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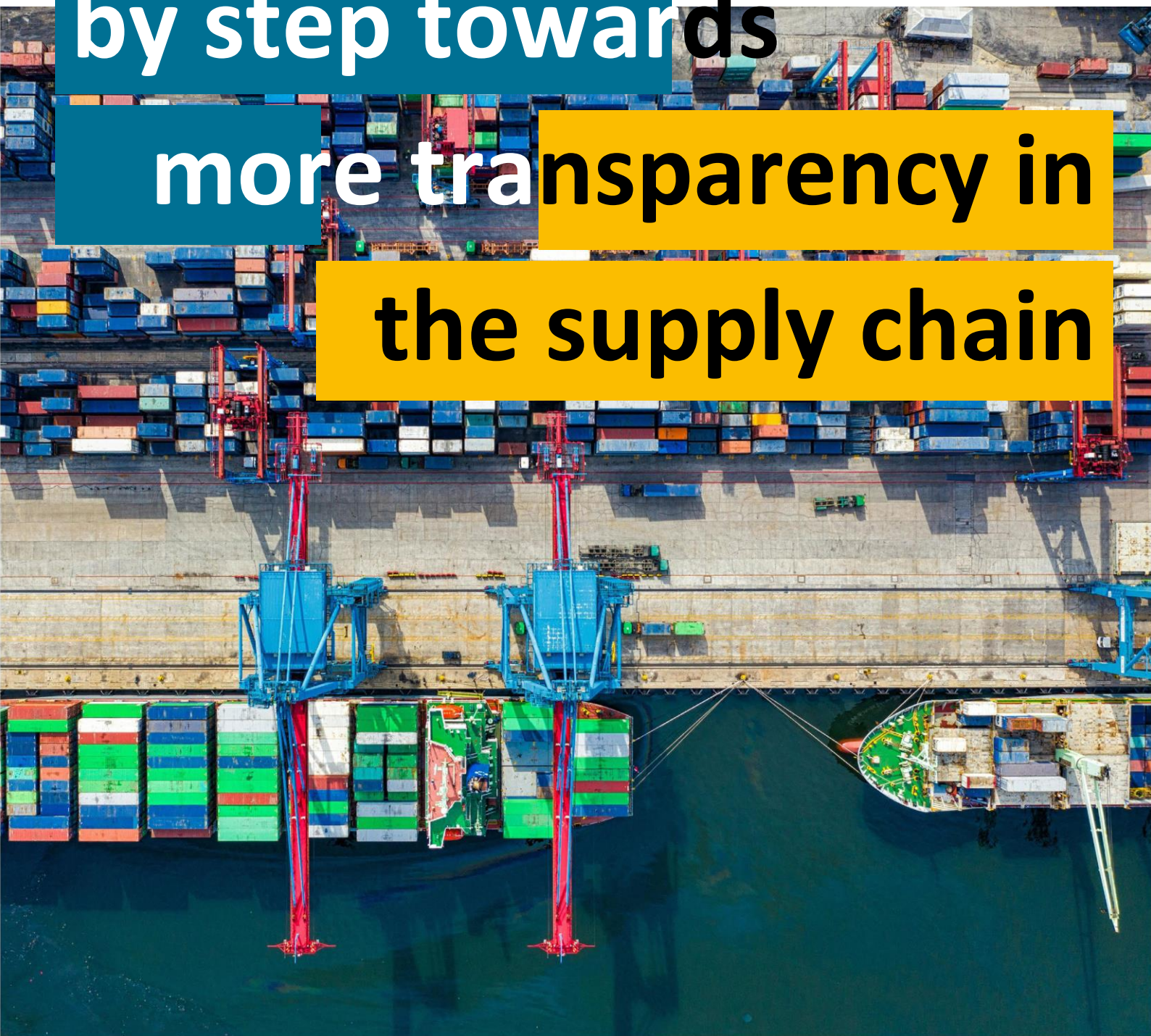
UNABHÄNGIG ZERTIFIZIERT.

Step by step towards more transparency in the supply chain



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1. Introduction

How do companies obtain good information about their supply chain, and why is it important to publish it?

As part of the implementation of due diligence obligations and continuous improvement, companies are expected to continually create greater transparency in their supply chain step by step, going well beyond Tier 1. This document provides guidance on how to fulfil the more stringent requirements for supply chain transparency.

Creating transparency in your supply chain means understanding how your supply chain is structured, who the key stakeholders are and how to handle communications on this. The process spans the entire supply chain and goes beyond direct contractual relationships. Transparency makes an important contribution to implementing corporate due diligence obligations. The more you and your stakeholders know about where, how and by whom your products are manufactured, the better you are able to adopt concrete measures to prevent social, environmental and corruption risks in your supply chain, reduce negative impacts and, if necessary, take remedial action.

The guideline provides you with starting points for mapping your supply chain and the stakeholders involved, including those who are not direct business partners. It presents approaches that can be used to trace individual products or product components and provides guidance on how to enter into dialogue with suppliers, create greater transparency for external stakeholders and publish supply chain data.

THREE ASPECTS OF SUPPLY CHAIN VISIBILITY[1]

In this guideline, 'supply chain visibility' is used as an umbrella term for the following three aspects:

Supply chain mapping: Collecting data on the key process steps, stakeholders (direct and indirect suppliers) and locations (countries, regions) along the supply chain. The aim of supply chain mapping is to create a full picture of the supply chain; companies may largely rely on data from suppliers and on research-based assumptions.

Traceability: The opportunity to trace the provenance, use or location of individual products in detail. Traceability may relate to the origin of materials and parts, the production process or the distribution and location of the product after delivery (ISO 9000:2015). Traceability describes the process of tracking the origin of a product, the journey it makes and its inputs right along the supply chain.

Transparency: The disclosure of supply chain data to external stakeholders such as customers or civil society, for example via the company website or publicly accessible platforms such as the Open Supply Hub. The strategy for disclosing supply chain information defines what data are disclosed to whom, how often, when and where.

When these three aspects are implemented, supply chain visibility gives companies the opportunity to raise and verify sustainability claims in the supply chain in a credible way.

1. See also Supply Chain Visibility: Traceability, Transparency, and Mapping Explained | Blog | Sustainable Business Network and Consultancy | BSR

Core statements in the guideline:

Creating transparency in the supply chain is not an end in itself, but a key part of a company's due diligence approach. Information about the supply chain enables companies and other stakeholders to identify risks in the supply chain and implement targeted measures to counter these risks, thus bringing about improvements for people and the environment.

Higher-level mapping of the supply chain enables your company to gather valuable information about the stakeholders, locations and activities along the supply chain. In those parts of the supply chain where increased risks are expected, mapping can be carried out in greater depth in line with the risk – for example, using traceable products or (targeted) digital data tools.

Promoting supply chain transparency requires good cooperation with suppliers. As part of the due diligence processes, your company should conduct regular dialogues with suppliers on a range of sustainability issues, and in so doing build a relationship of trust with them. On this basis, it becomes easier to agree cooperation on different aspects of the due diligence processes, including the sharing of supply chain information.

The disclosure of supply chain data to external stakeholders contributes not only to regulatory compliance, but also to a company's competitiveness. It promotes the credibility of your sustainability communication and offers an opportunity to leverage synergies in the sector. Supply chain data can either be disclosed individually, allowing for direct conclusions to be drawn about your company, or aggregated in partnerships/organisations/initiatives, making it impossible to draw direct conclusions about your company.

2. The role of supply chain transparency in the implementation of due diligence obligations

Why is supply chain transparency important for companies?

The implementation of due diligence requires companies to know their supply chain as precisely as possible and disclose relevant information. Policy-makers also increasingly demand supply chain transparency from companies: more and more governments are introducing laws that require companies to look closely at their own supply chain and introduce measures to address the social, environmental and corruption risks in their supply chain. Although publishing supply chain data has so far been largely voluntary, legal requirements are being prepared in the EU that will oblige companies to ensure the traceability of products and publish certain supply chain information.[2] In this way, creating transparency in the supply chain is increasingly contributing to regulatory compliance.

INFO: DIGITAL PRODUCT PASSPORT IN THE EU

As part of the EU Ecodesign for Sustainable Products Regulation[3], which came into force in 2024, the EU is planning the introduction of a digital product passport (DPP): a digital identity card for products that are placed on the market in the EU. This will oblige manufacturers to record relevant product information (e.g. concerning the origin of materials used and the environmental impact along the value chain) via a digital portal and make this available to consumers and other stakeholders via a QR code.

Regulatory requirements notwithstanding, creating supply chain transparency offers companies various benefits. **Mapping** the supply chain is key to identifying and prioritising risks: companies that do not know which stakeholders are involved in the manufacturing of their products, and where these products are made, have less insight into the working conditions under which the products are manufactured and potential harmful impacts on the environment. **Traceable products** make it easier for companies to identify and address risks, as it is easier to trace the route taken by these products or their components and what happens to them.

Transparency of supply chain data also has various benefits for companies. It promotes a positive image among consumers, since publication of supply chain information creates trust among external stakeholders with regard to quality, origin and production conditions. In addition, disclosing supply chain information supports the identification of synergies in the industry and facilitates the implementation of joint projects with companies along the supply chain. It is also easier for external stakeholders such as civil society to make companies aware of any violations of their own sustainability requirements should they occur in production facilities. This enables a faster and more appropriate response.

2. Cf. the EU Deforestation Regulation (2024), the EU Regulation on Prohibiting Products Made with Forced Labour (2024), the EU Corporate Sustainability Due Diligence Directive (CSDDD, 2024), the sustainability reporting obligation under the EU Corporate Sustainability Reporting Directive (CSRD, 2023) or the German Supply Chain Duty of Care Act (LKSG, 2021).

3. EU Regulation 2024/1781 on ecodesign requirements for sustainable products

Despite the many benefits for the company, creating transparency in the supply chain also comes with **challenges** and costs. It is therefore advisable for companies to first explore the motivation for these endeavours. Although the main purpose of supply chain transparency is to identify and effectively manage social and environmental risks along the supply chain, it is useful to develop a common understanding of how transparency can contribute to the overall vision and goals of the company. It can also be helpful for companies to set measurable objectives and commitments for the next three to five years.

What role does supply chain transparency play in the risk-based due diligence approach?

The OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights require companies to identify risks along the entire value chain as part of their due diligence processes and to implement measures to counter these risks.

Figure 1 Overview of the due diligence process

The three aspects of supply chain visibility are relevant throughout the entire due diligence process:

- In its **policy statement**, a company explicitly commits to implementing due diligence obligations along the entire value chain – which includes creating transparency in the supply chain.
- The **risk analysis** is based on higher-level mapping of the entire value chain. Based on the information available on the activities, stakeholders and locations along the value chain, the company identifies and prioritises the most serious risks. The areas of the value chain in which negative impacts are most likely or most serious should be looked at in greater detail in an in-depth risk analysis.
- Where risks are identified, appropriate **measures** must be **mainstreamed** and **integrated** in the company's activities. These could include the increased use of traceable products, the collection of additional information on prioritised supply chains (mapping of the deeper supply chain) or the implementation of projects in multi-stakeholder partnerships to address risks over which a company alone has little influence.
- As part of the monitoring process, the company verifies the quality of supply chain data collected through supply chain mapping and dialogue with suppliers.
- The disclosure of supply chain information enables stakeholders along the supply chain to identify companies that are potentially linked to negative impacts. In this way, disclosure helps those affected to obtain access to **complaints mechanisms** and **redress**.
- The disclosure of supply chain information is also part of **reporting and communication**. It enables external stakeholders to gain an impression of the implementation of the company's due diligence processes and to assess whether risks have been appropriately identified and addressed.

Means to an end: transparency as a basis for risk-based measures

Creating transparency in the supply chain is not an end in itself but serves to provide a better information basis for implementing risk-based measures as part of the due diligence process. Based on the information gathered through supply chain mapping, traceable products and dialogue with suppliers and then disclosed to external stakeholders, the company can implement targeted and effective measures to counter the identified risks. The aim of the measures is to achieve improvements for the people impacted and the environment – and supply chain visibility makes an important contribution to this objective.

Of course, companies may make less precise statements about risks and measures for those parts of the value chain that are not (yet) known to them. In the interests of continuous improvement, companies are therefore expected to successively collect and disclose more information about the deeper supply chain when exercising risk-based due diligence. **Improving the mapping and traceability of the deeper supply chain** are therefore two of several measures to better understand and address identified risks in the supply chain.

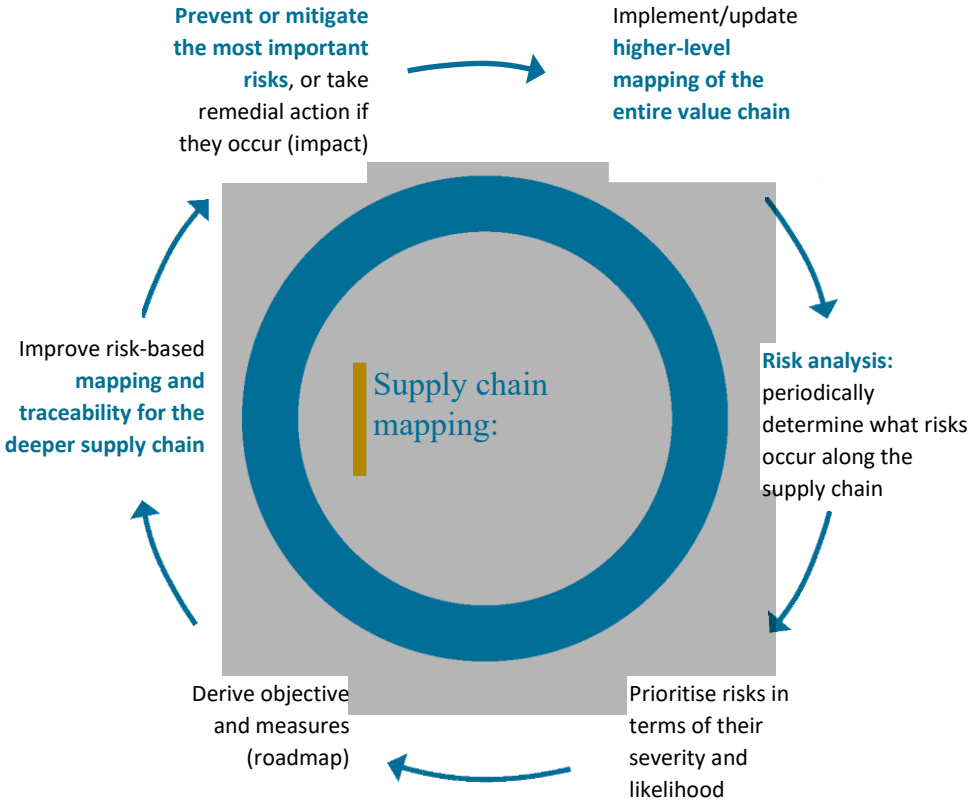


Figure 2
Mapping the supply chain and traceability in conjunction with risk analysis and measures

EXAMPLE: Forced labour in cotton mills

The media and reports by non-governmental organisations (NGOs) in a country repeatedly draw attention to cases of forced labour in cotton mills. As a brand and member of the Textiles Partnership, you assume that your products also use cotton from the country in question. You do not yet have any knowledge and information about risks in the cotton mills in your supply chain, as you do not deal with these business partners directly. Based on the information about increased risks, you decide to investigate the reports and introduce measures to combat forced labour. To do this, you take the following steps:

» An initial measure to improve mapping of the deeper supply chain may comprise entering into dialogue with garment manufacturers to develop an overview of the cotton spinning mills from which you source yarns.

» In addition, you should find out about the possibility of certification, which would guarantee the traceability of products across all stages of processing and provide you with more information about the spinning mills involved.

» While collecting this information, you can also take measures to prevent forced labour at country and sector level, e.g. by participating in a national sector initiative to raise awareness among cotton mills about the prohibition of forced labour.

Implementing measures despite limited data about the deeper supply chain

Supply chain mapping, especially beyond Tier 1, is a time-consuming and resource-intensive challenge for many companies – and the same applies to establishing traceability.

In certain cases and despite a company's best efforts, it may not be possible in the short to medium term to identify specific stakeholders, localities and activities along the supply chain. However, a lack of supply chain information should not prevent you from implementing measures to prevent and mitigate risks. If, based on the higher-level supply chain mapping and research-based assumptions, the (probable) country of production is known but not the specific stakeholders in the supply chain, your company can consider the following actions:

1. Make existing supply chain information publicly available (e.g. via the Open Supply Hub) and enter into dialogue with other stakeholders from the sector with a view to **jointly improving mapping of the deeper supply chain**.

2. Participate in **multi-stakeholder initiatives at country/sector level** that are dedicated to the prevention and mitigation of known risks, such as the ACT Initiative or the ILO Better Work country programmes.

3. Initiate a **dialogue with relevant national stakeholders** with a view to developing joint measures/initiatives, e.g. national trade union confederations or relevant authorities. In some countries where a company is headquartered, the embassies have a mandate to support such efforts.

4. Implement **projects with direct suppliers and local or international development partners** that address identified risks in the deeper supply chain at local sector level. See, for example, the Seidensticker project in Indonesia, which cooperates with the direct supplier and Centre for Child Rights and Business to prevent child labour in the deeper supply chain.

USEFUL LINKS:

Country risk analyses

CSR Risk Check (MVO Nederland)

A helpful, easy-to-use tool for quickly identifying industry and country risks. Also provides possible risk management measures.

Country Risk Classification (amfori/BSCI)[4]

Country risks are based on indicators such as freedom of the press and freedom of association, political stability, government effectiveness and rule of law.

Transformation Index (Bertelsmann Foundation)

The Bertelsmann Foundation's Transformation Index analyses and evaluates the quality of democracy, market economy and political management in 129 developing and transition countries.

Corruption Perceptions Index (Transparency International)

The Corruption Perceptions Index ranks 180 countries and areas according to their public sector corruption rate as perceived by experts and business people.

Human Development Index (UNDP)

The Human Development Index (HDI) is a yardstick for a country's development level. It comprises three components: life expectancy, education and GNI per capita.

Global Rights Index (ITUC)

The Global Rights Index uses various indicators to determine the extent to which labour rights are enshrined in legislation and practice in a country.

Global Slavery Index (Walk Free)

The Global Slavery Index (GSI) of the human rights organisation Walk Free assesses the risk of modern slavery in 160 countries.

Risk database (BAFA)

List of indices, sources and contextual information on human rights and environmental risks for specific sectors, countries and raw materials.

4. The BSCI Country Risk Classification List is only accessible to members.

3. Procuring supply chain information through mapping and traceability

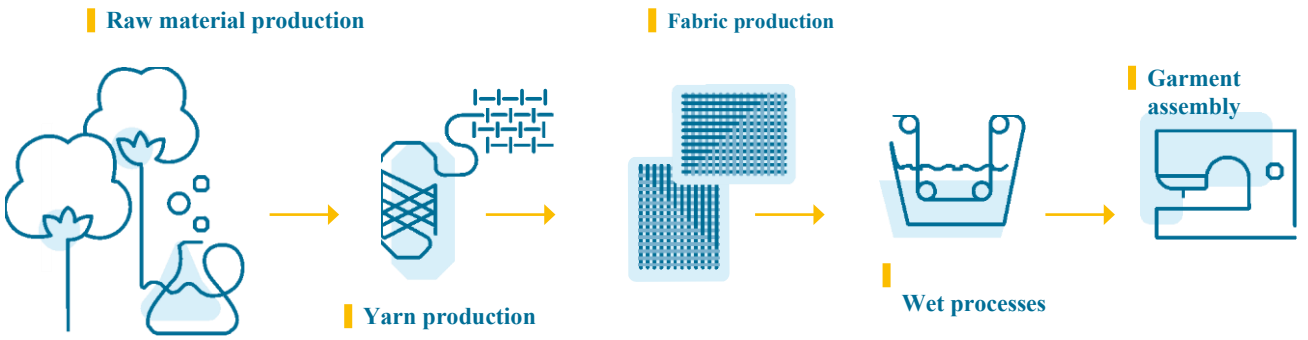
For a company to be able to publish information about its supply chain, the first step is to guarantee internal data collection. Supply chain mapping and product traceability enable the company to gain in-depth knowledge of its supply chain, which forms the basis for transparency.

Getting started with supply chain mapping and traceability is often where difficulties arise. If you work with a large number of suppliers in different countries, identifying the starting point can be overwhelming. You should therefore first find out what supply chain data is already available within the company. It may be useful to engage with other departments to achieve this. Since the initial contact with suppliers is usually made through the purchasing department, cooperation with this department is crucial.

Process steps in textile and garment production

Serious risks may of course also arise in the supply chains of non-textile product components. The international requirements of the OECD Guidelines and UN Guiding Principles demand that you consider your **entire procurement and value chain** in the risk assessment – including your **own business activities** and **downstream supply chain**. In the interests of meeting due diligence obligations in full, we recommend that you also consider non-textile product components and the downstream value chain in your efforts to achieve supply chain transparency.

Figure 3
In very simplified terms, the upstream value chain of textile and clothing production involves the following process steps:



Step 1: Carry out higher-level mapping of the supply chain

To gain greater knowledge of your supply chain step by step, you must identify the process steps involved, the key stakeholders (direct and indirect suppliers) and locations (countries, regions), and collect information on these stakeholders as well as their relationships with each other. The objective of this higher-level supply chain mapping is to **map your entire upstream supply chain, including the associated process steps and stakeholders involved**. The key questions are: what process steps are carried out in your supply chain, where and by whom? Which groups of people may potentially be affected by negative impacts and what are the typical characteristics of these groups? The following grid can be used:

SUPPLY CHAIN TIER	AGRICULTURE AND CULTIVATION	FIBRE PROCESSING	WET PROCESSES	FINISHING AND GARMENT ASSEMBLY
Process steps	Cotton traders/fibre traders, cooperatives/farmers' societies, farmers/farms, forestry	Yarn production (incl. synthetic fibres), spinning mills, ginning operations/cotton ginning companies, wool scouring/wool-carding shop	Wet processes (finishing)	Garment assembly (business partners or manufacturers)
Stakeholders	Companies/ cooperatives in the supply chain, trade unions, local civil society, authorities	Companies/ cooperatives in the supply chain, trade unions, local civil society, authorities	Companies/ cooperatives in the supply chain, trade unions, local civil society, authorities	Companies/ cooperatives in the supply chain, trade unions, local civil society, authorities
Key localities (countries, regions)	Mapping based e.g. on information from suppliers and research-based assumptions	Mapping based e.g. on information from suppliers and research-based assumptions	Mapping based e.g. on information from suppliers and research-based assumptions	Mapping based e.g. on internal information from purchasing
Potentially impacted groups/ characteristics	Small farmers, local residents, illiteracy, low digitalisation	Informal work at home in the family, low education, low digitalisation	Workers, residents, neighbours	Workers, residents, neighbours

Supply chain mapping is a continuous, never-ending process, since supply chains and business relationships are constantly in flux. It is therefore important to proceed step by step to continuously improve and periodically update your knowledge of your supply chain. Ideally, this process should be embedded into business and production activities and into companies' and suppliers' due diligence implementation processes.

Making research-based assumptions

Where there are gaps in information about the activities, stakeholders and localities involved, particularly in the deeper supply chain, research-based assumptions can be made for higher-level mapping. This means using information sources available online, such as national economic data (about the importation of relevant raw materials by country of origin), sector reports, newspaper articles, publications by international organisations or NGOs, as the basis for formulating well-founded assumptions as to which stakeholders at which locations are involved in the supply chain with a certain degree of probability.

EXAMPLE

We know that the garment assembly and wet processes for our cotton product take place in Bangladesh. Beyond this, we currently have no further information, particularly on the country of origin of the raw materials. Our research on cotton imports into Bangladesh shows that Bangladesh has only minimal national cotton production and that around 50% of the cotton imported into the country comes from Africa (39% from West Africa).[5]

This gives us a research-based assumption about the origin of the cotton processed in Bangladesh. Until we have more specific information about the deeper supply chain, we continue to work on the assumption that most of the cotton we process in Bangladesh comes from West Africa.

Step 2: Broaden risk-based data collection

To gather additional information about the specific activities, stakeholders and localities in your supply chain, it is advisable to take a **risk-based approach**. In the risk-based approach, you prioritise those (sub-)suppliers where you suspect a **high risk potential** based on the risk analysis. This may apply, for example, to suppliers in a country where there is a lack of (full) compliance with minimum social and environmental standards (see useful links to country risk analyses) or to suppliers that are involved in a production process with increased social and/or environmental risks (e.g. the finishing of jeans by sandblasting). As part of the due diligence process, it is permitted to prioritise the focus of measures on those areas of the supply chain with the highest risks, while deprioritising other areas to be dealt with at a later stage.[6]

Within the risk-based approach, it may be useful to focus first on those production facilities of prioritised suppliers with whom you have a direct business relationship and with whom you have a good bond of trust. You can also start with suppliers or production sites that have already shown willingness to share information. If you have a lot of direct suppliers, and when mapping the deeper tiers of the supply chain in particular, application of the **Pareto Principle** can be beneficial.

It can also be helpful to cooperate with other (internal and external) stakeholders. Working with other buyers, local partners (such as trade unions and associations), or (local) NGOs that interact with different supply chain tiers can help with information gathering and in compiling lists of contacts. It is therefore a good idea to start by creating an overview of stakeholders. Generally speaking, good planning and preparation will make the rest of the process easier.

5. See for example www.tendata.com/blogs/trend/5566.html

6. For more information on the risk-based approach to due diligence, see also BAFA (2025, FAQs on the risk-based approach)

INFO: THE PARETO PRINCIPLE

The Pareto Principle (also known as the 80/20 rule) can provide helpful information for prioritising suppliers. Based on this principle, 20 per cent of suppliers account for 80 per cent of the volume of goods. So if 80 per cent of a company's products or components come from 20 per cent of its suppliers, you start with these 20 per cent, which in turn can result in an 80 per cent mapping of a supply chain or targeted supply chain tiers.

There are various approaches you can take to deepen data collection at the points in the supply chain where you have identified higher risks. For example, you can use data tools to deepen the mapping of prioritised sub-supply chains, focus more on traceability for high-risk products or product components or obtain additional information on standards, audits and certifications.

Using data tools to deepen supply chain mapping

There are a variety of digital data tools that can support companies in managing the upstream supply chain. Certain tools focus on **supply chain mapping** and allow companies to invite their direct suppliers to register and in turn register their suppliers – and so on. Many of these tools offer **additional functions in the area of sustainability**. They enable the collection of sustainability data and other supplier information or even generate an automatic 'sustainability risk rating' for each supplier (e.g. based on self-assessment).

For companies, such data tools can simplify the collection and processing of supplier data. However, they carry the risk that large amounts of data are collected in an ill-considered manner and without a specific strategy for their analysis and use. If too much focus is placed on collecting supplier data, this can tie up valuable resources that are then not available to implement impact-oriented risk prevention and mitigation measures. This is why it is important for companies to be aware both of the opportunities and limitations of using these tools.

OPPORTUNITIES	RISKS AND LIMITATIONS
» Contribution to supply chain mapping » Efficient management of supplier data	» Creation of 'data graveyards' » Administrative burden on suppliers (e.g. lack of interoperability of IT solutions or different data queries for each customer) » Costs for the supplier » Only accessible to suppliers who are digitally connected

In order to ensure the targeted use of data tools as part of supply chain mapping, you should first consider the following key questions within your company:

1. What is our strategic objective in using the data tool?
2. Which prioritised suppliers or (sub-)supply chains should be covered by the data tool, and which are currently deprioritised in line with the risk-based approach?
3. Who bears the administrative costs incurred by suppliers as a result of the data request?
4. What capacity do we have to use and analyse the collected data/information to implement measures to prevent and mitigate risks in the supply chain?
5. What important information, (sub-)supply chains or stakeholders (e.g. in the informal sector or without digital connectivity) cannot be recorded by the data tool?

BACKGROUND: CHALLENGES WHEN USING SUSTAINABILITY INFORMATION FROM SUPPLIER DATA TOOLS

If your company uses a data tool that collects data from suppliers for the purposes of both supply chain mapping and sustainability management, the following challenges should be taken into account:

» **Disincentives:** Certain data tools are marketed as 'compliance tools' for fulfilling legal due diligence obligations. This can result in disincentives for companies. Enterprises may be tempted to use IT tools as a way of passing on their responsibility for due diligence processes to suppliers without looking at them in depth or embedding due diligence processes in their own management systems.

» **Transparency:** IT data tools often lack sufficient transparency with regard to the data sources and methodology used for (risk) analyses, making these incomprehensible to users. This also applies to the use of artificial intelligence to prepare sustainability information.

» **Data availability and data quality:** If IT tools lack data on the deeper supply chain or on activities that take place in the informal sector, the tools are unable to take this into account. This has a negative impact on data quality, since risk analyses based on incomplete data, for example, necessarily contain errors. The quality of sustainability information may also suffer from the fact that certain suppliers have only limited know-how in the area of sustainability and so share incorrect or incomplete data as a result of their lack of expertise. In addition, most IT tools lack the more meaningful data that come directly from rights holders (or reliable secondary sources).

» **Conflicts of interest:** Digital sustainability assessments of suppliers present an inherent conflict of interest, particularly when they are based on self-assessments. Suppliers risk losing the business relationship (cut and run) if they disclose risks to customers or perform poorly in the assessment. Suppliers therefore have an incentive to conceal information about risks or impacts on human rights and the environment.

» **Results orientation:** Data tools can tempt suppliers to shift sustainability management into the digital realm to a large (or excessive) extent and invest less time in personal dialogue with suppliers. When using such tools, it is important to remember that data collection is only a means to an end and that the information should be used as a basis for impact-oriented measures that benefit people and the environment.

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Improving traceability for high-risk products

As part of their efforts to collect supply chain data and trace product pathways, many companies are increasingly turning to traceable products or product components. There are various approaches as to how traceability can be implemented in practice. These measures include:

THE APPROACH	HOW IT WORKS	EXAMPLE: ORGANIC COTTON
Product segregation	Physical separation of traceable (e.g. certified) products from all other products along the entire supply chain.	Certified organic cotton is delivered to the intermediary in a separate container, physically separated from the conventional cotton.
Mass balance	Mix of traceable (e.g. certified) and non-certified materials, whereby the proportion (volume) of materials deemed to be certified is controlled along the supply chain and remains constant (quantity compensation).	A cotton producer delivers a container with 30% certified organic cotton and 70% conventional cotton to the intermediary. When resold, 30% of the cotton from the container is labelled as organic cotton.
Book and Claim	This approach is not based on the physical traceability of products along the supply chain, but consists of maintaining the proportion of certified materials at the start and end of the supply chain. Trading in sustainability certificates ensures that the correct ratio is maintained (similar to carbon emission trading).	A company buys Book and Claim sustainability certificates for organic cotton and announces that the products support sustainable cotton procurement and production (even if the specific products may not contain organic cotton).
Digital technologies[7]	Digital tracking of products via blockchain, barcodes, DNA tracking, microbiome sequencing and the Internet of Things (IoT).	A company uses blockchain to trace the path of organic cotton from farming to ginning, storing each production step in tamper-proof form in a decentralised database. Technologies such as artificial intelligence and microbiome sequencing ensure that the data and quality of the organic cotton on the blockchain are correct.[8]

When dealing with traceable product components (such as certified organic cotton), a distinction must be made between those product elements that can be traced back to specific production steps and those that cannot. It is conceivable, for example, that the use of certified cotton means that the raw cotton fibres can be traced back to the place of cultivation, and yet there is still no transparency regarding the various production companies that have processed the cotton into a finished product. **Chain of Custody (CoC)** solutions address this challenge by documenting and – depending on the provider – monitoring every stakeholder in a product's supply chain.

7. Further information on Application of digital technologies for sustainable supply chain management | adelphi
8. See World Premiere: How blockchain is being used to trace organic cotton in the supply chain

Using information from standards, audits and certifications

The use of certain standards may assist you in procuring supply chain data. However, it does not replace the entire process and the analysis of data or risk assessment. In most cases, standards do not cover the entire supply chain or all the stakeholders involved. You cannot therefore determine what kind of information is collected. Furthermore, the data are held by the standards organisation and you usually do not have direct access to these data. You should therefore not rely solely on standards if you want to gather data on the supply chain. BAFA has published guidance on the use of standards, audits and certifications as instruments in the due diligence process,[9] which provides additional information on the use of such instruments.

USEFUL LINKS: Supply chain mapping and traceability

Supply Chain Mapping, Traceability, Transparency 1.0 (Fair Labor Association)

Clearly structured introductory guidelines on supply chain mapping. Provides a description of twelve consecutive steps as well as answers to a wide range of relevant questions.

A Guide to Traceability. A Practical Approach to Advance Sustainability in Global Supply Chains (UN Global Compact & Business for Social Responsibility, BSR)

A comprehensive, general guide to traceability: definition and models of traceability, best practices, implementation guidelines, business cases for sustainability measures, etc.

Step-by-Step Guide to Sustainable Supply Chain Management – A Practical Guide for Companies (Federal Environment Ministry)

A step-by-step guide for SMEs. Includes examples and templates as well as information on mapping supply chains (transparency), conducting risk analyses and on internal structures and processes.

Wikirate ESG Data (Wikirate)

An open, collaborative online tool that gathers information on the relationships and environmental, social and governance aspects of companies in their business networks – from factories in supply chains to ownership structures and investors.

Standards, Audits and Certifications as Instruments in the Due Diligence Process (BAFA)

BAFA guideline on the opportunities and limitations of standards, audits and certifications as instruments in the due diligence process.

9. BAFA (2024): Standards, Audits and Certifications as Instruments in the Due Diligence Process

4. Dialogue with suppliers

Dialogue as the basis for cooperation with suppliers

As part of implementing due diligence processes, it is important that your company adopts a risk-based approach to establishing a regular dialogue with its suppliers. In direct dialogue with suppliers, all topics relating to the implementation of due diligence processes and sustainability management in the broader sense – including issues relating to supply chain transparency – can be discussed on an equal footing and on the basis of increasing trust. During the COVID-19 pandemic, it became clear that companies which had established long-term and dialogue-based supplier relationships had more resilient supply chains.

A model kick-off agenda for the supplier dialogue might include the following points and create a basis for future cooperation to promote supply chain transparency:

- Introduction and welcome
- Presentation of your company's sustainability strategy and motivation/objectives for cooperation with suppliers
- Presentation of the supplier's sustainability strategy
- Discussion of current challenges: identification of hotspots in the joint supply chain, discussion of social, environmental and corruption risks (including available information on the products' actual countries of origin and producer countries)
- Discussion of current challenges: identification of shared priorities in the area of sustainability, possible risk minimisation measures/potential for cooperation and implementation of measures, including those to promote supply chain transparency
- Conclusion and next steps

Disclosure of supplier data

Disclosure of supplier data to the direct customer is not a given. Such data are classified as confidential or associated with a fear that disclosing such information will be used against the company's interests, for example by retailers and well-known brands circumventing the direct supplier and ordering directly from the indirect supplier.

The key to success is to establish a relationship of trust with your suppliers and to embed the topic of supply chain transparency in a broader dialogue on sustainability issues. If there already exists a good basis for dialogue, so much the better. It is therefore crucial to involve the suppliers in the due diligence process right from the start and to treat them as equal partners. For example, it may be helpful to have an initial meeting with suppliers to explain the objective of supply chain mapping and discuss the process.

It is also important that your request for data is not seen as an audit. Clarify the purpose of the request from the outset and plan meetings together early on. Avoid unannounced visits so that suppliers do not think they are being audited. Ideally, you should create a common understanding that supply chain mapping is a collaborative process rather than a requirement that you impose on your supplier.

The way you communicate with your suppliers is crucial for successful data requests. The following pointers will help ensure that communication is efficient:

- Be clear and open in communicating the reason for and purpose of collecting data. Highlight the importance of supply chain transparency to the company's due diligence process and the fact that transparency is increasingly expected and required by consumers and legislators.
- Make a distinction between disclosing data for internal use as part of the corporate due diligence process, which guarantees a certain level of confidentiality, and the publication of supply chain data.
- Demonstrate the benefits of supply chain transparency for the supplier (e.g. risk identification, improved quality and product management, competitive advantage through disclosure of supply chain data).
- Be prepared for questions from suppliers regarding in particular (financial) support for data collection and the consequences of not sharing information or uncovering human rights violations.

You can also:

- Lay down data disclosure provisions (contractually) before order placement and, if necessary, specify the purposes for which the data may be used (internal use or publication).
- Confirm verbally or in writing that the data disclosed will not be used for personal gain.
- Provide incentives for suppliers (e.g. longer-term contracts, inclusion as a regular supplier, improvement of purchasing practices and conditions[10] etc.).

If a supplier is not willing to share information, you may:

- Enter into dialogue with the supplier and explain the issue directly. It is important not to interpret a refusal or lack of information/incomplete disclosure straight away as 'non-compliance', but to engage in dialogue with the supplier to better understand their reasoning and identify solutions.
- Propose that data should be transferred in stages in order to build mutual trust.
- Over the long term, check whether the existing basis of trust is sufficient for further cooperation with the supplier.
- Research other initiatives and standards or exchange information with other members on whether corresponding data are already available for the specific supplier (the preliminary stages stated may differ) or existing information can be obtained via the standards organisations.

If you have just started the process of collecting data, you may not yet have established a long-term, trust-based relationship with your suppliers. In this case, you will probably have to invest time in convincingly demonstrating to your suppliers the added value transparency brings. It will also take time for the data collection process to be established. Be aware that this process will be slow and that you may not receive all the information immediately.

10 Cf. the principles of the Common Framework for Responsible Purchasing Practices (CFRPP), www.cfrpp.org

Choosing the right timing for the supplier dialogue

It is generally advisable to start the dialogue on implementing due diligence processes at the outset of the supplier relationship and to broaden it to include specific topics as required. You should also address the issue of supply chain transparency at an early stage and ideally enter data for the prioritised supply chains when the order is placed, i.e. before production starts. Some suppliers are no longer willing to provide the required information after an order has been completed. The Fair Labor Association (FLA) regards the development and sample phase – before the order is finalised – as being the ideal time, as this is when suppliers are considered to be most willing to cooperate.[11]

It is important to note that indirect suppliers (material, inputs, etc.) have often not been selected prior to or at the time of order placement. Any data entered at this point may therefore be incorrect. To avoid this risk, you can:

- Postpone the request to send production samples.
- Enquire during or after production whether the information is still correct.
- Oblige the supplier to report any relevant changes.

Due to the dynamic nature of supply chains, it is not enough to record the information just once. To ensure that data remain up to date, you may need to review them again periodically.

Deeper supply chain: making contact with indirect suppliers

Access to sub-suppliers will be easier if contact is made by the relevant purchasers in the supply chain. This means that initial contact with your Tier 2 suppliers is best established through or together with your Tier 1 suppliers. If both Tier 1 and Tier 2 suppliers participate in the same initial meeting, collaboration is enhanced because suppliers can develop a common understanding of the purpose of the due diligence processes and supply chain transparency.

Since your supplier faces similar difficulties in procuring data in its supply chain (e.g. concerns about being left out as a result of disclosure of indirect suppliers), it is in your own best interests to support them in dialogue and trust-building with their suppliers. To do this you can, for example, draft a written request, compile positive examples, deal with direct communication with the sub-suppliers, or suggest changes to supplier contracts.

If you work primarily with **importers or agents**, it is essential to involve these stakeholders in the process of procuring supply chain data. Importers and agents need the same preparation and motivation to collect and share supply chain data as direct suppliers. Open dialogue about the purpose of data collection can be helpful. You could also include the disclosure of certain supply chain data directly in the contract you sign with the importer or agent.

11. Fair Labor Association (FLA): Supply Chain Mapping, Traceability, Transparency 1.0

Documenting relevant information

The decision as to what supply chain data you collect should be risk-based and aimed at providing further information for assessing risks and implementing measures. For a more in-depth analysis of potential or actual risks, it is usually not enough to enter just the supplier's name and address. It is recommended that you collect the following data from suppliers and stakeholders along the prioritised (sub-)supply chain to facilitate a better assessment of the risk potential:

- Name of the company
- Legal form
- Contact
- Parent company
- Location/address (GPS data where applicable)
- Stage in the supply chain (production processes, tier)
- Production types or categories
- Product types
- Number of employees (ideally broken down by gender and nationality)
- Type of employee representation
- Available certificates, audits and memberships (e.g. ISO 9001, ISO 14001, SA8000, Global Compact, ETI, BSCI, FLA)

If you have already identified certain risk areas, you should try to obtain more information about them in your request for data so as to assess the risk even more accurately.

NB: It is important to remember that the more sensitive the data requested, the higher the probability that the (sub-)supplier will refuse to cooperate. This is why it is important to select data during the planning phase in a targeted manner.

EXAMPLE

Based on the data available to you, you anticipate that the risk when using chemicals will be particularly high. You therefore arrange to have additional data collected that are specifically relevant to this area (for example details on production processes, relevant certifications, existence of a chemicals management system, etc.).

Ensuring data quality

The deeper you delve into the supply chain, the more difficult it is to ensure the quality of the data provided and check their accuracy. The leverage of companies usually decreases and it becomes increasingly difficult to directly assign products and production processes to your company.

If data quality is to be guaranteed, it is vital to build the capacities of the organisations and individuals involved. Data quality will be improved if defined procedures are in place and the responsible workers and managers are sufficiently trained. The following measures may also help safeguard data quality:

- Request a self-declaration from suppliers on the completeness of the data, with the provision of supporting documents to verify the information.
- Conduct cross-checks with existing data (for example, using the Open Supply Hub to clearly locate the production site).
- Carry out on-site visits.
- Arrange for checks to be carried out by external agencies.

Besides the validity of the data, formal aspects are also relevant. For instance, in what language is the information provided available? Can the data be transferred to your company's own IT system? Can the stated address be clearly assigned?

USEFUL LINKS: Supplier dialogue

Guidelines and tools (AGT & FLA)

As part of a joint project implemented by the Dutch Agreement on Sustainable Garments and Textile (AGT) and the Fair Labor Association (FLA) on combating child labour in textile supply chains, a range of tools and guidelines were developed for mapping the (deeper) supply chain, including:

- Recommendations for data collection for child labour risk mapping
- Guidelines and recommendations for the dialogue with suppliers
- Guidelines for suppliers for the dialogue with suppliers

Cooperation in the supply chain between obligated companies and their suppliers (BAFA & Business & Human Rights Helpdesk)

This guideline provides specific practical examples and recommendations for cooperation between companies subject to due diligence and their suppliers along the supply chain.

5. Disclosure of supply chain data

The disclosure of supply chain data to external stakeholders is becoming increasingly important. More and more companies are voluntarily disclosing their supplier lists on their websites or using QR codes to provide consumers with direct insights into product information, including raw material production.

This is due in part to the fact that disclosing supply chain data opens up various opportunities for companies:[12]

- An increasing number of consumers demand that companies provide information on where and under what conditions their products are made. A company that publishes relevant data builds trust with its customers and in so doing can strengthen its brand.
- Many companies are hesitant to disclose their own supply chain information to the public because they fear competitive disadvantages. However, studies show that this does not have to be the case. On the contrary, disclosure can even represent a competitive advantage and lead to higher sales.[13]
- The disclosure of data opens up new opportunities for collaboration with other stakeholders. For example, the Open Supply Hub enables companies to identify which other firms manufacture in the same production facilities. Multi-stakeholder partnerships with civil society stakeholders or trade unions can also be implemented, which generates greater impact and spreads both costs and responsibility among several stakeholders.
- Greater disclosure can also enhance the trust of new investors and facilitate access to new funding.
- Partnership-based cooperation with suppliers can also be fostered through disclosure. Manufacturers that are openly listed as suppliers for certain companies can thus be encouraged to take responsibility for implementing their own sustainability management.
- A company can enhance its reputation as an employer and increase the satisfaction of its employees when it transparently communicates who manufactures its products and where they are made.
- The disclosure of supply chain data opens up new opportunities to enter into dialogue with stakeholder groups that were previously unknown or inaccessible to the company (such as Tier 2 suppliers, or local communities around a Tier 2 production facility).
- Finally, disclosure helps companies to better fulfil the increasing legal requirements for implementing due diligence processes and sustainability communication.

Supply chain data can either be disclosed **individually**, allowing for direct conclusions to be drawn about your company, or **aggregated** in partnerships/organisations/initiatives, making it impossible to draw direct conclusions about your company.

12. See also: www.ethicaltrade.org/resources/towards-greater-transparency-business-case (2017)

13. See 'Do corporate claims on public reporting stack up? The impact of public reporting on corporate competitiveness', Transparency International, 2016, www.eurodad.org

Ways of disclosing individual data

Individual supply chain data (e.g. the names and addresses of Tier 1 and 2 suppliers) are usually made available to the general public through publication, for instance in the sustainability report or on the company website. This expectation placed on companies was formulated by various civil society organisations as part of the Transparency Pledge.[14] The disadvantage of publishing in (annual) reports is that the information is quickly outdated. Data can be updated more quickly on your own company website. This presupposes, however, that data is collected on a more regular basis. It is also possible to disclose individual data about organisations or initiatives.

WHO?	HOW?	ADVANTAGES AND DISADVANTAGES
Companies	○ Company website ○ Sustainability report ○ External platforms, e.g. Open Supply	○ High level of transparency for stakeholders ○ High level of control over the data ○ A lot of administrative effort

Ways of disclosing aggregated data

The disclosure of data in aggregated form, e.g. via industry initiatives, prevents the direct assignment of companies in the supply chain to your own company. There is a link to the initiative/organisation that discloses the data, however, so stakeholders do have a point of contact should they have concerns. If necessary, the initiative/organisation can communicate concerns to the individual company on a confidential basis.

WHO?	HOW?	ADVANTAGES AND DISADVANTAGES
Industry initiatives	○ Data transferred to external platform/industry initiative by the company ○ Suppliers required to disclose information on an external platform	○ Low administrative effort ○ Reduced transparency for stakeholders

14. See The Apparel and Footwear Supply Chain Transparency Pledge www.transparencypledge.org/the-pledge

What data should be disclosed?

The decision on which data are to be disclosed lies with the decision-makers within the companies and should be based on the purpose for their disclosure. For instance, is your company interested in comprehensive transparency vis-à-vis the public? Will disclosure of the name and address of suppliers perhaps not be enough? What are the advantages or disadvantages of disclosing supplementary information (e.g. production processes, number of employees and products manufactured, etc.)? What agreements have been reached with the suppliers in this regard (see Section 3)? Are there possible unintended consequences of disclosure (e.g. cut and run)? The expectations of external stakeholders such as NGOs also play a role in deciding which data are to be disclosed (see e.g. Transparency Pledge).

It is important to disclose only data that has been agreed with the supplier (see Section 3). Otherwise, this can lead to a loss of trust and the supplier may no longer be willing to cooperate if you make a new request. In general, the accuracy of the data should always be taken into account and the list should be updated at regular intervals.

REQUIREMENTS OF THE OPEN SUPPLY HUB	REQUIREMENTS OF THE TRANSPARENCY PLEDGE
• Country (required) • Name of supplier (required) • Address (required) • Sector/product type (recommended) • Production step/processing step • Number of employees • Parent company	• Full name of the supplier/production unit • Location (address) • Tier within the supply chain (processing, transport, etc.) • The parent company of the enterprise at the location • Type of manufactured products • Number of employees at each location

USEFUL LINKS: Disclosure of supply chain data

Open Supply Hub (OS Hub)

The OS Hub is a freely accessible database of production sites for various industries, including the textile industry. Published supplier lists are entered in the database and can be displayed. Various search functions and filter options are available.

Transparency Pledge

The initiative by nine human rights and labour rights organisations and global trade unions calls on companies in the textile industry to publish certain supply chain data in an individually traceable manner.

Better Work Transparency Portal (ILO)

As part of the Better Work initiative of the International Labour Organization (ILO), the names of garment companies and their compliance with national and international labour standards can be registered on the website.

The Institute of Public & Environmental Affairs (IPE)

The IPE platform is a public database where test reports on emissions (e.g. wastewater) from production sites are made available to the public.

Open Data Standard for the Apparel Sector (ODSAS)

In collaboration with WikiRate, the International Corporate Accountability Roundtable (ICAR) and the Clean Clothes Campaign, the OAR has developed practical tips for disclosing supply chain data to facilitate the use and exchange of disclosed data.

6. Checklist to promote supply chain transparency

Promoting transparency in the supply chain is an ongoing process that companies drive forward as part of their risk-based due diligence approach. The following checklist provides an overview of the most important activities that companies can implement step by step on the way to creating greater transparency in the supply chain.

STEPS TOWARDS GREATER TRANSPARENCY IN THE SUPPLY CHAIN	KEY ACTIVITIES
1 Carry out higher-level mapping of the supply chain	• Collect information on the key process steps, stakeholders (direct and indirect suppliers) and locations (countries, regions) along the supply chain. • Make research-based assumptions to close information gaps. • Implement risk prevention and mitigation measures even with limited knowledge of the deeper supply chain.
2 Deepen risk-based data collection	• For deeper risk-based data collection, prioritise those (sub-)supply chains and suppliers where you suspect a high risk potential based on the risk analysis. • Carefully examine the targeted use of digital data tools for supply chain mapping and consider both the opportunities and limitations of the tools. • Improve the traceability of high-risk products in a targeted manner, using information from standards, audits and certifications where appropriate.
3 Engage in dialogue with suppliers to intensify cooperation	• In direct dialogue with suppliers, discuss topics relating to the implementation of due diligence processes – including issues relating to supply chain transparency. • Establish a relationship of trust with suppliers and discuss the disclosure of supplier data. • Work with direct suppliers to make contact with indirect suppliers. • Record relevant supply chain data and ensure data quality.
4 Disclose supply chain data to external stakeholders	• Disclose supply chain data individually, e.g. via the company website or as part of product information. • Disclose supply chain data in aggregated form, e.g. via partnerships/organisations/initiatives. • Update disclosed data on a regular basis.

7. Annex

Requirements of the Partnership for Sustainable Textiles (PST)

The Partnership for Sustainable Textiles currently focuses on the upstream supply chain, ranging from fibre production to garment assembly. In the case of indirect procurement via importers and agents, these are also included in the due diligence processes. A uniform, simplified definition of the different supply chain tiers is applied.

Simplified definition of the tiers in the upstream supply chain in the PST

SUPPLY CHAIN TIER	PROCESS STEPS
Importers and agents (no production of their own)	Trade business partners
Tier 1 Production and assembly of final product	Garment assembly (business partners or manufacturers)
Tier 2 Production of materials (manufacturing of the finished material)	Wet processes (finishing), production of textile fabrics
Tier 3 Raw materials processing	Production of yarn (including chemical fibres), spinning mills, ginners/cotton companies, wool washing/wool combing
Tier 4 Agriculture and cultivation	Cotton/fibre traders, farmer cooperatives, farmers/farms, forestry

Based on the resolutions of the Steering Committee of 12 January 2024 and 22 November 2024 on the design of basic element 2 from 2025, the Partnership for Sustainable Textiles has set down the following requirements for supply chain transparency:

	REQUIREMENTS FOR DATA TRANSMISSION
Process-related/technical requirements	• **Control by the Partnership Secretariat:** The Secretariat assumes that data submitted are correct and therefore does not carry out a plausibility check or comprehensive quality control of the data. If the data are not adequate for submission to the Open Supply Hub, the member will be requested to rectify the situation. • **Tier 1: Obligation of fulfilment** – every member company submits a list of its suppliers to the Partnership Secretariat (at least Tier 1 suppliers) on an annual basis. • **Tier 2: Obligation of means** – where information is missing in Tier 2, the member must explain in writing that their efforts with regard to individual data points were unsuccessful. • **Additional tiers:** Additional supply chain tiers may be submitted voluntarily. • **Taxonomy:** The taxonomy of production steps from the Open Supply Hub is still in use (different level of detail compared with the Partnership definition). • **Timeframe:** Annual submission of data from 1 April to 31 May. • **Format:** Data transmission for Tiers 1 and 2 onwards is done via an Excel template by e-mail to mitglieder@textilbuendnis.com.
Requirements for content	• **Basic requirements:** Only data that can be disclosed are collected – all data supplied are disclosed automatically. This eliminates the data points on the status of the business relationship, direct or indirect procurement, the member's share of factory turnover and comments. • **Data points for Tier 1:** The Excel file for the data request should be based entirely on the OSH template (including the sequence of data points). In addition, data points on sector type or product type (clothing, home textiles, etc.) and processing type (textile or material production, printing, product dyeing and washing, etc.) must be completed. For the internal Partnership list, the name of the member company is entered in an additional first column. • **Data points from Tier 2 onwards:** It must be ensured that a location can be identified based on the country, name and address of the supplier. Entry of data on the type of processing is voluntary.

Green Button requirements

Extract from the requirements for corporate due diligence processes and conditions for product claims from the Green Button Standard 2.0.

No.	INDICATOR	DEVELOPMENT STAGE A Initial evaluation, year 1	DEVELOPMENT STAGE B 2nd surveillance evaluation, year 3
2.1.1	Mapping of the company's own textile supply chains	The company has relevant information on suppliers along its own textile supply chains. This includes at least suppliers at the level of garment manufacturing and wet processes. The information includes at least the location, production types or categories, parent company, product types, number of employees, type of employee representation. In case of missing data, the company documents and justifies information gaps for the listed process steps and demonstrates corresponding efforts to obtain data. Based on the results of the risk analysis (2.1.6), the company has set goals for increasing/deepening the data. The implementation of the goals is defined in an action plan.	The company has further relevant information on suppliers along its own textile supply chains. This includes at least suppliers at the level of textile and yarn production. The information includes at least the location, production types or categories, parent company, product types, number of employees, type of employee representation. At the level of raw material extraction, the company at least has information on the country and region of origin. In case of missing data, the company documents and justifies information gaps for the listed process steps and demonstrates corresponding efforts to obtain data. Based on the updated results of the risk analysis (2.1.6), the company has set itself further goals to increase/deepen the data. The implementation of the goals is defined in an action plan.
4.2.7	Increasing supply chain transparency	The company publishes a list of all sourcing countries for the level of garment manufacturing (including outsourced process steps of printing, embroidery and washing) and wet processes (process steps of finishing, bleaching and dyeing) on its website. The company also lists the regions per country from which it procures and identifies general information gaps.	The company publishes a list of all sourcing countries up to raw material extraction on its website. The company also names per country the regions from which it procures and identifies general information gaps.

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