

EIRIS News release

Big businesses fail to protect the rights of workers in their global supply chains

17 December 2009

EIRIS' latest research identifies corporate breaches of the International Labour Organisation's (ILO) conventions on child labour, forced labour, trade union rights and equal opportunities in the supply chains of some of the world's biggest companies.

Based on EIRIS' Convention Watch research, the report [A Risky Business? Managing core labour standards in company supply chains](#) finds that 45% of companies analysed have no policy or management systems in place to protect labour standards in their supply chain and fail to report on the issue.

However, some companies appear to be responding to pressure from investors, NGOs and consumers on supply chain labour standards. 13% of developed world large and mid-cap companies are assessed by EIRIS as high or medium risk for supply chain labour standards and 66% of those companies are from the consumer industry. This industry demonstrates not only the most advanced response to breaches themselves, but is also the most likely to have been accused of such breaches and to respond to such allegations.

Two consumer industry case studies of supply chain allegations are examined in this report, in relation to Gap and Primark.

Key findings:

- 13% of large and medium sized companies in the developed world are assessed by EIRIS as high or medium risk for supply chain labour standards
- Products which have the greatest risk of poor labour standards associated with their manufacture include clothing, footwear, toys, consumer electronic items and some agricultural products
- European and North American companies are the most likely to have been accused of breaching labour standards in their supply chains

- 90% of European companies and 70% of North American companies are rated as 'good' or 'intermediate' in their response to allegations of breaches of labour standards in their supply chains
- Companies in the consumer industry are most likely to have been accused of breaching labour standards in their supply chains
- The consumer industry also has the most advanced response to such allegations, with almost 40% of consumer goods company responses to allegations being assessed by EIRIS as 'good' and none assessed as having 'no evidence' of a response

A breach of supply chain labour standards represents a risk to investors as it can affect company value and performance. EIRIS' research enables investors to identify companies at risk of breaching core labour standards in their supply chain. It includes recommendations and suggestions on how investors can engage with companies to reduce risk and improve performance.

EIRIS' report also identifies the industries and countries at greatest risk, explores stakeholder concerns and examines the implications for investors. Examples of best practice on supply chain management are also included.

Dawn McLaren, report author and Head of Consumer Goods & Services Research at EIRIS said: "To reduce the risk of breaching ILO standards companies should link their management systems for supply chain labour standards with their internal procurement systems but very few are doing this."

"Companies are getting better at providing information on initiatives they have in place to protect labour standards in their supply chains. But more information is needed on what they uncover in their supply chains, such as the level of non-compliance amongst suppliers. This will help investors gain a better understanding of supply chain risk and enable them to track improvements in this area" she continued.

To download a full copy of the research report click [here](#).