability (Florini, 2007; Kohler-Koch, 2010), or enhances the quality of decision-making (Breton et al., 2007; Fung et al., 2007). The scope and stringency of such legislation vary significantly. On one end of the spectrum is legislation that imposes severe fines for non-compliance with reporting requirements. On the opposite end is legislation which reflects the ‘Comply or Explain’ corporate governance regime, meaning that companies are able to choose not to disclose certain information, but must provide a statement justifying why such a choice was made.

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<sup>1</sup> Private governance here refers to the regulatory authority exercised by private firms in relation to setting, implementing and monitoring standards, including labour, social and environmental standards. Examples of private governance mechanisms include corporate codes of conduct, auditing regimes, certification systems, and social and environmental labelling.

Such legislation, enacted by public authorities and applying to the corporate activities of firms, points to the reinforcement of a particular mode of governance that could best be termed ‘CSR as mandated by government’ (Gond et al. 2011). Ostensibly, it represents a movement away from the established voluntary model of CSR, towards one in which governments are turning to legislation in order to ‘leverage’ private governance for public purposes (Mayer 2014), including labour standards.

The purpose of this report is to map and evaluate this ostensible turn towards a different mode of governance – CSR as mandated by government. It develops a typology of key disclosure legislation across the world, provides a review of what is currently known about their effectiveness, and reflects on the findings of this analysis to advance a series of recommendations concerning (a) how the effectiveness of disclosure legislation can best be measured, and (b) how disclosure legislation relating to labour standards in global supply chains could be improved, and what the role of the International Labour Organization (ILO) could be in this endeavour.

This study is one of the first to systematically map and analyse the institutional design and effectiveness of disclosure legislation, and to evaluate its capacity to steer corporate behaviour in the area of labour standards. Given the accelerating trend towards states using disclosure legislation as a key tool to govern and bolster labour standards in global supply chains and especially, to hold companies accountable for preventing and addressing forced and child labour, there is considerable merit in evaluating the underlying rationale and effectiveness of this body of legislation. While previous scholars have undertaken in-depth analysis of the stringency and effectiveness of specific pieces of legislation (LeBaron & Rümkoř 2017a, 2017b; Phillips 2015; Rosow 2015), this report makes a unique contribution to the literature by mapping and comparing key disclosure legislations.<sup>2</sup> In doing so, it gathers together and synthesizes a diverse body of literature across several academic disciplines (e.g. management studies, political science, law) and focused on diverse issue areas (e.g. environmental sustainability, human rights, commercial law, public administration). Furthermore, in proposing a typology to analyse the various forms of disclosure legislation that states are passing to steer corporate policy and behaviour in relation to labour standards in global supply chains, we provide a framework that scholars, policymakers, and other stakeholders can use to evaluate new legislation as it is passed, including its stringency, design, and institutional effectiveness.

The report is presented in four parts:

1. the methodology and clarification of the parameters of the analysis;
2. the typology of legislation and discussion of the key findings;
3. a review of the existing evidence on the effectiveness of disclosure legislation, focusing on key pieces of legislation as ‘case studies’ from each category of the typology;
4. conclusions and recommendations.

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<sup>2</sup> As of March 2016.

## 2. Methodology and terms of reference

The mapping exercise aims to provide an overview of existing legislation that establishes mandatory requirements with regard to the disclosure (i.e. transparency, reporting, etc.) of companies' activities, their scope, limitations, and its implications for labour rights and working conditions throughout the global supply chain (i.e. involving an extra-territorial dimension).

The scope of this exercise is global. It does not aspire to be exhaustive, but rather to map and consider the key legislations across the world whose characteristics clearly meet the above criteria.

As the first step, comprehensive and wide-ranging online research was conducted using major databases of published legal research (Lexis Nexis, Hein Online and NatLex) through which the major pieces of legislation were identified. At the next step, the search was expanded to incorporate online resources such as broader registers of CSR legislation, initiatives globally and regionally, and reports from organisations working in the area of supply chains such as Know the Chain, Humanity United and Global Witness.

To supplement these findings, the final step entailed searching online legislative databases for countries in which we had previously identified potentially relevant legislation. To locate relevant detail, we also used basic Google searches. The 55 pieces of legislation identified from this broader sampling strategy were then tested for relevance against the three criteria stated above. On this basis, the final mapping, incorporates 17 pieces of national legislation that, to a varied extent, impose mandatory requirements for disclosure of labour issues in the company supply chain.

Information was then compiled for each piece of legislation in relation to the following criteria:

- Aims of the legislation
- Coverage of the legislation
- Form and content of the disclosure requirements contained in the legislation
- Stringency of the disclosure requirements
- Auditing requirements

### 2.1 Additional legislation

In the searches for relevant legislation, we identified a series of additional legislative measures relating to the disclosure of non-financial information. Because they did not fulfil all the criteria set out above as the parameters for this study, we do not discuss them in detail in the remainder of the report. The main types of such legislation are nevertheless worth briefly outlining. They include:

1. Legislation relating to transparency in supply chains, but which does not incorporate labour issues;
2. Anti-corruption legislation mandating disclosure on investments, but which does not include social reporting;
3. Legislation addressing labour standards, forced labour and human trafficking, but without mandatory disclosure provisions;

4. Further legislative measures with potential relevance for labour standards, without a supply chain component (e.g. regulation stipulating disclosure on ethical investments by pension funds or mandatory reporting on gender parity in company boards);<sup>3</sup>
5. State initiatives which recommend disclosure, but which are not legislation and in which requirements are not explicitly mandatory;
6. Voluntary international standards for disclosure and auditing, as these do not meet the stipulated criteria of legislation carrying mandatory provisions;
7. Provisions implemented by market institutions, notably stock exchanges, which do not qualify as legislation enacted by public bodies;
8. Legislation which is not currently active. This includes legislation which has been previously enforced but is currently suspended, notably the legislation relating to the so-called ‘Dirty List’ of companies using slave labour in Brazil, and legislation that has been introduced but not yet enacted.

In short, our study does not aspire to exhaustive coverage of legislative or voluntary measures relating to disclosure, but rather, is focused on legislation that meets the criteria established in Section 1.

### 3. Typology of disclosure legislation

The Tables below propose a three-fold typology of disclosure legislation relating to labour standards in global supply chains. They identify three categories of legislation:

- I. Disclosure legislation specific to labour standards. This category encompasses national legislation that is explicitly and exclusively focused on labour issues in global supply chains. It requires firms publicly to disclose information on their policies and activities in relation to monitoring and improving labour standards in their supply chains.
- II. Disclosure legislation encompassing CSR more broadly, which incorporates but is not limited to labour standards. This category encompasses legislation which relates to CSR in general, of which labour issues are explicitly a part. The extent of explicit attention to labour standards varies in such legislation. It follows the same principles as Type I legislation in mandating the disclosure of firms’ policies and activities in relation to CSR.
- III. Disclosure legislation which is sector-specific, in which labour issues are incorporated to an identifiable extent. This category encompasses legislation that is limited to a single sector – most commonly, at present, the natural resources sector – and which integrates, but is usually not limited to, labour standards. It follows the same principles of disclosure as in Types I and II.

The following Tables 1-3 present a detailed mapping of the characteristics of the key legislation in each of the categories of the typology in order of year of enactment.

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[http://www.eversheds.com/global/en/what/articles/index.page?ArticleID=en/Employment\\_and\\_labour\\_law/HR\\_E-brief\\_Gender\\_pay\\_reporting\\_accross\\_Europe\\_June2015](http://www.eversheds.com/global/en/what/articles/index.page?ArticleID=en/Employment_and_labour_law/HR_E-brief_Gender_pay_reporting_accross_Europe_June2015)

**Table 1: Type I – Disclosure legislation specific to labour standards**

Name	Aims	Coverage	Form and content of disclosure requirements	Stringency of disclosure requirements	Auditing requirements
<p><i>California Transparency in Supply Chains Act (SB657)</i></p> <p>Enacted in 2012</p>	<p>To encourage large firms to take the issue of trafficking seriously and to provide the public with information on firms' supply-chain behaviour.</p>	<p>Applies to firms with worldwide annual revenues of US\$100 million and above, which do business in California and are registered as manufacturers or retail sellers.</p>	<p>Statement on website on the extent to which a company engages in the following processes to tackle slavery and human trafficking throughout its supply chain. The content should include efforts related to:</p> <ul style="list-style-type: none"> <li>• Verification</li> <li>• Audit</li> <li>• Certification</li> <li>• Accountability</li> <li>• Training</li> </ul>	<p>There are no direct penalties for non-disclosure.</p> <p>The Attorney General has the exclusive jurisdictional authority to bring an action for injunctive relief for a violation of this law.</p> <p>Firms that do identify forced labour in their supply chain are required to provide assistance to the identified victims.</p>	<p>The disclosure should include whether audits of suppliers are undertaken, and if so, whether these were conducted by a third party auditor.</p>
<p><i>United States Executive Order - Strengthening Protections Against Trafficking In Persons In Federal Contracts</i></p> <p>Enacted in 2012</p>	<p>To ensure that US Government procurement does not contribute to trafficking in persons.</p>	<p>U.S. federal contractors and subcontractors</p>	<p>The order requires federal contractors and subcontractors to take proactive measures to detect and eliminate human trafficking and forced labour in their supply chains.</p> <p>Companies are required to disclose, on their or their subcontractor's website, the compliance plan established with subcontractors. The disclosure of the compliance plan should include detail on:</p> <ul style="list-style-type: none"> <li>• awareness programmes to inform employees about (a) policies on trafficking, and (b) actions taken if employees are found to be engaged in trafficking</li> <li>• the process for employees to report on trafficking</li> <li>• a recruitment and wage plan</li> <li>• a housing plan</li> </ul>	<p>The potential penalties for non-compliance include subcontractor removal, contract termination and debarment from bidding on future federal contracts. It has also been suggested that non-compliance could result in criminal sanctions.</p>	<p>The order entails social audits to identify gaps in compliance with government prohibition of forced and trafficked labour.</p> <p>The final rule states that the kind of due diligence to be conducted should be decided by the business itself.</p>

			<ul style="list-style-type: none"> <li>• action plans to ensure that subcontractors in any tier do not engage in trafficking in persons</li> </ul>		
<p><i>UK Modern Slavery Act</i> Enacted in 2015</p>	<p>Aims to eradicate trafficking and human slavery, by requiring companies to disclose their activities to prevent this within their supply chains.</p>	<p>Any commercial organisation that does business in the UK, with a turnover of more than GBP36 million.</p>	<p>Annual statement on the steps taken during the financial year to ensure that modern slavery is not occurring at any level of the supply chain. The statement may include information on:</p> <ul style="list-style-type: none"> <li>• Organisational structure and supply chains.</li> <li>• Policies in relation to slavery and human trafficking.</li> <li>• Due diligence processes in relation to slavery and human trafficking in its business and supply chains.</li> <li>• The parts of its business and supply chains where there is a risk of slavery and human trafficking taking place.</li> <li>• Effectiveness in ensuring that slavery and human trafficking is not taking place in its business or supply chains.</li> <li>• Training about slavery and human trafficking available to its staff.</li> </ul>	<p>The company does not need to guarantee that the entire supply chain is slavery free, but rather to disclose on actions taken to achieve this objective.</p> <p>The Secretary of State may apply to the High Court for an injunction against any company that fails to comply with the requirements of the Modern Slavery Act (2015). Failure to comply with the injunction can lead to an unlimited fine. The sanction will be applied to businesses that fail to produce a slavery statement for a particular financial year and fail to comply with the court injunction.</p>	<p>Disclosure on auditing is optional.</p>
<p><i>Brazil, State of São Paulo Legislature law number 14,946</i> Enacted in 2013</p>	<p>Countering forced and trafficked labour among retailers in Sao Paolo.</p>	<p>All companies registered to operate in the State of São Paulo.</p>	<p>Information disclosed through mandatory public inspection.</p>	<p>Procedures in place to suspend a firm's licence to pursue the same type of economic activity, or from opening a new company, for a period of 10 years if slave labour is identified in any tier of the supply chain.</p>	<p>Based on system of public inspection, conducted concomitantly with private sector CSR auditing.</p>

**Table 2: Type II – Disclosure legislation on Corporate Social Responsibility, incorporating labour standards**

Name	Aims	Coverage	Form and content of disclosure requirements	Stringency of disclosure requirements	Auditing requirements
<p><i>India Companies Act</i></p> <p>Enacted in 2013; CSR rules enacted in April 2014</p>	<p>The 2013 Companies Act introduced a requirement for all Indian companies to spend 2 per cent of their average net annual profit on CSR.</p> <p>The obligation to fund CSR activities is coupled with a mandatory reporting requirement on these activities.</p>	<p>Applies to companies doing business in India (public, private and foreign) over a certain size. Every company with net worth of Rs. 500 crore or above, or turnover of Rs. 1,000 crore or above, or a net profit of Rs. 5 crore or above during any financial year is required to constitute a CSR committee.</p>	<p>The Companies Act entails two forms of non- financial disclosures that may incorporate labour issues in the supply chain:</p> <ul style="list-style-type: none"> <li>• The company’s CSR policy, activities, the amount spent and the composition of the CSR Committee are to be disclosed on the company’s website and in the Board of Directors Report.</li> <li>• Disclosures on material risks in the Board of Directors Report.</li> </ul>	<p>Non-spending on CSR activities is not punishable. If the required 2 per cent of average net profits have not been spent, then the annual report must provide an explanation.</p> <p>Non-reporting is punishable. If details on CSR is not included, then the company can be fined a minimum of Rs. 50,000. In addition, every officer of the company who is at fault can be punished with imprisonment for a term which may extend to 3 years.</p>	<p>The Act is more prescriptive on financial auditing than on non-financial auditing.</p> <p>CSR policy will be monitored ‘from time to time’ by CSR Committee, which must be appointed by three or more directors (minimum one independent).</p>
<p><i>European Union Directive (2014/95)</i></p> <p>Enacted in 2014, transposed into national legislation for member states by December 2016, enforcement starts in 2017</p>	<p>Aims to enhance transparency and accountability of business.</p>	<p>Applies to all companies that are incorporated into European Union (EU) member states, listed on an EU exchange, and with more than 500 employees and a net turnover of at least €40 million.</p>	<p>Affected companies are required to submit ‘non-financial statements’ either in their annual corporate report or in a separate filing.</p> <p>When a separate filing is made this should either be published with the management report or on the company’s website.</p> <p>The non-financial report should cover:</p> <ul style="list-style-type: none"> <li>• environmental issues</li> <li>• social and employment concerns</li> <li>• respect for human rights</li> <li>• anti-corruption</li> <li>• diversity among the board of directors</li> </ul>	<p>The Directive adopts the ‘comply or explain’ principle; if a company fails to pursue policies relating to anti-bribery and corruption, environmental, or other non-financial matters, it is required to explain why in its annual report.</p> <p>Specific penalties for failure to comply have not yet been determined.</p> <p>The directive instructs Member States to ‘ensure that adequate and effective means exist to guarantee disclosure of non-financial information . . .’ and, to that end that ‘effective national procedures are in place to enforce compliance</p>	<p>Recommends the use of international standards such as UN Global Compact, OECD Guidelines, ISO 2600 or Global Reporting Initiative.</p>

			<p>Supply-chain specific information should cover:</p> <ul style="list-style-type: none"> <li>• the company's business model</li> <li>• the company's policies</li> <li>• due diligence process, including, but not limited to, the supply chain</li> <li>• outcomes of the company's policies</li> <li>• risks associated with its operations</li> </ul>	with the obligations laid down by this Directive'.	
<p><i>Argentina, City of Buenos Aires Law No. 2594</i></p> <p>Enacted in 2008</p>	Aims to promote socially and environmentally friendly behaviour.	Domestic or foreign companies that employ over 300 people and whose main business has resided in the city for over a year.	<p>Companies are to produce an annual report of their social, environmental and economic impact, including the supply chain.</p> <p>The social aspect of reporting includes the relationship between organizations and their employees, the community in which they operate, its customers, suppliers and other community organizations.</p>	<p>Companies that fail to comply may be held criminally liable.</p> <p>Corporations that voluntarily submit annual reports may receive access to credit and other special programme.</p>	<p>Audited by the Buenos Aires City Government.</p> <p>At minimum, companies are required to produce their reports in accordance with the Ethos Reporting Initiative's G3 indicators and the Accountability 1000 standard.</p>
<p><i>Indonesia, Article 74 of the Limited Liability Company Law</i></p> <p>Enacted in 2010</p>	Aims to address multinational corporations' neglect of environmental and social impacts.	Companies which conduct business in the natural resources sector.	Companies affected by the law are required to undertake CSR activities, and to disclose on these activities.	<p>Reporting on a 'comply or explain' basis.</p> <p>For failure to undertake CSR activities there are more stringent penalties, including restrictions/suspension/revocation of business activities.</p>	None identified.
<p><i>Pakistan, Companies (CSR) General Order: SRO 983(I)</i></p> <p>Enacted in 2009</p>	To promote CSR among public companies.	Requires all public companies to provide mandatory descriptive as well as monetary disclosures of CSR activities undertaken during each financial year.	<p>The company's annual report to shareholders should include the following aspects:</p> <ul style="list-style-type: none"> <li>• Corporate philanthropy</li> <li>• Energy conservation</li> <li>• Environmental protection measures</li> </ul>	No penalties for failure to comply are specified within the order.	Companies may voluntarily use the Securities and Exchange Commission of Pakistan (SECP)'s Corporate Social Responsibility Voluntary Guidelines as a resource for compliance.



			<ul style="list-style-type: none"> <li>• Community investment and welfare schemes</li> <li>• Consumer protection measures</li> <li>• Welfare spending for under-privileged classes</li> <li>• Industrial relations</li> <li>• Employment of special persons</li> <li>• Occupational safety and health</li> <li>• Business ethics and anti-corruption measures</li> <li>• National-cause donations</li> <li>• contribution to national exchequer</li> </ul>		
<p><i>France, The Grenelle II Act</i></p> <p>Disclosure requirements enacted in 2012 for large companies; reporting for smaller companies started in 2014</p>	<p>Aims at forcing companies to make progress in reporting their environmental and social information.</p>	<p>Companies listed in France with more than 500 employees and total assets or net annual sales of €100 million.</p>	<p>Social and environmental information to be included in the company’s annual report.</p> <p>The tier of the supply chain is not specified, but the requirements include:</p> <ul style="list-style-type: none"> <li>• steps taken to eliminate child labour and forced labour,</li> <li>• percentage of outsourced work</li> <li>• inclusion of social and environmental responsibility in conversations with suppliers and subcontractors</li> </ul>	<p>‘Comply or explain’. If companies fail to provide the information and motivate why, they may still be taken to court and be forced to disclose.</p>	<p>Requires a third-party to verify the ‘extra-financial’ information included in the report.</p>

<p><i>Finland, Government Resolution on State Ownership Policy</i></p> <p>Enacted in 2011</p>	<p>To further develop and reinforce state ownership policy, and to promote the overall interests of society.</p>	<p>Publicly-owned companies, including subsidiaries and sub-groups (including foreign undertakings).</p>	<p>Disclosures within annual report on sustainability performance, including supply chain management:</p> <ul style="list-style-type: none"> <li>• statement on supply policies</li> <li>• procedures and instructions sent to suppliers</li> <li>• measures taken when non-compliance</li> <li>• methods for monitoring and selecting subcontractors (and how human rights issues were included)</li> <li>• audits and their result</li> <li>• policy and practices of spending on local suppliers</li> </ul>	<p>Reporting on a 'comply or explain' basis.</p>	<p>Not specified, but any audits and results are to be included in the disclosure.</p>
<p><i>Spain, Sustainable Economy Law</i></p> <p>Enacted in 2011</p>	<p>The law aimed to pull the economy out of financial crisis and to reform key sectors.</p>	<p>Government-sponsored commercial companies or state-owned companies need to file annual sustainability reports. If they have more than 1000 employees, they also need to file a report to the CSR Council on CSR activities.</p>	<p>Reporting on social issues includes:</p> <ul style="list-style-type: none"> <li>• respect for human rights</li> <li>• improving labour relations</li> <li>• promoting the integration of women</li> <li>• effective equality between women and men</li> <li>• equal opportunities</li> <li>• universal accessibility for the disabled</li> <li>• sustainable consumption</li> </ul>	<p><i>NO INFORMATION ON ENFORCEMENT FOUND</i></p>	<p>The report must mention whether this information has been examined by an independent third party.</p> <p>The law suggests that the government will make available a set of indicators for self-evaluation in accordance with international standards on social responsibility.</p>
<p><i>Denmark, Financial Statements Act</i></p> <p>2001 Act was amended in 2009 to include CSR Reporting</p>	<p>The aim of the law is to inspire businesses to take an active position on CSR and communicate this to the outside world.</p>	<p>State-owned companies and companies with total assets of more than €19 million, revenues more than €38 million, and more than 250</p>	<p>The company is required to produce a report as a form of their management reporting, then submit this to the Danish Commerce and Companies Agency each year together with annual financial</p>	<p>CSR disclosures are undertaken on a 'comply or explain' basis.</p>	<p>The CSR report is audited together with the other information in the management review.</p>

		employees, must report on CSR activities.	<p>statements. The Agency then publishes this information.</p> <p>CSR information includes:</p> <ul style="list-style-type: none"><li>• CSR policies, including any standards, guidelines or principles for CSR used</li><li>• how the company translates its CSR policies into action, including any systems or procedures used</li><li>• the company's evaluation of what has been achieved through the CSR initiatives during the financial year, and any expectations it has regarding future initiatives</li><li>• (under a 2013 amendment) actions relating to human rights</li></ul>		<p>The 2012 Action Plan for CSR provides guidance for business and society through partnerships between private sector, public sector and civil society. It also laid out the plan to strengthen accountability through the implementation of the UN Guiding Principles and transparency requirements.</p>
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<p><i>Sweden, Guidelines for External Reporting by State-owned Companies</i></p> <p>Enacted in 2007</p>	<p>Aims to ensure high quality public ownership, contributing to social goods.</p>	<p>The guidelines are mandatory for Swedish state-owned companies.</p>	<p>All companies are required to include a sustainability report in their annual report.</p> <p>The non-financial disclosures include ethical guidelines, behavioural codes and equal opportunities policy, as well as sustainability reporting in accordance with the Global Reporting Initiative (GRI).</p>	<p>The report should be filed in accordance with the GRI G3 Guidelines, and where there are deviations the company should explain the reasons ('comply or explain').</p>	<p>The reports are evaluated and published in the executive's annual report to Parliament.</p>
<p><i>U.S -Burma Responsible Investment Reporting Requirements</i></p> <p>Enacted in 2013</p>	<p>Aims to contribute to the relief of US sanctions on Myanmar through the disclosure of financial and social information.</p>	<p>US companies whose new aggregate investment in Burma exceeds US\$500,000, or any company undertaking new investment under an agreement with Myanmar Oil and Gas Enterprise.</p>	<p>The disclosure of supply chain is done in two forms:</p> <ol style="list-style-type: none"> <li>1) A report to the U.S Government and,</li> <li>2) A public report.</li> </ol> <p>Labour issues are to be in the public report, but the company can opt to file these in the Government report.</p> <p>Disclosures needs to include a summary or copies of policies and procedures on the following issues:</p> <ul style="list-style-type: none"> <li>• due diligence affecting workers' rights and human rights</li> <li>• grievance procedures</li> <li>• CSR policies</li> <li>• whether these policies include subsidiaries and subcontractors</li> </ul>	<p>Non-compliance with reporting requirement can result in US\$250,000 or twice the value of the transaction in question.</p> <p>Upon conviction for wilfully committing, attempting to commit, or conspiring to commit a violation, criminal penalties of fines up to US\$1,000,000 per violation or up to 20 years imprisonment for an individual, or both.</p>	<p>Not specified. The use of private auditors is included as an option.</p>

**Table 3: Type III – Disclosure legislation relating to specific sectors, incorporating labour standards**

Name	Aims	Coverage	Form and content of disclosure requirements	Stringency of disclosure requirements	Auditing requirements
<p><i>U.S Dodd Frank Act Section 1502</i></p> <p>Final rule in 2012, reporting started in January 2013</p>	<ol style="list-style-type: none"> <li>1) To further the goal of ending the violent conflict in the Democratic Republic of Congo (DRC) by preventing funding through the exploitation and trade of conflict minerals originating in the DRC;</li> <li>2) To help end the human rights abuses caused by the conflict;</li> <li>3) To use the disclosure requirements to bring greater public awareness of the source of conflict minerals and to promote exercise of due diligence of mineral supply chains.</li> </ol>	<p>Any manufacturing company that files reports with the US Securities Exchange Commission (SEC). Retailers (who do not manufacture or contract for manufacturing) are exempt.</p>	<p>All companies are to file statement on whether conflict minerals from DRC and surrounding countries are a part of their supply chain.</p> <p>If they are, a company needs to report to the SEC on their due diligence of the minerals' source and chain.</p> <p>During the first two years of the Act, companies were allowed to state that they had been unable to identify the origins of their conflict minerals. However, they still needed to exercise due diligence on the chain and custody to do so.</p>	<p>Dodd Frank 1502 is a disclosure requirement only and places no ban or penalty on the use of conflict minerals. If companies discover they have been sourcing conflict minerals from DRC or adjoining countries, it is not illegal for them to continue doing so; however, they must report this to the SEC.</p>	<p>The measures taken to exercise due diligence must include an independent private sector audit of the report that is conducted in accordance with standards established by the Comptroller General of the United States.</p> <p>Labour standards reporting recommended auditing in accordance to OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-risk Areas.</p>
<p><i>South Africa, The Mineral Resources and Petroleum Bill, amendment 2012</i></p>	<p>The amendment is aimed at promoting employment and social and economic welfare of all South Africans whilst ensuring economic growth and socio-economic development.</p>	<p>Any company operating in the mining and natural resources sectors to disclose Social and Labour Plans to the government, describing how they will address the social impacts of their operations during and post operations.</p>	<p>The Social and Labour Plan requires applicants for mining and production rights to develop and implement Human Resources Development Programmes, Mine Community Development Plan, Housing and Living Conditions Plan, Employment Equity Plan, and Processes to save jobs and manage downscaling and/or closure.</p>	<p>Adopting a Social and Labour Plan is a pre-requisite for the granting of mining or production rights.</p>	<p>No further information found.</p>

### 3.1 Key findings

The information presented in Tables 1-3 suggests a number of key insights in relation to the current landscape of disclosure legislation. Our typology suggests that there are three key types of disclosure legislation. While the legislation together covers a range of labour issues, most commonly framed as human rights issues, trafficking or forced labour, each type of legislation has a distinct underpinning rationale, which shapes the body of legislation's aims, coverage, and forms and content of disclosure requirements. It should also be noted that there is no a common, internationally accepted definition of 'global supply chains' across the legislations analysed, which would form the basis of legal compliance. In this sub-section, we briefly explain the rationale and focus of each type of legislation, before moving on to analyse and compare the body of legislation as a whole.

In Type I, governments require certain companies (often those that they consider to have the greatest risks or responsibilities for labour standards in global supply chains) to disclose information about their activities to monitor and improve labour standards in supply chains. By doing so, governments are attempting to bolster corporate accountability for labour standards by requiring companies to report on any efforts they are undertaking in relation to these standards, and, especially, to prevent and address labour exploitation in supply chains. All of the legislation included in Type I can be considered 'responsive regulation,' which governments have passed in response to demands from stakeholders that they address the problem of severe labour exploitation in the global economy (LeBaron & Rümke 2017a, 2017b; Crane et al. 2017). Among the 17 pieces of legislation encompassed in our study, only a very small number fell into Type I, having disclosure of labour issues in the supply chain as their primary objective.

Among the legislation included in Type I, we observe variation with respect to specific aims of the legislation (especially whether it is focused on domestic labour standards or those occurring abroad), the types and sizes of companies covered, and the form and content of the disclosure requirements. Notably, all of the Type I legislation focuses explicitly on the problems of forced labour, slavery and human trafficking in global supply chains. None of the Type I legislation available at the time of our study encompassed labour issues in general. We observe variation with respect to stringency of disclosure and auditing requirements. For instance, while the enforcement of the Brazilian legislation is anchored in a system of public inspection, the UK legislation leaves businesses full discretion over whether, how, and when any anti-slavery policies they have undertaken might be enforced or monitored within their supply chain, such as through auditing.

In Type II, governments take a similar approach as in Type I, but rather than limiting reporting requirements to focus on labour standards, governments require companies to disclose on their CSR activities more broadly. In doing so, governments undertake a more holistic approach to mandating corporate accountability across several issue areas, including labour standards alongside issues like human rights, environmental sustainability, and gender equality. While the aims of legislation within this type vary, overall, governments are seeking to strengthen and steer corporate social and environmental responsibility. More specifically, the underpinning rationale for this type of legislation is to spur company responsibility for social and environmental issues and communication of their efforts to the government and the public. This body of legislation is especially focused on large companies, public companies, and those who are linked to the state through funding or commerce. At present, Type II is the most common type of legislation, incorporating labour issues as one of a wide range of priorities.

A strength of this type of legislation is that -- at least in theory -- it enables governments and other stakeholders to evaluate company activities in relation to several issue areas, providing information to evaluate, for instance, if a company is championing environmental sustainability within supply chains while doing nothing about labour abuse. A drawback of this type of legislation is that in incorporating disclosure on labour issues into wider reporting requirements, firms tend to be permitted a high degree of discretion on whether and how much is reported on supply chain issues. In other words, Type II legislation is broadest in terms of coverage, but tends to be the least prescriptive with respect to form, content, and stringency of disclosure requirements related to labour standards in global supply chains. Just as with Type I, in relation to Type II we observe variation with regards to the stringency of disclosure requirements and auditing requirements, which will be discussed further in a moment.

The rationale of legislation in Type III is slightly different than Types I and II. Rather than focusing on company supply chains in generic terms, Type III legislation focuses on specific sectors that are seen to have the highest risks with regards to labour abuse and human rights violations more broadly. At the time of our study, the natural resources and minerals sectors dominate the Type III sector-specific legislation. Since the enactment of the Dodd Frank Act, there has been a move across the United States, particularly at the state level, to incentivise compliance with this legislation. Other jurisdictions appear to be taking a similar focus; the European Parliament recently endorsed a mandatory regulation on the responsible sourcing of minerals from conflict-affected and high-risk areas, which is currently under negotiation.

This legislation seeks to bolster corporate responsibility and accountability for labour standards in sectors and regions where severe abuse is known to be a problem. For instance, by requiring companies to report on the source of their minerals, US Dodd Frank S 1502 seeks to ensure that companies are not turning a blind eye or claiming they do not know where their materials are coming from, thus seeking to strengthen their awareness of and accountability for the role that their business plays in a region where conflict and human rights abuse are widespread and fuelled by irresponsible sourcing practices. Because of the sector-specific focus, this type of legislation tends to have more specific aims and more limited coverage than the other types of legislation.

As noted, both within and across the three types of legislation, considerable variation exists with respect to the requirements for auditing. While auditing requirements may seem like a technicality, they are important for our study of effectiveness since the literature suggests that different types of auditors (e.g. public inspectors, private companies' in-house auditing team, or independent third-party auditors) and differences in the timing, methodology, standards, and rigor of audit processes strongly impact the detection of labour abuse. Most laws within all three types entail a requirement for auditing. Notably, however, this most commonly stipulates the use of a private auditor, rather than public enforcement mechanisms, and/or recommends the use of international standards. As we discuss further in Section 4, variation across auditing requirements carries important implications for the effectiveness of the measures that companies report they are taking to prevent and address labour abuse in global supply chains.

Finally, both within and across all three types of legislation, there is variation about whether, to what extent, and how compliance with disclosure legislation is enforced. Most commonly, laws stipulate that compliance is to be enforced through court orders or fines. However, the strength of these mechanisms has yet to be tested.

Our analysis of the legislation captured in our typology also permits a set of wider insights into the scope and limits of disclosure legislation for labour standards in global supply chains. First, the lack of a precise, internationally accepted definition of supply chain means that, to an important extent, it is left to companies to determine which portions of their global operations to report on in complying with disclosure legislation. Reporting is therefore inconsistent, and the lack of baseline definitions considerably complicates the task of measuring effectiveness, both at given points in time and over time.

Second, a key characteristic of supply chain disclosure legislation is that requirements – and enforcement mechanisms – are generally limited to ensuring compliance with the requirement of reporting, rather than any monitoring of performance in relation to labour standards in global supply chains. In other words, as evidenced through the compliance requirements described above, legislation rarely requires companies to prove that their activities were actually effective in achieving the aim of the legislation, merely that they have met the reporting requirements of the legislation. For example, the UK Modern Slavery Act does not require companies to undertake any measures to address or prevent forced labour, human trafficking, or modern slavery in supply chains, nor to demonstrate that the measures they have undertaken are actually successful in achieving these aims. Rather, a company can issue a statement reporting that it has taken ‘no such steps’ and be in compliance with the Act (see LeBaron and Rümke (2017b: 21)). Much of the legislation allows for a form of minimal compliance, where a company is able to report in a perfunctory manner and be in compliance, or without engaging in any change or improvement to the company’s practices. In most cases, this kind of legislation positions the consumer as the arbiter of companies’ wider performance, rather than the legal or regulatory systems of states or governments.

Third, disclosure legislation does not establish public or commonly accepted baseline standards, and is not specific about the standards to which companies should adhere or aspire. Many of them encourage the use of global standards – such as the OECD Due Diligence for Responsible Supply Chains of Conflict Minerals (e.g. US Dodd Frank Act S1502) or International Standards Organization (ISO) standards (eg. EU Directive 2014/95) – but legislation tends to lack any specificity in this respect.

Fourth, there is a high degree of overlap in the coverage of the legislation, in that it covers large global companies who operate in multiple jurisdictions. Thus, most of the firms covered by the California Transparency in Supply Chains Act are covered by the UK Modern Slavery Act, and the UK firms covered by the latter are also covered by the EU legislation, and so on. Given the lack of consistency in the substance of disclosure requirements and the definitions they employ, the tasks of monitoring compliance and, moreover, measuring effectiveness are significantly hampered.



## 4. The effectiveness of disclosure legislation

On the basis of this mapping exercise, we move now to assess the effectiveness of disclosure legislation as a mode of governance, by providing an overview of existing literature and available information.

An evaluation of effectiveness is immediately limited by the fact that most disclosure legislations remain very new, and insufficient time has elapsed in order for an assessment of outcomes and effectiveness to be conducted. In some cases, in addition, it appears to be the case that there has been no evaluation of the effectiveness of the legislation or analysis of its outcomes on which this report can draw.

We therefore identify here those pieces of legislation which have been in force for a sufficient period of time to allow some evaluation of their effectiveness, and we present an overview of what is currently known concerning their implementation and outcomes. In so doing, we are able to present four case studies of legislation, which represent all three of the categories of the typology:

Type I: the California Transparency in Supply Chains Act (SB 657)

Type II: the India 2013 Companies Act, and the European Accounting Directive (2014/95)

Type III: Section 1502 (Conflict Minerals Statutory Provision) of the Dodd-Frank Wall Street Reform and Consumer Protection Act

In reviewing the existing evidence on these four pieces of legislation, we draw on available primary and secondary evidence. A summary table of the key studies and the methods of measurement and evaluation they use are provided in Appendix.

Our review of the existing evidence identifies two key dimensions of effectiveness:

1. Institutional effectiveness: concerns the design of the legislation itself. This includes the appropriateness of its scope, content and enforcement mechanisms in achieving its objectives of enhancing corporate and public awareness and changing corporate behaviour. Institutional effectiveness also involves the capacity and effectiveness of the institutions responsible for enforcing the legislation. Given that most disclosure legislation is very new, most research has focused to date on institutional effectiveness.
2. Effectiveness from implementation: concerns the outcomes of the legislation. This type of effectiveness entails compliance with reporting requirements, and the quality of corporate disclosures. It also has a broader dimension, in terms of effectiveness in changing corporate behaviour, or achieving tangible improvements or change in labour standards and labour rights in global supply chains. A further aspect of effectiveness from implementation concerns the level of engagement from consumers and other stakeholders following disclosure.

For present purposes, we will explore effectiveness from implementation, as far as available information permits, at four levels:

- The multinational firm
- Suppliers
- Stakeholders
- Workers

Although increased transparency and corporate and public awareness of labour standards in supply chains constitute a positive change, our analysis establishes that there exist a range of important limitations to the effectiveness of this kind of legislation in improving labour conditions. By tracing evidence of actions across the level of the multinational firm, suppliers, stakeholders and workers, a level of institutional effectiveness is apparent – some legislation has had significant effects on increasing corporate awareness and reporting at the level of the multinational firm. However, it emerges clearly that the institutional effectiveness still remains limited, and stringency of the legislation (including to whom the reporting is directed and the presence or absence of enforcement mechanisms) are key considerations.

Even so, the institutional effectiveness of disclosure legislation is somewhat higher than effectiveness from implementation. Thus far, there is very limited evidence to suggest that the legislation has been effective in terms of changing the behaviour of firms or suppliers, or driving tangible improvements in labour standards in global supply chains. Critically, as noted above, there are no requirements to monitor or disclose outcomes of this nature, and few available measurements of effectiveness from implementation yet exist.

#### **4.1 Type I: California Transparency in Supply Chains (TISC) Act SB 657**

SB 657, passed on 30 September 2010 and entering into force on 1 January 2012, is significant for being the first law in the US designed to ‘expose and combat human trafficking through consumer awareness’ and it has the potential of being replicated at federal level in the form of the proposed Business Supply Chain Transparency on Trafficking and Slavery Act. As noted in Table 1, TISC applies to all retail sellers and manufacturers that do business in California, and that have worldwide gross receipts that exceed US\$100 million, and aims to address forced labour and human trafficking in global supply chains, by compelling disclosure to consumers.

##### **4.1.1 Institutional effectiveness**

The scope of SB 657 has raised a series of critiques and concerns in terms of the effectiveness of the law in addressing forced labour. The law is likely to have a significant reach, affecting 3200 companies directly and indirectly many thousands of suppliers and vendors in their supply chains (Verité 2011, 3). Prokopets (2012) however highlights how labour abuses among medium-sized companies are being missed out.

Critically, compliance with the law compels no alteration to firms’ business models. Compliance only requires companies to describe policies and efforts to address these problems, but no action is necessarily required to improve practices (Atest 2013; Verite 2011; Prokopets 2012; Phillips 2015). It

is possible to be compliant with SB657 by stating that little is being done, and in this sense, as the organisation Verité stated, ‘compliance is not enough’ to bring about significant change. Likewise, as is characteristic of disclosure legislation in general, standards remain defined by firms themselves, and the legislation is not specific on the standards or behaviours that are to be encouraged.

There remain substantive gaps and issues around the quality of the information that is being disclosed from companies, including how the costs of social compliance are met in firms’ supply chains. The law does not forbid the sale of goods produced through trafficked labour (Prokopets 2012, 353-354) and firms that do find problems of trafficking and forced labour in their supply chain are required only to provide assistance to the ‘victims’ as and when they are identified.

SB 657 places the bulk of enforcement responsibility on consumers. As is the case with transparency legislation in general, the rationale for this is that requiring companies to disclose their efforts (or lack thereof) to tackle forced labour will guide consumer purchasing decisions, and punish companies they deem to be irresponsible (LeBaron & Rümke 2017a, 2017b). There is no monetary penalty for failure to disclose, but companies may receive an order from the Attorney General to do so (Mattos 2012). Greer and Purvis (2013, 28-29) identify that statutory injunctive relief is also relatively vaguely defined, and by 2012 there had been limited action by the Attorney General to enforce the law.<sup>4</sup> The reliance upon consumer information and choice as the key enforcement mechanism has been a cause of concern, not least based upon the mixed evidence of the extent to which consumer concerns about labour standards can drive change (Esbenshade 2012; Phillips 2015).

The Business Transparency on Trafficking and Slavery Act aims to extend the California Act to the federal level. Analysis of the Act in its bill form has highlighted similar limitations in terms of potential effectiveness in uncovering and preventing forced labour in supply chains. Eckert (2013, 395) questions the extent to which disclosure will transform corporate behaviour, highlights issues of vagueness in provision and insufficient guidance for corporations provided by the act, and suggests that the inclusion of the entire supply chain is incompatible with corporate oversight over supply chains, foreign labour practices, the concept of national sovereignty, and corporate business interests.

#### 4.1.2 Effectiveness from implementation

Starting at the level of the **multinational firm** and **suppliers**, there is evidence to suggest that the California Act has had its desired effect on company awareness and transparency. In an early analysis, Pickles and Zhu (2013) propose that many larger companies were already taking measures consistent with those in the Act, such as supply chain transparency, given that compliance with company or third-party codes and standards has been common practice for a number of years. However, Mann *et al.*’s (2014) study of CSR disclosures on apparel company websites identifies both increases and improvements in reporting. In 2011, 9 out of the 17 companies in focus addressed labour standards on their website, rising to all 17 in 2012. In addition, the number of companies that reported on auditing/monitoring and enforcement issues nearly doubled between 2011 and 2012 as the Act came into force. The level of specificity in reporting nonetheless varies by labour issue. In 2012 the most marked improvements was with regard to frequency and detail in reporting on forced labour, whilst the

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<sup>4</sup> <http://www.mondaq.com/unitedstates/x/193018/Compliance/Californias+Transparency+In+Supply+Chains+Act+What+It+Provides+Why+It+Matters+And+What+Effects+It+Will+Have+On+Business>

quality of reporting on child labour remained poor.

The quality of disclosure varies significantly, as do their effects on changing company policy and practice. The underpinning assumption is that by requiring companies to report on what actions they have taken that year to address a specified issue, the majority of companies will feel the need to demonstrate progress. However, the fact that they are largely responsible for defining what should be reported and the benchmarks that might be used, rather than measuring against defined targets, means it is impossible for consumers or others to evaluate year-on-year 'progress'. In general, the effectiveness of disclosure legislation to act as a mechanism for evaluating effectiveness is hampered by inconsistency in corporate reporting and the lack of consistent benchmarks and targets.

These problems are evident in early assessments of the California legislation. This research has been impeded by the lack of disclosure of what companies have been affected by the legislation. Know the Chain's (2015) study of compliance with reporting requirements among 500 potentially qualifying companies found that only 31 per cent of these had a statement that was in compliance with all the requirements of the law. Bayer et al. (2015) identify 2,126 potentially qualifying companies, out of which 1,325 (62 per cent) had produced a statement. In turn, evaluating these disclosures against the core requirements of the law generated an average disclosure compliance score of 60 per cent, but the standard varied greatly across companies. The scoring on affirmative action (evidence of new steps being taken) was markedly lower than compliance scores with the average for companies with statements at 31 per cent, and only 14 per cent of companies had affirmative conduct score above 70 per cent. Affirmative conduct was more frequently reported in the areas of risk verification (56 per cent), internal accountability (72 per cent), and training (58 per cent). Conversely, a minority of companies reported that they commissioned 3rd party risk verification (16 per cent), conducted audits (48 per cent), had audits performed that were independent and unannounced (15 per cent), and had their suppliers certify compliance with relevant local laws.

There is some evidence to suggest that companies have adopted new policies to evaluate their supply chains for forced labour, or improved existing ones since the Act came into force (Marcum 2014). However, it is not possible to know whether these moves were directly caused by the Act, and, as above, the norm has remained either non-compliance or compliance only with the requirement of disclosure, with few meaningful measures to address the risk of slavery in the company's supply chain.

If the net is more broadly cast to encompass labour issues in supply chains in general, companies still lack adequate policies and standards. Ceres (2015) evaluated the human rights and supply chain practices of 613 of the largest, publicly traded U.S. companies to find that only 31 per cent (190 companies) have formal policies or statements protecting the human rights of their direct employees, and that only 13 per cent (80 companies) mention both forced and child labour explicitly in their human rights policy or statement. However, 58 per cent (353 companies) were found to have set clear sustainability standards for their suppliers through a formal code or policy and 40 per cent (248 companies) mention both forced and child labour explicitly in their supplier codes.

SB 657 has triggered responses among **stakeholders**. First, the lack of minimum requirements and independent benchmarks has led to the provision of best practice guidelines from non-governmental organizations (NGOs) Verité and ATEST. Second, the media has furthered the agenda of information sharing with the CNN Freedom Project launched in 2011 to 'end modern-day slavery, human trafficking, and related illegal practices,' reporting on human trafficking across more than 60 countries

(Ball et al. 2015, 9). Third, the first lawsuit involving information disclosed under SB 657 was filed in 2015 against Costco, on the allegation that the wholesaler sold shrimp from Thailand that was farmed by forced labour, and also claims that this fact is inconsistent with the company's disclosure under the act (Ball *et al.* 2015, 9).

As indicated, SB657 incorporates no requirement for the assessment of whether compliance has led to changes for workers or improvements in labour standards in supply chains, and contains no mechanism by which these outcomes might be monitored.

## 4.2 Type II: India 2013 Companies Law

Section 135 in the 2013 Companies Law in India is renowned for being the first law to mandate spending on CSR. As described in Table 2, the law covers a group of companies that includes both Indian companies as well as to foreign companies doing business in India.<sup>5</sup>

The provisions of the law include stipulations that: 1) The company must constitute a Corporate Social Responsibility Committee; 2) The Committee will then formulate a Corporate Social Responsibility Policy, including the activities and recommended spending on CSR activities; 3) The Committee is also responsible for monitoring the Corporate Social Responsibility Policy of the company.

The law outlines seven key areas for CSR activities:

- combatting hunger and poverty
- promotion of education
- gender equality and women's empowerment
- child and maternal health
- combatting diseases
- employment enhancing vocational skills
- social business projects

Notably, it does not specify activities directly to address forced labour, trafficking or labour standards in general, but its provisions clearly have wider implications in these areas. The company can implement these CSR activities on its own, through its non-profit foundation or through independently registered non-profit organisations that have a record of at least three years in similar activities.

Companies are also required to report on their spending on CSR activities, the composition of its CSR Committee and its policies. The latter is stipulated within the law as consisting of three or more directors, out of which at least one director shall be an independent director (Para. 135). Reporting entails expenditure on CSR as well as the adoption and disclosure of a company's CSR policy in its annual report and website (Afshraipour and Rana 2014).

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<sup>5</sup> <http://www.mondaq.com/india/x/366528/Corporate+Governance/Corporate+Social+Responsibility+Indian+Companies+Act+2013>

#### **4.2.1 Institutional effectiveness**

The 2013 amendment to the India Companies Act has been estimated to affect up to 6000 companies, which will be required to spend 2 per cent of their profit on CSR activities. The law has been discussed as a new model for CSR in developing countries, founded in a tradition in which private business are seen to have a responsibility to support the social and economic developmental agendas of states (Afsharipour and Rana 2014).

Initial analyses have nonetheless critiqued the design of the law on a number of points. First, the disclosure regime stipulated is vague and lacks an element of independent auditing. Rajeev et al (2014) and Sharma (2013) identify how companies might struggle to respond to the legislation as many of its formulations are vague and do not offer sufficient guidance as to how companies can build the necessary capacity, design a CSR policy, partner with NGOs or develop reporting mechanisms. Russell (2014) highlights that the report does not need to include any information on the nature of the CSR project undertaken or any targets, performance indicators or social improvements it achieves. Gupta (2013) identifies a series of weaknesses and loopholes in the legislation, and calls for a separate body to oversee corporate compliance.

Second, concerns have been raised about how the CSR activities entailed in the law may not be effective in addressing the most acute social needs. McArdle (2015) warns that the mandatory CSR spending prescriptions are likely to drive companies to implement very discrete, low cost, CSR programmes rather than the type of coherent and cohesive interventions that are needed to address poverty. Rosow's (2015) preliminary analysis sees that mandatory CSR spending may contribute to the exacerbation of regional disparities in the country, as there is a discrepancy between regions with high levels of economic activity and those with the most critical social development needs.

#### **4.2.2 Effectiveness from implementation**

To date, there is little evidence of effectiveness in terms of the outcomes of enhanced reporting requirements. Afsharipour and Rana (2014) point out that the law operates on a comply or explain basis, where there are penalties for failure to report (a minimum fine of 50, 000 rupees) but not on failure to spend the 2 per cent as long as the reasons are explained. Their analysis also highlights how only 31 of the 274 Indian companies included in the S&P Emerging Markets BMI publicly disclosed a human rights policy.

Most research suggests that the law in its early stages did not improve otherwise low interest and expenditure on CSR in India (Gupta 2013; Kumar 2014). Using a Forbes survey, Gupta (2013) suggests that only 6 out of the top 100 companies in India (in terms of sales) contributed with more than 2 per cent of profits and that only 16 produced a separate Sustainability Report. Against this background, Gupta raises concerns about the lack of mechanisms for the government to ensure compliance with the law – highlighting the absence of mentioning of the report being submitted to the government or external actors for audits (Gupta 2013, 44).



### 4.3 Type II: European Union Directive (2014/95)

The European Union has recently launched a series of directives and initiatives addressing labour in global supply chains, including: Transparency Directive (2004/109/EC) affecting the extractive industry and loggers<sup>6</sup>; the EU Public Procurement Directive (modified in 2015/16 to require adherence to core labour standards in global supply chains); the October 2015 EU trade strategy, which builds labour standards into a number of trade agreements; and new sector-specific initiatives linked to the OECD Guidelines for Multinational Enterprises.

The European Union Directive (2014/95) described in Table 2 is nonetheless the key piece of legislation driving disclosures on labour standards in global supply chains. According to the European Coalition for Corporate Justice (2014, 1), the Directive constitutes ‘the first step in embedding into EU law the corporate responsibility to respect human rights and the environment as it is expressed in the UN Guiding Principles and OECD Guidelines for Multinational Enterprise’.

The Directive aims to ‘provide shareholders and other stakeholders with a meaningful, comprehensive view of the position and performance of companies’.<sup>7</sup> A related aim is to ‘increase the relevance, consistency and comparability of disclosed information’ (deRoo 2015, 283). The Directive must be transposed by the 28 EU Member States by 6 December 2016 and it will apply to financial years commencing on, or after 1 January 2017. It is expected to affect approximately 6000 companies in Europe (UK Home Office 2015, 25-26).

Under the directive, public interest entities with an average number of at least 500 employees are required to prepare a non-financial statement as a part of their annual report. The non-financial statement must provide information ‘to the extent necessary for an understanding of the undertaking’s development, performance, position and impact of its activity, relating to, as a minimum, environmental, social and employee matters, respect for human rights, anti-corruption and bribery matters.’<sup>8</sup> The Directive recommends companies use an acknowledged framework for disclosures, including GRI, UN Global Compact, UN Global Compact Business and Human Rights, ISO 26000 and the ILO Tripartite Declaration.

#### 4.3.1 Institutional effectiveness

Analyses of the reporting requirements themselves indicate how the scope has been reduced during the course of negotiations at the European Commission. One aspect of this is the reduction in the companies that are affected by the directive, with the initial proposals reaching approximately 18,000 companies, but the scope being subsequently reduced to about 6000 (Kinderman 2015).

The Directive adopts the ‘comply or explain’ principle; if a company fails to pursue policies relating to anti-bribery and corruption, environmental, or other non-financial matters, it will have to explain why

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<sup>6</sup> [http://europa.eu/rapid/press-release\\_MEMO-13-541\\_en.htm](http://europa.eu/rapid/press-release_MEMO-13-541_en.htm)

<sup>7</sup> [http://ec.europa.eu/finance/company-reporting/non-financial\\_reporting/index\\_en.htm](http://ec.europa.eu/finance/company-reporting/non-financial_reporting/index_en.htm)

<sup>8</sup> Including: a brief description of the undertaking’s business model; a description of the policies pursued by the undertaking in relation to those matters, including due diligence processes implemented; the outcome of those policies; the principal risks related to those matters linked to the undertaking’s operations including, where relevant and proportionate, its business relationships, products or services which are likely to cause adverse impacts in those areas, and how the undertaking manages those risks; non-financial key performance indicators relevant to the particular business.

in its annual report. Because Member States have until 6 December 2016 to transpose the 2014 Directive into national law, specific penalties for non-compliance have not yet been determined (Thomas and Maguire 2014).

The design of the Directive may undermine its efficacy in achieving consistent reporting. deRoo (2015, 283-284) points toward weaknesses in the design of the Directive which are likely to impact on the quality of company reporting. First, there is a lack of harmonisation regarding integrated reporting and assurance. That is, the Directive does not contain guidelines for introducing integrated reporting on a supranational level. It also does not provide direction for third-party assurance but leaves this to Member States to regulate. Second, there are still significant possibilities for companies to deviate from reporting requirement. The Directive provides companies with the discretion to choose not to report, based on assessments of 'relevant and proportionate' risks posed by human rights abuses (see also ECCJ 2014, 2-3). Third, the use of international standards in reporting is discretionary and based upon the decision of Member States (deRoo 2015; ECCJ 2014, 3).

### **4.3.2 Effectiveness from implementation**

Given the on-going state of transposition of the European Union Directive (2014/95) into national legislation, there is to date no research covering the effectiveness and nature of this process. Beyond establishing the minimum standards, the directive provides significant room for countries and companies to decide which information is to be disclosed.

Initial analysis of the transposition process offer insights about the potential effectiveness. Kinderman (2015) suggests that domestic regulation is a key factor in the effectiveness of the transposals. Countries which already mandate non-financial reporting for private sector firms (France, Denmark and the UK) supported the Directive, whilst those which do not were less supportive.

## **4.4 Type III: Dodd Frank 1502**

As described in Table 3, Section 1502 of the Dodd Frank Act introduces new reporting and disclosure obligations concerning conflict minerals that originate in the Democratic Republic of Congo (DRC) or adjoining countries. It applies to any issuer that files reports with the US Securities Exchange Commission including domestic companies, foreign private issuers, and smaller reporting companies (SEC, Final Rule, 48).

### **4.4.1 Institutional effectiveness**

The provisions in the Act have been criticised on four main grounds: 1) the breadth of the Act and lack of clarity on implementation; 2) the cost of implementation; 3) the role of the Securities Exchange Commission (SEC); and 4) the analysis and rationale of the act on the relationship between mining and the conflict in the DRC.

The scope, applicability and accuracy of Section 1502 have been subject to some concern in terms of the effectiveness of the Act. All companies filing with the SEC need to declare whether they use conflict minerals, but only those companies who identify minerals need to file a report to the SEC on their auditing processes. On the one hand, no baseline is stipulated, and companies using only a small amount of minerals need to file a report (Lynn 2011, 355). The Act is nonetheless limited as it applies only to



companies contracted to manufacture and excludes large retailers (solely distributors) (Blake 2014, 402).

The verification and auditing processes may also have limitations, especially as there are few safeguards in place to verify the accuracy of reporting by companies who report that their minerals did not originate in the DRC (Raj 2011, 1011). Under the final rule on Dodd Frank, issuers are opened up to potential shareholder liability, as well as potential investigations from the SEC itself. However, the SEC only evaluates disclosures (using independently certified audits) for companies who are already reporting. Nevertheless, under rule 10b-5 of the Act, there is a private right of action to shareholders injured in the sale or purchase of a security by false or misleading statements made by corporate insiders (Woody 2012, 1338).

The role of the SEC has raised further concerns relating to the effective implementation of section 1502. The disclosures under Section 1502 constitute a major shift in the SEC's role to protect investors, maintain fair, orderly and efficient markets, and facilitate capital formation (Lynn 2011, 330). As seen in protracted litigation processes,<sup>9</sup> this shift has faced resistance from business and afforded the delay in the final determination on the status of an issuer's mineral use until 2018 (Krishnamurthy 2015, 826-827; Seitzinger and Ruane 2015; Sarfaty 2015, 441). The SEC has also been criticised on the basis of a lack of expertise and experience on social disclosures (Raj 2011, 1003; Blake 2014, 404) and it has seemed hesitant to use its mandatory disclosure powers to monitor supply chains (Feasly 2015, 7).

The breadth of the due diligence and reporting requirements are likely to have high compliance costs (Lynn 2011, 355). Section 1502 has been argued to underestimate the cost and complexity of overseeing supply chains. Companies with a large number of suppliers are faced with a potentially lengthy and costly process of mapping and auditing their supply chains (Seay 2012, 11). The traceability of minerals in states with high levels of corruption has been further identified as a major difficulty for companies (Seay 2012, 20; Woody 2012, 1335). An independent Tulane University economic impact assessment study suggested that the SEC had gravely underestimated the cost, proposing that it would be approximately US\$7.93 billion – more than 100 times the SEC's estimated cost of US\$71.2 million (Bayer and de Buhr 2011). A series of studies have analysed the market effectiveness of disclosure for firms, assessing potential gains against offsets. Griffin *et al* (2012) suggest that further costs are added to the company as capital markets respond negatively following initial disclosures about conflict minerals in their supply chain.

Finally, the ability of the Act to meet its aims to end the conflict in the DRC has been questioned. Like the California legislation, Section 1502 of Dodd Frank relies on disclosure mechanisms – as adverse reputational effects – rather than sanctions to address the humanitarian crisis resulting from mineral trade in the DRC. The effectiveness of public disclosure is contested (Blake 2014, 402). Again with parallels with the California legislation, Raj (2011, 1014) highlights that Section 1502 does not restrict companies from using conflict minerals or sourcing from the worst mines in eastern DRC but simply requires companies to disclose information regarding their minerals' origin and chain of custody. That is, under SEC regulation conflict minerals will not be kept out of the stream of commerce *ex ante*, but

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<sup>9</sup> The 2012 lawsuit by the Chamber of Commerce, the National Association of Manufacturers, and the Business Roundtable brought these tensions to the table. Subsequent rulings in the case have largely upheld the section, with supply chain abuses articulated as a material risk. However, the US Court of Appeals has found the law's requirement that issuers describe their products as 'not been found to be DRC conflict-free,' amounts to 'compelled speech' in violation of the First Amendment (Seitzinger and Ruane 2015; Sarfaty 2015, 441).

companies will be punished for non-disclosure ex post.

Some scholars have also questioned the linkages between minerals and the continued conflict in Congo on which the legislation is based. Seay (2012, 18) suggests that the notion that mining feeds the conflict is flawed, as the money from mining earned by armed groups is more likely to pay salaries, buy food, and provide basic necessities to fighters and their families than to go into the arms trade. One of the key concerns is that the Act creates conditions for a de facto embargo, which would have severe impacts on social conditions in the region (Raj 2011, 1005). Raj (2011 1005) proposes that companies' reputational concerns can lead them to withdraw from the region entirely, hence destroying the livelihoods of large parts of the population.

#### 4.4.2 Effectiveness from implementation

The **multinational firm** is the principal level against which the effectiveness of the requirements of Dodd Frank 1502 can be assessed. The US Government Accountability Office's (2013, 12-13) performance audit (based on analysis of reports and interviews) found that section 1502 had raised companies awareness regarding conflict minerals and the due diligence process required. As of 17 July 2015, 1,267 issuers had filed a Conflict Mineral Disclosure (CMD) for reporting year 2014. One fifth of these filed a Form SD only, and four fifths of the issuers also filed an in-depth Conflict Mineral Report (CMR) (Bayer 2015, 2). However, the Government Accountability Office (GAO) (2013, 13) suggests that that the creation and promulgation of the SEC's final rule has increased visibility into the issue of conflict minerals and raised awareness of the due diligence process, including among companies that are not required to report under the rule, but that may still be impacted indirectly by the rule.

The quality of reporting displays a high degree of variation. Corresponding to the concern raised about the scope of the legislation above, evidence suggests that initial efforts to map company supply chains were time-consuming (Sarfarty 2015, 430-432). In response, the SEC relaxed the requirement on reports to cover only whether conflict minerals had been identified within the first tier of suppliers and allowed companies to state that they were uncertain during the first two years of reporting. As the SEC acknowledged, reporting companies average 160 to 10,000 first-tier suppliers each, and the number of potentially affected suppliers is estimated to be 278,000. In 2014, after the initial two-year reporting period, most companies still stated that they were not sure as to whether they had conflict minerals in their products. Similarly, companies declared that they were in the early stages of compliance with reporting requirements. However, some large companies (such as Intel, Apple and HP) have taken the lead in providing in-depth reporting.<sup>10</sup> There is a relatively high degree of compliance among CMR filers against the provisions set out in the law, with 76 per cent of CMR filers were at or above the 75 per cent compliance mark (Bayer *et al.* 2015).

Sarfarty (2015) suggests that there is also a gap in terms of the strength of the due diligence process reported on in the CMRs, with only about 7 per cent of companies reporting having strong due diligence measures in their 2014 CMRs, in the sense that they fulfil the expectations of the OECD's due diligence framework (as recommended in the law). Particular shortcomings have been found in terms of disclosure on the facilities used to process the necessary minerals. A survey of 100 reports by Amnesty International and Global Witness (2015, 2) found that 85 per cent of companies had not contacted the

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<sup>10</sup> <http://www.mining.com/most-us-companies-unsure-of-whether-they-use-conflict-minerals-in-their-products-64033/>

smelters or refiners that processed their minerals, and merely 16 per cent of companies said they knew which country their minerals came from. Potentially, only a small fraction of the hundreds of mining sites in the eastern DRC have been reached by traceability or certification efforts.<sup>11</sup>

Research on the publicly available policies on forced labour, human trafficking and trade in conflict minerals among Fortune 100 Companies found that 54 per cent of companies have publicly available policies addressing human trafficking, and that nearly two-thirds have publicly available policies on forced labour (ABA/ASU 2014, 1-2). However, ABA/ASU (2014, 2-3) found significant variation in nature and scope of Fortune 100 company policies in key areas such as monitoring, training and capacity building, and remediation systems when abuse was found.

Although this is not stipulated in the legislation, some firms have responded by seeking to avoid conflict minerals entirely. By the April 2011 deadline for the implementation of 1502, the Malaysia Smelting Corporation (MSC) sought to end its buying of DRC minerals, having previously bought up to 80 per cent of the tin produced in eastern Congo (Seay 2012, 12). Intel have pre-emptively decided to only use conflict-free materials, a step that is not required under section 1502 but was likely motivated by the increased attention to conflict minerals issues (as represented by the legislation) (Sarfaty 2015, 439).

There is limited evidence that the act has inculcated new policies and practices among **suppliers**. Cuvelier *et al* (2014, 15) suggest that the verification process has been slow and expensive, and dominated by the Itsci traceability process which is only present and truly operational in a limited number of mining areas in the Great Lake Region. Several studies have focused on the unintended negative effects for suppliers in terms of a decline in exports of minerals – contributed to by the ban on all mining in the Kivu and Maniema provinces of the DRC, instituted by Congolese President Joseph Kabila in September 2010 (Seay 2012, 13).

Action among **stakeholders** has focused on traceability and information initiatives to aid implementation (GAO 2013, 14; Cuvelier *et al.* 2014, 9). Tulane University Study launched a research project in April 2015 that aims to assess the impact of Dodd Frank Section 1502 on the conflict minerals supply chain.<sup>12</sup> Sarfaty (2015, 423) identifies three factors that are inhibiting implementation of section 1502 at the level of the multinational firm: (i) international norms on supply chain due diligence are in their infancy; (ii) the proliferation of certification standards and in-region sourcing initiatives are still evolving and often competing; and (iii) inadequate local security and weak governance are inhibiting the mapping of the mineral trade and the tracing of minerals in the region. The GAO, NGOs, industry, and international organizations cited lack of security, inadequate infrastructure, and capacity constraints as factors that could affect the ability to expand on efforts to achieve conflict-free sourcing of minerals from the eastern DRC, and thereby potentially contribute to armed groups benefiting from the conflict minerals trade.

There is little evidence pertaining to shifts in labour standards driven directly by disclosures. The GAO (2013, 33) found that little additional data has been provided on sexual violence – one of the main issues associated with mining in eastern DRC and surrounding countries. However, a significant amount of discussion has addressed unintentional consequences for people living in mining areas – where the government ban and loss of exports is argued to have detrimental impacts on the living conditions of miners and their families (Cuvelier *et al.* 2014, 9; Seay 2012, 16-17).

<sup>11</sup> <https://ethuin.files.wordpress.com/2014/09/09092014-open-letter-final-and-list.pdf>

<sup>12</sup> <http://payson.tulane.edu/welcome-dodd-frank-section-1502-3tg-market-impact-survey-2015>

## 5. Conclusions and recommendations

The use of disclosure legislation as a means of addressing labour standards in global supply chains is still in its infancy, but is growing in popularity and coverage. While steps to improve transparency in supply chains are unquestionably welcome, our report has identified a range of limitations to disclosure as a governance model.

We drew a distinction in our research between the institutional effectiveness of disclosure legislation, and its effectiveness from implementation. Where the aim is to increase corporate reporting and some elements of transparency, this type of legislation has demonstrated a certain level of institutional effectiveness in commanding compliance – a greater number of companies are reporting on their supply chain activities and disclosing their actions to address labour problems therein. However, it has clearly been documented that compliance remains far from universal, but, moreover, that the quality of compliance is also extremely patchy, whether because of the shortcomings of the requirements contained in the legislation, or because of firms' own choices in the extent to which they engage with the legislation.

The report has also placed emphasis on the frequent absence of meaningful enforcement mechanisms, which itself contributes to some of the patchiness of compliance and the quality of disclosure. In most of the legislation, the mechanisms of enforcement are envisaged to lie not in the legal or regulatory systems of states or international organizations, but rather in the pressures that vigilant consumers and civil society organizations will bring to bear on non-compliant firms, or those which engage in only minimal compliance.

The most pronounced limitations to the governance model based on disclosure legislation fall into the category concerning effectiveness from implementation. There is, as yet, no evidence that the use of disclosure legislation has produced tangible change on the ground in relation to labour standards and rights in global supply chains. More to the point, no mechanisms for measuring this type of effectiveness are contained in disclosure legislation, and no agreed measurements are available for its evaluation. Even though, in any cases, the pieces of legislation we have considered are still in their infancy, the nature of the legislation places significant limits on its capacity to deliver this kind of effectiveness.

On this basis, our consideration of disclosure legislation leads us to four sets of recommendations regarding how the effectiveness of disclosure legislation could be measured and improved. These relate to:

- 1) The indicators of effectiveness;
- 2) The challenge of measuring effectiveness;
- 3) Improvement of disclosure legislation;
- 4) The role of the ILO, states, and employers.

In devising these recommendations, we have focused on mapping out broad principles, rather than suggesting measures optimized for immediate operation.

## 5.1 Indicators of effectiveness

There is a need for greater consistency and clarity regarding the key indicators of effectiveness. We recommend that:

- Companies report on a standardized set of indicators, to enable stakeholders to evaluate their progress towards the overarching objectives of disclosure legislation;
- Companies are required not only to report on the efforts they are making, but also to report on the effectiveness of those efforts;
- Evaluation of effectiveness should not center exclusively on company reports, but should also consider and triangulate these reports with data detailing the risk and prevalence of labour exploitation within the supply chains of various industries.

As we have noted in Section 3.1.3, at present, efforts to evaluate the effectiveness of disclosure legislation are impeded by a lack of consistency regarding the indicators, benchmarks, and targets that companies are including within their disclosure statements. The lack of standardization of metrics, and inconsistency regarding the indicators used to report on efforts year-on-year, means that it is not currently possible to use the data generated in response to disclosure legislation to assess the progress that companies are making towards the key objectives of that legislation – namely, the reduction and elimination of labour exploitation (including forced labour and human trafficking) from global supply chains. We recommend that companies report on a standardized set of indicators in order to enable stakeholders to evaluate their progress towards these overarching objectives.

We also recommend that companies be required not only to disclose any efforts that they are making to address and prevent labour exploitation within supply chains, but also to report on the effectiveness of their efforts. At present, as we detail in Section 3, little is known about the outcomes of the efforts that companies are undertaking and reporting on in response to disclosure legislation (i.e. auditing, training, codes of conduct, capacity building with suppliers). In order to evaluate the effectiveness of disclosure legislation, there is a need for companies to report on the net impact of their efforts, and, especially, on the gains they have made towards reducing labour non-compliance within their supply chains. In short, there is a need for companies to disclose not only on their activities, but also on how far and in what ways these measures are or are not effective in actually reducing the occurrence and severity of labour exploitation within supply chains.

Finally, we recommend that evaluation of effectiveness should not rely exclusively on indicators and reports generated by companies in response to disclosure legislation. Rather, these disclosures should be supplemented by and triangulated with data detailing the risk and extent of labour exploitation within various sectors, and associated with high-risk business practices (including outsourcing and labour recruitment) and regions of the world. Baseline data establishing the risks and prevalence of labour exploitation by sector could serve as a useful starting point from which to evaluate company reports on their efforts to prevent and address labour exploitation and their effectiveness. We recommend that quantitative data be verified through in-depth qualitative research to ensure it is accurately representing impact on the ground.

Table 4 summarizes the role of multinational enterprises, suppliers, and stakeholders in measuring effectiveness.

## 5.2 The challenge of measuring effectiveness

Our research has identified several challenges in relation to the definition and implementation of the task of measuring effectiveness of disclosure legislation. We recommend that:

- More stringent and standardized reporting criteria be put in place, requiring companies to disclose comprehensive and consistent data about the risks of labour exploitation within supply chains, and the outcomes of their efforts to prevent and address it.
- Governments passing legislation should clarify which companies are covered under it, and sanction companies for non-compliance.
- Evaluation of effectiveness should be carried out through cross-sector partnership rather than be undertaken by industry alone.

As noted in several sections of this report, at present, the vagueness and inconsistency of disclosure legislation requirements gives rise to significant variation in the content, level of detail, and indicators associated with company reporting. There is additional inconsistency in what is reported each year, complicating the task of measuring effectiveness over time. We recommend that companies be required to report on standardized and consistent indicators year-on-year, to facilitate measurement of the effectiveness of disclosure legislation over time. Crucial here will be reporting on the outcomes of company efforts to address labour exploitation, including the effectiveness of company efforts in reducing the prevalence of forced labour and human trafficking in supply chains, as well as the incidence and severity of labour non-compliance more generally. To ensure that meaningful information is being disclosed, and to enable the measurement of effectiveness, we suggest that more stringent reporting criteria need to be in place.

We also recommend that governments clarify which companies are covered by disclosure legislation relevant to their jurisdiction, and enforce the reporting requirements of disclosure legislation through sanctions for non-compliance. This would address the issues identified around compliance and effectiveness of implementation.

Finally, we suggest that evaluation of effectiveness should be carried out through cross-sector partnership. At present, the evaluation of effectiveness is entirely privatized – that is, conducted by private auditing and accounting firms. As a result, we do not know which types of non-compliance or risks in the supply chain are being addressed, and which ones are not, and cannot evaluate effectiveness in terms of outcomes. As Table 4 suggests, addressing the challenge of measuring effectiveness will require cooperation between multinational enterprises, suppliers, and stakeholders. However, as we recommend below, governments and the ILO must also play a central role.



### 5.3 Improving disclosure legislation

Building on the recommendations above, we recommend that disclosure legislation could be improved through greater clarity and consistency regarding the information that needs to be reported and by whom. In addition, our research has highlighted the need to clarify:

- The definition of supply chain. As is noted in Section 2.1, at present, the lack of an internationally accepted definition of supply chains means that there is no consensus over which portions of their global operations companies should be including within their reporting.
- The scope and extent of various industry actors' responsibility for labour exploitation within the sub-tiers of supply chains. Recent company reports have acknowledged the presence of forced labour and trafficking within the sub-tiers of production and within labour recruitment and subcontracting, but have claimed that these portions of the chain fall outside of their sphere of influence. Disclosure legislation is unlikely to be effective in meeting its aims until the role and responsibilities of MNEs, suppliers, and other actors for labour standards in the sub-tiers is clear. There is thus a need to clarify the roles of MNEs, suppliers, and other actors in achieving the aims of disclosure legislation.

### 5.4 The role of the ILO, states and employers

Our research leads us to recommend that certain actions to be taken by the ILO, states, and employers would significantly increase the effectiveness of disclosure legislation as a governance mechanism to address labour exploitation in supply chains.

#### *ILO*

We recommend that the ILO create a common set of Guidelines regarding what information needs to be reported and by whom, modelled after previous ILO Guidelines, to catalyze and coordinate action towards resolving complex global problems.

We also recommend that the ILO use its convening power to draw together existing information and data on the risks and prevalence of forced labour and human trafficking in supply chains. This includes data that is currently generated by private companies and kept confidential due to commercial considerations (including audit reports and supply chain risk monitoring and analytics), as well as data generated by NGOs and governments (such as on incidents of forced labour in the supply chains of various industries). Information could be anonymized to reduce commercial and political concerns. ILO efforts to centralize, share, and increase the transparency of existing data on forced labour in supply chains would significantly strengthen efforts to evaluate effectiveness.

Furthermore, given its unique tripartite structure and status as the leading international organisation with responsibility for labour standards, the ILO could create a database that allows researchers and other stakeholders to evaluate change over time, and, in particular, to evaluate the net progress that companies are making towards the key objectives of disclosure legislation – namely, to prevent and address labour exploitation in supply chains.

***States***

We recommend that states take further steps to add to disclosure legislation, and, especially, to move beyond the disclosure of action towards disclosure of effectiveness of those actions. Additionally, where such mechanisms do not already exist, we recommend that states create mechanisms for evaluation of the effectiveness of enacted legislation and for sanctions for non-compliance. These would go a long way towards bolstering the effectiveness of existing legislation and identifying implementation gaps that could be hampering legislation from meeting its aims.

***Employers***

We recommend that employers report on the effectiveness of outcomes, especially in relation to the portions of supply chains where labour non-compliance and abuse is known to thrive. In addition, we recommend that employers accept responsibility for labour standards along the entirety of the supply chain, and for the need to ensure that, where that responsibility is delegated to suppliers, those suppliers are fulfilling their duties. Finally, we recommend that employers who use auditing as a tool to monitor and ‘enforce’ labour standards take measures to address the flaws in audit methodologies, which have been amply documented, in regards to their capacity to detect, report, and address forced labour.



**Table 4: Recommendations for measuring effectiveness of disclosure legislation**

Level	Type of Effectiveness	Measure of Effectiveness	Possible Tools
Multinational Enterprises	Awareness	Increase in the number of companies reporting on labour in global supply chains.	Database pooling company disclosures under all legislation, as well as company reports to shareholders, investors, and consumers, and other data.
	Compliance	Increased compliance with reporting requirements in legislation. Increased compliance of suppliers with company policies relating to labour standards.	Clarification of companies covered under each piece of legislation. Sanctions for non-compliance. Collaboration between companies and suppliers.
	Consistency and quality of reporting	Reporting on standardized indicators, enabling year-on-year evaluation of progress. Intra-company consistency. Reporting at regular intervals.	International guidelines on reporting. Sanctions for non-compliance.
	Stringency and transparency in policy	Greater stringency and transparency regarding policies and procedures related to labour issues in their supply chains, and their effectiveness.	Database allowing stakeholders to evaluate company progress. Government and multi-stakeholder monitoring.
	Stringency and transparency in verification	Greater stringency and transparency regarding verification procedures such as auditing, and their effectiveness.	International guidelines on reporting (specifying the need to report on the audit company and methodology, tier of the supply chain, the types of labour issues detected and reported through audits, and corrective action). Audit reports made available to public. Government and multi-stakeholder verification.

Supplier	Stringency and transparency in policy	Greater stringency and transparency regarding policies and procedures related to labour issues in their sub-contracted supply chains, and their effectiveness.	Government and multi-stakeholder monitoring.
	Stringency and transparency in verification	Greater stringency and transparency regarding verification procedures for sub-contracted labour and product supply chains, such as auditing, and their effectiveness.	International guidelines on reporting (specifying the need to report on the audit company and methodology, tier of the supply chain, the types of labour issues detected and reported through audits, and corrective action).  Audit reports made available to public.
	Compliance	Increased supplier compliance with company policies relating to labour standards.	
Stakeholder	Awareness	Increased stakeholder awareness of disclosure legislation and company response.	Database allowing stakeholders to evaluate company progress.
	Action by consumers	Increased consumer action to promote company compliance with disclosure legislation.	Database allowing stakeholders to evaluate company response and progress.  Law suits, actions, purchasing patterns and decisions.  Survey to measure consumer attitudes towards company responses to disclosure legislation.
	Action by NGOs	Increase in NGO attention towards 'laggards' who have not complied with disclosure legislation.	NGO tools to raise awareness about company responses.

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## Appendix

**Summary table of key studies of disclosure legislation effectiveness**

Legislation in focus	Study	Aspect of effectiveness measured	Sample and methodology	Level at which effectiveness measured (firm, stakeholders, workers)	Key findings
California Transparency in Supply Chains Act SB 657 (TISCA)	<i>Know the Chain (2015) Insights Brief: Five Years of the California Transparency in Supply Chains Act, available at <a href="https://www.knowthechain.org/wp-content/uploads/2015/10/KnowTheChain_InsightsBrief_093015.pdf">https://www.knowthechain.org/wp-content/uploads/2015/10/KnowTheChain_InsightsBrief_093015.pdf</a>, accessed 23/03/2016.</i>	Compliance with reporting requirements.	Sample of disclosures from 500 companies, deemed to be covered by the Act.	Firm	Only 31 per cent of companies had a statement that was in compliance with all the requirements of the law.

<p>California Transparency in Supply Chains Act SB 657</p>	<p>Bayer, C., Ball, M., McCoy, M. Reed, S. Trautsch, J. Xu, J., (2015) <i>Corporate Compliance with the California Transparency in Supply Chains Act of 2010</i>, available at <a href="http://www.developmentinternational.org/!trafficking-slavery/zqhg7">http://www.developmentinternational.org/!trafficking-slavery/zqhg7</a>, accessed 23/03/2016.</p>	<p>Compliance with reporting requirements and affirmative actions driven by SB 657.</p>	<p>Identified 2,126 potentially qualifying companies, 62 per cent of which had a statement on their website.</p> <p>Evaluated a total of 1,504 statements (including from subsidiaries or brands).</p> <p>Assessed degree of compliance with minimum reporting criteria (in the legislation) and affirmative conduct by companies.</p> <p>Developed 8 compliance criteria based on the law's core requirements, resulting in a compliance score.</p> <p>7 indicators concerning affirmative conduct as disclosed, yielding an affirmative conduct score. This measures corporate-driven action relevant to the legislation.</p> <p>19 additional data points of interest.</p>	<p>Firm</p>	<p>Compliance performance varies greatly between companies. 41 per cent of companies had a corporate disclosure score at or above 70 per cent.</p> <p>The affirmative score (corporate-driven action) average for companies with statements was 31 per cent. 14 per cent of companies had affirmative conduct score above 70 per cent.</p> <p>Affirmative conduct was more frequently reported on risk verification (56 per cent), internal accountability (72 per cent), and training (58 per cent).</p> <p>A minority of companies reported on whether they commission third party risk verification (16 per cent), conduct audits (48 per cent), have audits performed that are independent and unannounced (15 per cent), and have</p>
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					their suppliers certify compliance with relevant local laws.
California Transparency in Supply Chains Act SB 657	Mann, M. Byun, S-E, Kim, H. Hogle, K. (2014) 'Assessment of Leading Apparel Specialty Retailers' CSR Practices as Communicated on Corporate Websites: Problems and Opportunities', <i>Journal of Business Ethics</i> , 122:599–622.	Changes to company policy following the introduction of the legislation.	Investigates changes in apparel company policy between 2011 and 2012, corresponding with the introduction of the legislation.  Sample of 17 apparel companies, identified from US lists of Top 100 retailers and Hot 100 retailers in the	Firm	As of 2011, out of the 17 apparel companies examined, nine companies (53 per cent) communicated CSR information concerning labour issues on their websites, five companies (29 per cent) addressed

			<p>U.S., published in <i>Stores</i> magazine in 2011.</p> <p>Out of 17 retailers, four (Limited Brands, Ascena Retail Group, Ann Inc., and Abercrombie &amp; Fitch) were listed as large corporations with multi-brands. In addition, three retailers (Gap, Urban Outfitters, and Chico's) were part of multi-brand corporations but were reported as individual brands in the lists.</p> <p>Nine categories of labour issues were yielded from the data: (1) child labour, (2) forced labour, (3) health and safety, (4) freedom of association and rights to collective bargaining, (5) discrimination, (6) discipline, (7) working hours, (8) compensation, and (9) management systems.</p>		<p>environmental issues, and eight companies (47 per cent) did not communicate any information on these issues. In addition, seven companies (41 per cent) presented monitoring and enforcement information on their websites.</p> <p>As of 2012, all 17 companies covered labour issues on their websites, albeit with varying degrees of specificity in each category.</p>
California Transparency in Supply Chains Act SB 657	Wright, M. (2013) <i>Supply Chain Transparency Comparative Analysis on Government Policy and NGO Advocacy</i> , available at <a href="https://digital.lib.washington.edu/researchworks/handle/1773/23939">https://digital.lib.washington.edu/researchworks/handle/1773/23939</a> , accessed 23/03/2016.	<p>Measures compliance with reporting requirements.</p> <p>Aims to compare whether compliance with reporting (as a state policy) is a more effective tool in increasing consumer</p>	Statistical analysis of 31 companies from California top 53 performing companies from Fortune 500 list (in manufacturing).	Firm	The findings in this study support that companies are compliant with the law, but compliance does not effectively inform the consumer of labour violations within the supply chain.

		awareness than NGO advocacy.			Finds that 97 per cent of companies were compliant with all five criteria for disclosure. But disclosures are still vague and not necessarily transparent to the consumer.
California Transparency in Supply Chains Act SB 657	Pickles, J., Zhu, S. (2013) <i>The California Transparency in Supply Chains Act, Capturing the Gains</i> , Working Paper 15, University of Manchester.	Overview of legislation, brief analysis of companies' response.	Examples from CSR behaviour of major manufacturers and retailers (Hewlett Packard, PUMA, General Electric, Agilent Technologies).	Firm	Highlights that large retailers and manufacturers in particular already require certification on enforcing global compliance with basic human rights standards, with particular attention given to stopping abuses, through formal agreements with their suppliers.  In addition, third parties have been monitoring and analysing company practices so that individual company claims regarding their products and practices along the supply chain can be verified reliably.

UK Modern Slavery Act	Ergon (2016) <i>Reporting on Modern Slavery: The First 100 Statements</i> , available at <a href="http://www.ergonassociates.net/images/stories/articles/ergonmsastatement1.pdf">http://www.ergonassociates.net/images/stories/articles/ergonmsastatement1.pdf</a> , accessed 23/03/2016.	Compliance with reporting requirements	Review of 100 modern slavery statements. All were voluntary (produced ahead of the deadline set in the UK Modern Slavery Act).	Firm	<p>The quality of reporting is generally low, including little detail.</p> <p>There is internal variation, where the quality of reporting is better on auditing and training of staff. In contrast, risk assessments and outcomes are less regularly reported on and with less detail.</p> <p>Most statements focus on supply chains and direct employment, not ancillary services.</p>
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Dodd Frank Section 1502	<p>Bayer, C., de Buhr, E. (2011) <i>Critical Analysis of the SEC and NAM Economic Impact Models and the Proposal of a 3rd Model in View of the Implementation of Section 1502 of the 2010 Dodd-Frank Wall Street Reform and Consumer Protection Act</i>, Tulane University Law School Payson Center for International Development, available at: <a href="http://www.payson.tulane.edu/assets/files/3rd_Economic_Impact_Model-Conflict_Minerals.pdf">http://www.payson.tulane.edu/assets/files/3rd_Economic_Impact_Model-Conflict_Minerals.pdf</a>, accessed 23/03/2016.</p>	Assessment of the implementation cost of Dodd Frank 1502.	Economic impact modelling, based on 5,994 companies who are required to file a report to the Securities Exchange Commission (SEC). This is the total number of companies estimated by the SEC to need to file either a full Conflict Minerals Report or a statement that they do not have conflict minerals in their supply chains.	Firm.	<p>Estimate finds that the actual cost to and of implementing the law is US\$7.93 billion.</p> <p>Almost half of the total cost – \$3.4 billion – would be met with in-house company personnel time, and the rest – \$4.5 billion – would comprise outflows to 3rd parties for consulting, IT systems and audits.</p> <p>Comparing the costs to the issuers vs. the suppliers, the bulk of the total costs – \$5.1 billion or 65 per cent – would be incurred by the suppliers (the group not included in SEC’s analysis), while the smaller portion of the total – \$2.8 billion or 35 per cent – would be carried by the issuers.</p>
Dodd Frank Section 1502	<p>Bayer, C. (2015), <i>Dodd-Frank Section 1502 – RY2014 Filing Evaluation</i>, available at <a href="http://www.assentcompliance.com/conflict-mineral-benchmarking-study/">http://www.assentcompliance.com/conflict-mineral-benchmarking-study/</a>, accessed 23/03/2016.</p>	Compliance with reporting requirements	<p>1267 Conflict Minerals Disclosures, for reporting year 2014.</p> <p>Developed ranking system along key criteria for compliance as set out by the SEC.</p> <p>Analysed compliance with companies who needed to file only a statement that they do not have conflict minerals in their supply chains (Form SD) and companies required to file a full Conflict Minerals Report (CMR).</p>	Firm	<p>Higher degree of compliance among companies who only needed to file a statement. 97 per cent were at or above the 75 per cent compliance mark.</p> <p>For detailed reports: 76 per cent of Conflict Mineral Report filers were at or above the 75 per cent compliance mark.</p>

<p>California Transparency in Supply Chains Act and Dodd Frank Section 1502</p>	<p>American Bar Association, McCain Institute for International Leadership and Arizona State University School of Politics and Global Studies Arizona State University (2014) <i>How do Fortune 100 corporations address potential links to human rights violations in a globally integrated economy? ABA/ASU study on publicly available policies on forced labor, human trafficking, and the trade in conflict minerals,</i> available at <a href="http://www.americanbar.org/content/dam/aba/administrative/human_rights/fortune_100_report_on_trafficking_and_the_checkdam.pdf">http://www.americanbar.org/content/dam/aba/administrative/human_rights/fortune_100_report_on_trafficking_and_the_checkdam.pdf</a>, accessed 23/03/2016.</p>	<p>Publicly available company policies.</p>	<p>Analysis of Fortune 100 companies' publicly available policies on: forced labour; human trafficking; the trade in conflict minerals</p> <p>1) identified if the company has policies on these issues</p> <p>2) reviewed policies against a number of questions:</p> <p>Does the policy specifically reference domestic and/or international law and, if so, how?</p> <p>Does the policy include specific commitments to training and capacity building for company staff and/or supply chain partners?</p> <p>Does the policy include systems for reporting violations and, if so, what systems are used?</p> <p>Does the policy provide mechanisms of punishment and/or remediation and, if so, for which individuals and groups?</p>	<p>Firm</p>	<p>More than half of all Fortune 100 companies (54 per cent) have publicly available policies addressing human trafficking and that nearly two-thirds (66 per cent) have publicly available policies on forced labour.</p>
<p>Dodd Frank Section 1502</p>	<p>Cuvelier, J., Van Bockstael, S. Vlassenroot, K., Iguma, C. (2014) <i>Analyzing the Impact of the Dodd-Frank Act on Congolese Livelihoods, Conflict Prevention and Peace Forum</i>, available at <a href="http://www.ssrc.org/publications/view/analyzing-the-impact-of-the-dodd-frank-act-on-congolese-livelihoods/">http://www.ssrc.org/publications/view/analyzing-the-impact-of-the-dodd-frank-act-on-congolese-livelihoods/</a>, accessed</p>	<p>Analyses impact on livelihoods.</p>	<p>Study of mining communities in eastern Congo, examines impact of minerals initiatives on the ground.</p> <p>Literature review, interviews with industry and civil society stakeholders, public and non-public meetings, field research.</p>	<p>Workers, wider social impacts.</p>	<p>The paper presents mixed findings:</p> <p>1) Strong indications that the Dodd-Frank act has reinforced a number of dynamics within Congo's mining sector. One direct consequence of the Act was the announcement of the Kabila mining embargo, which was in force between 9 September 2010 and 10 March 2011, and which has</p>



	23/03/2016.				<p>had a paralyzing effect on the regional economy and a dramatic impact on living conditions, not only in eastern Congo's mining sites but also in urban centres.</p> <p>2) Dodd Frank has been a wake-up call. Participants in eastern DRC's mining industry acknowledge that the law has increased their awareness of the urgent need to address a number of negative aspects of the mining industry such as militarization, corruption and exploitation of women and children.</p> <p>3) Dodd-Frank has sped up the process of mining reform and has stimulated a stronger Congolese involvement in due diligence initiatives.</p> <p>4) It has changed attitudes and assumptions of electronics manufacturing companies and through them the mining companies themselves.</p>
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Dodd Frank Section 1502	Amnesty International and Global Witness (2015) <i>Digging for Transparency: How US companies are only scratching the surface of conflict minerals reporting</i> , available at <a href="https://www.globalwitness.org/en/campaigns/conflict-minerals/digging-transparency/">https://www.globalwitness.org/en/campaigns/conflict-minerals/digging-transparency/</a> , accessed 23/03/2016.	Compliance with reporting requirements.	<p>Analysis of first Conflict Minerals reports, filed to the SEC in 2014.</p> <p>Assessed against minimum requirements of the law.</p> <p>Initial list of 50 companies:</p> <p>Total sample of 100 companies.</p> <p>Sample of top five companies by market capitalization across the ten most relevant industry sectors. Supplanted by random fifty companies.</p> <p>The sample includes small, medium and large companies from a variety of industry sectors and geographical locations.</p>	Firm	<p>99 per cent of companies had made the conflict minerals report available on their website.</p> <p>Almost 80 per cent of companies who filed these inaugural reports failed to do the minimum required by the law.</p> <p>Around 85 per cent of companies had not contacted the smelters or refiners that processed their minerals</p> <p>16 per cent of companies said they knew which country their minerals came from.</p>
Dodd Frank Section 1502	Bafilemba, F. Mueller, T. Lezhnev, S. (2014) <i>The Impact of Dodd-Frank and Conflict Minerals Reforms on Eastern Congo's Conflict</i> , Enough, available at <a href="http://enoughproject.org/reports/impact-dodd-frank-and-conflict-minerals-reforms-eastern-congo's-war">http://enoughproject.org/reports/impact-dodd-frank-and-conflict-minerals-reforms-eastern-congo's-war</a> , accessed 23/03/2016.	Analysis of effectiveness on the ground.	Five months of field research in eastern Congo, interviews with 220 people in 14 mines and towns, in addition to 32 interviews in the U.S. and Europe.	Workers, wider socio-economic and political impacts.	<p>Mainly positive findings:</p> <p>Reduced presence of armed groups and Congolese army in mines in eastern Congo.</p> <p>Dodd Frank and electronics industry audits have created a two-tier market for minerals.</p> <p>Conflict gold still needs regulation due to smuggling rates.</p> <p>Electronics companies are expanding minerals sourcing from Congo, improving conditions for miners and communities near the mines.</p>

					<p>Evidence to suggest that former 3T miners have found new work.</p> <p>New validation process to evaluate mines as conflict free, 112 out of 155 mines surveyed passed.</p>
Dodd Frank Section 1502	Factor, A. (2014) 'Dodd Frank's Specialized Disclosure Provisions 1502 and 1504: Small business, big impact', <i>The Ohio State Entrepreneurial Business Law Journal</i> , 9(1): 89-117.	Examines effect of Dodd Frank provisions on business, especially small business.	Literature review, overview of litigation process.	Firm	Positive impact on small businesses are outweighed by severe monetary costs.
Dodd Frank Section 1502	United States Government Accountability Office (2013) <i>SEC Conflict Minerals Rule Information on Responsible Sourcing and Companies Affected</i> , available at <a href="http://www.gao.gov/products/GAO-13-689">http://www.gao.gov/products/GAO-13-689</a> , accessed 23/03/2016.	Assessing progress on implementation, prior to first reports.	Document analysis, interviews with representatives from SEC, the Department of State, the U.S. Agency for International Development, industry associations, NGOs, consulting firms, and international organizations. Analyzed smelter and refiner information.	Firm, stakeholders.	<p>Positive impacts: Dodd Frank 1502 1) increased company awareness of conflict minerals 2) stakeholder initiatives have contributed to awareness 3) in region initiatives to trace minerals.</p> <p>Obstacles to effective implementation: 1) lack of security; 2) lack of infrastructure; 3) lack of capacity.</p> <p>Gaps in information on sexual violence.</p>

<p><b>Dodd Frank Section 1502</b></p>	<p>Safarty, G.A. (2015) 'Shining Light on Global Supply Chains', <i>Harvard International Law Journal</i>, 56(2): 419 – 463.</p>	<p>Compliance with disclosure regulations.</p>	<p>Reviews corporate disclosures on their due diligence measures, from first Conflict Minerals Report submitted to the SEC in June 2014. Covers 967 reports.</p> <p>Assesses compliance against OECD's framework for risk-based due diligence.</p> <p>Supplemented with ethnographic interviews with 25 people within consultancies, industry groups, non-governmental organizations, and law firms.</p> <p>Participant observation within a consulting firm based in London that conducts conflict minerals due diligence and auditing and at international conferences on responsible supply chain management .</p>	<p>Firm</p>	<p>Due diligence gap among firms, with only about 7 per cent of companies reporting strong due diligence measures in their 2014 Conflict Minerals Report.</p> <p>Challenges to implementation: (1) international norms on supply chain due diligence are in their infancy; (2) there is a proliferation of certification standards and in-region sourcing initiatives that are still evolving and sometimes competing; and (3) inadequate local security and weak governance are inhibiting the mapping of the mineral trade and the tracing of minerals in the region.</p>
<p><b>Dodd Frank Section 1502</b></p>	<p>Seay, L. (2012) <i>What's Wrong with Dodd- Frank 1502? Conflict Minerals, Civilian Livelihoods, and the Unintended Consequences of Western Advocacy</i>, Centre for Global Development, Working Paper 284.</p>	<p>Analyses potential impacts of Dodd Frank on the conflict in DRC (pre-implementation)</p>	<p>Review of literature, legislative design and process.</p>	<p>Impacts on the ground</p>	<p>Efforts to create a mineral supply chain tracing scheme have thus far failed to improve the D.R. Congo's security situation, because they are based on a flawed analysis.</p> <p>High cost of implementation, underestimated by the SEC.</p> <p>De facto mining ban in 2010, with detrimental effects for local economies.</p>
<p><b>Dodd Frank Section 1502</b></p>	<p>United States Government Accountability Office (2015) <i>SEC conflict minerals rule: Initial disclosures indicate most companies were unable to determine the source of their</i></p>	<p>Compliance with reporting requirements.</p>	<p>Analysis of first company disclosures in 2014.</p> <p>Random sample of 147 filings from total of 1324 filings.</p>	<p>Firm</p>	<p>Most companies were unable to determine the source of their conflict minerals.</p> <p>99 per cent of companies reported performing country-of-origin inquiries for conflict</p>

	<p><i>conflict minerals</i>, available at <a href="http://www.gao.gov/assets/680/672051.pdf">http://www.gao.gov/assets/680/672051.pdf</a>, accessed 23/03/2016.</p>				<p>minerals used.</p> <p>94 per cent reported exercising due diligence on the source and chain of custody of conflict minerals used.</p> <p>67 per cent were unable to determine whether those minerals came from the DRC or adjoining countries (Covered Countries), and none could determine whether the minerals financed or benefited armed groups in those countries.</p> <p>Among companies that disclosed that they had minerals from the covered countries in their supply chains, 4 per cent indicated that they are or will be taking action to address the risks associated with the use and source of conflict minerals.</p>
<p><b>India 2013 Companies Act</b></p>	<p>Afsharipour Afra and Rana, Shruti (2014) <i>Corporate Social Responsibility in India</i>, UC Davis Legal Studies Research Paper Series, Research Paper No. 399.</p>	<p>Overview of requirements in the 2013 amendment, comparative data on what non-financial information companies disclose on.</p>	<p>Overview of data published by the Conference Board on Sustainability Practices in Emerging Markets.</p>	<p>Firm</p>	<p>Human rights policies is the area that companies are the least likely to report on (11 per cent). In contrast, 23 per cent of companies disclosed on health and safety policy, making this the most common issue to report on.</p>
<p><b>European Union Directive 2014/95</b></p>	<p>No major evaluations of effectiveness of implementation.</p>				

<p><b>Disclosure legislation generally</b></p>	<p>KPMG International (2013) <i>KPMG Survey of Corporate Responsibility Reporting 2013</i>, available at <a href="https://www.kpmg.com/Globale/en/IssuesAndInsights/ArticlesPublications/corporate-responsibility/Documents/corporate-responsibility-reporting-survey-2013-exec-summary.pdf">https://www.kpmg.com/Globale/en/IssuesAndInsights/ArticlesPublications/corporate-responsibility/Documents/corporate-responsibility-reporting-survey-2013-exec-summary.pdf</a>, accessed 23/03/2016.</p>	<p>Survey of global trends in corporate responsibility reporting.</p>	<p>4,100 companies across 41 countries (100 largest companies in each country).</p> <p>Data collected on:</p> <p>Number of companies CR information in stand-alone reports and annual reports by country and sector standards.</p> <p>Format and integration of CR reporting</p> <p>Use of reporting guidelines and standards.</p> <p>Rate and type of verification of CR information, assurance provider and data restatements.</p>	<p>Some sectors with complex supply chains have low levels of reporting on supply chain issues.</p> <p>G250 companies in Europe are the most likely to discuss in detail the environmental and social impacts of their products and services. Almost three quarters of European companies that report on CR (73 per cent) do so, with a further 23 per cent providing limited information.</p> <p>In the Americas, half (49 per cent) of reporting companies provide detailed information on downstream impacts. The figure drops to less than one third (32 per cent) in Asia Pacific.</p> <p>The leading sectors for detailed reporting on the impacts of products and services are: telecommunications &amp; media (94 per cent), electronics &amp; computers (82 per cent) and pharmaceuticals (75 per cent). Companies in the oil &amp; gas sector (18 per cent) and metals, engineering &amp; manufacturing (9 per cent) are least likely to do so.</p>
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