



**MEKONG  
CLUB**

## **Transparency Legislation Guide for Suppliers**

This document aims to summarise the impact of anti-slavery/HRDD legislation on businesses operating in global supply chains and help them fulfil their obligations. It introduces measures for factories to provide good working conditions.



## What is anti-slavery/HRDD legislation?



At the global level, new laws are coming into force to address the human rights accountability of private companies in their supply chains - known as anti-slavery legislation and human rights due diligence legislation (HRDD).

Companies are now proactively working to improve their human rights efforts to understand and mitigate risks in their supply chains.



Anti-slavery/HRDD legislation, in line with the [UNGPs](#) and the [OECD MNE Guidelines](#) are requiring companies to assess actual and potential human rights impacts; integrate and act on the findings; track responses; and communicate about how impacts are addressed.



## What kinds of HRDD legislation are there?

### DISCLOSURE:

Some anti-slavery/HRDD legislation requires companies to disclose their human rights efforts, like the [California Transparency in Supply Chains Act](#), the [United Kingdom Modern Slavery Act](#) and the [Australia Modern Slavery Act](#).

### DISCLOSURE + DUE DILIGENCE:

More stringent HRDD legislation requires companies to perform due diligence in inspecting their supply chains and report on due diligence efforts, like the [France Duty of Vigilance Act](#), the [Norwegian Transparency Act](#), the Swiss [Transparency on Non-Financial Matters](#) and [Due Diligence and Transparency in relation to Minerals and Metals from Conflict-Affected Areas and Child labor](#), and the [Canada Bill S-211](#).

### DISCLOSURE + DILIGENCE + REMEDIATION:

HRDD legislation has become increasingly strict. The [German Supply Chain Due Diligence Act](#) and the [Corporate Sustainability Due Diligence Directive \(CSDDD\)](#) - which covers all member countries as well as companies generating a significant turnover in the EU - require companies to:



integrate due diligence into management systems



conduct risk assessment



establish a grievance mechanism to enable workers and other stakeholders in the supply chain to report concerns



monitor progress and report on due diligence efforts.

For additional details regarding Transparency Legislation, kindly reach out to [info@themekongclub.org](mailto:info@themekongclub.org).

## Consequences for companies affected (buyers)



Buyers may fall under the jurisdiction of one or more of HRDD laws, which may impact their entire supply chain, from direct suppliers to lower tiers of the supply chain.



Companies associated with allegations of forced labour/poor labour practices may face brand damage, NGO pressure, class-action lawsuits, and criminal prosecution resulting in heavy fines and other penalties. They may also face censure from customers and investors.



Companies are stepping up their inspection and verification of actors in the supply chain, going beyond Tier 1 suppliers. Measures are going beyond code of conducts and social audits. Businesses are implementing solutions to engage workers such as direct worker voice and grievance mechanisms.

## Consequences for suppliers of companies affected (suppliers)



Suppliers in violation of human rights and labour standards will find their business relationship at risk. While companies are moving away from immediate termination to more remediation-focused approaches, suppliers are also expected to increasingly take a proactive approach in implementing due diligence measures.



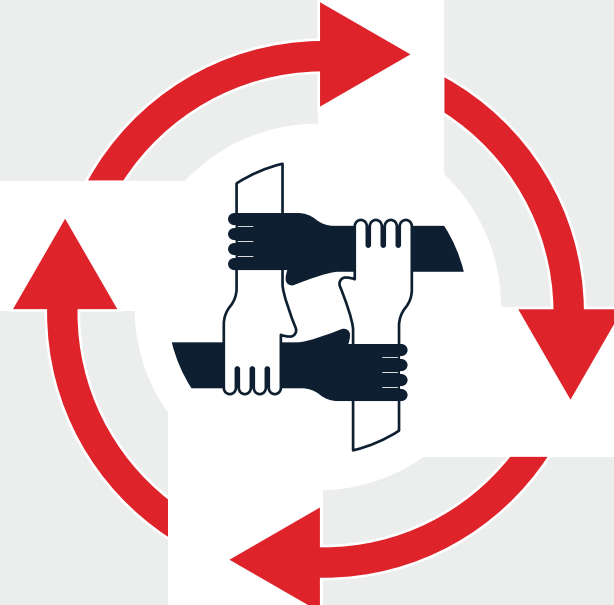
In order to keep business, it is important for suppliers to understand and comply with the legal obligations and expectations of buyers.

1) Identify primary risks to workers and main compliance issues within supplier factories and upstream supply chain. Prevention is better than cure.



2) Engage with buyers and other relevant stakeholders to create plans for reaching international standards of HRDD:

- specific actionable steps for improvement on identified compliance issues
  - training for management on labour rights and remediation
  - actively participate in the development of grievance mechanism/worker voice programmes
  - educate workers on labour rights and grievance channels/worker voice

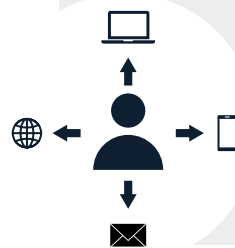


4) Cooperate with buyers and third-party organisations in the investigation and remediation of potential human rights issues



3) Maintain open channels of communication with buyers on due diligence implementation and potential requests for support

- communicate operational issues on business and production capacity
- collaborate on improving responsible purchasing standards
- improve transparency to remediate operational issues together





## Fair work standards

- Workers should be paid a legal minimum wage or a minimum wage meeting local industry standards, covering their basic needs and some discretionary income
- Production quotas and work rates should be set at reasonable levels that do not require workers to work beyond regular working hours to earn minimum wage
- All overtime should be voluntary and in compliance with national and international standards on working hours
- Addressing issues of excessive overtime should be in communication with client companies to outline steps for improvement
- Overtime work should be paid at a higher rate than regular work
- Workers should be allowed at least one day off for every seven days
- Workers should be paid regularly in cash at least once per month
- For every pay period, workers should be provided with a detailed wage statement in a language they can understand
- Workers should all be contracted to work directly
- Effective operational grievance mechanisms should be developed at the factory level for workers to communicate and resolve issues with management transparently and without fear of repercussion



## Preventing forced labour

- Forced labour standards: recruitment through deception or coercion, restriction on voluntarily ending employment, restriction on worker movement should be prohibited
- Workers should be recruited through transparent and fair methods
- If using a third-party recruitment agency, perform due diligence prior to contracting with them to ensure legal and ethical recruitment processes
- Do not misuse contracts or recruiting fees/paperwork against workers
- Do not collect a deposit/bond or withhold earnings from workers at any point
- Additional contracts or contracts with substantial modifications should not be imposed upon the worker
- Workers should have free access to their passport, identification/travel documents, and valuable items
- Workers should retain freedom of movement, and reasonable restrictions based on safety concerns should be clearly communicated to workers
- Workers should retain the right to voluntarily terminate their employment under contract conditions



## High risk populations: foreign migrant workers

- Foreign migrant workers are especially vulnerable to exploitation: language barrier, lack of access to support, frequent recruitment through third party agencies, fear based in irregular immigration status
- Facilities should be responsible for paying for the recruitment and immigration fees of foreign migrant workers
- Facilities should be responsible for paying for the transportation of the foreign worker back to their home country upon termination of employment
- Contracts of foreign migrant workers should be clear in a language they can understand and enforceable in both the country of work and their home country
- Recruitment agency due diligence is especially important in the recruitment of foreign migrant workers




## High risk populations: unauthorised subcontracting

- Unauthorised subcontracting presents risks for the human rights due diligence compliance of both suppliers and client companies as downstream subcontractors may not have been subject to the same degree of scrutiny on human rights and labour issues
- Some companies have rejection of unauthorised subcontracting built into contract language with suppliers and hence such practices may put business relationships with client companies at risk
- The potential need to use unauthorised subcontracting may be related to issues of unreasonable production orders from client companies (i.e. excessive quantities and/or limited turnaround time), which can be remediated through transparent communication regarding reasonable operational capacity of the supplier




Contact us at:


 [info@themekongclub.org](mailto:info@themekongclub.org)

 [www.themekongclub.org](http://www.themekongclub.org)

Follow us on:

 [@themekongclub](https://www.facebook.com/themekongclub)

 [@themekongclub](https://twitter.com/themekongclub)

 [@themekongclub](https://www.linkedin.com/company/themekongclub)

 [@themekongclub](https://www.youtube.com/channel/UC...)